REPORT ON THE EXECUTION OF THE CENTRAL AND LOCAL BUDGETS FOR 2023 AND ON THE DRAFT CENTRAL AND LOCAL BUDGETS FOR 2024

Second Session of the 14th National People's Congress of the People's Republic of China

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Ministry of Finance

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Esteemed Deputies,

The Ministry of Finance has been entrusted by the State Council to submit this report on the execution of the central and local budgets for 2023 and on the draft central and local budgets for 2024 to the present Second Session of the 14th National People's Congress (NPC) for your deliberation and for comments from members of the National Committee of the Chinese People's Political Consultative Conference (CPPCC).

I. Execution of the 2023 Central and Local Budgets

The year 2023 was the first year for fully implementing the guiding principles from the 20th National Congress of the Communist Party of China (CPC), as well as a year of economic recovery following three years of Covid-19 response. Under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, all local authorities and government departments firmly followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and fully applied the guiding principles from the 20th CPC National Congress and the Second Plenary Session of the 20th CPC Central Committee.

Acting on the decisions and plans of the Party Central Committee and the State Council, we stayed true to the general principle of pursuing progress while ensuring stability and rigorously executed the budgets reviewed and approved at the First Session of the 14th NPC. We deepened reform and opening up across the board and intensified macro regulation, with the focus on expanding domestic demand, optimizing structures, boosting confidence, and preventing and defusing risks. As a result, China achieved overall economic recovery and growth, made solid progress in pursuing high-quality development, and took firm strides in building a modern socialist country in all respects. Execution of both the central and local budgets was satisfactory.

1. Revenue and expenditure in the general public budget in 2023

In the course of executing the budgets in 2023, as reviewed and approved at the Sixth Session of the Standing Committee of the 14th NPC, an additional 1 trillion yuan of government bonds was issued in the fourth quarter to support local governments in post-disaster recovery and reconstruction and in boosting their capacity for disaster prevention, mitigation, and relief. Of this figure, 500 billion yuan was allocated in 2023, while the remaining 500 billion yuan has been carried forward to 2024, with a corresponding adjustment in the budget at the start of the year.

1) National general public budget

Revenue in the national general public budget was 21.678437 trillion yuan, representing 99.8% of the budgeted figure and an increase of 6.4% compared with 2022. Revenue included tax receipts of 18.112936 trillion yuan, an increase of 8.7%, and non-tax revenue of 3.565501 trillion yuan, a decrease of 3.7%. With the addition of 1.684068 trillion yuan of funds transferred from budget stabilization funds, budgets of government-managed funds, and budgets of state capital operations as well as utilized carryover and surplus funds, total revenue reached 23.362505 trillion yuan. Expenditure in the national general public budget was 27.457381 trillion yuan, representing 98% of the budgeted figure and an increase of 5.4%. With the addition of 285.124 billion yuan used to replenish the Central Budget Stabilization Fund and the 500 billion yuan carried forward to 2024, total expenditure reached 28.242505 trillion yuan. Total expenditure exceeded total revenue, leaving a deficit of 4.88 trillion yuan, which is consistent with the figure projected.

2) Central general public budget

Revenue in the central government's general public budget was 9.956582 trillion yuan, representing 99.4% of the budgeted figure and an increase of 4.9%. Adding in 150 billion yuan from the Central Budget Stabilization Fund and 635 billion yuan from the budgets of central government-managed funds and central government state capital operations, total revenue came to 10.741582 trillion yuan. Expenditure in the central government's general public budget totaled 14.116458 trillion yuan, representing 98% of the budgeted figure and an increase of 6.5%. This figure includes: central government expenditures of 3.821939 trillion yuan, representing 100.9% of the budgeted figure and a 7.4% increase; and transfer payments to local governments of 10.294519 trillion yuan, representing 97.5% of the budgeted figure and a 6.2% increase. This was mainly due to the fact that transfer payments to local governments from some central government budgetary investments were recategorized as central government expenditures during the execution of budgets and that actual expenditures on some items were lower than the budgeted amount. With the addition of 285.124 billion yuan contributed to the Central Budget Stabilization Fund and 500 billion yuan carried forward to 2024, total expenditure reached 14.901582 trillion yuan. Total expenditure exceeded total revenue, leaving a deficit of 4.16 trillion yuan, which is consistent with the figure projected.

Viewing from the main revenue items in the central government's general public budget, the economic recovery and growth laid a solid foundation for meeting the revenue targets in 2023. However, owing to a low level of prices, particularly producer prices, newly-introduced tax reduction policies in the middle of 2023, and a lack of effective demand, revenues for the major tax categories were not in line with budgeted figures. Domestic value-added tax (VAT) revenue reached 3.458783 trillion yuan, representing 103.9% of the budgeted figure and a 42.6% increase. This surplus was primarily due to the low base we started from as a result of a large-scale VAT credit refund policy implemented in 2022. Domestic excise tax revenue was 1.611781 trillion yuan, representing 95.5% of the budgeted figure and a decrease of 3.5%, which was caused primarily by decreases in excise tax revenue from cigarettes, refined oil products, and other items. Corporate income tax revenue was 2.640915 trillion yuan, representing 90.9% of the budgeted figure and a 5.2% decrease, mainly due to a fall in enterprise profits. Individual income tax revenue totaled 886.528 billion yuan, representing 90.4% of the budgeted figure and a 1% decrease. This discrepancy was mainly caused by an increase in some special additional deductions for individual income tax. Revenue from stamp duty on securities transactions was 180.06 billion yuan, representing 71.5% of the budgeted figure and a 34.7% decrease, due primarily to the introduction of a policy in the middle of 2023 to halve stamp duty on securities transactions. Revenue from customs duties totaled 259.087 billion yuan, representing 88.9% of the budgeted figure and a 9.4% decrease; and revenue from VAT and excise tax on imports came to 1.948482 trillion yuan, representing 94.5% of the budgeted figure and a decrease of 2.6%, mainly due to lower prices for commodities and a decrease in imports.

Viewing from the main expenditures in the central government's general public budget, spending on major sectors was effectively guaranteed. Diplomatic spending totaled 57.031 billion yuan, 104% of the budgeted figure. National defense spending was 1.553678 trillion yuan, 100% of the budgeted figure. Public security expenses totaled 224.558 billion yuan, 107.5% of the budgeted figure. Spending on education came to 157.081 billion yuan, 101% of the budgeted figure. Spending on science and technology was 337.118 billion yuan, 102.8% of the budgeted figure. Spending on stockpiling grain, edible oils, and other materials was 130.094 billion yuan, 97.9% of the budgeted figure. Interest payments on debt amounted to 694.596 billion yuan, 96.1% of the budgeted figure.

The situation regarding central government transfer payments to local governments was as follows. General transfer payments totaled 8.514578 trillion yuan, 97.7% of the budgeted figure. Special transfer payments came to 804.067 billion yuan, 94.6% of the budgeted figure. One-time special transfer payments to support primary-level governments in implementing tax and fee cuts and ensuring key public wellbeing projects reached 475.874 billion yuan, 95.2% of the budgeted figure. This was mainly because subsidies allocated to local governments based on the actual expenditures in accordance with the VAT credit refund policy were lower than the budgeted amount; and local governments are moving faster to utilize the 500 billion yuan from the issuance of additional government bonds in subsidies for post-disaster recovery and reconstruction and improvement of capacity for disaster prevention, mitigation, and relief.

In 2023, a total of 82 million yuan of revenue exceeding the budgeted figure at the start of the year and 285.042 billion yuan of unspent funds (including 50 billion yuan of central government reserve funds that had not been used and was transferred to unspent funds in 2023) in the central general public budget were contributed in full to the Central Budget Stabilization Fund. Adding in 7.434 billion yuan of carryover and surplus funds from central government-managed funds, the Central Budget Stabilization Fund had a balance of 398.139 billion yuan at the end of 2023.

3) Local general public budget

Revenue in the local general public budget was 22.016374 trillion yuan. This figure includes 11.721855 trillion yuan in local government revenue, an increase of 7.8%, and 10.294519 trillion yuan in transfer payments from the central government. With the addition of 899.068 billion yuan transferred from local budget stabilization funds, the budgets of local government-managed funds, and the budgets of local government state capital operations as well as utilized carryover and surplus funds, total revenue reached 22.915442 trillion yuan. Expenditures in the local general public budget totaled 23.635442 trillion yuan, a 5.1% increase. Total expenditure exceeded total revenue, creating a local government deficit of 720 billion yuan, which is consistent with the figure projected.

2. Revenue and expenditure of government-managed funds in 2023

Revenue of China's government-managed funds in 2023 was 7.070485 trillion yuan, representing 90.5% of the budgeted figure and a decrease of 9.2%, mainly due to a 13.2% decrease in proceeds from local government sales of state-owned land-use rights. Adding in 739.309 billion yuan carried over from 2022 and 3.8 trillion yuan raised by local governments through special-purpose bonds, total revenue amounted to 11.609794 trillion yuan. Expenditure of all government-managed funds amounted to 10.133859 trillion yuan, representing 85.9% of the budgeted figure and a decrease of 8.4%. This was mainly due to the drop in proceeds from local government sales of state-owned land-use rights, which resulted in a corresponding reduction in expenditure.

Revenue of central government-managed funds was 441.754 billion yuan, representing 106.5% of the budgeted figure and an increase of 7.1%. Adding in the funds carried forward from 2022, total revenue came to 1.181063 trillion yuan. Expenditure of central government-managed funds amounted to 574.442 billion yuan, representing 96.7% of the budgeted figure. Broken down, this figure includes 485.123 billion yuan of central government spending and 89.319 billion yuan of transfer payments to local governments. Funds transferred from central government-managed funds to the central general public budget amounted to 560 billion yuan. Revenue of central government-managed funds exceeded expenditure by 46.621 billion yuan. Of this figure, 39.187 billion yuan was carried forward to 2024, while 7.434 billion yuan was used to replenish the Central Budget Stabilization Fund in accordance with regulations.

Revenue of local government-managed funds was 6.628731 trillion yuan, a decrease of 10.1%. This was due mainly to a drop in proceeds from the sale of state-owned land-use rights. Adding in transfer payments of 89.319 billion yuan from central government-managed funds and 3.8 trillion yuan raised by local governments through special-purpose bonds, total revenue came to 10.51805 trillion yuan. Expenditure of local government-managed funds totaled 9.648736 trillion yuan, a decrease of 8.2%. This reduction in expenditure was mainly in response to the drop in proceeds from the sale of state-owned land-use rights.

3. Revenue and expenditure of state capital operations in 2023

In accordance with relevant management regulations for the budgets of state capital operations, revenue from state capital operations is mostly collected as a certain proportion of the net profits of state-owned enterprises (SOEs) from the previous year, while expenditure is planned according to the principle of balance between expenditure and revenue.

Revenue of state capital operations nationwide was 674.361 billion yuan, representing 125.9% of the budgeted figure and an increase of 18.4%. This surplus was mainly due to a sizeable increase in revenue of local government state capital operations as a result of local government's intensified efforts to dispose of assets and a rise in revenue from one-off transfer of state assets. Expenditure totaled 334.522 billion yuan, representing 96.4% of the budgeted figure and a decrease of 1.5%.

Revenue of central government state capital operations was 226.359 billion yuan, representing 93.9% of the budgeted figure and a decrease of 3.4%. With the addition of 8.892 billion yuan carried over from 2022, total revenue was 235.251 billion yuan. Expenditure of central government state capital operations reached 149.516 billion yuan, representing 85.5% of the budgeted figure and a decrease of 12.6%. This included 145.061 billion yuan of central government spending and

4.455 billion yuan in transfer payments to local governments. Funds allocated from the central government state capital operations budget to the central general public budget amounted to 75 billion yuan. A sum of 10.735 billion yuan of revenue from these operations has been carried over to 2024.

Revenue of local government state capital operations reached 448.002 billion yuan, an increase of 33.6%. Adding in 4.455 billion yuan in transfer payments from the central government state capital operations budget to local governments, total revenue was 452.457 billion yuan. Expenditure of local government state capital operations was 189.461 billion yuan, an increase of 9.2%. Funds allocated from the local government state capital operations budget to the local general public budget amounted to 262.996 billion yuan.

4. Revenue and expenditure of social insurance funds in 2023

Revenue of social insurance funds nationwide was 11.149969 trillion yuan, representing 102% of the budgeted figure and an increase of 8.8%. Revenue included 8.178466 trillion yuan in insurance premiums, a rise of 9.1%, and 2.489926 trillion yuan in government subsidies, an increase of 8.5%. Expenditure of social insurance funds nationwide totaled 9.928129 trillion yuan, representing 101.3% of the budgeted figure and an increase of 9.6%. The social insurance fund surplus for 2023 was 1.22184 trillion yuan, which was rolled over to make the year-end balance 12.878272 trillion yuan.

Revenue of the central government social insurance fund was 37.538 billion yuan, representing 73.9% of the budgeted figure. Expenditure of the central government social insurance fund was 38.891 billion yuan, representing 76.1% of the budgeted figure. This was mainly due to the fact that the process of transferring some qualified organizations to the basic old-age insurance system for employees of central Party and government bodies and public institutions in Beijing was slower than expected. Unified national management of enterprise employees' basic old-age insurance funds was implemented, with 271.58 billion yuan turned in by local governments for central regulation and 271.632 billion yuan reallocated by the central government. The shortfall of 52 million yuan was mainly covered with interest income earned from centrally-regulated funds in 2022. Taking that into account, expenditure of the central government social insurance fund in 2023 exceeded revenue by 1.405 billion yuan, leaving a year-end balance of 7.813 billion yuan.

Revenue and expenditure of local government social insurance funds reached 11.112431 trillion yuan and 9.889238 trillion yuan, respectively. Taking account of the above-mentioned shortfall of 52 million yuan, the year-end balance totaled 12.870459 trillion yuan after the surplus for 2023 of 1.223245 trillion yuan was rolled over. Provinces in the central and western regions and in the northeastern region and other regions where old industrial bases are located benefited from the allocation of these funds to the sum of 271.632 billion yuan.

At the end of 2023, outstanding central government debt was 30.03255 trillion yuan, which was within the NPC-approved budgeted limit of 30.860835 trillion yuan. Outstanding local government debt totaled 40.737293 trillion yuan, which included 15.868748 trillion yuan of general debt and 24.868545 trillion yuan of special debt. This figure was also within the NPC-approved budget limit of 42.16743 trillion yuan.

5. Implementation of the main fiscal and tax policies and other major fiscal work in 2023

In 2023, finance departments conscientiously implemented the decisions and plans of the Party Central Committee and the State Council, adhered to the Budget Law and its implementation regulations and the Guidelines on People's Congresses Expanding the Focus of Budget Review and Oversight to Expenditure Budgets and Policies, and worked as required by the outcomes of the NPC's deliberations and their comments on the budgets. Based on a proactive fiscal policy and enhanced fiscal management oversight, we combined efforts to strengthen macro regulation, expand domestic demand, foster new drivers of growth, and prevent and defuse risks, thus helping to promote overall economic recovery and growth.

- **We enhanced the intensity and effectiveness of our proactive fiscal policy to facilitate recovery and growth of our economy.**

Improving supporting policies through tax and fee cuts

Based on a comprehensive review of tax and fee reduction policies, we continued with and refined the implementation of some temporary preferential tax and fee policies, with a focus on helping market entities overcome difficulties and achieve growth. This included continuing to reduce or waive VAT for small-scale taxpayers, extending the policy of halving individual income tax to more self-employed individuals, halving "six taxes and two surcharges"[*] on all micro and small businesses, and halving urban land-use tax on the commodity storage facilities of logistics companies. Timely new tax reduction policies included increasing elderly care and childcare-related special additional deductions for individual income tax and halving stamp duty on securities transactions. We enhanced publicity for tax and fee reduction policies and issued relevant guidance to ensure more effective policy implementation. Additional tax and fee cuts

[*] This refers to resource tax (excluding water resource tax), urban construction and maintenance tax, property tax, urban land-use tax, stamp duty (excluding stamp duty on securities transactions), tax on farmland used for nonagricultural purposes, education surcharges, and local education surcharges.

exceeded 2.2 trillion yuan for the year.

Expanding investment and stimulating consumption

We approved an additional 3.8 trillion yuan of local government special-purpose bonds and put funds from the sale of these bonds to broader use, channeling them toward the renovation of urban villages and the development of integrated 5G facilities and using them as project capital for building heating and gas supply facilities. We both encouraged and attracted the participation of nongovernmental capital in advancing the development of major transportation, water conservancy, and energy projects with both short-term and long-term benefits. Another 15 demonstration cities received support to develop themselves into "sponge cities." Policies on additional VAT deductions for the producer and consumer service industries were implemented to further promote development of the service sector. We refined the policy of reducing or exempting the purchase tax on new energy vehicles and supported the construction and operation of battery charging and swapping infrastructure. This contributed to a 37.9% increase in sales of new energy vehicles in 2023. To ensure smooth logistics flows, we supported an additional 10 cities in serving as national comprehensive freight hubs to shore up operation chains.

Adopting multiple measures to stabilize employment

We raised employment subsidies and continued to implement policies such as premium reductions for unemployment insurance and workers' compensation as well as the refunding of premiums for enterprises to help them maintain stable employment. The ceiling on guarantee loans for business startups was raised to 300,000 yuan for individuals and to 4 million yuan for micro and small businesses. We also supported a plan to offer one million internships and selected 20 demonstration cities for building capacity to provide public employment services. Enterprises were encouraged to create jobs, and the channels through which key groups can start businesses or find jobs were expanded.

- **We strengthened the leading role of innovation to improve and upgrade the economic structure.**

Supporting scientific and technological innovation

We increased central government expenditures on basic research by 6.6% and expanded application of the contract system for basic research project funding to support researchers in cutting-edge explorations. We ensured ample funding for research on core technologies in key fields and supported the launch of a number of major scientific and technological projects, with a view to facilitating new scientific and technological breakthroughs in China. We established global scientific research funds to expand science and technology exchanges and cooperation with other countries.

Promoting high-quality development of the manufacturing sector

Special funds for rebuilding industrial foundations and promoting high-quality development of the manufacturing sector were increased by 20.3%, with a focus on supporting the development of integrated circuits and other key sectors. We introduced a policy on additional VAT deductions for advanced manufacturing enterprises, raising the rate of additional pre-tax deductions for research and development (R&D) expenses to 120% for eligible manufacturers of integrated circuits and industrial machine tools. This move has further eased the tax burden on enterprises in key industrial chains. We raised the rate of additional pre-tax deductions for R&D expenses for eligible industries and enterprises from 75% to 100% and established relevant institutions for implementing this arrangement on a long-term basis, so as to encourage enterprises to increase R&D spending. We supported an initial batch of 30 cities in launching trials to explore models for the digital transformation of small and medium-sized enterprises (SMEs). We continued to grant rewards and subsidies to SMEs that use special and sophisticated technologies to produce novel and unique products, providing guidance for the development of 103,000 such enterprises at the provincial level and 12,000 such enterprises that are "little giants" at the national level.

- **We worked even harder to safeguard people's wellbeing and made concrete efforts for their benefit.**

Better guaranteeing the three priorities at the local level

Central government transfer payments to local governments exceeded 10 trillion yuan, which ensured more robust support for guaranteeing the three priorities of people's basic wellbeing, payment of salaries, and normal government functioning at the local level. To better manage rewards and subsidies under the mechanism for ensuring basic government funding at the county level, we tilted more funding toward areas that had difficulty in ensuring the three priorities due to inadequate financial resources. We provided guidance to provincial governments on channeling more financial resources to lower-level governments and increased fiscal guarantees and fund allocations to prefectures and counties with financial difficulties. We also stepped up monitoring and early warning efforts for fiscal operations in order to fully grasp how local governments guaranteed the three priorities and urge them to play a principal role in this regard.

Intensifying support for education

Beginning from the spring semester in 2023, the benchmark for public funding was raised from 650 yuan to 720 yuan per student in primary schools, and from

850 yuan to 940 yuan per student in junior high schools, with a view to supporting schools' efforts to relieve students of excessive burdens from homework and off-campus tutoring and improve after-school services. In six provinces, we trialed an academic discipline-based system to provide differentiated funding to vocational schools on a per student basis, with funds tilted toward disciplines producing graduates for which there is an urgent and special need. We supported the building of national training centers for high-level talent in mathematics, physics, chemistry, and biology and sped up the development of world-class universities and strong disciplines with Chinese features. We continued the temporary policy of waiving interest payments on government-subsidized student loans to college graduates with financial difficulties and granted extensions on the principal repayments for these loans. The cap on government-subsidized loans to undergraduate and graduate students was raised by a significant margin.

Supporting healthcare development

We temporarily extended the policy on subsidizing Covid-19 treatment expenses and other relevant medical expenses to smooth the transition between different stages of Covid-19 response. Government subsidies for basic medical insurance for rural and non-working urban residents were increased to 640 yuan per person per year, and government subsidies for basic public health services were raised to 89 yuan per person per year. We implemented a second batch of demonstration projects for the reform and high-quality development of public hospitals in 15 prefecture-level cities, promoting broader application of the experience gained from medical reform in Sanming, Fujian Province. To support the preservation and innovative development of traditional Chinese medicine, we increased relevant transfer payments by 19.6%. We launched demonstration projects for central government-subsidized public-interest childcare services, with the aim of providing easier and more affordable access to childcare services.

Improving social security services

We made steady progress in bringing basic old-age insurance funds for enterprise employees under unified national management, collecting more than 270 billion yuan in 2023 to help localities in meeting shortfalls for the year. Basic pension benefits for retirees of enterprises, Party and government bodies, and public institutions registered an overall increase of 3.8%, and minimum basic pension benefits for rural and non-working urban residents rose to 103 yuan per person per month, with the central government allocating a total of 1.0093 trillion yuan in subsidies. We provided tax breaks for private pensions and supported orderly implementation of private pension schemes. Subsidies and living allowances for entitled groups were generally increased by 5.7%, benefiting 8.35

million people. We supported the renovation of 53,700 old residential communities in cities, benefiting 8.97 million households.

Promoting the development of cultural programs

We supported efforts to offer free admission to 50,000 public cultural service facilities, including museums, memorial halls, public libraries, and art galleries, and redoubled efforts to protect, utilize, and pass down our cultural relics, ancient books, and cultural heritage. We strengthened funding safeguards to support Team China's preparations for and participation in major sporting events, and played our due role in the successful hosting of the Hangzhou Asian Games and Asian Para Games, as well as the Chengdu Universiade.

Strengthening disaster prevention, mitigation, and relief work

To ensure a timely response to natural disasters such as floods, droughts, and earthquakes, we launched a mechanism for rapid approval and allocation of disaster relief funds. By allocating funds first and settling accounts later, we supported disaster-struck areas in northern and northeastern China in aiding disaster victims through emergency rescue, disaster relief, and temporary relocations. Funds from the issuance of additional government bonds were allocated in batches. They supported post-disaster recovery and reconstruction in disaster-struck areas, key flood control projects in northern China such as the Haihe and Songhua river basins, and key projects for developing comprehensive natural disaster prevention and mitigation systems. We refined policies on fiscal support for workplace safety and enhanced the capacity to prevent and control major security risks related to hazardous chemicals and mine tailing sites.

- **We provided support for initiatives concerning agriculture, rural areas, and rural residents and advanced coordinated development between urban and rural areas and between regions.**

Ensuring stable grain production and supply

Interest-subsidized loans were introduced to promote the development of high-standard cropland. As a result of our support for construction and upgrading work, the area of high-standard cropland was increased by 5.33 million hectares, and 0.67 million hectares of cropland were brought under efficient water-saving irrigation. Trials were conducted to make comprehensive use of saline-alkali lands by both improving soil quality to enable the planting of more crops and planting crops that are suited to this particular soil. We improved the policies on minimum purchase prices and production subsidies to guarantee the incomes of grain producers. We explored ways to link subsidies for the purchase and use of agricultural machinery to the workloads of such machinery and supported the R&D and manufacturing of large intelligent agricultural machinery and small machinery suited to hilly and mountainous areas. We initiated a new round of subsidies to encourage the adoption of superior sugarcane varieties and better planting methods and supported soybean and oilseed crop production and planting. We worked to see that full-cost insurance and income insurance for the three main grain crops of rice, wheat, and corn were extended to cover all major grain-producing counties nationwide. Rural households were well protected from risks thanks to 165 million agricultural insurance policies. A total of 10 billion yuan in one-time subsidies were granted to grain-producing farmers to help them cope with a rise in the price of agricultural supplies. Funds were promptly disbursed to deal with continuous rainfall during the wheat harvesting season and to treat crop diseases and pests. During a critical period for autumn growing season, we provided one-time subsidies for the mixed use of agricultural chemicals to treat crop diseases and pests, thus ensuring good corn and soybean harvests.

Promoting rural revitalization on all fronts

We continued to increase the central government follow-up rural revitalization assistance fund, with priority given to supporting the development of industries that enable farmers to join together and work toward prosperity and the development of new types of rural collective economies. We supported the development of 50 national modern agriculture industrial parks, 40 clusters of leading agro-industries with unique advantages, and 200 towns with unique agro-industrial strengths. We refined the national agricultural credit guaranty system, providing guarantees for more than 1.3 trillion yuan in loans to support the financing needs of 3.98 million new agribusinesses. We granted government rewards and subsidies for the development of public-interest programs in rural areas and launched pilot projects to develop 500 beautiful villages with rich CPC heritage. We ensured village-level organizations have adequate funding to maintain normal functions and redoubled efforts to develop the countryside and improve rural governance.

Coordinating development between regions

We supported major regional strategies for the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze Economic Belt, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the integrated development in the Yangtze River Delta, and the ecological conservation and high-quality development in the Yellow River basin. We facilitated efforts to vacate, return, preserve, and utilize cultural relics under central government management in Beijing's core functional area for its role as the capital. We established incentive and constraint mechanisms for coal production and increased transfer payments to major coal-supplying provinces. We supported the development of industrial parks in border areas and around ports, steering the orderly relocation of key industries. We advanced the development of Hainan as a free trade port and further broadened the range of products subject to tariff exemptions.

- **We advanced ecological conservation and supported the faster transition to a green model of development.**

To support the efforts to keep our skies blue, waters clear, and lands clean, we assessed and refined subsidy policies to encourage the use of clean energy sources for winter heating in northern China, added 12 cities to the trial initiative to clean up black, malodorous water bodies in rural areas, stepped up the prevention and control of soil pollution at the source and the management of related risks, and strengthened performance assessments and incentives concerning pollution control. We redoubled efforts to develop trans-regional mechanisms for ecological compensation within a river basin and guided the establishment of inter-provincial compensation mechanisms in the Gansu-Ningxia and Ningxia-Inner Mongolia sections of the Yellow River's primary waterways, the Hunan-Hubei, Jiangsu-Anhui, and Hubei-Jiangxi sections of the Yangtze River's primary waterways, and the Hebei-Beijing section of the Yongding River. We provided support to 7 new projects for the integrated conservation and restoration of mountain, water, forest, farmland, lake, grassland, and desert ecosystems. Three of these projects were carried out in the upper Baiyangdian Lake basin in Hebei Province, the major water source area of the Yalu River in Jilin Province, and the representative tropical area in southern Hainan Island. Since the initiation of the 14th Five-Year Plan (2021-2025), we have provided support for a total of 27 such projects, covering all national ecological security shields including the Qinghai-Tibet Plateau ecological shield, the key Yellow River ecological zone, the key Yangtze River ecological zone, the northeast forest belt, the northern desertification-prevention belt, the southern mountainous belt, and the coastal zones. We also supported, among others, afforestation pilot and demonstration projects, demonstration projects for ecological restoration in abandoned mining areas, and projects for the protection and improvement of marine ecosystems, in an effort to enhance the diversity, stability, and sustainability of key ecosystems.

- **We deepened management reforms to ensure more efficient fiscal governance.**

We rolled out a package of plans for clearing local debts and introduced supporting policies and measures to prevent and defuse local government debt risks. We took steps to strengthen accountability among local governments, improved the mechanism for cross-departmental coordinated oversight, and stepped up inspections, investigating all instances of borrowing in violation of laws and regulations and publicizing representative cases where officials had been held to account. We introduced reform plans for dividing fiscal powers and expenditure responsibilities between the central and local governments in the area of intellectual property rights, advanced reform of fiscal systems below the provincial level, and further improved the budget system for state capital operations. We strengthened budget assessments and management, stepped up performance evaluations in key fields such as education and science and technology, and began assessing the performance of central government departments in budget management and local governments in fiscal management. We refined the integrated budget management system, extending it to cover all fiscal departments and budgetary institutions at all levels, including more than 3,000 local fiscal departments and over 600,000 budgetary institutions. A center for monitoring fiscal operations nationwide was also established and put into regular operation. We revised regulations and operational guidelines for the preparation of government financial reports and compiled the central government's comprehensive financial report for 2022. We introduced guidelines on strengthening data asset management and worked out provisional regulations on the accounting treatment of enterprise data resources. We furthered reform of policy-backed financial institutions and improved the state-owned financial capital management system. The following reports were submitted to the NPC Standing Committee for deliberation: a comprehensive report on the management of state-owned assets in 2022, a dedicated report on the management of state-owned assets in financial enterprises, and a report on the allocation and use of government funds for cultural development. In implementing the plan to reform Party and state institutions, we completed work concerning budgetary adjustments, spending support, and asset appropriation.

- **We intensified accounting oversight and tightened fiscal discipline.**

Improvements were made to the top-level design for accounting oversight. To achieve full implementation of the guidelines on strengthening accounting oversight, we stepped up our communications and explanation work as well as mobilization and planning. We urged local governments and relevant departments to design detailed plans and effectively implement relevant measures. We also carried out dedicated initiatives to ensure effective accounting oversight, to supervise budget execution, and to review the use of key funds concerning the people's wellbeing. We uncovered and dealt with a spate of prominent problems, saw that they were rectified, and put in place sound long-term mechanisms to prevent further problems. We stepped up efforts to oversee the performance of accounting firms and asset valuation companies and the quality of enterprise accounting information. We made intensified efforts to address problems in certified accounting businesses and bookkeeping agencies, punished practices in breach of laws and regulations in accordance with legal provisions, and published such cases to deter further violations. Guidelines were introduced to advance the development of a modern working system for accounting management. We drew up a general plan for fostering integrity and creditability in the certified accounting sector, strengthened management over the engagement of accounting firms by state-owned enterprises and listed companies, and published professional ethical standards for accounting practitioners. These efforts have contributed to the healthy development of the accounting sector.

Overall, budget execution in 2023 was satisfactory. We made further progress in the reform and development of public finance and provided strong support to ensure sustained and sound economic and social development. We owe these achievements to the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core and to the sound guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. They are the result of the strict review and oversight of the NPC, the suggestions and proposals offered by the CPPCC National Committee, and the concerted efforts of all local authorities, all government departments, and the people of all our nation's ethnic groups.

At the same time, there are still some difficulties and problems in budget execution and public finance work that have yet to be resolved. They are mainly as follows: Owing to multiple factors, revenue growth in the general public budget is sluggish, local government revenues from land sales continue to fall, and fiscal operations are becoming increasingly tight in some localities. There are also weak points in budget management. The expenditure standards system needs to be improved, some budget items are insufficiently specified, and budget execution constraints need to be tightened up. The quality and efficiency of performance management need to be improved, and government funds must be used more effectively. In some localities, the government debt management system has not been fully implemented, giving rise to irregularities in the management of projects financed by special-purpose bonds and in the use of funds. Some local governments, departments, and organizations have failed to rigorously enforce financial and economic laws, regulations, and systems, violations of fiscal discipline persist despite repeated prohibitions, and certain problems still persist, such as the retention and diversion of government funds, unauthorized tax leverage and refunds to increase revenue, and financial fraud. We take these problems very seriously and will proactively adopt measures to address them.

II. Draft Central and Local Budgets for 2024

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, and it is a crucial year for fulfilling the objectives and tasks set out in the 14th Five-Year Plan. This makes the compilation of this year's budgets and public finance work all the more important. Acting in accordance with the decisions and plans of the CPC Central Committee and the State Council, we will pursue progress while ensuring stability, promote stability through progress, and work on the basis of establishing the new before discarding the old. We will take coordinated steps to expand domestic demand and deepen supply-side structural reform, advance new urbanization and promote full rural revitalization, and pursue high-quality development and ensure a high level of security. We will intensify macro regulation, pursue a proactive fiscal policy, and consolidate and strengthen the positive momentum of economic recovery, in a bid to achieve this year's major objectives of economic and social development.

1. Analysis of the prospects for fiscal revenue and expenditure in 2024

At present and in the coming period, the conditions favorable to China's development outweigh the unfavorable factors it faces, and the underlying trend toward economic recovery and long-term growth remains unchanged. At the same time, the external environment is becoming more complex, grave, and uncertain, and the positive momentum of our domestic economic recovery needs to be further consolidated.

From a fiscal revenue perspective, macro-regulatory policies continue to produce the intended effect, and solid strides have been made in pursuing high-quality development, thus laying the foundation for an increase in fiscal revenue. However, deferred tax payment by micro, small, and medium manufacturing enterprises for 2022 raised the base revenue figure for 2023 on a one-time basis, which in turn will lower the revenue growth rate for 2024. Some tax and fee reduction policies introduced in mid-2023 will continue to affect revenue growth in 2024, while the continued implementation of structural tax and fee cuts will also impact the scale of fiscal revenue.

From a fiscal expenditure perspective, we have obligatory commitments to spending increases in key areas such as national defense, technological advancement, rural revitalization, and environmental protection. We need to continue strengthening fiscal support to shore up weak areas in ensuring basic public wellbeing, such as elderly care, education, and healthcare. We also need to maintain a certain level of transfer payments to help address imbalances and inadequacies in development, support coordinated regional development, and ensure the people's basic wellbeing, payment of salaries, and normal government functioning at the primary level.

On the whole, the prospects for fiscal revenue and expenditure in 2024 remain quite grave. Therefore, we must be clear about the overarching trends of development and always remain firm in our confidence. At the same time, we also need to identify changes in the environment, stay clear-headed, and remain committed to managing our own affairs well, so that we can provide firm support for high-quality development.

2. Overall requirements for the preparation of the 2024 budgets and public finance work

In order to ensure that preparation of the 2024 budgets and public finance work are effective, we must do the following:

- Uphold the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core, take Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as our guide, fully implement the guiding principles from the 20th CPC National Congress and the Second Plenary Session of the 20th CPC Central Committee, and act in line with the plans made at the Central Economic Work Conference
- Adhere to the general principle of pursuing progress while ensuring stability, fully and faithfully apply the new development philosophy on all fronts, work faster to foster a new pattern of development, and pursue high-quality development
- Enhance the intensity of our proactive fiscal policy as appropriate and improve its quality and effectiveness
- Implement structural tax and fee reduction policies with the appropriate degree of intensity and a focus on supporting scientific and technological innovation and the development of the manufacturing sector
- Make prudent arrangements for the government deficit and local government special-purpose bonds, effectively utilize the funds from additional government bonds issued in 2023, strengthen the coordination of government funds, and maintain the necessary level of spending to pool resources for major undertakings and strengthen fiscal guarantees for major strategic tasks of the country
- Improve budgetary arrangements and management measures, better utilize performance evaluation outcomes, make every effort to optimize the spending structure, ensure that Party and government bodies keep their belts tightened and strictly control general expenditures, arrange for an appropriate level of transfer payments from the central government to local governments to

guarantee funding for the three priorities at the primary level, see that every cent is used where it is needed most and to the best effect, and improve the performance of government funds and the effect of policies

- Coordinate revenue and expenditure policies to balance budgets across fiscal years
- Intensify assessments of fiscal capacity, continue working to defuse local government debt risks, facilitate sound, steady, and sustainable fiscal operations, and steadily enhance the quality of our economy and appropriately expand its size to provide a strong guarantee for building a great country and advancing national rejuvenation on all fronts through Chinese modernization.

In 2024, we will **appropriately increase the intensity** of our proactive fiscal policy. We will leverage fiscal policy space and strengthen the coordination of fiscal resources. We will combine the use of various policy instruments including deficits, special-purpose bonds, ultra long-term special government bonds, preferential tax and fee policies, and government subsidies and maintain an appropriate level of spending, thereby sustaining economic recovery.

We will optimize the mix of policy instruments and increase fiscal spending intensity. This year, a ceiling of 3.9 trillion yuan will be set on new local government special debts, an increase of 100 billion yuan over last year. This arrangement is intended to help local governments shore up weaknesses in key areas. A total of 1 trillion yuan of ultra long-term special government bonds will be issued. These bonds will not be included in the deficit and will be used for implementing major national strategies and building security capacity in key areas. We have set the deficit-to-GDP ratio for the year at 3%, and the government deficit is projected to be 4.06 trillion yuan, an increase of 180 billion yuan compared with the figure projected at the beginning of last year. This year's deficit consists of a central government deficit of 3.34 trillion yuan and a local government deficit of 720 billion yuan. The central government budget includes 700 billion yuan for investment, an increase of 20 billion yuan over last year. We will strive to improve the mix and performance of government investment. The majority of funds from additional government bonds issued in 2023 have been carried forward to 2024. We will make good use of the abovementioned policies and funds, fully harnessing their guiding and stimulatory role so as to provide strong support for high-quality development.

We will refine transfer payments to local governments to ramp up fiscal support for them. Transfer payments from the central government to local governments will be set at 10.2037 trillion yuan, an appropriate level that represents an increase of 4.1% over the actual figure for 2023 after deducting one-time special transfer payments over last year and this year. Of this amount, transfer payments for ensuring equal access to basic public services will reach 2.5744 trillion yuan, an increase of 8.8%, and transfer payments in the form of rewards and subsidies under the mechanism for ensuring basic funding for county-level governments will come to 446.2 billion yuan, an increase of 8.6%. Working in line with the reform of fiscal systems at and below the provincial level, we will optimize fiscal distribution at and below the provincial level and channel more fiscal resources to lower-level governments to boost local capacity for high-quality development.

We will improve tax and fee policies to make them more targeted and effective. Taking into consideration the need for macro regulation, fiscal sustainability, and taxation optimization, we will fully implement policies on structural tax and fee reductions with priority on supporting scientific and technological innovation and the manufacturing sector. To continue standardizing the management of non-tax revenues, we will strictly prohibit the arbitrary imposition of fees, fines, and charges in any form.

In 2024, we will **enhance the quality and effectiveness** of our proactive fiscal policy. We will make sure that fiscal management is based on the rule of law, sound practices, and standard procedures. We will work to obtain the best return on the money we spend and better coordinate our fiscal policy with other policies so as to deliver better results in promoting high-quality development.

We will see to it that Party and government bodies get used to keeping their belts tightened. General expenditures will be strictly controlled, with savings being made wherever possible and not one cent being spent inappropriately. Any wasteful and excessive spending will be prevented.

We will improve the structure of government spending. We will strengthen fiscal guarantees for the country's major strategic tasks and people's basic wellbeing. While employing limited new funds to good effect, we will devote greater energy to adjusting spending to make good use of existing funds. Funds that fail to achieve desired results will be diverted to areas of crucial importance.

We will strengthen performance-based management. We will improve the whole-process budget management mechanism to ensure that budgets are compiled with specific objectives, their implementation is subject to oversight, assessments are conducted on their completion, assessment results are fed back to relevant departments, and feedback is put into practice. We will strengthen the application of information technologies to keep improving the efficiency of fiscal resource allocation and the performance of government funds.

We will tighten fiscal discipline. We will strictly enforce all fiscal laws, regulations, and systems, bolstering institution-based enforcement and resolutely investigating and punishing all violations of laws and regulations. This will help ensure that our proactive fiscal policy is fully implemented and delivers intended outcomes.

We will enhance fiscal sustainability. In line with the principle of doing everything possible within our means, we will conduct fiscal capacity assessments and take effective steps to deal with risks and potential problems so as to ensure stable fiscal operations.

We will strengthen coordination of policies to achieve better results. Our fiscal policy will be coordinated with monetary, employment, industrial, regional, science and technology, environmental protection, and other policies, and our macro policies will be better aligned to achieve greater synergy.

3. Main revenue and expenditure policies for 2024

1) Supporting the modernization of the industrial system

A major push will be made to advance new industrialization, enhance the core competitiveness of industry, foster new quality productive forces, and create new growth drivers and new strengths.

We will work to improve and upgrade the industrial structure. The central government will allocate 10.4 billion yuan in special funds to rebuild industrial foundations and promote high-quality development of the manufacturing sector. These funds will facilitate efforts to address areas of weakness related to basic products and core technologies, and increase the resilience and competitiveness of our industrial and supply chains. We will provide stronger guarantees for major R&D plans and major development programs in the manufacturing sector so as to help address challenges in the development of key generic technologies. We will ramp up financial support for technological upgrading of manufacturing enterprises, and implement preferential tax policies for relevant investment, with a view to making traditional industries higher-end, smarter, and more eco-friendly and fostering emerging industries and future industries. We will deepen implementation of the compensation policy for insuring the initial application of newly-developed technological equipment and new materials so as to boost both innovation and application when it comes to key products. We will improve the functions of industry investment funds, encourage venture capital investment and equity investment, and make full use of market-based measures to support faster development in industries such as integrated circuits and next-generation information technology.

We will strengthen support for the innovation-driven development of enterprises. Policies, such as extra pre-tax deductions on R&D costs and tax relief for the application of scientific and technological advances, will be implemented to encourage fuller participation of enterprises in national major scientific and technological projects and reinforce the principal role of enterprises in scientific and technological innovation. We will launch a special program to provide guarantees for scientific and technological innovation, see that the National Financing Guarantee Fund plays a stronger role in risk sharing and compensation for small and medium sci-tech enterprises, and provide guidance to financial institutions on offering low-cost credit support to high-tech enterprises. We will continue to implement fiscal policies in support of SMEs that apply special and sophisticated technologies to produce novel and unique products and designate more pilot cities for digital transformation of SMEs. To advance the reform of state-owned capital and SOEs, we will improve the structure of budgetary expenditures for state capital operations and provide support for SOEs in pursuing high-quality development.

2) Supporting the implementation of the strategy of invigorating China through science and education

We will guarantee investment in education, science, and technology and continue striving to build China's strength in education, science, and technology, thus providing foundational and strategic support for building a modern socialist country in all respects.

We will support accelerated efforts to build a high-quality education system. We are committed to ensuring that government spending on education is generally no lower than 4% of GDP and that education spending and average education expenditure per student in the general public budget increase from year to year and are not subject to cutbacks. In line with this commitment, we will improve the mechanism for government spending on education. Central government expenditure on education will reach 164.9 billion yuan, an increase of 5%. We will strengthen the funding guarantees for compulsory education in a continued effort to address weak areas and boost capacities, improve the allocation of educational resources across regions, and accelerate high-quality, balanced development and urban-rural integration in compulsory education. We will help improve conditions in boarding schools in rural areas. Leveraging a variety of channels, we will work to increase the resources for public-benefit preschool education, promoting its safe, high-quality development and making it accessible to all. A total of 12 billion yuan in central government subsidies will be earmarked for improving conditions in regular senior secondary schools at the county level. We will look into establishing an academic discipline-based system to provide differentiated funding to vocational schools on a per student basis, and make vocational education more adaptable. A total of 31.3 billion yuan will be allocated for initiatives designed to improve the quality of modern vocational education. We will ramp up efforts to develop world-class universities and strong disciplines with Chinese features, with support weighted toward the reform and development of advanced-level research universities. The central government will allocate 40.4 billion yuan in transfer payments to support the reform and development of local universities. To help ease the education burden on families in difficulty, a total of 72.3 billion yuan will be allocated for student financial aid.

We will work to build China's self-reliance and strength in science and technology. We will increase investment in science and technology through diverse channels and advance reform of the mechanisms for allocating and using government research funds, in a bid to boost China's capacity for innovation across the board. The central government will allocate 370.8 billion yuan for science and technology, an increase of 10%, with a focus on basic research, applied basic research, and national strategic tasks in science and technology. We will improve investment mechanisms for basic research, which are designed to provide support on both a competitive and an ongoing basis, in order to continue boosting government investment in this area. The central government will allocate 98 billion yuan for basic research, an increase of 13.1%. Focused on meeting the country's major strategic needs and the demands of industrial development, we will refine the new system for mobilizing resources nationwide to make breakthroughs in core technologies in key fields, facilitate the launch of major national science and technology projects, and encourage cooperation among national research institutes, advanced-level research universities, and leading high-tech enterprises to achieve breakthroughs. We will support efforts to train, recruit, and make the best use of talent in all sectors, enhance support for young scientists, and empower scientific and technological leaders by placing more human, financial, and material resources at their disposal. Based on enhancing coordination between the central and local governments, we will guide local governments in exploring diverse approaches to innovation-driven development and building regional innovation hubs with distinctive features. We will work with science and technology museums to offer free admission to the public and promote the implementation of the Nationwide Scientific Literacy Action Plan, which aims to boost the scientific knowledge of the general public.

3) Supporting the expansion of domestic demand

Harnessing the advantages of our super-sized market and strong production capacity, we will stimulate consumer spending potential and increase effective investment to see domestic demand gaining a larger role in driving economic growth.

We will facilitate the development of a unified domestic market. In an effort to uphold the unified system for ensuring fair competition, we will ensure that all market entities are treated as equals when it comes to government subsidies, tax and fee breaks, and government procurement. We will refine the catalog of preferential policies for businesses and make it available to the public as soon as possible. We will resolutely put a stop to harmful competitive practices used by local governments to attract investment, such as unauthorized tax leverage and refunds. More efforts will be made to break local protectionism and market barriers.

We will promote steady growth in consumption. Giving play to the regulating role of social security and transfer payments, we will work to increase the spending power of consumers and improve their expectations. In line with the trends of consumption upgrading, we will work out fiscal and tax policies to encourage and guide consumer spending and foster new areas of consumption growth related to culture, tourism, education, health, and elderly care. Making coordinated use of existing funding channels, we will support improvements to consumption-related infrastructure and advance the development of county-level commercial systems, as well as efforts to shore up the operation chains of national comprehensive freight hubs, so as to improve consumer services.

We will drive and expand effective investment. Government investment will be focused on supporting scientific and technological innovation, construction of new types of infrastructure, energy conservation, and reduction of greenhouse gas and carbon emissions. We will work to address weak links in ensuring people's wellbeing and other areas of economic and social development, advance the construction of infrastructure for flood prevention, drainage, and natural disaster relief, and accelerate the implementation of major projects set out in the 14th Five-Year Plan. We will appropriately extend the list of areas to which funds from sales of special-purpose bonds can be channeled as well as the scope for using such funds as project capital. We will work to ensure follow-up financing for ongoing projects and weigh funds toward regions where projects are well prepared and investments are made efficiently. We will improve the management of negative lists in areas receiving investment and ensure financing is compatible with projected returns. We will urge localities to establish sufficient reserves of projects and make adequate preparation. We will strengthen management over the use of carryover funds raised from the issuance of additional government bonds in 2023 and funds from ultra long-term special government bonds in 2024 and enhance oversight over the distribution, release, and use of funds, making sure that funds are allocated directly to projects and construction gets off the ground as soon as possible.

We will reinforce the fundamentals of foreign trade and foreign investment. We will work to expand our globally-oriented network of high-standard free trade zones and help local governments and enterprises to open new channels for foreign trade by making better use of all free trade agreements. We will appropriately cut import tariffs on advanced technology and equipment as well as resource products and increase imports of high-quality products. We will use special funds for the development of foreign trade to facilitate trade in services, digital trade, and cross-border e-commerce export. We will provide support for upgrading pilot free trade zones and steadily expand institutional opening up. Support will be provided for the hosting of major events such as the China International Import Expo, the China Import and Export Fair, the China International Fair for Trade in Services, and the Global Digital Trade Expo.

4) Supporting the efforts to ensure and improve the people's wellbeing

We will do everything within our means to improve the wellbeing of our people, ensuring that essential needs are met, public services are inclusive, and basic living standards are guaranteed. We will keep working to raise living standards through high-quality development.

We will implement an employment-first policy. We will better coordinate fiscal and tax policies with the employment policy to help expand employment capacity. The central government will set aside 66.7 billion yuan for employment subsidies to support localities in boosting the capacity of public employment services and ensure full and effective implementation of policies for supporting employment and entrepreneurship. We will use a combination of policies such as loan interest subsidies, tax and fee cuts and exemptions, and subsidies for business start-ups, so as to help enterprises stabilize and expand payrolls and individuals secure employment or start businesses through various avenues. We will work to implement the three-year action plan for facilitating youth employment and focus on promoting employment among key groups such as college graduates and rural migrant workers. Greater assistance will be provided to people who have difficulty finding jobs. We will support the implementation of vocational skills training programs on a large scale to better meet the demand for well-trained personnel in the sectors of advanced manufacturing, modern services, and elderly care.

We will boost capacities for medical and healthcare services. Requirements for the reform of medical and healthcare systems will be implemented to promote the coordinated development and management of medical insurance, medical services, and pharmaceuticals. We will increase government subsidies for basic medical insurance for rural and non-working urban residents by 30 yuan per person, bringing the annual total to 670 yuan per person. We will deepen the reform of medical insurance payout models, beef up regulation of medical insurance funds, and refine the systems for basic healthcare provision. Government subsidies for basic public health services will increase by 5 yuan per person, rising to 94 yuan per person per year, which will help improve the public health system and disease prevention and control capabilities. We will work to deepen reform of public hospitals to see that they better serve the public interest and make high-quality medical resources more broadly available by channeling them toward the community level and ensuring a more balanced distribution among regions. We will also help enhance the capacity of primary-level healthcare institutions and the training of healthcare personnel. We will support efforts to cultivate leading practitioners of traditional Chinese medicine (TCM) and to develop several competitive specialty TCM branches, thus promoting the preservation and innovative development of TCM.

We will improve the tiered social security system. We will intensify efforts to bring basic old-age insurance funds for enterprise employees under unified national management, continue to raise basic pension benefits for retirees, and increase minimum basic old-age benefits for rural and non-working urban residents by 20 yuan per month. With the central government increasing transfer payments for this purpose by 10.6%, local governments should ensure they fulfill their expenditure responsibilities to see that relevant benefits are paid on time and in full. To accelerate the development of a multi-tiered, multi-pillar old-age insurance system, we will push forward the implementation of a private pension system across the country. We will help localities establish sound mechanisms to ensure sufficient funding for the delivery of basic elderly care services, improve the basic elderly care service system, and support the provision of basic at-home and community-based elderly care, catering services for elderly people, and centralized care for functionally impaired elderly persons in financial difficulties. We will improve our supporting policies on childbirth and facilitate the development of public-benefit childcare services. Trials will be carried out for on-the-spot settlement of out-of-province medical expenses via workers' compensation insurance accounts, with a view to making relevant services more convenient. We will improve the system whereby social security funds are safeguarded through supervision and their value is maintained and increased over time, and see that strategic reserve funds for social security grow in size and deliver better returns. We will enhance multi-tiered and category-based social assistance based on the extent and the type of difficulties that low-income groups face.

We will support improvements to the modern system of public cultural services. We will support integrated development of urban and rural public cultural services to expand their coverage and better adapt them to local needs. To strengthen the protection and utilization of cultural relics and better preserve and carry forward our cultural heritage, we will support efforts to carry out the fourth national survey of cultural relics. We will improve the operating mechanisms for dedicated funding for art and culture and make adjustments to the programs receiving financial aid to encourage the creation of more outstanding works of literature and art. We will encourage extensive fitness-for-all activities and ensure ample funding for preparations for the 2024 Olympic and Paralympic Games.

5) Supporting the efforts to promote rural revitalization across the board

Continuing to prioritize the development of agriculture and rural areas, we will study and apply the experience gained from the Green Rural Revival Program in Zhejiang Province and accelerate the modernization of the agricultural sector and rural areas.

We will strengthen our ability to guarantee food security. We will make improvements to the mechanisms for ensuring the incomes of grain growers and compensating major grain-producing areas. We will keep subsidies for farmland fertility protection stable, appropriately increase the minimum purchase price for wheat, set appropriate minimum purchase prices for rice, continue the subsidy policies for corn and soybean producers and for rice, and increase support for major grain-producing counties. These efforts will help guarantee the incomes of grain growers and motivate major grain-producing areas to stay focused on grain production and further tap their potential for higher yields. The coverage of full-cost insurance and income insurance for grain production will be expanded, so as to cover the three major grain crops of rice, wheat, and corn nationwide. We will encourage localities to develop insurance for distinctive agricultural products, earmarking 54.5 billion yuan in subsidies for agricultural insurance premiums, an increase of 18.7%. We will appropriately increase investment support from the central and provincial governments for developing high-standard cropland, and no longer require major grain-producing counties to offer corresponding funds. We will give priority to turning chernozem soil area and other cropland in northeast China into high-quality farmland, and steadily expand pilot schemes for making comprehensive use of saline-alkali lands. We will boost efforts to develop agricultural science, technology, and equipment, continue support for initiatives to revitalize the seed industry, refine subsidy policies for the purchase and use of agricultural machinery, and help establish and expand various types of commercial organizations that provide agricultural services.

We will consolidate and build upon our achievements in poverty alleviation. The central government follow-up rural revitalization assistance fund will be expanded to 177 billion yuan, with a generally stable share of funding allocated to develop relevant industries. This will help areas and people that have just shaken off poverty build their own momentum for growth. To ensure that no large-scale relapse into poverty occurs, we will focus on assisting key groups such as households that have emerged from poverty but are far from secure and that are in a vulnerable position on the brink of poverty, as well as key counties receiving national-level assistance for rural revitalization and key areas with centralized communities for people relocated from inhospitable areas. Trials for integrated and coordinated use of government funds for rural development in counties that have shaken off poverty will be conducted in 160 key counties designated to receive national-level assistance for rural revitalization. In addition, oversight over the use of integrated funds will be bolstered. We will also study assistance policies for the post-transition period.

We will advance rural development and construction. We will better implement projects for integrated development of rural industries, supporting localities in their efforts to build platforms such as modern agro-industrial parks, to foster new types of agribusinesses at a faster pace, and to boost local specialty industries. We will continue with government rewards and subsidies for the development of rural public-interest programs and keep striving to improve working and living conditions in rural areas. We will see that quality cultural resources are channeled toward the primary level and boost the supply of cultural services in rural areas. We will support demonstration initiatives to protect and utilize contiguous traditional villages to see them infused with greater vitality. We will work to deepen reform of the collective property rights system and promote the development of new rural collective economies. We will advance trials for comprehensive rural reform and explore effective pathways for all-around rural revitalization.

6) Supporting integrated urban-rural development and coordinated regional development

Given the imbalances and inadequacies in our development, we will vigorously support coordinated urban-rural and regional development and work to promote more extensive and effective domestic economic flows.

We will advance new urbanization. The central government will allocate a 40 billion yuan award fund for supporting local governments in boosting their fiscal capacity to implement the policy of granting urban residency to people from rural areas. These funds will facilitate more equitable access to basic public services for such new residents, ensuring they have stable employment, housing guarantees, and access to schools for children who have moved to the city with them. This will help them fully integrate into the cities where they live. Investment from the central government budget, funding for government-subsidized urban housing projects, and other financial subsidies will be tilted toward urban areas that absorb a greater number of rural residents. We will also support urban renewal initiatives and ramp up the renovation of old residential communities in cities. Good progress will be made on three types of major projects—government-subsidized housing, public infrastructure designed for both regular and emergency use, and reconstruction of urban villages. We will also support provinces with net population inflows in establishing and improving provincial-level award mechanisms for supporting lower-level governments in granting urban residency to people from rural areas.

We will promote coordinated regional development. We will improve the distribution of transfer payments as well as the mechanisms for regional cooperation and mutual assistance and interregional compensation, so as to promote common development between developed and underdeveloped regions and the eastern, central, western, and northeastern regions. Supporting fiscal and tax policies will be refined to promote the implementation of major regional strategies, including the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze Economic Belt, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the integrated development of the Yangtze River Delta, and the ecological conservation and high-quality development of the Yellow River basin. The central government will continue to allocate transfer payments to support faster development in old revolutionary base areas, areas with large ethnic minority populations, and border areas.

7) Supporting stronger ecological conservation

Applying the principles from the National Conference on Ecological and Environmental Protection, we will strike a balance between high-quality development and high-standard protection and push forward the Beautiful China Initiative across the board.

We will advance the critical battle against pollution. Focusing on key regions, areas, and links in pollution prevention and control, we will support the efforts to keep our skies blue, waters clear, and lands clean. The central government will allocate 34 billion yuan for the prevention and control of air pollution and continue to support the use of clean energy sources for winter heating in northern China. We will allocate 26.7 billion yuan for the prevention and control of water pollution in order to step up efforts to protect and improve major rivers, major lakes, and key sea areas. Special funds totaling 4.4 billion yuan will be allocated for the prevention and control of soil pollution, supporting efforts to address the issue of mine tailings containing heavy metals and to prevent and control soil contamination at the source. We will earmark 4 billion yuan to improve the rural environment and expand trials to clean up black, malodorous water bodies in rural areas.

We will intensify environmental protection. Publishing guidelines on fiscal support for the Three-North Shelterbelt Project, the central government will establish special subsidies for this project and earmark 12 billion yuan to facilitate relevant endeavors. We will fully implement projects for the integrated conservation and restoration of mountain, water, forest, farmland, lake, grassland, and desert ecosystems and carry out competitive evaluations and demonstrations of ecological restoration in abandoned mining areas. We will support well-conceived large-scale afforestation programs, step up efforts toward the protection and restoration of forest, grassland, wetland, and other ecosystems, and promote the development of the national park-based nature reserve system.

We will take proactive and prudent steps toward carbon peaking and carbon neutrality. We will study ways to establish a sound tax and fiscal policy system that is adapted to our carbon peaking and neutrality goals. Using central-government funded science and technology programs, special projects, and funds, we will support the R&D and application of green and low-carbon science and technology and promote industrial restructuring along with energy conservation and emission reductions in key areas and sectors. We will support a new round of strategic initiatives aimed at breakthroughs in mineral exploration, promote the development of clean and renewable energy, and facilitate faster progress in building a new energy system. We will closely follow the global trend of carbon pricing and actively participate in the governance and cooperation relating to mechanisms for global environment and climate funds.

We will improve the systems and mechanisms for ecological conservation. We will refine the compensation systems for ecological conservation and the mechanisms to realize the market value of ecosystem goods and services, ensuring that those who contribute to and protect our environment benefit from their efforts. The Environmental Protection Tax Law will be strictly enforced, and we will look into incorporating volatile organic compounds within the scope of environmental protection tax. We will establish a sound system of requirements and standards for the government procurement of green and low-carbon products and step up efforts to mandate and prioritize the procurement of such products.

8) Supporting national defense, diplomacy, and political and legal work

Fully implementing Xi Jinping's thinking on strengthening the military, we will provide stronger financial guarantees for efforts to modernize our national defense and the armed forces on all fronts and consolidate and enhance integrated national strategies and strategic capabilities. We will review and improve the mechanism for dynamically adjusting subsidies and living allowances for entitled groups and support ex-service members in getting settled and finding employment. We will strengthen funding safeguards for major diplomatic events to support the development of major-country diplomacy with Chinese characteristics. We will intensify financial and economic exchanges and cooperation with other countries, actively participate in global economic governance, deepen and consolidate high-quality Belt and Road cooperation, and expand high-standard opening up. Applying a holistic approach to national security, we will support all-around and in-depth reforms in the judicial, procuratorial, and public security domains and strengthen funding guarantees for ensuring judicial, procuratorial, and public security bodies can perform their functions. These efforts will help improve the social governance system, further strengthen the foundation at the primary level for national security and social stability, promote the modernization of political and legal work, and advance the Peaceful China Initiative and the rule of law in China to a higher level.

4. General public budgetary revenue and expenditure for 2024

1) Central general public budget

Revenue in the central government's general public budget is projected at 10.2425 trillion yuan, up 2.9% over the actual figure in 2023. Adding in 248.2 billion yuan from the Central Budget Stabilization Fund, 75 billion yuan from the budget of central government state capital operations, and 500 billion yuan carried over from last year, total revenue is expected to be 11.0657 trillion yuan. Expenditures in the central general public budget are projected to be 14.4057 trillion yuan, an increase of 2%. Total expenditure will exceed total revenue, leaving a deficit of 3.34 trillion yuan. This figure is 180 billion yuan higher than the budgeted figure at the start of 2023 and will be supplemented through the issuance of government bonds.

Expenditures in the 2024 central general public budget comprise central government expenditures, transfer payments to local governments, and payments to central government reserve funds.

(1) Central government expenditures are projected at 4.152 trillion yuan, an increase of 8.6%. After deducting spending on key areas, we will see an expenditure increase of 0.3%. Following the principle of guaranteeing key expenditures while cutting general expenditures and acting in strict compliance

with belt-tightening requirements, we will keep general expenditures under strict control and give priority to spending on national defense, the armed police, science and technology, education, national reserves, and government bond issuance and interest payments.

The main expenditures are as follows: 60.783 billion yuan on diplomatic endeavors, up 6.6%; 1.66554 trillion yuan on national defense, up 7.2%; 227.662 billion yuan on public security, up 1.4%; 164.936 billion yuan on education, up 5%; 370.828 billion yuan on science and technology, up 10%; 140.636 billion yuan on stockpiling grain, edible oils, and other materials, up 8.1%; and 777.315 billion yuan on debt interest payments, up 11.9%.

(2) A total of 10.2037 trillion yuan will be transferred to local governments. This represents an increase of 4.1% after the deduction of special transfer payments to support primary-level governments in implementing tax and fee cuts and ensuring key public wellbeing projects as well as one-off subsidies for post-disaster recovery and reconstruction and capacity building for disaster prevention, mitigation, and relief.

(3) A total of 50 billion yuan will be appropriated for central government reserve funds, which is consistent with the figure for 2023. Depending on how they are used in practice, utilized reserve funds will be recorded as either central government expenditures or transfer payments to local governments.

2) Local general public budget

Revenue in the local general public budget is projected at 12.1525 trillion yuan, up 3.7%. Adding in 10.2037 trillion yuan in transfer payments from the central government and 1.2708 trillion yuan transferred from other local sources, as well as utilized carryover and surplus funds, total revenue is expected to be 23.627 trillion yuan. Expenditure in the local general public budget is projected at 24.347 trillion yuan, up 3%. This will create a deficit of 720 billion yuan at the local level, the same as 2023, which will be supplemented through the issuance of general-purpose local government bonds.

3) National general public budget

Revenue in the national general public budget, combining the general public budgets of both the central and local governments, is projected at 22.395 trillion yuan, an increase of 3.3%. With the addition of 2.094 trillion yuan transferred from other sources and utilized carryover and surplus funds, total revenue is calculated at 24.489 trillion yuan. Expenditure in the national general public budget is projected at 28.549 trillion yuan (including 50 billion yuan for central government reserve funds), an increase of 4%. This will create a deficit of 4.06 trillion yuan, which is an increase of 180 billion yuan compared with the budgeted figure at the start of 2023.

5. Budgetary revenue and expenditure of government-managed funds for 2024

Budgetary revenue of central government-managed funds is projected to be 447.452 billion yuan, up 1.3%. Adding in 39.187 billion yuan carried over from last year and 1 trillion yuan from the issuance of ultra long-term special government bonds, total revenue is calculated at 1.486639 trillion yuan. Budgetary expenditure of central government-managed funds is expected to total 1.486639 trillion yuan. This figure consists of 871.291 billion yuan of central government spending and 615.348 billion yuan in transfer payments to local governments.

Budgetary revenue of local government-managed funds is projected to be 6.632753 trillion yuan, up 0.1%. Adding in 615.348 billion yuan in transfer payments from the budget of central government-managed funds and 3.9 trillion yuan of revenue generated from special local government debt, total revenue is expected to be 11.148101 trillion yuan. Budgetary expenditure of local government-managed funds is expected to total 11.148101 trillion yuan, an increase of 15.5%.

Budgetary revenue of government-managed funds nationwide, combining both central and local government-managed funds, is projected at 7.080205 trillion yuan, up 0.1%. Adding in 39.187 billion yuan carried over from last year, 1 trillion yuan from the issuance of ultra long-term special government bonds, and 3.9 trillion yuan of revenue generated from special local government debt, total revenue is calculated at 12.019392 trillion yuan. Budgetary expenditure of government-managed funds nationwide is projected at 12.019392 trillion yuan, an increase of 18.6%.

6. Budgetary revenue and expenditure of state capital operations for 2024

Budgetary revenue of central government state capital operations is projected at 239.24 billion yuan, up 5.7%. Adding in 10.735 billion yuan carried over from last year, total revenue is calculated at 249.975 billion yuan. Budgetary expenditure of central government state capital operations is expected to total 174.975 billion yuan, up 17%. This figure consists of 171.059 billion yuan of central government spending and 3.916 billion yuan in transfer payments to local governments. A projected 75 billion yuan will be transferred into the central general public budget.

Budgetary revenue of local government state capital operations is projected to be 353.274 billion yuan, a drop of 21.1%. This is primarily due to a large amount of one-time revenue from the disposal of local assets and other sources last year setting a relatively high base figure for this year. Adding in 3.916 billion yuan in transfer payments from the central government state capital operations budget, total revenue is calculated at 357.19 billion yuan. Budgetary expenditure of local government state capital operations is estimated at 157.19 billion yuan, a decrease of 17%. A projected 200 billion yuan will be transferred into the local general public budget.

Revenue in the state capital operations budgets of both the central and local governments is projected at 592.514 billion yuan, down 12.1%. This is mainly due to a large decrease in budgetary revenue of local government state capital operations. Adding in 10.735 billion yuan carried over from last year, the total budgetary revenue of state capital operations nationwide is calculated at 603.249 billion yuan. Budgetary expenditure of state capital operations nationwide is estimated at 328.249 billion yuan, down 1.9%. A projected 275 billion yuan will be transferred into the general public budget.

7. Budgetary revenue and expenditure of social insurance funds for 2024

Budgetary revenue of the central government social insurance fund is projected at 49.402 billion yuan, an increase of 31.6%, and expenditure from the fund is estimated at 48.697 billion yuan, up 25.2%. The considerable increases in revenue and expenditure are primarily attributable to continued efforts to transfer qualified organizations into the basic old-age insurance system for employees of central Party and government bodies and public institutions in Beijing. Taking funds under unified national management and regulation into account, the budgetary surplus of the central government social insurance fund will be 623 million yuan this year, with a year-end balance of 8.436 billion yuan after the balance from 2023 has been rolled over.

Budgetary revenue of local government social insurance funds is projected at 11.6997 trillion yuan, up 5.3%. Expenditure of these funds is estimated at 10.633633 trillion yuan, an increase of 7.5%. Taking funds under unified national management and regulation into account, the budgetary surplus of local government social insurance funds will be 1.066149 trillion yuan this year, with a year-end balance of 13.936608 trillion yuan after the balance from 2023 has been rolled over.

Combining both central and local government budgets, revenue of social insurance funds nationwide is calculated at 11.749102 trillion yuan, an increase of 5.4%. This includes 8.594788 trillion yuan in insurance premiums and 2.684619 trillion yuan in government subsidies. Budgetary expenditure of social insurance funds nationwide is expected to total 10.68233 trillion yuan, up 7.6%. With a projected surplus of 1.066772 trillion yuan, the year-end balance will be 13.945044 trillion yuan after the balance from 2023 has been rolled over.

In 2024, the ceiling for central government debt is 35.200835 trillion yuan; the ceiling for local government general debt is 17.268922 trillion yuan; and the ceiling for local government special debt is 29.518508 trillion yuan.

It should be noted that as local budgets are formulated by local people's governments and submitted for approval to the people's congresses at their respective levels, the relevant data is still being compiled. All projected figures for local revenue and expenditure in this report have been compiled based on the preliminary calculations of the central finance authorities.

In accordance with the Budget Law, after the start of a new budget year and prior to the approval of that year's draft budgets by the NPC, arrangements may be made for the following expenditures: carryover expenditures from the previous fiscal year; basic and project expenditures of government departments and transfer payments to lower-level governments that must be made in the current year, on the basis of budgetary expenditure amount for the corresponding period in the previous year; expenditures mandated by law; and expenditures for dealing with natural disasters and other emergencies. In line with these stipulations, expenditures in the central general public budget totaled 1.5482 trillion yuan in January 2024, including 242.7 billion yuan in expenditures at the central level and 1.3055 trillion yuan in transfer payments to local governments.

III. Fiscal Reform and Development in 2024

1. Making budget management more effective

Continuing to adhere to the Budget Law and its implementation regulations, we will ensure the rigorous execution of the budgets approved by the NPC. We will take steps to enhance the management of budgetary targets and ensure stronger regulation over budgetary adjustments. All spending not budgeted for or over budget will be forbidden, and new suspense payments that violate regulations will be prohibited. We will make improvements to avoid overlapping allocations of funds from different channels. We also will further improve the centralized treasury payment system to improve the quality of budget execution. Project budgets will be managed on a rolling basis, and the mechanisms for managing all stages of these budgets, from approval to implementation and completion, will be refined. To comprehensively develop the system of standards for expenditures, we will continue to improve standards for basic expenditures, which are mainly based on staff numbers and necessary spending, and move faster to set standards for project expenditures, which cover spending in key areas and on key tasks. Based on a combination of rewards, punishments, and compatible incentives, we will improve the performance-based budget management system, carry out performance evaluations on the implementation of the CPC Central

Committee's major decisions and plans and key fiscal and tax policies, and appropriately adjust spending policies and budget arrangements according to evaluation results. Greater energy will be directed toward boosting budget transparency. We will refine the functions of the integrated budget management system to gradually work toward complete oversight over budgetary funds for central government departments and transfer payments to local governments. We will strengthen monitoring of fiscal operations nationwide by improving the mechanisms for identifying problems, reporting them, and providing feedback, thereby preventing and resolving fiscal risks.

2. Fulfilling the requirement for Party and government bodies to get used to keeping their belts tightened

Based on the thinking that government should be frugal and hardworking, we will continue to improve the institutional framework for keeping our belts tightened. All local authorities and government departments should also draw up regulations in this regard. All aspects of budget management must adhere to the belt-tightening requirements. While necessary spending for performing duties will be ensured, general expenditures will be strictly controlled, spending on official overseas visits, official vehicles, and official hospitality will be subject to more stringent management, and expenditures on forums, exhibitions, and similar events will be reined in further. By keeping spending on non-obligatory and non-critical projects firmly in check, we will free up more fiscal resources for promoting high-quality development and improving people's wellbeing. To deliver further savings, we will also beef up management of the government procurement budget. We will keep a firm hand on the allocation of new assets and put idle assets to good use. Asset sharing will be encouraged to ensure assets do not lie idle or go to waste. We will carry out follow-up assessments on the implementation of belt-tightening requirements, and those who waste government funds will be investigated and punished.

3. Ensuring the three priorities of primary-level governments are met

Supporting primary-level governments in ensuring the three priorities will remain high on the agenda of public finance work. To see that each level of government fulfills its responsibilities in this respect, we will follow the principles that county-level governments should assume primary responsibility, prefecture-level governments should provide assistance (in some cases work to ensure basic needs are met), provincial-level governments should work to ensure basic needs are met, and the central government should offer incentives. Transfer payments from the central government to local governments will be kept at a certain level. We will see that local governments use both transfer payments from higher-level governments and their own financial resources and prioritize the use of regular fiscal resources, which are both stable and reliable, when allocating funds for the three priorities. Spending allocations for other items should only be arranged after sufficient provisions have been made for the three priorities. We will use the integrated budget management system to keep abreast of spending demands for the three priorities and move toward making the entire management process for this work IT-based. We will step up dynamic monitoring and multi-level early warning to provide timely risk alerts, so that these can be properly addressed in accordance with laws and regulations and those who fail to fulfill their responsibilities can be held to account.

4. Strengthening management of local government debt

We will adapt the government debt management system to the needs of high-quality development. To do so, we will refine the management system for special-purpose bonds by strengthening incisive project management and reinforcing collection of revenue from projects funded by such bonds, and ensure that repayments are made on time and no risks arise. In coordinating efforts to defuse local government debt risks and pursue steady development, we will see that provincial-level governments assume overall responsibility, that prefecture and county-level governments make every effort to resolve their debts, and that each and every level of government fulfills its responsibilities in this regard. On this basis, we will further implement a suite of debt resolution measures. We will improve the long-term mechanism for guarding against and defusing hidden debt risks, ensuring stronger interdepartmental coordination and better oversight systems. We will resolutely prevent any increase in hidden government debt and steadily work to defuse existing hidden debts, thus gradually lowering the level of debt risks. All borrowing in breach of laws and regulations will be investigated and punished, and greater information transparency will be ensured with regard to accountability. We will resolutely prevent a situation where local governments are resolving debts on one side and raising new debt on the other. We will improve the system for unified monitoring and regulation of local government debt and promote the transformation of local government financing platforms on a per-category basis.

5. Intensifying oversight on accounting

We will further refine the accounting oversight system and working mechanism and strengthen oversight over state organs, enterprises, and public institutions in terms of public finance, fiscal work, and accounting in accordance with laws and regulations. In launching an accounting oversight campaign, we will check for strict compliance with fiscal discipline, address malpractices in accounting evaluations, and carry out routine oversight over the execution of budgets, and we will take tougher action against activities that violate laws and regulations and report and expose such cases. We will improve our methods and approaches for accounting oversight, combining routine and special actions, on- and off-site as well as on- and off-line methods, and ex ante, interim, and ex post activities. We will take coordinated steps to discover problems and rectify errors and enhance the efficacy of accounting oversight. We will facilitate links and coordination between accounting oversight and other types of oversight to generate synergy.

6. Deepening fiscal and tax system reform

We will act on the plans and requirements of the Party Central Committee and the State Council and stay oriented toward both goals and problems when planning a new round of fiscal and tax system reform, with the aim of developing a modern public finance system that is compatible with Chinese modernization. Keeping the overall tax burden and tax framework stable, we will further improve the taxation systems and structures, look into refining local tax systems, promote excise tax reform, and optimize the VAT system. We will deepen reform of the tax collection and administration system to ensure taxes and fees are levied in strict accordance with laws and regulations. We will strengthen coordination of fiscal resources and make budget management more holistic. The mechanism for allocating fiscal resources will be improved to make the structure of government spending flexible and adaptable and pool fiscal resources to accomplish major undertakings. We will improve the system of transfer payments by reinforcing regular evaluations and exit management, optimizing fund allocation, and looking into the establishment of transfer-payment incentive and constraint mechanisms that are designed to promote high-quality development. We will ensure effective and thorough implementation of the existing reform plans for dividing fiscal powers and expenditure responsibilities between the central and local governments and steadily advance reform of fiscal systems at and below the provincial level.

7. Submitting to budget review and oversight of the NPC

We will practice whole-process people's democracy, readily accept law-based oversight from the NPC, solicit the opinions and suggestions of NPC deputies, and respond to their concerns in a timely manner. Acting on the requirements of the NPC Standing Committee's Decision to Strengthen Examination and Oversight of Central Government Budgets, we will play our due role in ensuring exhaustive examination and full-process oversight of all government budgets, preliminary reviews of budgets, oversight of budget execution, review and oversight of budget performance, and oversight of local government debt. We will earnestly study and put into practice the resolutions and comments made by the NPC and its Standing Committee regarding budgets, so as to strengthen budgetary work in a targeted way. We will effectively handle proposals and suggestions put forward by NPC deputies, maintain regular communication with them, and see that their suggestions and comments are fully reflected in government budget preparations, fiscal and tax reforms, and fiscal and tax policies. We will earnestly correct problems discovered during auditing, and enhance the quality and efficiency of remedial work, with remedial results reported to the NPC Standing Committee and released to the public.

Esteemed deputies,

A new year means the start of new endeavor. Let us rally more closely around the Party Central Committee with Comrade Xi Jinping at its core, hold high the great banner of socialism with Chinese characteristics, and follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Let us acquire a deep understanding of the decisive significance of establishing Comrade Xi Jinping's core position on the Party Central Committee and in the Party as a whole and establishing the guiding role of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Let us strengthen our consciousness of the need to maintain political integrity, think in big-picture terms, follow the leadership core, and keep in alignment with the central Party leadership and stay confident in the path, theory, system, and culture of socialism with Chinese characteristics. Let us uphold Comrade Xi Jinping's core position on the Party Central Committee and in the Party as a whole and uphold the Party Central Committee's authority and its centralized, unified leadership. Let us work hard and forge ahead with a pioneering spirit and ensure that all public finance initiatives are carried out effectively. On this basis, we will make new and greater contributions to building a great country and advancing national rejuvenation on all fronts through Chinese modernization.