

**REPORT ON THE IMPLEMENTATION OF THE CENTRAL
AND LOCAL BUDGETS IN 2013 AND ON THE DRAFT
CENTRAL AND LOCAL BUDGETS FOR 2014**

*Second Session of the Twelfth National People's Congress
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Ministry of Finance

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Fellow Deputies,

The Ministry of Finance has been entrusted by the State Council to submit this report on the implementation of the central and local budgets in 2013 and on the draft central and local budgets for 2014 to the Second Session of the Twelfth National People's Congress (NPC) for your deliberation and for comments from the members of the National Committee of the Chinese People's Political Consultative Conference (CPPCC).

I. Implementation of the Central and Local Budgets in 2013

In 2013, all regions and government departments united as one, worked hard, and made progress in economic and social development while maintaining stability under the firm leadership of the Central Committee of the Communist Party of China (CPC) and the State Council in spite of the extremely complicated situations in China and abroad. On this basis, fiscal work, reforms and development proceeded in good order and government budgets were satisfactorily implemented on the whole.

1. Strengthening and improving macro-control through fiscal policy

To keep the economy running steadily, the State Council defined a clear range for its functioning, stressing that as long as the rate of growth did not fall below the baseline and employment remained stable, no short-term stimulus policies would be used to intervene in the working of the economy, and efforts would be made instead to keep market expectations stable, carry out appropriate anticipatory adjustments and fine-tuning while at the same time streamlining administration, delegating more power to lower-level governments, promoting reforms, stimulating the market's vitality, and reaping the benefits of reform.

First, we did not increase the deficit, keeping it at 2.1% of GDP.

Second, we implemented preferential fiscal and tax policies to promote the development of businesses. We raised value-added tax (VAT) and business tax thresholds for small and micro businesses, benefiting more than six million businesses. We abolished or exempted 34 central government administrative fees and 314 local government administrative fees. We widened the scope of tax deductions for businesses' R&D expenses, such as the funds for buying old-age insurance, medical insurance, unemployment insurance, workers' compensation, and maternity insurance and contributing to the housing provident fund for their R&D personnel.

Third, we reviewed the government's financial resources. We obtained a clear picture of the funds the government had in hand. We carried out a nationwide inspection of the loans granted by local governments and their special accounts. We set the targets for reviewing and cutting carryover and surplus funds, temporary deposits, and temporary payments of the government. We formulated measures for coordinating the use of carryover and surplus funds and uncovered idle funds so that they can be used where they are urgently needed.

Fourth, we promoted the optimization of the investment structure. We began to phase out central government investment in capital construction in competitive areas, and then redirected it to other areas and adjusted its structure. We increased investment in major infrastructure projects that extend beyond the borders of provinces, autonomous regions and municipalities directly under the central government. We carried out reform to make investment in and financing for the development of urban infrastructure more market-orientated.

Fifth, we inspected the implementation of policies and measures. We actively carried out inspections and follow-up investigations of the implementation of major fiscal and tax policies, strengthened oversight of the implementation of policies for improving the people's wellbeing and the allocation of funds for this purpose, and promoted the effective execution of the important policy decisions of the CPC Central Committee and the State Council.

2. Implementation of the NPC's budget resolution

In accordance with the relevant resolutions of the First Session of the Twelfth NPC as well as the comments from the NPC's Financial and Economic Affairs Commission on the report on the implementation of the central and local budgets in 2012 and on the draft central and local budgets for 2013, we searched for ways to improve systems and mechanisms and strived to do public finance work well.

(1) Fiscal and tax policies were improved to facilitate changes in the growth model and structural adjustments.

We brought short-term regulatory policies in line with long-term development policies and accelerated economic transformation and upgrading.

First, we fully supported scientific and technological innovations. We optimized and integrated science and technology programs financed by the central government, and established a mechanism which gives state science and technology programs and major science and technology projects the go-ahead before funding is made available. We improved the policy on the trial establishment of national innovation demonstration zones, and extended the pilot reform to more selected institutions affiliated to the central government to allow them to transfer and profit from their scientific and technological advances for a longer period of time.

Second, we advanced industrial restructuring. We supported implementation of China's broadband strategy and IT projects that benefit the people. We encouraged new materials, high-end equipment, biomedicines, the modern seed industry and other areas to make breakthroughs in key technologies and collaborative innovations in industrial chains. We overhauled the fiscal and tax policies on new energy. We have allowed market forces to determine which enterprises will prosper and which will fall by the wayside so as to address overcapacity.

Third, we strengthened energy conservation and emissions reduction. The central government allocated funds for the prevention and control of air pollution. We promoted

the demonstration and spread of cleaner production technology in industry and agriculture. We encouraged the use of energy-efficient products and accelerated the development of energy conservation and environmental protection industries. We reorganized special funds for the prevention and control of water pollution in the three rivers of Huai, Hai, and Liao and the three lakes of Tai, Chao, and Dianchi as well as the Songhua River; and for the protection of the ecosystems of lakes. We supported 492 counties in developing key eco-friendly functional zones.

Fourth, we supported foreign trade transformation and upgrading. We improved import and export tax policies: cutting the import tariffs on more than 780 types of goods, including advanced technology and equipment, key spare parts and components, and energy and raw materials; and introducing tariffs on the export of coal and other 300-plus types of resource products and products of which production is energy intensive or highly polluting. More funds were made available to offset interest paid on imports, and great efforts were put into expanding the import of certain goods.

(2) Attention was paid to the efficient use of investment in the people's livelihood.

We effectively implemented policies on improving the people's livelihood whilst ensuring sustainable public finance: we kept to the bottom line, set priorities, improved systems, and guided public opinion. We evaluated key expenditures on improving the people's livelihood; established a mechanism for coordinating the efforts of the government, businesses, individuals, and society; and cultivated the idea of everyone working hard, all sectors of society sharing responsibility, and getting rich through hard work. We steadily built up systems for improving people's well-being on the basis of determining how public programs for this purpose are, and encouraged the use of nongovernmental capital in such programs. We selected special transfer payments for employment subsidies and renovation of rundown rural houses to assess their results and established a sound mechanism for evaluating key expenditures on the people's livelihood.

(3) Budgetary management was strengthened.

First, we improved the compilation of budgets and the management of their implementation. We made departmental budgets more detailed, further cut down the size of expenditure budgets compiled by finance departments for relevant departments and projects, and strictly controlled adjustments to items being executed. We established a sound, dynamic system for monitoring the execution of budgets at all levels of government and carried out trials to digitize centralized treasury payment in selected areas. We introduced a list of expenditure items requiring settlement by the use of government credit cards and are promoting the wider acceptance of these cards by commercial outlets.

Second, we accelerated efforts to manage budgets more effectively. We applied performance-based budget management to more government departments and to more funds. The central government focused on evaluating the performance of some projects funded by special transfer payments and the management of expenditure at the county

level. It also explored ways to release evaluation results, hold admonitory talks on performance, reward good performance and sanction poor performance and other ways to make use of performance evaluation results. Local governments also showed their eagerness to manage their budgets more effectively.

Third, we strengthened management of local government debt. We obtained a rather clear picture on how much local government debt there is, gave warnings to regions with high amounts of debt, and strengthened debt management and risk prevention and control. More local governments were selected to begin issuing their own bonds on a trial basis that the central government would pay off. We brought financing done through land reserve institutions into local government debt management and imposed a ceiling on its annual size. More governments began to prepare comprehensive financial reports on a trial basis.

Fourth, extensive efforts were made to release budgets and final accounts. The released budgets and final accounts of the central government and its departments were more detailed. The budgets of all the central government's departments were made public together in April, and their final accounts were made public together in July. More detailed budgets for central government departments' spending on official overseas visits, official vehicles, and official hospitality were released in April together with their other budgets, instead of July when such budgets used to be made public together with these departments' final accounts. We got more governments at and below the provincial level to disclose their budgets and final accounts: General fiscal budgets at the provincial level and departmental budgets of provincial-level organs responsible for preparing budgets were disclosed in the country's 31 administrative areas, and budgets and final accounts for the spending on official overseas visits, official vehicles, and official hospitality at the provincial level were made public in most provinces, autonomous regions, and municipalities under the central government.

(4) Fiscal and tax reforms were accelerated.

In light of the principle of carrying out reform step by step in accordance with the top-level design, we lost no opportunity to introduce a series of reform measures while working out a master plan to deepen fiscal and tax reforms. The pilot project to replace business tax with VAT in the transportation industry and some modern service industries was carried out across the country successfully, thereby reducing the tax load on businesses by more than 140 billion yuan for the year and helping develop the service industry and optimize the industrial structure. We implemented a trial reform of levying price-based taxes on some resources. We abolished or delegated a number of financial items subject to administrative review and approval. We have unveiled guidelines for government procurement of public services from nongovernmental sectors and actively organized and carried out this work. We studied and defined our ideas and plan for

reviewing and straightening out special transfer payments from the central government, reduced a number of special transfer payments, and delegated the authority of review and approval over certain items to lower levels. We supported Heilongjiang Province in launching a pilot project to combine funds concerning agriculture, rural areas, and farmers for the Songnen and Sanjiang plains. We encouraged provincial-level governments to review and integrate their transfer payments to governments at lower levels in light of their actual conditions.

(5) Every area was economized.

We faithfully complied with the Party Central Committee's eight-point regulations and cut regular expenditures of the central government by 5%, with the funds saved transferred to the Central Budget Stabilization Fund for future budgetary purposes. Local governments also reduced their spending accordingly. We have strengthened the system to stringently economize and curb waste. Focusing on implementing the Regulations on Practicing Thrift and Opposing Waste in Party and Government Bodies, we formulated measures for managing expenditures of the bodies of the CPC Central Committee and the central government on meetings, training, business travel, hospitality for foreign guests, temporary overseas trips, short-term overseas training and other official business purposes, thus making the system more operational and authoritative and providing a foundation for establishing a sound, permanent mechanism.

3. Budgetary revenue and expenditures in 2013

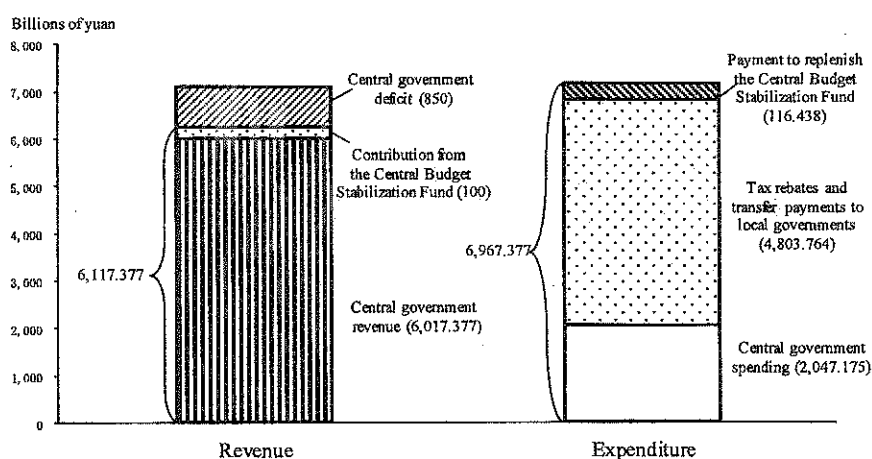
(1) Public finance budgets

There being considerable downward pressure on our economy in the first half of 2013, the growth in government revenue slowed, falling short of the figure forecasted at the beginning of the year. As the economic situation improved in the second half of the year, the increase of revenue and in particular tax revenue picked up. That, coupled with some one-time factors contributing to revenue increases, raised revenue for the year slightly above the figure budgeted in early 2013. National revenue totaled 12.91429 trillion yuan, an increase of 10.1% over 2012 (as below). Adding the 100 billion yuan from the Central Budget Stabilization Fund and 14.974 billion yuan from local government finances, utilized revenue totaled 13.029264 trillion yuan. National expenditure amounted to 13.974426 trillion yuan, up 10.9%. Including the 116.438 billion yuan used to replenish the Central Budget Stabilization Fund and the 138.4 billion yuan used to repay the principal on local government bonds, expenditure totaled 14.229264 trillion yuan. Total national expenditure therefore exceeded total national revenue by 1.2 trillion yuan.

Central government revenue amounted to 6.017377 trillion yuan, 100.2% of the

budgeted figure and an increase of 7.1%. Adding the 100 billion yuan contributed by the Central Budget Stabilization Fund, total revenue used by the central government came to 6.117377 trillion yuan. Central government expenditure amounted to 6.850939 trillion yuan, 98.5% of the budgeted figure and an increase of 6.8%. (This includes 2.047175 trillion yuan in central government spending, a rise of 9.1% year on year and 101.3% of the budgeted figure. This was mainly because we reduced the subsidies for miscellaneous local projects during execution of the budget and part of the central government transfer payments to local governments for capital construction investment and sales tax revenue on motor vehicles were reallocated for increased investment in railways, with a corresponding increase of expenditure at the central level.) Adding the 116.438 billion yuan used to replenish the Central Budget Stabilization Fund, central government expenditure totaled 6.967377 trillion yuan. Total expenditure of the central government exceeded total revenue, leaving a deficit of 850 billion yuan, the same as the budgeted figure. The outstanding balance on government bonds in the central budget was 8.675046 trillion yuan at the end of 2013, which was kept within the budgeted limit of 9.120835 trillion yuan for the year. The Central Budget Stabilization Fund had a balance of 148.308 billion yuan.

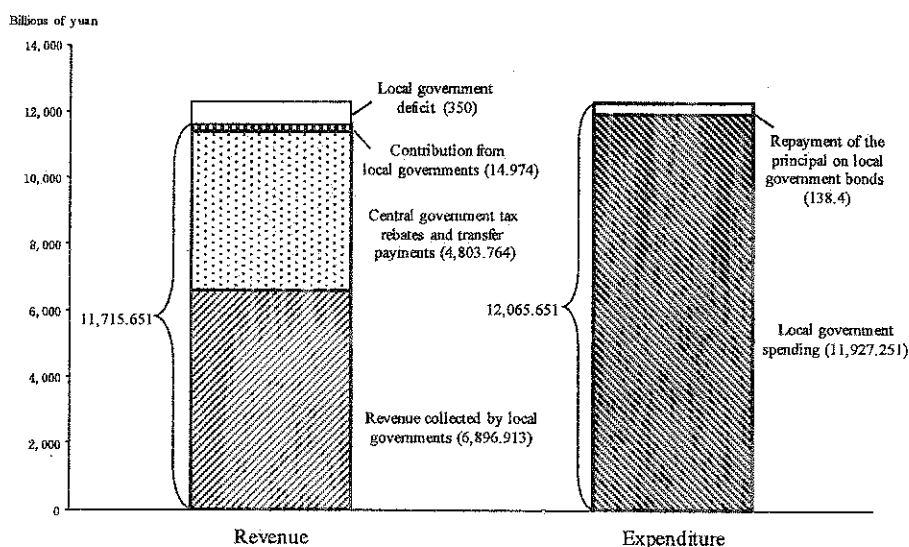
Figure 1
Balance of Central Government Finances in 2013



The revenue of local governments came to 6.896913 trillion yuan, an increase of 12.9%. Adding the 4.803764 trillion yuan in tax rebates and transfer payments from the central government to local governments, plus the 14.974 billion yuan transferred to the central government from local governments, local government revenue totaled 11.715651

trillion yuan. Local government expenditure amounted to 11.927251 trillion yuan, up 11.3%. Adding the 138.4 billion yuan used to repay the principal on local government bonds, local government expenditure totaled 12.065651 trillion yuan. Total expenditure of local governments exceeded total revenue by 350 billion yuan.

Figure 2
Balance of Local Government Finances in 2013



The following is specific details of the central budget in 2013:

1) Main revenue items

Domestic VAT revenue was 2.052792 trillion yuan, 98% of the budgeted figure. Domestic excise tax revenue was 823.027 billion yuan, 96.3% of the budgeted figure. Revenue from VAT and excise tax on imports amounted to 1.400334 trillion yuan, 88.2% of the budgeted figure, a decline of 5.4%; and revenue from customs duties came to 263.029 billion yuan, 88.6% of the budgeted figure, a decline of 5.5%. Revenue from import taxes fell short of budget largely because growth in imports was lower than forecasted and imports of high-duty goods decreased, and because the prices of bulk commodities dropped. Corporate income tax revenue was 1.44431 trillion yuan, 110.1% of the budgeted figure. This was mainly due to the bigger than expected increases in corporate profits as well as collection of taxes overdue from previous years and other one-time factors. Individual income tax revenue was 391.884 billion yuan, 102.7% of the budgeted figure. VAT and excise tax rebates on exports came to 1.051489 trillion yuan, 94.6% of the budgeted figure, and non-tax revenue totaled 354.005 billion yuan, 128.5%

of the budgeted figure.

Central government revenue exceeded the budgeted figure by 11.377 billion yuan in 2013. This was mainly because of the surplus sales tax revenue on motor vehicles, which was used to increase spending on highway construction as required by the regulations on using designated funds for their intended purposes.

2) Main expenditure items

The growth in the central government revenue slowed significantly in the first few months of 2013. With the approval of the Party Central Committee and the State Council, we reduced some central government expenditure during the execution of the budget; at the same time, we reduced special transfer payments to local governments in the course of standardizing the transfer payments system. Accordingly, actual figures for some spending were lower than their budgeted figures.

Expenditure on agriculture, forestry, and water conservancy came to 600.54 billion yuan, 96.9% of the budgeted figure and an increase of 0.2%. This small increase was mainly due to the large base figure for 2012. A one-time additional investment was made while adjusting the spending structure during the execution of the 2012 budget in efforts to build major water conservancy projects and irrigation and water conservancy facilities, reinforce small reservoirs, and clean up and improve the flood defenses of small and medium-sized rivers. We implemented agricultural subsidy policies, moved ahead with trials to subsidize major grain growers, and granted subsidies for scrapping and replacing agricultural machinery on a trial basis. We supported upgrading of 1.86 million hectares of low and medium-yield crop land to high-yield standards. We continued to improve small irrigation and water conservancy facilities in key counties. We supported the large-scale development of highly-efficient water saving irrigation in the north, and launched a campaign to save water and increase grain output in Liaoning, Jilin and Heilongjiang provinces and Inner Mongolia. We implemented the mechanism for subsidizing and rewarding grassland ecological conservation in 639 counties, covering over 80% of grasslands in China. We carried out trials of giving financial support for development of and innovations by specialized farmer cooperatives and pilot projects for developing a new system whereby various sectors of society provide services for agricultural production. We promoted the application of scientific and technological advances in agriculture, and extended to all farming counties (county-level cities, districts and farms) the project of demonstrating the reform of the system for spreading agricultural technology at county level. We further increased special funds for poverty relief efforts and spent the additional funds mainly in contiguous areas with acute difficulties. We

comprehensively implemented the government award and subsidy system for village-level public works projects, the launching of which was determined by villagers through deliberation. The demonstrations and trials on comprehensive rural reform and the pilot reform to relieve state-owned farms of public responsibility progressed smoothly.

Spending on social security and employment was 657.175 billion yuan, 100.3% of the budgeted figure and an increase of 14.2%. Basic pensions for enterprise retirees were raised by 10%, with average monthly benefits reaching around 1,900 yuan per person. We increased subsistence allowances for urban and rural recipients living in areas that receive central government subsidies by an average of 15 yuan and 12 yuan, respectively, per person per month. We raised subsidies and living allowances for entitled groups, helped victims of natural disasters rebuild their lives, provided assistance to the homeless and beggars, and ensured basic living conditions for orphans. We implemented a scheme to help college graduates find employment, provided subsidies to job-seeking university graduates from rural and urban families living on subsistence allowances, and increased subsidies to help pay interest on small guaranteed loans.

Spending on medical and health care amounted to 258.812 billion yuan, 99.4% of the budgeted figure and a 26.4% increase. We raised government subsidies for the new rural cooperative medical care system and basic medical insurance for nonworking urban residents to 280 yuan per person per year. Most provincial-level administrative areas unveiled plans to introduce serious illness insurance for their rural and nonworking urban residents. We increased the standard of funding for basic public health services to 30 yuan per person per year, and continued to support major public health service projects. We made steady progress in the pilot reform of county-level public hospitals and the comprehensive reform of community medical and health care centers, and launched a pilot program for posting general practitioners in such institutions. We moved ahead with developing a system for providing assistance in dealing with medical emergencies.

Spending on education was 388.319 billion yuan, 94% of the budgeted figure and an increase of 2.7%. Spending came out short of the budget mainly because student financial aid and subsidies executed according to the actual numbers of students were less than the budgeted figure; also, local government debts arising from providing senior high school education were either managed as local government debt or repaid by local governments, and thus there was a corresponding decline in central government subsidies to help them with these debts. We introduced incentives to encourage nongovernmental sectors to provide preschool education, and gave huge support for the development of rural kindergartens in the central and western regions. We raised the level of funding for

compulsory education: the country's 120 million rural students receiving compulsory education were all exempted from paying tuition and other associated fees and were supplied with free textbooks; 12.6 million boarding students from poor families in the central and western regions received living allowances; and living and teaching facilities in some weak schools were further improved. The plan for improving the nutrition of rural students in compulsory education schools brought benefit to 32 million students in poverty-stricken regions. We helped 13.94 million children of rural migrant workers to receive compulsory education in their adopted cities. We supported development of 750 vocational training centers, 706 demonstration secondary vocational schools for education reform and development, and 60 state-level demonstration vocational colleges. We supported the implementation of Project 985 and the 2011 Plan and pushed forward the comprehensive reform of postgraduate education. We further improved government financial aid policies for all stages of education, benefiting roughly 84 million preschool children and students.

Spending on science and technology came to 246.059 billion yuan, 97.3% of the budgeted figure and an increase of 7.4%. We supported efforts to make core technology breakthroughs, bring together the best resources, and build technological platforms for major state science and technology programs. We gave impetus to the development of major strategic products and the construction of important demonstration projects. More investment went into state science and technology programs and the National Natural Science Foundation of China, with the focus of our support on basic research, research for public benefit, and research on cutting-edge technology and key generic technology. We increased funding for basic operating expenses of research institutes, extended the scope of our support for research projects in public service industries, and moved science and technology innovation projects forward.

Expenditures on culture, sports and the media were 53.155 billion yuan, 98.3% of the budgeted figure and an increase of 7.5%. We supported implementation of key cultural programs beneficial to the people, and achieved steady progress in opening museums and other public cultural facilities for free admission. We provided 10,000 yuan to every administrative village in support of their cultural activities. We rendered our support to key projects including the project to secure the Imperial Palace. Greater efforts were put into developing Chinese cultural centers overseas and building international broadcasting capabilities of key media.

Spending on guaranteeing housing totaled 232.094 billion yuan, 104.1% of the budgeted figure and a reduction of 10.8%. This was mainly because there were fewer

construction tasks of government-subsidized housing than the previous year. Last year, 5.44 million units of urban government-subsidized housing were completed and construction on another 6.66 million units began. Trials were carried out for assessing the overall performance of the budgets for government-subsidized housing projects in some areas. We supported the renovation of rundown houses for 2.66 million rural households, and raised the amount of central government subsidies to the poor regions.

Spending on energy conservation and environmental protection came to 180.39 billion yuan, 85.8% of the budgeted figure and a reduction of 9.7%. This is primarily because some subsidy policies for promoting the use of energy-efficient products were no longer being implemented once they ended. We supported the prevention and control of air pollution in key regions. Incentive funds have been put in place to support the closedown of outdated production facilities. Support was given to the construction of key energy saving projects, and financial support was provided to build more demonstrations for energy conservation and emissions reduction. Work on improving the energy efficiency of 200 million square meters of residential buildings with central heating has been completed in northern China. We supported the trials on the comprehensive prevention and control of heavy metal contamination as well as the efforts to safely dispose, recycle and reuse urban waste. The Golden Sun Demonstration Project to support solar power was launched in areas without electricity, and support has been given to the large-scale development and use of shale gas resources. We continued to move forward with the projects such as those to protect virgin forests and turn cultivated land back to forests. We encouraged the use of energy efficient products and helped to promote energy-efficient, environmentally friendly motor vehicles with engine displacement of 1.6 liters or less, as well as vehicles powered by new energy sources.

Expenditure on transportation totaled 413.85 billion yuan, 104.1% of the budgeted figure and an increase of 4.2%. Expenditure on stockpiling grain, edible oils, and other materials needed for production and daily life came to 126.638 billion yuan, 102.4% of the budgeted figure and up 27.9%. National defense spending was 720.197 billion yuan, 100% of the budgeted figure and a 10.7% increase. Spending on public security amounted to 193.434 billion yuan, 95.3% of the budgeted figure and up 2.9%. Expenditure on general public services was 138.154 billion yuan, 102.3% of the budgeted figure and an increase of 3.9%.

3) Central government tax rebates and transfer payments to local governments

Central government tax rebates and transfer payments to local governments totaled 4.803764 trillion yuan, 98.3% of the budgeted figure and an increase of 5.9%. This sum

includes 2.437091 trillion yuan in general transfer payments and 1.860983 trillion yuan in special transfer payments. General transfer payments made up 56.7% of total transfer payments, 3.4 percentage points higher than 2012.

(2) Budgets for government-managed funds

In 2013, revenue from government-managed funds nationwide came to 5.223861 trillion yuan, and their expenditure amounted to 5.011646 trillion yuan.

Revenue from central government-managed funds totaled 423.17 billion yuan, 116.9% of the budgeted figure and an increase of 27.5%. The surplus was mainly because part of the after-tax profits of the China National Tobacco Corporation was collected by the central government to support railway construction. Adding the 83.473 billion yuan carried forward from 2012, revenue from central government-managed funds totaled 506.643 billion yuan in 2013. Expenditure of central government-managed funds totaled 425.947 billion yuan, 96.8% of the budgeted figure and an increase of 27%. Of this, central government spending was 276.086 billion yuan and transfer payments to local governments amounted to 149.861 billion yuan. A total of 80.696 billion yuan has been carried forward to 2014 from central government-managed funds.

Revenue from funds managed by local governments reached 4.800691 trillion yuan, an increase of 40.3%. This figure includes 4.124952 trillion yuan from the sale of state-owned land-use rights. Adding the 149.861 billion yuan in transfer payments from central government-managed funds, total revenue from local government-managed funds was 4.950552 trillion yuan. Expenditure of local government-managed funds totaled 4.73556 trillion yuan, an increase of 38.6%. This includes 4.060045 trillion yuan of spending from the proceeds of selling state-owned land-use rights. Surplus revenue from local government-managed funds has been carried forward to 2014.

(3) Budgets for state capital operations

In 2013, revenue from state capital operations nationwide totaled 165.136 billion yuan, and expenditure on state capital operations, 151.36 billion yuan.

Revenue from state capital operations of the central government totaled 105.827 billion yuan, 104.7% of the budgeted figure and an increase of 9%. Adding the 7.195 billion yuan carried forward from 2012, total revenue stood at 113.022 billion yuan. Expenditure on the central government's state capital operations came to 97.819 billion yuan, 90.3% of the budgeted figure and an increase of 5.2%. This figure includes 6.5 billion yuan, a 30% increase, that was spent on social security and other areas related to the people's livelihood, as planned in last year's public finance budgets. Surplus revenue from the central government's state capital operations totaling 15.203 billion yuan was

carried over to 2014.

Revenue from state capital operations of local governments totaled 59.309 billion yuan, and total expenditure amounted to 53.541 billion yuan. Surplus revenue from state capital operations of local governments was carried forward to 2014.

(4) Budgets for social insurance funds

Revenue from social insurance funds nationwide totaled 3.451556 trillion yuan, 105.1% of the budgeted figure. This includes 2.593881 trillion yuan of insurance premiums and 737.15 billion yuan of government subsidies. Expenditure of social insurance funds totaled 2.861675 trillion yuan nationwide, 102.5% of the budgeted figure. Revenue exceeded expenditure in 2013, leaving a surplus of 589.881 billion yuan, and the year-end balance reached 4.344185 trillion yuan after the surplus in 2013 was rolled over.

On the whole, the 2013 budgets were implemented well and good progress was made in all our fiscal work. We owe this to the scientific decisions and correct leadership of the CPC Central Committee and the State Council; the tightened oversight of and effective guidance from NPC deputies and members of the CPPCC National Committee; and the hard work and joint efforts of all regions, government departments and people of all the country's ethnic groups.

At the same time, we are fully aware of the problems and challenges we still face in fiscal reforms and development: there is a considerable tension between the slow rise in government revenue and the stubborn rise in expenditures; the budget management system needs to be more rounded, scientific, standardized, and transparent; our tax system is not entirely in tune with the new circumstances of economic and social development, reform, and transformation; powers and spending responsibilities between the central government and local governments are not clearly defined, rational, or standardized; carryover and surplus funds are too large; there are certain risks and hidden dangers in local government debts; some foundational work is still not solid enough; and financial discipline need to be urgently strengthened. We will give priority to these problems and take effective measures to resolve them.

II. Draft Central and Local Budgets for 2014

2014 is the first year for us to thoroughly put into practice the guiding principles of the Third Plenary Session of the Eighteenth CPC Central Committee and to comprehensively deepen reforms. This is also an important year for meeting the targets set in the Twelfth Five-Year Plan. Well formulated 2014 budgets will enable public finance to play a key role, and this has important implications for carrying out all the reform plans of the Party Central Committee and the State Council, accelerating the transformation of

government functions, letting the market play a decisive role in allocating resources, and promoting modernization of the country's governance system and capability.

This year, the economic development environment in China will remain complex. Fiscally, there will be a serious imbalance between government revenue and expenditure. As the country's potential economic growth slows down and we advance reform of the tax system, influencing factors such as those will likely lead to the slowdown in revenue growth. In addition, initiatives to deepen reform in an all-around way, adjust and optimize the economic structure, and promote development of social programs will require even more investment. Given the fiscal and economic situation, in doing the public finance work and preparing the budgets for 2014, we need to fully implement the decisions and plans of the Party Central Committee and the State Council, make progress while ensuring stability, carry out reforms and innovations, and continue to implement a proactive fiscal policy. We need to deepen reform of the fiscal and tax systems and advance reform in relevant sectors so that reform of the fiscal and tax systems will underpin the country's overall reform efforts, accelerate the change of the growth model, and raise the quality and returns of economic growth. We need to optimize the structure of government expenditures, make good use of both existing and additional monetary and financial resources in order to help improve the basic public services system, promote development of social programs, and emphatically improve the people's well-being. We need to tighten up financial discipline and strictly limit spending on official overseas visits, official vehicles, and official hospitality, as well as other regular expenditures. We also need to make budgetary work more open and transparent, strengthen local government debt management, and promote sustained, sound economic growth and social harmony and stability.

1. Priorities in fiscal and tax reforms in 2014

Public finance is the basis and important pillar for governing the country. In order to meet all reform targets set at the Third Plenary Session of the Eighteenth Party Central Committee, it is crucial we do a good job in reforming the fiscal and tax systems this year and the following. The Party Central Committee and the State Council have decided to make work concerning the budget management system and the tax system two priorities in this year's fiscal and tax reforms. We must ensure these two systematic reforms get off to a good start.

(1) Deepening reform of the budget management system

First, we will push ahead with releasing the budgets and final accounts of governments and their departments. We will make our release of government budgets and final accounts more detailed – to subsection-level expenditures in government budgets and final accounts and to every specific project in budgets of special transfer payments. We will release more departmental budgets and final accounts and, except for those that deal with classified matters, we will release the budgets and final accounts of all central and local government departments receiving financial allocations. We will make our release of

departmental budgets and final accounts more detailed and specific. In addition to subsection-level headings, we will gradually release basic and project expenditures in departmental budgets and final accounts, and we will find ways to release departmental final accounts according to their economic categories. We will redouble efforts to release expenditures with greater details on official overseas visits, official vehicles, and official hospitality, and make sure that all such publicly financed expenditures are made public.

Second, we will do mid-term fiscal planning. On the basis of the national plan for long- and mid-term development and macro-control needs, we will develop mid-term fiscal policies and formulate a three-year fiscal plan. With regard to the major reforms, policies and projects that will be included in that plan, we will research policy goals, operational mechanisms, and assessment methods. We will use the three-year fiscal plan to discipline annual budgeting so as to make our fiscal policy more comprehensive, forward-looking, and sustainable.

Third, we will improve the ways in which annual budgets are controlled. The focus of budget examination and verification will be extended to include not only how balanced they are and the size of the deficit but also expenditure budgets and policy, and we will tighten constraints on budget outlays. In principle, we will not introduce new policies that increase spending during the execution of the budget. We will make revenue projections less binding and more anticipatory, and promote law-based tax collection and management.

Fourth, we will establish mechanisms for balancing budgets that span more than one fiscal year. When there is deficit due to the adoption of any specific policy, it can be listed under the central financial budget and covered in later years after the policy is adjusted. If there is surplus revenue in the execution of the budget, it should be used to cut fiscal deficit and replenish the Central Budget Stabilization Fund. In case the revenue comes out short of the budgeted figure, efforts should be made to make up the difference by drawing on funds from the Central Budget Stabilization Fund, cutting spending, or increasing budget deficit and issuing bonds within the government debt cap approved by the NPC.

Fifth, we will review and regulate preferential fiscal and tax policies across the board in order to uphold the sanctity of laws and ensure an environment for fair competition. Policies to be reviewed include: various preferential taxes introduced to specific localities by all levels of government, including those to allow the localities to retain all their revenues or turn over their year-on-year gains; policies granting enterprises reductions of or exemptions from taxes and fees, granting them rebates after taxes are paid, giving them government subsidies, and selling land-use rights and state-owned assets to them at lower prices; and policies granting individuals reductions of or exemptions from taxes and fees, granting them rebates after taxes are paid, and giving them government subsidies. All policies violating provisions of laws or administrative regulations must be ended. Preferential tax policies will only be formulated by specialized tax laws and regulations, and no other preferential fiscal and tax policies shall be included in any development

plans.

Sixth, we will establish a clearly-positioned government budgeting system with explicitly-divided functions. We will define the spending scopes and priorities of budgets for public finances, government-managed funds, state capital operations, and social insurance funds, and strengthen their coordinated management to avoid overlapping. We will put in place a mechanism for transferring money of which use should be under the overall planning of government-managed funds into the public finance budget. We will transfer more funds from the state capital operations budgets into the public finance budgets. We will enhance the management of budgets for social insurance funds, maintain and increase the value of surplus funds, and research the sustainability of budgets for social insurance funds on the basis of actuarial balance.

Seventh, we will quickly establish the method of accrual accounting for the government's comprehensive financial reporting system. We will formulate reform plans, regulations and standards as well as operation guidelines for such a system, and continue to organize local governments in preparing comprehensive financial reports on a trial basis. We will revise the public finance budgetary accounting system, with some budgetary items dealt with by accrual accounting, to provide basic data for the preparation of comprehensive government financial reports.

(2) Advancing reform of the tax system

First, we will continue with the reform to replace business tax with VAT. We will carry out this reform on a trial basis on railway transport and postal services nationwide, and we will quickly research policies for conducting this reform on telecommunications services and strive to implement them on April 1 this year.

Second, we will carry out a preferential policy of deferred payment of individual income tax to encourage the development of annuity plans in enterprises and public institutions.

Third, we will implement the reform of levying price-based resource tax on coal.

Fourth, we will further expand the preferential tax policy for small businesses with low profits.

Fifth, we will reform and improve the excise tax system, and adjust the scope and mechanisms for its collection and the rate of duty.

Sixth, we will accelerate legislation on the real estate tax.

Seventh, we will speed up legislation on the environmental protection tax.

In addition, we will quickly find ways to adjust the powers and spending responsibilities of central and local governments. We will reasonably define these powers and responsibilities among different levels of government and properly enhance those of the central government on the basis of transforming government functions and appropriately defining the boundary between government and the market. We will keep the current division of financial resources between the central and local governments stable on the whole, and take further steps to better distribute revenue between them by

carrying out reform of the tax system and considering the different nature of taxes. We will help promote reform of services for the elderly, medical and health care, education, science and technology, and housing.

2. Fiscal and tax policies in 2014

(1) Continuing to implement a proactive fiscal policy

In 2014 we will implement a proactive fiscal policy and increase the deficit by an appropriate amount to ensure a proper stimulus. At the same time, we will keep the deficit-to-GDP ratio unchanged, maintain stability and continuity of our macro policies, and promote sustained, sound economic growth and steady financial operations. Focusing on letting the market play a decisive role in allocating resources, we will strengthen and improve macro-control through fiscal policy, make full use of fiscal policy in promoting economic structural adjustments, closely integrate implementing fiscal policy with comprehensively deepening reform, clearly define the boundary and properly handle the relationship between government and the market, strive to exercise better macro-control, and get the economy to develop in a more efficient, equitable and sustainable way. While implementing a proactive fiscal policy, we need to give priority to the following three areas:

First, we will optimize the structure of government expenditures and use government funds more efficiently. We will economize and strictly restrict spending on official overseas visits, official vehicles, and official hospitality, as well as other regular expenditures. We will review and standardize key items of which budgetary expenditures are closely linked to the increases in government revenue and expenditures or to GDP and eliminate this linkage in general cases, and plan their budgetary expenditures according to the actual needs and put an end to the practice of first setting an expenditure budget and then deciding items to be funded. We will take further steps to improve the structure of transfer payments and emphatically increase transfer payments to old revolutionary base areas, ethnic minority areas, border areas, and poverty-stricken areas. We will review, reorganize and standardize special transfer payments, strictly limit new projects and their amounts, and put in place a sound mechanism for their periodic assessment and termination. The number of projects funded by special transfer payments will be cut from 220 in 2013 to about 150 this year. We will strengthen management of carryover and surplus appropriations and make good use of the government's financial resources, so that more funds will be available for agriculture, education, social security, public health, air pollution control, environmental protection and other key areas.

Second, we will improve tax policies that encourage structural adjustments in order to increase the quality and returns of economic growth and spur industrial upgrading. As part of the tax system reform, we will further expand the preferential tax policies for small enterprises with low profits. We will improve fiscal and tax policies to stimulate consumption of services such as elderly care, health, information, and culture. Relatively low provisional import tariffs will be levied on 767 types of commodities including

advanced technology and equipment, key spare parts and components, and energy and raw materials. Export tariffs of 2%-40% will be imposed on 300 types of natural and energy resources as well as products of which production is energy intensive. We will refine tax policies that encourage enterprises to innovate, improve policies to accelerate equipment depreciation, and fully implement the policy on extending the scope of tax deductions for enterprises' R&D spending.

Third, we will strengthen local government debt management and forestall and control fiscal risks. We will study how to grant local governments the power to finance through borrowing as appropriate and as laid down by regulations, and create local government financing mechanisms mainly by issuing government bonds. Apart from short-term debt secured with strict authorization, local governments should only borrow to fund urban development and other public-service capital expenditure or to replace their outstanding debts, rather than regular expenditure. We will develop a reform plan for local governments to issue bonds and repay debt on their own, and encourage some localities to launch the trial reform. Local government debt will be managed by type and capped. General liabilities arising from the development of nonprofit public service programs will be financed by general bonds issued by local governments and repaid mainly with government revenue or new borrowings. Special debts incurred for the development of public-service programs with a degree of yield will be financed mainly by municipal bonds and other special bonds issued by local governments and repaid with the revenue from corresponding government-managed funds or special use revenue. We will promote application of the Public and Private Partnership (PPP) model, and encourage the involvement of nongovernmental capital in the investment and operation of urban infrastructure by means of franchises and other operations. While allowing local governments to raise funds in compliance with standards, we will further strengthen management over the borrowings of local financing companies, regulate their financing activities, and step up efforts to remove government financing being underwritten by such companies. If local governments incur new contingent liabilities afterwards they must be strictly limited within the scope of law-based debt guarantees. Meanwhile, we will build mechanisms for issuing warnings about and defusing debt risks. High-risk regions included in the risk warning list shall not be allowed to take on more debt. We will place tighter constraints on financial institutions and other creditors, and move forward with developing evaluation and accountability mechanisms and a credit rating system for local governments. To ensure smooth implementation of reform measures, we shall not only put new debt under standardized management but appropriately handle outstanding debt to avoid any break in the chain of funding.

(2) Promoting sustainable agricultural development and moving urbanization forward

We will earnestly implement the country's food security strategy, continue to support the efforts to raise overall agricultural production capacity, and guarantee our basic self-sufficiency of cereal grains and absolute grain security. On this basis, we will support

the establishment of permanent mechanisms for sustainable agricultural development.

First, we will support the development of ecologically friendly agriculture. We will encourage conservation tillage by carrying out trials to improve the subsoil of land and return plant stalks to fields. We will support recovery of resources from animal manures and select a number of large livestock and poultry farms to begin the trial. We will spread dry-farming techniques.

Second, we will encourage agriculture to go global, and actively use foreign resources.

Third, we will support the restoration and conservation of cultivated land. We will conduct another round of trials to turn cultivated land back to forests in selected provinces. We will support the pilot project to improve cropland and adopt water saving measures in agriculture in parts of the areas with funnel-shaped drainage caused by overtapping groundwater in Hebei Province. We will also launch trials of restoring cultivated land contaminated by heavy metals.

Fourth, we will push forward the reform of the system for subsidizing the purchase and storage of grain and cotton. We will keep the rise in their minimum purchase prices within appropriate limits, set reasonable prices for temporary purchase and storage, and let market forces play a bigger role in deciding their prices. Beginning in 2014, we will phase out the policy of temporarily purchasing and stockpiling soybean and cotton in some areas, and launch a pilot project of granting subsidies on the basis of target prices. We will increase government funding to support key provinces in acting more quickly to renovate their dilapidated warehouses.

We will drive forward the process of urbanization. We will give play to the steering role of government funds, spread the use of the PPP model, and support the establishment of diversified and sustainable mechanisms for ensuring funding for urbanization. We will explore mechanisms to link transfer payments to the number of rural people who have moved to cities and got registered as permanent urban residents. We will support the trials and demonstrations of the new type of urbanization.

(3) Refining the medical and health care and social security systems

First, we must facilitate the reform of the medical and health care systems. In line with the requirements for each year's work set forth in the plan for deepening the reform of the medical and health care systems during the Twelfth Five-Year Plan period, we will increase government subsidies for the new rural cooperative medical care system and basic medical insurance for nonworking urban residents from 280 yuan to 320 yuan per person per year and accordingly increase the annual individual contribution from 70 to 90 yuan per person. We will more quickly push ahead the work of insuring rural and nonworking urban residents against serious illnesses to further reduce their burden of medical expenses. We will increase input in medical assistance in urban and rural areas, expand access to such assistance, and provide assistance to those suffering from serious mental illness. We will increase financial input in public health, continue to implement

basic and major public health services projects, and raise annual per capita spending on basic public health services to 35 yuan. We will continue with the trials on comprehensive reform in county-level public hospitals, and develop better policies of subsidizing community medical and health care centers to motivate them and their staff to enhance their services in terms of both quantity and quality.

Second, we will refine the old-age insurance system. We will establish a unified basic old-age insurance system for the rural population and nonworking urban residents, and formulate methods to link the old-age insurance systems in urban and rural areas. We will adhere to the basic old-age insurance system that combines contributions from various sources in society with personal accounts, and improve the regulations on personal accounts and mechanisms to incentivize people to pay more to get more. We will uphold the actuarial balance principle and close institutional loopholes. We will increase the basic pension benefits for retired enterprise employees by 10%. In addition, we will vigorously move forward the reform of old-age insurance in government bodies and public institutions.

Third, we will improve the subsidy policies for low-income groups. We will improve the mechanism for increasing social assistance and social security benefits when consumer prices rise. We will set aside money to raise subsistence allowances for urban and rural residents living in areas that receive central government subsidies by 15 yuan and 12 yuan, respectively, per person per month. We will implement the system of temporary assistance across the country, and further raise subsidies and living allowances for entitled groups.

Fourth, we must continue to follow a more proactive employment policy and redouble efforts to implement it, with the focus on helping university graduates find employment or start businesses, and rural workers' transition into the cities for employment.

(4) Giving impetus to the reform and development of education, science and technology, and culture

First, we will determine how public different types of education are, so we can improve our financial support policies accordingly. We will support the efforts to address issues in key areas and weak links of education reform and development, and further strengthen regulation of the use of government funds for education. We will broaden resources for pre-school education in rural areas. We will increase government subsidies for rural students receiving compulsory education by an appropriate amount per student, improve the basic facilities in weak schools for compulsory education in poor areas, and promote balanced development of compulsory education in urban and rural areas. We will steadily raise government subsidies per student in special needs education schools. We will more quickly develop modern vocational education, and establish a sound system oriented toward reform and performance in vocational colleges with a funding system based on student numbers. At the same time, we will encourage businesses, individuals and society to invest in vocational education through multiple channels. We will implement reform measures to establish a budgetary appropriation system in institutions

of higher learning that supports their intensive development. On the basis of IT-based education management and in light of the situation in which children of rural migrant workers are moving beyond regions and into cities with their parents, we will improve the related measurement and calculation methods to increase transfer payments to the regions where these children are accepted.

Second, we will deepen reform of the system for managing science and technology, and support the implementation of the innovation-driven development strategy. We will improve and strengthen management of the central government-funded research programs and their funding; scale up input in basic research, improve the mechanism of government support for research on basic, strategic and frontier science and generic technology; and improve market-oriented mechanisms for technological innovation. We will promote reform of the mechanisms for managing the implementation of major national science and technology programs, and further intensify performance-based management of special funds. We will make further progress in optimizing and integrating science and technology programs financed by the central government, and put in place mechanisms for evaluating performance of, making dynamic adjustments to and suspending science and technology programs (special projects and funds). We will more quickly formulate policies on transferring and profiting from research results. We will activate the state seed funds for encouraging the application of science and technology advances, and refine the policies on venture capital seed funds for small and medium-sized science and technology enterprises.

Third, we will support improvement of the public cultural services system, and promote the sound development of the culture industry. We will stimulate the integration and overall coordinated use of public cultural resources and make basic public cultural services more standardized and accessible, especially in rural areas and poverty-stricken areas in the central and western regions. We will encourage the development of sports and fitness activities nationwide, and support large stadiums and gymnasiums in opening up to the public free of charge or at low prices. We will make efficient use of the funds for developing cultural industries, and vigorously integrate the development of cultural and creative industries as well as design services with that of related industries.

3. Revenue and expenditure budgets for 2014

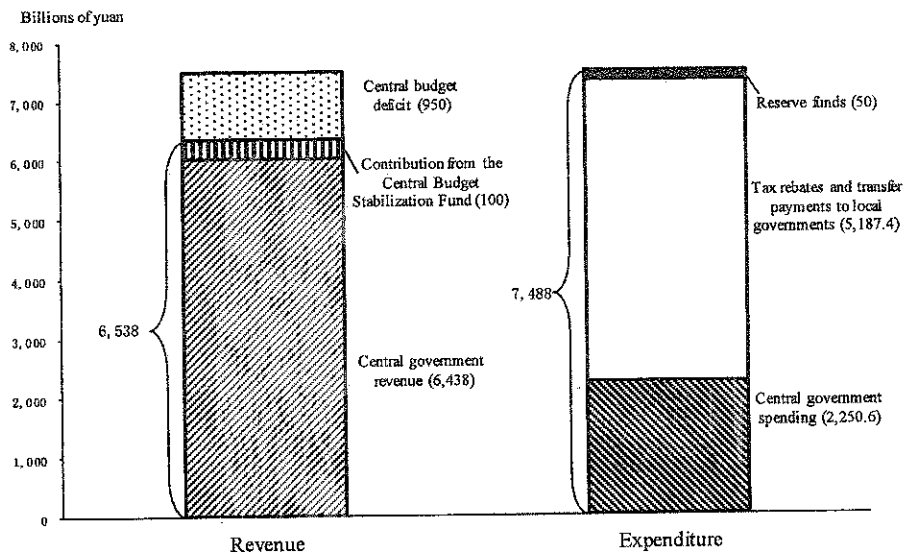
In accordance with the mid-to-long term trends and changes in China's economic and social development and in light of the expenditure demands of every sector in the next few years as well as the targets and major tasks for economic and social development in 2014 determined by the CPC Central Committee and the State Council, we followed a realistic and pragmatic approach, made active yet prudent plans, and left some leeway in preparing the revenue budgets. In preparing the expenditure budgets, we have taken all factors into consideration, highlighted priorities, and ensured spending in some areas while reducing it in others. In preparing the budgets for public finances, government-managed funds, state capital operations, and social insurance funds, we made the following overall

arrangements:

(1) Public finance budgets for 2014

Revenue of the central government is estimated at 6.438 trillion yuan, an increase of 7% over the actual figure for 2013 (as below). It should be noted that in line with the guiding principles of the decision adopted at the Third Plenary Session of the Eighteenth Party Central Committee, revenue budgets have become more anticipatory and less binding, and revenue targets are now seen as projections instead of tasks to accomplish. Adding the 100 billion yuan from the Central Budget Stabilization Fund, revenue in 2014 should amount to 6.538 trillion yuan. Central government expenditure is projected to reach 7.488 trillion yuan, an increase of 9.3% (up 8.6% after deducting the reserve funds). This consists of 2.2506 trillion yuan incurred at the central level, 5.1874 trillion yuan paid out as tax rebates and transfer payments to local governments, and 50 billion yuan of reserve funds for the central budget. Therefore, total expenditure exceeds total revenue, leaving a deficit of 950 billion yuan, 100 billion yuan more than in 2013. The ceiling for the outstanding balance on government bonds in the central budget stands at 10.070835 trillion yuan. The balance on the Central Budget Stabilization Fund will total 48.308 billion yuan.

Figure 3
Budgetary Balance of Central Government Finances in 2014



Revenue collected by local governments is expected to reach 7.515 trillion yuan, up 9%. Including the 5.1874 trillion yuan in tax rebates and transfer payments from the central government, revenue of local governments is estimated at 12.7024 trillion yuan. Local government expenditure is projected to be 13.0031 trillion yuan, up 9%. Adding the 99.3 billion yuan used to repay the principal on local government bonds, total expenditure will come to 13.1024 trillion yuan. Total expenditure exceeds total revenue by 400 billion

yuan, 50 billion yuan more than in 2013. With the approval of the State Council, the deficit will be covered by the Ministry of Finance issuing bonds on behalf of local governments or by local governments issuing their own bonds on a trial basis, both of which will be incorporated into provincial-level government budgets. It should be noted that as revenue and expenditure budgets of local governments are prepared by local people's governments and subject to approval of people's congresses at their respective levels, related data is still being collected. The above-mentioned revenue projections and expenditure appropriations in the local budgets have been compiled by the central finance authorities.

Combining the central and local budgets, national revenue is projected to be 13.953 trillion yuan, up 8%. Adding the 100 billion yuan from the Central Budget Stabilization Fund, total available revenue is estimated to reach 14.053 trillion yuan. National expenditure is budgeted at 15.3037 trillion yuan, up 9.5%. Including the 99.3 billion yuan to be used to repay the principal on local government bonds, total expenditure will hit 15.403 trillion yuan. Total expenditure exceeds total revenue by 1.35 trillion yuan, an increase of 150 billion yuan from 2013. The deficit is equivalent to about 2.1% of GDP.

Main expenditure items under the central budget in 2014 are as follows:

- The appropriation for agriculture, forestry and water conservancy is 648.747 billion yuan, up 8.6%.

- The appropriation for social security and employment is 715.296 billion yuan, up 9.8%.

- The appropriation for education is 413.355 billion yuan, up 9.1%.

- The appropriation for science and technology is 267.39 billion yuan, up 8.9%.

- The appropriation for culture, sports and the media is 51.229 billion yuan, up 9.2%.

- The appropriation for medical and health care and family planning is 303.805 billion yuan, up 15.1%.

- The appropriation for guaranteeing housing is 252.869 billion yuan, up 9%.

- The appropriation for energy conservation and environmental protection is 210.909, up 7.1%.

- The appropriation for transport is 434.568 billion yuan, up 5.1%.

- The appropriation for stockpiling grain, edible oils and other materials is 139.396 billion yuan, up 10.1%.

- The appropriation for national defense is 808.23 billion yuan, up 12.2%.

- The appropriation for public security is 205.065 billion yuan, up 6.1%.

- The appropriation for general public services is 124.515 billion yuan, up 2.6%.

- The appropriation for natural resource exploration and information technology is 60.577 billion yuan, down 20.7%, which is mainly because of the decrease in expenditure

on infrastructure construction.

The appropriation for commercial services is 36.669 billion yuan, a reduction of 19.1%, which is primarily due to the spending decrease because no new appropriation will be made for 2014 after the expiration of the policy to provide rural residents with subsidies for the purchase of home appliances.

Central government tax rebates and transfer payments to local governments will reach 5.1874 trillion yuan, up 8%. Of this amount, general transfer payments will account for 2.721787 trillion yuan, up 10.9%, and special transfer payments will account for 1.956922 trillion yuan, up 6.1%. General transfer payments for equalizing access to basic public services will come to 1.080781 trillion yuan, an increase of 10.1%, which includes 167.8 billion yuan in awards and subsidies for implementing the mechanism for ensuring basic funding for county-level governments, up 10%; 48 billion yuan for key ecological zones, up 13.5%; and 34.981 billion yuan in awards to major grain-producing counties, up 10%. General transfer payments to old revolutionary base areas, ethnic minority areas, and border areas will total 69.522 billion yuan, up 11.8%.

(2) Budgets for government-managed funds

Receipts of central government-managed funds will amount to 416.862 billion yuan, down 1.5%. Adding the 80.696 billion yuan carried forward from last year, total receipts of central government-managed funds will reach 497.558 billion yuan in 2014. Outlays of central government-managed funds will be 497.558 billion yuan, up 16.8%. This figure consists of 342.237 billion yuan of central government spending, up 24%, and 155.321 billion yuan in transfer payments to local governments, up 3.6%.

Revenue of funds managed by local governments will reach 4.314061 trillion yuan, down 10.1%, which includes 3.637131 trillion yuan from the sale of state-owned land-use rights, down 11.8%. Adding the 155.321 billion yuan in transfer payments from central government-managed funds, revenue of local government-managed funds will total 4.469382 trillion yuan. Outlays of local government-managed funds will be 4.469382 trillion yuan, down 5.6%. This figure includes 3.687114 trillion yuan of spending allocated from the proceeds of selling state-owned land-use rights, down 9.2%.

Adding the central and local budgets together, revenue of the central and local government-managed funds will come to 4.730923 trillion yuan, a decrease of 9.4%. Including the 80.696 billion yuan carried forward from last year, total receipts of government-managed funds will reach 4.811619 trillion yuan nationwide, and expenditure of these funds will come to the same amount, a decrease of 4%.

(3) Budgets for state capital operations

Revenue of the central government's state capital operations will reach 142.6 billion yuan, up 34.7%. Adding the 15.203 billion yuan carried over from last year, proceeds will total 157.803 billion yuan. Expenditure on the central government's state capital operations will total 157.803 billion yuan, up 61.3%. This figure includes 18.4 billion yuan transferred to the public finance budget to be spent on improving people's living standards, such as social security, and is up 183.1%. It accounts for 13% of the proceeds from state capital operations that central government enterprises will turn over to the government.

Revenue and expenditure from local government state capital operations will each be 55.579 billion yuan.

Combining the central and local budgets, national revenue from state capital operations will reach 198.179 billion yuan. Adding the 15.203 billion yuan carried over from last year, national revenue will total 213.382 billion yuan. Expenditures of state capital operations will amount to 213.382 billion yuan.

(4) Budgets for social insurance funds

National revenue of social insurance funds is estimated at 3.766651 trillion yuan, an increase of 9.1%, including 2.808756 trillion yuan of insurance premiums and 821.185 billion yuan of government subsidies. Expenditure of social insurance funds will total 3.2581 trillion yuan nationwide, an increase of 13.9%. We have calculated this year's revenue and expenditure to show a surplus of 508.551 billion yuan, and the year-end balance after the balance from 2013 is rolled over is projected to be 4.852736 trillion yuan.

III. Successfully Implementing the 2014 Budgets

1. Managing public finances in strict accordance with the law and reinforcing the foundation for their management

We will strengthen the legal framework for managing public finances. We will vigorously cooperate with the NPC on revising the Budget Law and deliberating the draft Asset Evaluation Law. We will promote faster legislation for an environmental protection tax and real estate tax, among others. We will continue to incorporate all government revenue and expenditure into budgets, and place revenue and expenditure of local government debt under budgetary management based on type of debt. We will create a stronger system of standards for basic expenditure and project expenditure, refine

accounting and auditing standards and the financial management system, and accelerate development of a management system and a system of standards for asset allocation. We will promote digital centralized treasury payment in all provincial-level finance departments, and establish a sound mechanism for centralized treasury payment of central government special transfer payments. We will work hard to promote performance management in key areas and projects, especially special funds and projects, and extend the trials of managing and evaluating performance targets to include all levels of government departments that prepare their own budgets. We will accelerate integration of financial information systems, establish in due course a national financial data center, and improve the Treasury Information Process System and its operation mechanisms, so as to provide technological support for improving management of public finances and making more efficient use of government funds.

2. Improving permanent mechanisms to stringently economize and curb extravagance and waste

We will earnestly implement the Regulations on Practicing Thrift and Opposing Waste in Party and Government Bodies. Regarding official business expenditures, we will establish sound systems of management and criteria, move faster to build an information management platform, and make the management of such spending scientific, standardized and transparent. We will conscientiously implement all the rules and regulations, make arduous efforts in our work, calculate carefully and budget strictly, and practice thrift in everything we do. We will continue to improve mechanisms, consolidate and expand upon our achievements, and honor our promise that spending on official overseas visits, official vehicles, and official hospitality will be reduced rather than increased. We will strengthen oversight and accountability; put an end to extravagance, waste and unrestrained spending; and build upon our achievements in economizing and curbing waste.

3. Strengthening oversight and inspection and tightening up financial discipline

We will strictly enforce relevant financial laws, rules, and regulations, manage special transfer payments in accordance with due procedures, make policy information more transparent, and tighten management of local governments' special accounts. We will optimize the business procedures of public finance, improve operational mechanisms, refine the dynamic system for monitoring budget implementation, and close loopholes in management. We will strengthen oversight and inspection of the entire process of collecting revenue and paying expenditures, with a special emphasis on the funds and projects aimed at improving the people's livelihood, so as to guarantee the implementation

of such policies. We will tighten up financial discipline and restore financial order. We will willingly accept the supervision of the NPC, seek comments and suggestions from the CPPCC National Committee members with an open mind, conscientiously make corrections according to comments of the audit authority, and constantly improve our public finance work.

Fellow Deputies,

Successfully implementing the 2014 Budget is of vital importance. Under the leadership of the Party Central Committee with Comrade Xi Jinping as General Secretary, we will follow the guidance of Deng Xiaoping Theory, the important thought of Three Represents and the Scientific Outlook on Development, put into effect the decision of the Third Plenary Session of the Eighteenth CPC Central Committee, and implement the decisions and plans of the CPC Central Committee and the State Council. We will work diligently, forge ahead, constantly advance financial reforms and development, strive to attain the targets for economic and social development in 2014, and contribute to finishing building a moderately prosperous society in all respects and realizing the Chinese Dream of the great rejuvenation of the Chinese nation.