withdrawn banknotes being recycled went up by 20 percent.

Combating Banknote Counterfeiting

Efforts were made to promote the establishment of the long-run anti-counterfeited banknote public education mechanism. The education network connecting countryside, counties and city communities nationwide have been established preliminarily. In 2008, the number of anti-counterfeited banknote education site reached more than 1.4 trillion in city communities and 38.4 trillion in countryside and counties nationwide. The total value of counterfeited banknotes seized nationwide amounted to 1.023 billion yuan, 50 million yuan more than that in the previous year or representing an increase of 5.14 percent year-on-year. In particular, 328 million yuan were seized by the national police force in tackling counterfeited banknote cases, representing an increase of 1.23 percent year-on-year; 695 million yuan were seized by the financial institutions, up 7.09 percent year-on-year.

Banknote Administration

20 588 banknote circulation monitoring sites were established nationwide to monitor the banknote circulation so as to control the currency in circulation in a timely manner. The banknote quality supervisory system and the receipt /payment of banknote business supervisory system were further improved to prevent circulation of unsuitable banknotes and banknote with quality problems. The PBC exercised its mandate on applications for the use of RMB banknote design and decorating RMB banknotes in circulation to closely prevent illegal advertisement activities with RMB banknotes. The PBC actively monitored the cross-border movement of RMB banknotes with monitoring sites established in 6 port regions.

Security Management and Institutional Building

Efforts were made to improve institutional building. A number of rules including *Administrative Rules on the Banknote Handling Archives, Administrative Rules on the Professional Technical Personnel Pool for Banknote Handling, Administrative Rules of the People's Bank of China on Physical Gold and Silver, Operational Rules on the Banknote storage in Different Places, Operational Rules on Physical Gold and Silver Management, Emergency Resolution of Banknote Supply in Responding the Global Financial Crisis* were formulated. Efforts were also made to improve on-site examination, innovate technical management measures and upgrade currency, gold and silver management information system so as to enhance security management. New achievements were made in the reserve fund vaults infrastructure building.

STATE TREASURY MANAGEMENT

In 2008, the PBC accomplished the following achievements in treasury business: the general budgetary receipts of 6173.7 billion yuan, budgetary funds receipts of 1495.4 billion yuan, government bond issuance proceeds of 854 billion yuan, general budgetary expenditures of 6201 billion yuan, budgetary funds expenditures of 1305 billion yuan, government bond redemption expenditures of 704.9 billion yuan.

Breakthrough Progress was Made in the Construction of Electronic State Treasury Information System

A green channel for treasury funds transfer was established and the computer software was developed in order to directly disburse earthquake relief funds so as to guarantee a timely appropriation of relief funds. The process to popularize the Electronic Taxation Transversal Network linking finance sector, tax office, treasury and banks was speeded up. The inter-connection with fiscal revenue and expenditure divisions and paying tax by use of bankcards were successfully tested. A total of 8042 institutions, including the PBC treasury bureau, the commercial banks (including credit unions) and the tax offices in 23 provinces (including autonomous regions, municipalities) were connected with the electronic taxation network. By the year end, a total of 28.3502 million tax transactions with a value of 2920.809 billion yuan had been handled. The Treasury Centralized Booking System (TCBS) was successfully put into operation and, therefore, a firm base was built for comprehensive promotion of the treasury service level.

Remarkable Achievements in Public Services of State Treasury

By fully utilizing functions of the convenient and secure electronic taxation system and the CNAPS, a good infrastructure has been created for the business innovation. Direct transfer of the relief funds and the funds for disaster recovery and reconstruction to bank accounts of disaster-hit masses was realized. The direct treasury expenditures were extended to cover farmer-related funds, teachers' salaries and so on to cut down the intermediate links, which could effectively and efficiently prevent the funds from being held back, occupied and diverted. A pilot project was launched to directly pay for the social welfare funds, which enabled people to get pensions at their residences and medical care wherever they need. The construction of the Migrant Worker's Pension Information Lifelong Records System and the Pension Funds Non-local Transfer System were actively pushed forward in order to solve difficulties in migrant workers' pension withdrawal and renewal and to realize the direct appropriation of government funds. As a result, the service of the state treasury was notably improved. The fundamental interests of the people were safeguarded, positive impacts on the society were achieved and constant improvement of the centralized system for treasury business was promoted.

Effectively Guard against Risks of Treasury Funds

On site inspections of accounting were organized and standardized to ensure the security of treasury funds. The reporting system for risk-based supervision of treasury funds was constantly improved. The Treasury Funds Risks Analysis Quarterly Report was compiled, including analysis and prediction of treasury funds risks to provide scientific decision-making basis for the treasury funds supervision. The state treasury organs at various levels strengthened their supervision of treasury collection and disbursement. 0.28 million non-compliant treasury transactions with a value of 96.8 billion yuan were detected and corrected.

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Treasury Cash Management Being Pushed on Steadily

In matching with open market operations, five revolving treasury cash management operations with total of 170 billion yuan were carried out in 2008. A guide was deliberated to encourage the research of the local treasury cash management. Forecasting of the central treasury cash flow was improved with models. An effective successive monitoring and forecasting mechanism was established.

Statistical Analysis of Treasury Receipts and Expenditures Being Strengthened

The foundation of statistics of treasury revenues and expenditures was improved to provide more accurate and timely statistical reports that were essential for decision-making of open market operations and treasury cash management. The treasury research was further strengthened, and the level of treasury study with Chinese characteristics was advanced. The analysis report of treasury revenues and expenditures reflected the operation information of treasury funds and provided information and decision-making references for coordinating monetary policy and fiscal policy as well as promoting the development of local economies.

Issuance and Redemption of Government Bonds Implemented Satisfactorily

In 2008, cooperating with the Ministry of Finance, the PBC implemented the following issuances and redemptions of government bonds: 5 issues of certificate-based bonds with a value of 130 billion yuan, 3 issues of electronic bonds with a value of 65 billion yuan; redemption of matured certificate-based bonds with a principal of 240 billion yuan and an interest of 27.086 billion yuan, redemption of bearer bonds and receipts with a value of 11.2929 million yuan. The activities of selling government bonds in the rural areas were vigorously launched. Issuing timings were carefully arranged, and terms and conditions for issuance were optimized. The governmental bond market in the rural areas was promoted to guarantee an orderly issuance. Channels for investment and financing in the rural area were expanded and farmers' investment returns increased, which contributed to the construction of a new socialist countryside.

Fostering the Treasury Culture and Developing A Modern State Treasury

In order to construct a world-class, modern and scientific treasury, the PBC issued the Development Program of Treasury Business which set up a treasury development goal for the future by taking into consideration of multiple factors, including the treasury system itself, in order to guide the treasury business at different levels. *The China Treasury Business Development Reports* （*Vol. No.1, 2008*）, which completely summarized the remarkable achievements gained in development and reform during the past 20 years and service functions of the PBC's state treasury bureau, was released

BOX 4

Reducing Intermediate Links and Serving People's Livelihood through Direct Treasury Appropriation of Government Subsidies

In recent years, farmer-related issues have reserved attentions from the Party and the government. Various government departments at different levels implement polices to benefit agriculture, rural areas and farmers and strengthen the management and supervision of the special farmer-related relief funds. In order to prevent and contain misconduct and corruption and to safeguard farmers' legitimate rights and interests, the PBC, the Ministry of Finance and the Ministry of Civil Affairs, through concerted efforts and utilizing financial and technical means provided by the PBC Treasury Bureau and branches/sub-branches, made it possible that the quake relief funds and farmer-related fiscal allowance were directly appropriated from the single treasury account to bank accounts of quake-hit masses and farmers, immediately after the instructions were signed by the Ministry of Finance and the Ministry of Civil Affairs.

Immediately after the severe May 12th Wenchuan earthquake, the Party and state leaders, in order to help the disaster-hit masses resume production and rebuild their homes, requested that various governmental departments at different levels concentrate their efforts on making favorable arrangements for disaster-hit people's life and distributing the relief funds to the disaster-hit masses as quickly as possible. The PBC Shifang sub-branch in Sichuan province, Fengxian sub-branch in Shanxi Province and Kangxian sub-branch in Gansu province, in cooperation with the local fiscal and civil affairs departments, transferred 353 million yuan relief funds to the bank accounts held by 18 thousand disaster-hit households by the direct treasury funds appropriation. By the year end, in Shandong province, a total of 1.14 billion yuan migration allowance funds was credited, through the direct treasury funds appropriation, to the bank accounts of 204 million migrants who used to live close to reservoirs or the Three Gorges,

In provinces such as Shandong, Liaoning, Fujian, Jiangsu, Hubei, Hunan and Guangdong as well as the city of Ningbo, the direct treasury funds appropriation was also utilized in the following areas: direct treasury payments, pension funds, social security allowances, salaries for teachers and public servants, allowances to masses with difficulties (such as students), oil price allowances, allowances to affordable rent apartments, allowances to enterprises with financing difficulties, allowances to "five types of personnel" in rural areas, allowances to agriculture machinery, oil allowances to buses operating in rural areas, the reproductive sow allowances and so on. A total amount of 5 billion yuan was credited to the bank accounts of 2.5 million final recipients.