

The Status Quo, Opportunities and Challenges of Local Government Financing Platform Transformation

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Abstract: Under the strategic background of supply-side structural reform in a new round of reforms of state-owned assets and state-owned enterprises, the realistic demand of maintaining financial stability first returns to the essence of serving the real economy. The paper, by comprehensively presenting the current status of the development of local government financing platforms, local government financing platform in the last round of transformation and development of the existing problems, analyzes the promotion of local government financing platform for a new round of transformation opportunities and challenges, in order to provide a factual basis for the new round of path selection.

1. Introduction

After many rounds of development, adjustment and transformation, the local government financing platform has initially formed a three-dimensional work pattern of linkage of provincial-city-county three-level financing platforms and explored various financing modes such as debt financing, equity financing and structured financing. It has played an active role in coping with and guarding against regional financial risks, deepening the adjustment and upgrading of industrial structure and raising the living standards of the people, effectively contributing to the sustained and healthy development of local economy and society and accelerating the process of urbanization in our country. At the same time, the problems of credit risk caused by insufficient solvency, the financial operation risk caused by the financing structure alone, and the moral hazard caused by understanding the understanding bias are becoming the bottlenecks restricting the new round of transformation and development of the financing platform.

(1) Land over-reliance on finance and inadequate solvency overall According to the statistics of the Audit Commission, as of June 2013, the total amount of local government debt in China was 10.88 trillion yuan, of which the provincial, municipal and county levels of local government The proportion of the debts with responsibility for repayments in the total balance of local government debts in China is respectively 16.33%, 44.49% and 39.18%. Considering the hidden debts formed by all kinds of non-compliance disguised guarantees, the debts at the county level More than possible, the grassroots debt is too large. The national debt of local government financing platform amounted to 7.18 trillion yuan, accounting for 65.94% of the total amount of local government debt. Given that the relevant data are not available, assuming that the debt financing of the financing platform accounts for the same percentage of the local government debt balance in 2013, then according to the scale of the national balance of local government debt in 2016 of 15.32 trillion yuan, 2016 The debt balance of the financing platform has increased to 10.10 trillion yuan, accounting for 13.62% of China's GDP in 2016, accounting for 115.83% of the total local revenue in 2016. In addition, there are 2.8 trillion yuan of debt matured, financing Platform debt pressure greater. Source: National Bureau of Statistics of China Statistical Yearbook 2016, this article is collated. Due to the non-reciprocity between the main debt-financing body and the main debt-service provider, for non-profit public-welfare projects as financing platforms, the source of repayment is the operating income of the financing platform itself, the land transfer income In addition, it also includes government financial funds. Therefore, when evaluating the solvency of local government financing platform, this article analyzes the debt level of local government and the operation level of financing platform respectively.

(2) Analysis of the Present Situation of the Debt Level of Local Governments the three indexes of local government debt burden, local government debt ratio, and local fiscal balance are internationally recognized indicators of the level of local government debt and long-term health in accordance with. In 1996, the local government debt ratio was 223.22%, nearly 50% higher than the international warning level of 150%, well above the national total debt ratio of 96.00%. Among the debt ratios of various provinces, the debt level of Beijing, Shanghai, Jiangsu, Shanxi, Guangdong, Tianjin and Tibet Autonomous Provinces is below the international warning level of 150%. Of the debt ratios of the eastern, central and western regions, the highest debt ratio is 10 There are 6 provinces in central and western China (561.70% in Qinghai, 557.84% in Guizhou, 350.02% in Yunnan, 302.21% in Ningxia, 293.15% in Guangxi and 268.15% in Shaanxi) and 3 in Central China (281.55% in Inner Mongolia, 271.71% in Heilongjiang and 253.08% in Hunan), Eastern demand led to funding. From the perspective of regional risks, the fiscal operation risk in the eastern, central and western regions increases in turn, but the eastern region has the highest overall dependence on land finance. Once the real estate market changes, the eastern region with the lowest financial risk is likely to face compensation Debt risk is substantially reduced. At the administrative level, the county-level financing platform has the characteristics of "two more and one low" with the lowest administrative level, the largest number of platforms and the largest debt balance, which easily leads to irregularities.

2. Correctly Understanding and Grasping the Opportunities for a New Round of Transformation in Local Government Financing Platform

Grasping the strategic opportunities of the country, effectively serving the real economy in financial services and effectively preventing financial risks When the forerunner deepens in order to optimize the industrial structure and improve the quality of the supply side, The structural reform on the supply side of the main content is the prominent contradiction existing in the current economic operation such as the mismatch between supply and demand structure, and the enhancement of the sustained, healthy and endogenous driving force of the economy after China's economy has entered a new normal. The major strategic plan of transforming from extensive growth to fine-grained development of quality and efficiency is the general outline of all the work for the current and future period. Only by closely following this general principle in all industries can we provide new and greater impetus to the economic and social development with the principle of "going to production, inventory, leverage, lowering costs and making up for shortcomings." In July 2017, the Fifth National Financial Work Conference held a survey on how financial work focused on the general structure of supply-side structural reforms to make up for shortcomings and implemented them, and pointed out the direction of their efforts. That is, financial work should focus on the principle of "serving the real economy, Prevention and control of financial risks, deepen financial reform, "the main line. The meeting called for the financial sector to "return to its original source and obey the service for the development of the real economy", requiring that market orientation be adhered to and quality should be prioritized and that financing should be facilitated. "It is better to allocate more financial resources to key areas and weaknesses in economic and social development. Meet the financial needs of the people and the diversified real economy ". The financial platform is connected with the key areas and weak links in the economic and social development of infrastructure in places such as infrastructure construction and public goods, and is linked with the capital market and financial instruments. It is a natural carrier of financial services for the real economy and has unique value and great significance. In particular, under the current national opportunity of deepening the supply-side structural reforms to lead the new impetus for industrial transformation and leading the new normalcy of economic growth by combining the physical projects that promote investment in financing platforms with structured financial instruments such as asset securitization to innovate financial products, With multiple strategic significance. First, it is conducive to advancing the capital market to better serve the real economy. It not only resolves the contradiction between supply and demand imbalance between private capital adequacy and limited investment variety, but also resolves the problem of difficult financing of public goods from the root

causes. Second, it is conducive to using the liquidity of financial instruments to revitalize the stock of assets, dispose of non-performing assets, participate in the production, provision and operation of public goods for social capital, broaden the investment channels, raise the return on investment of social capital, and participate in the enthusiasm and development vitality. Third, it will be conducive to using the rigor and prudence of financial thinking to promote the standardized operation of all parties involved in the operation and to strictly enforce the contract so as to enhance the quality and effectiveness of the real economy in financial services. Grasp the opportunities of economic development, in order to strengthen the dominance of the state-owned economy and stimulate the development of vitality when the vanguard enters a good market in 2017, the global economic situation is grim and complicated. Economists both at home and abroad have generally expressed optimism about China's economy. The International Monetary Fund raised its forecast for China's economy by 0.3 percentage point to 6.5% and pointed out that "China will be the key factor in accelerating the global economic recovery this year." The World Bank plans to cut its global economic growth forecast by 0.1 at the same time, the expectation of maintaining 6.5% of China's economic growth will remain unchanged. This created a favorable external condition for the new round of transformation of the local government financing platform. The Third Plenary Session of the 18th Central Committee of the Communist Party of China clearly defined a new round of road map for the reform of state-owned assets and state-owned enterprises. On August 24, 2015, the Central Government issued the Guiding Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Reform of State-owned Enterprises, proposing that the use of capital for management should be the mainstay and the supervision of state-owned assets should be strengthened. In 2016, the SASAC, the Ministry of Finance and the NDRC jointly promulgated the Guiding Opinions on the Definition and Classification of State-owned Enterprises. It explicitly proposed the formation of a State-owned Assets Investment and Operation Company and re-emphasized the reform requirements of the transition from "managing assets" to "managing capital". According to the official data of the Audit Commission, the local government financing platform manages about half of the assets of local state-owned enterprises and some individual provinces and cities even approach or surpass 80%. They remain in the stage of "asset management" and are the key and difficult point for the reform of local state-owned enterprises. How to take the initiative as the transition from "asset management" to "capital management" is the vanguard of the reform of state-owned assets by the current round of investment, which is the unshirkable mission responsibility of the financing platform. At the same time, in order to implement the reform requirements, local government financing platform will also start the integration and reorganization. Make good use of strategic opportunities and economic opportunities, and be good at surviving and becoming larger and stronger through the innovative transformation of operating modes and financing modes, actively serving the real economy, taking the initiative and taking the lead in transformation; Transformation platform company, is likely not to retreat, or even be reorganized, be eliminated. How to take the lead in breaking the title, realizing market-oriented, materialized and standardized development is the inevitable choice for the sustainable development of financing platform.

Cautiously coping with and resolving the challenges faced by the new round of transformation of local government financing platform Speeding up the new round of transformation of local government financing platform is an inevitable requirement for realizing supply-side structural reform and a realistic need to promote the reform of state-owned assets and state-owned enterprises. To achieve a new round of financing platform for transformation, but also face many challenges. The main ones are:

(1) Steady financial stabilization and stability, and the rising cost of financing usher in determining the key tone of financial stability. This will bring new challenges to the transformation of the financing platform. While defining the general orientation of finance in obeying the economic development of service entities, the Fifth National Financial Work Conference also called for strengthening the prudential regulation of financial functions, regulatory functions and behavior supervision. Taking the "lowering leverage" of state-owned enterprises and strictly controlling the

increase of local government debt as the top priority of the financial work of local governments at all levels in the coming period. Among them, the issue of local debt will implement the lifelong accountability of local government officials, which brings new challenges to the transformation of financing platform. On the one hand, the financing platform for the local government to raise funds for economic construction as a "money bag" era came to an end. The PPP project financing model characterized by "common governance by government, society and market, mechanism construction, benefit sharing, risk sharing and responsibility sharing" will become a new or even relying on local government to promote local economic and social development of the hand. In line with this, the financing platform will become a partner of PPP projects initiated by local governments in the capacity of "investor" and "operator" and is expected to truly transform itself into a market-oriented, materialized and standardized independent economic entity. However, with the emergence of a series of monetary tightening policies that have strictly controlled the rate of local government debt expansion since 2014, coupled with the anticipated inflationary pressures, the central bank may tighten monetary policy appropriately and the financing cost of financing platforms Pressure, capital expenditure pressure and debt pressure will usher in a round of rising cycle. On the other hand, in response to lifelong accountability, local governments will strictly control new debts and dispose of old debts. Local governments will speed up the stock market debts of local governments and cut them off as soon as possible. At the same time, they will not give the financing platform to provide credit by letter, the operating nature of the financing platform and financial status will become an important reference for financial institutions to lend. Financing platform in the new round of transformation, it is necessary to borrow new debt, continued operations, to ensure continuous cash flow, but also old debt (including debt interest), to inventory, unprecedented pressure on the huge. If the transition is too hasty, not fully enhance the survival skills of the wild rush to let go, easily lead to a large number of financing platform to become a new batch of zombie enterprises. If the transition is too slow, it will miss the opportunity of national strategic opportunities and economic development, face the danger of being integrated and eliminated, and eventually become a new batch of zombie enterprises. According to statistics from the National Institute of Legal and Strategic Development Research at Renmin University of China, "the more government subsidies companies received two years ago, the more likely they are to become zombie enterprises in two years. The probability of state-owned and collective enterprises becoming zombie enterprises is significant higher than other types of enterprises." According to the CBRC, as of the end of 2016, the number of local government financing platforms under supervision in the country was 9,300. If problems occur, it will bring about not only a small impact on financial stability but also the outcome of the new round of reforms in the state-owned assets and state-owned enterprises. Therefore, in the new round of financing platform for the practice of transformation, we should exercise caution when it comes to the pace of transition. (Two real estate boom is not sustainable, the land finance steadily change the tax reform, the land transfer revenue has become the most important source of income for local governments, land transfer revenue accounted for the proportion of local government fund income remained around 75% It is also one of the major sources of funding for the financing platform. Land prices and real estate prices are the pros and cons of a coin. Once the price of real estate appears loose, it will directly affect the land transfer price and the size of the mortgage loan, thereby affecting the financing scale of the local finance and financing platform. Since 2013, under the influence of overcapacity and loose monetary policy, the prices of assets in China, represented by real estate prices, have risen sharply. However, the asset prosperity brought by over-sending currencies has become unsustainable in 2015. Source: Ministry of Finance website, Wind database. In 2017, the Central Economic Work Conference stressed the need to adhere to the positioning of "the house is used for housing rather than for speculation" and promulgated a tightening control policy with the core of "limit of purchase, limit of loans, limit of prices and restriction of sales". At the same time, vigorously nurture rental demand, requiring "the same rights to rent and sell, rent and sell simultaneously" and stabilize the real estate prices as the key asset prices. This means that in the context of the supply-side structural reform strategy, the issue of "land finance" to "tax revenue finance" will be shifted from the issue of

solving the imbalance between the fiscal power and the power of local governments, and the balance of local fiscal expenditure will depend more on industrial upgrading. This means that the new round of financing platform reform must break the traditional development thinking of "relying on food." More rely on the industrial operation of the city, capital operation to maintain its own development and promote local economic and social development. The future decision of the core competitiveness of financing platform, is its industrial agglomeration ability, urban management ability, capital operation ability. Compared with the "quick money", extensive management of the land finance, tax finance need more time hard, bedding, you need to rely on the fine management of the "craftsman spirit." The accumulation of these abilities does not happen overnight, and it is exactly the short board that the financing platform must make up for a new round of transformation. How to prepare early and prepare adequately is another challenge facing the new round of financing platform transformation.

(2) The commonality and personality co-exist, there is no universally applicable general model. Financing platform sprouted in the 1980s, the transformation in the development, the transformation and development. Different parts of the financing platform, both the main characteristics, functions and other aspects of the common positioning, but also the mechanism of the system, financing mode, mode of operation, living environment, development and transformation track and personality. Especially since the financing platform in 2010 entered the stage of standardization transformation, apart from the innate personality differences between the platform and the platform, the differences in acquired development in terms of function, quality and energy level have become more and more obvious. Some platform companies have pioneered the exploration in the direction of marketization, materialization and standardization. They have already begun to explore such aspects as the reform of the mechanism system, the mode of operation in the cities in the city, and the mode of capital operation. Most platform companies are still at the stage of. "Passive state, if satisfied with the status quo, will not survive in the new round of transformation that emphasizes self-hematopoiesis and efficiency-oriented leadership. However, due to the difference of "innate personality" at the beginning of the platform company and the "progress of the day after tomorrow" that widened the gap after 2010, these platform companies would like to realize their own transformation by adopting the doctrine, which is not enough. The replacement of local bonds is also difficult to explain the financing platform in a new round of transformation, the personality is greater than the common adjustment. According to the arrangement, our country is at 2.

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