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Research on the path of transformation and development of local government financing platforms and international experience

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ABSTRACT
Local government financing platform refers to a kind of investment and financing institution with special attributes established by local governments in China to raise funds to achieve their policy objectives, especially infrastructure construction and urbanization process. These platforms raise funds mainly by issuing bonds, obtaining bank loans and selling assets and so on, because The investment needs of local governments often exceed their fiscal revenue. And they use the funds to finance local government projects. This requires a specialized institution to operate these financial activities, namely local government financing vehicle. The operational capability, credit rating and adaptability to the policy environment of these platforms directly affect the financing efficiency and financing cost of local government. Local government financing vehicles also assume the functions of project management and financial management. They need to screen, evaluate and monitor the investment projects of local governments to ensure the rational use of funds and the good effect of investment. At the same time, they also need to carry out financial reporting, risk management and other work to ensure the platform run smoothly. However, LGFVS also face problems. For example, since the financing activities of the platform are ultimately endorsed by local governments, this may raise the issue of moral hazard, that is, the platform may be inclined to make riskier investments. In addition, the transparency of information such as the operation model and financial status of local government financing vehicles is low, which may affect the market's judgment of their credit. All these problems need our attention and research to promote the healthy development of local government financing platforms.

KEYWORDS
Local government financing; International empirical study; Transformation development path

1 Different financing models of local government financing platforms

1.1 Large-scale comprehensive investment and financing platform

The local investment and financing platforms with small scale and scattered business can be integrated into one platform, or a new platform can be established to integrate the resources of various local platforms. According to the different business types and functional positioning of the platform, the platform resources of the same or similar business are integrated to reduce the overlap of business coverage, enhance the accuracy of platform positioning, clarify the division of business on the platform, and improve the operational efficiency of local investment and financing platforms.

Promoting the integration by "becoming strong from weak" and "changing county to city", and absorbing and merging the platform with weak qualifications into the local platform with strong qualifications, can not only improve the financing ability of the platform with weak qualifications, but also enrich the asset scale of the strong platform. Municipal platforms are encouraged to integrate the resources of county-level platforms, expand the asset scale of local investment and financing platforms, and improve the overall financing capacity of regional platforms.

1.2 BOT mode

BOT operation mode is an international common mode of capital operation, that is, the whole process of infrastructure from construction to operation and then to transfer. Specifically, after the government transfers the right to construct and operate a specific project to the enterprise within a certain period of time, the enterprise constructs the project and obtains the project operating income to balance the project preparation cost. The government can benefit from the social benefits after the completion of the project,and then the government takes back the project from the enterprise after the authority expires. Therefore, the BOT model is also known as franchise financing. As the builders of urban infrastructure, local government investment and financing platforms can learn from BOT mode for capital operation and project financing support.

1.3 PPP project mode

Government and municipal agency cooperation is a public-private partnership model that aims to participate in the construction and operation of public infrastructure through the cooperation of government and social capital. This model encourages private enterprises to cooperate with the government, and participate in the construction of public infrastructure, and clarify the rights and obligations of both parties through the signing of contracts to ensure the smooth completion of cooperation. The core of this model is to improve the quality and supply efficiency of public goods and services by integrating the resources and capabilities of the public sector and the private sector, using the market-oriented competition mechanism and incentive and restraint measures. In the PPP model, a close cooperative relationship is established between the government and social capital, which is characterized by "sharing benefits, sharing risks, and cooperating in the whole process". The two sides jointly participate in the planning, construction, management and operation of urban infrastructure, aiming to improve work efficiency through synergies, reduce potential risks, and ultimately achieve maximum public welfare.

1.4 SPV mode

SPV, or special purpose vehicle, is a legal entity specially set up for a specific project, which embodies the guiding role of financial funds, absorbs the participation of social capital, and invests through funds. Under this structure, government funds act as a catalyst to stimulate the vitality of social capital to jointly set up a fund focused on railway construction. The fund acts as a "private party", joining forces with a "public" platform company representing the interests of the government to create a project company to operate under a PPP model. The project company not only receives capital injection in the form of funds, but also enjoys the support of long-term loans to ensure the sustainable development of the project. The role of the government is reflected in the completion of the project, through the way to pay back the investment, to ensure the return of investors. In the whole process, SPV, as a key financial tool, effectively integrates the resources of government and social capital, promotes the construction of railway infrastructure, and also realizes the sharing of risks and benefits.

In short, SPV is an efficient financing and operation mechanism. It promotes the development of railway construction projects through the government's financial guidance, the combination of social capital, the adoption of fund investment and PPP model, supplemented by long-term loans and the guarantee of government payment, and realizes the harmonious unity of public interest and private investment.

1.5 A mixed reform of state-owned enterprises mode

There are three paths about the model of state-owned enterprise mixed reform. First, it canbe done by introducing strategic investors to participate in or hold shares by means of equity transfer, capital expansion, and new establishment, and optimizing the asset structure of the platform, to improve the platform's financing capacity, and expand financing channels, and improve the platform's governance level. However, the general purpose of introducing strategic investors is to prepare for the listing of enterprises, so as to enhance the quality of enterprise assets and enrich the scale of enterprise assets. Second, the platform will be listed as a whole or the core assets will be spun off and listed. The overall listing of the platform can increase the enterprise value of the platform, broaden the financing channels of the investment and financing platform, and relax the restrictions on the financing limit of the platform. The spin-off and listing of core assets can enhance the quality of platform business and improve management efficiency. Third, the local establishment of industrial funds or industrial development funds and state-owned enterprise mixed reform funds into the platform mixed reform, the introduction of funds can not only achieve the purpose of raising funds, help local industrial transformation and upgrading, but also adjust the capital structure of investment and financing platforms, improve the platform's financing capacity.

1.6 Asset stripping mode

Asset stripping refers to the transaction behavior in which an enterprise resells assets that do not conform to the strategic planning and development direction of the enterprise to a third party. As the contractor of urban infrastructure construction, the local government investment and financing platform has bad assets occupying a lot of enterprise funds in its asset structure that have low correlation with the main business, and show weak profitability andpoor efficiency so as to affect the financing ability of the investment and financing platform and further hinder the development of the platform. Such assets need to be stripped from the platform. Investment and financing platforms can adopt market-oriented capital operation methods as follows. First, carrying out merger and acquisition strategy. Through equity mergers and acquisitions or asset mergers and acquisitions, relevant operational assets in line with the strategic development of the platform will be incorporated, market access barriers will be overcome, enterprise competitiveness will be rapidly enhanced in a short period of time, operational assets will be expanded, business diversification will be achieved, asset structure will be improved, and platform asset scale and quality will be strengthened. Second, the establishment of industrial investment funds, supporting the implementation of mother-child industrial investment funds.

2 Path of transformation and development of local government financing platforms

In the context of the continuous deepening of the reform of the financial system, the evolution of the investment and financing mode of local government in China has changeed a lot, and its characteristics have also changed. In the early days of the founding of the People's Republic, the financial system was unified revenue and expenditure, and then it developed towards the Angle of hierarchical contracting, and then through the tax sharing reform. Correspondingly, the mode of investment and financing of local governments has also changed, and there have been some changes in the relationship between the government and enterprises, and between local governments and the central government. Details are as follows:

2.1 The First phase (1949-1993)

During this period, China's local government investment and financing mainly relied on financial input, supplemented by appropriate bank credit. During the period from 1929 until the reform and opening up, due to the implementation of the planned economic system, the financial power was in the hands of the central government, and economic development was subject to the central government. Local governments lacked the autonomy, and the same was true in investment and financinglike, they accepted the unified management of the central government, and relevant decisions and funds were unified decision-making, planning and allocation by the central government. Fiscal revenue and banking are two important channels of national fund distribution, and they maintained close relationship. With the continuous adjustment of the fiscal system, local governments were also gradually developing and had acquired more financial and administrative powers. However, due to the limited scale of financial funds and the mismatch between the financial rights and administrative powers held by local governments, and the direct link between fiscal revenue and expenditure, local governments were in a passive position and it was difficult for them to give full play to their regional characteristics. Local governments were also less enthusiastic about using investment and financing to promote regional development. At that time, local governments mainly obtained funds through fiscal revenue, and Jiangxi, Fujian, Anhui and other provinces began to issue local bonds. But there were many chaos in local government bonds, such as, the issuance scale was too large, the maturity was too long, and the utilization efficiency was not high. In view of this, the state suspended the economic construction bonds in order to keep market order, and the local government's investment and financing source was still mainly fiscal investment. Driven by the reform and opening up, the reform of the domestic economic system had also been carried out in full swing, and many beneficial explorations and reforms have been made in the financial system. Since 1986, the investment system has also entered the path of reform, opening up more investment and financing channels for the construction of local government projects.

2.2 Second Phase (1994-2007)

Since 1994, the reform of the tax sharing system had been fully implemented, which represents the formal entry into the market economy system and greatly broadened the investment and financing space of local governments. Under such an environment, the scale of local governments in land finance and land financing had been growing. Various emerging investment and financing models such as local government investment and financing platforms, project trust financing, and property rights transaction financing had emerged. On the whole, the reform of the tax sharing system had brought great changes to local governments. In this process, the central government has recovered its financial power and delegated its powers to lower levels. In such an environment, the power to formulate tax policies and raise debts has been controlled by the central government, leading to the increasing contradiction between the financial revenue and expenditure of local governments. Under the wave of vigorously promoting the reform of commercial housing, local governments at all levels had tried to start with land leasing and dig deeply into land resource funds. Thanks to the reform of the housing system, the income from real estate construction was basically in the hands of the government and enterprises, and local governments could get both social and economic benefits when they carry out infrastructure construction within their jurisdiction. These economic benefits will be in the hands of local governments for local construction to continue funding. At this time, the financing modes of local governments are also more abundant, which can not only continue to rely on land finance for financing, but also through the issuance of quasi-local bonds, loans issued by the central government to local governments, and local government financing platforms.

2.3 The Third phase (2008-2014)

At this time, China's local carried out government investment and financing mainly through packaging credit, supplemented by financial input and land finance and other ways. In 2008, a financial tsunami sweeped the world,. in order to cope with the crisis, China launched a 4 trillion yuan economic stimulus policy. Due to the impact of various previous regulatory policies, land finance was stretched in front of the demand for large-scale infrastructure projects and industrial development stimulus, and "package credit" was born in response. The huge demand for local development had spawned a large number of local government investment and financing platforms. In addition, China had not yet formulated a perfect supervision and management policy, investment and financing platforms had showed a crazy expansion, only about 3,000 in 2008, and in 2014, in a short period of six years, the number had expanded to 11,000, and a large number of bank loans had been poured into financing platforms. It had greatly increased the leverage ratio and seriously aggravated the hidden risks.

3 Literature review

3.1 Review of domestic literature

Local governments undertake a large number of economic construction tasks, but local financial resources are increasingly strained, which leads to the formation of financing platforms for off-balance sheet indirect financing by local governments (Cao Guangyu et al., 2020). Even so the investment and financing activities by local governments through financing vehicles do not stop completely. In fact, the governments continue to raise funds through informal channels of banks and other financial institutions, often in the form of trust products, financial leasing, entrusted loans, insurance wealth management products, bank acceptance bills, letters of guarantee, and asset management plans (Liu Chang et al., 2020). This phenomenon shows that although China attempts to regulate local government debt management, local governments are still finding ways to bypass regulations to meet their growing industry and infrastructure construction needs in practice.

3.2 Foreign literature review

The West has a long history of capital development. Due to the different nature of society, the basic financing channel is I todirectly issuegovernment bondss. Different scholars have completely different views on the way of government financing. The early famous economists Adam Smith, David Ricardo, Jean Baptiste, Say and David Hume are the representatives of the harmful theory of government financing. They analyzed that public debt makes social capital used for finance, hindering the development of industry and commerce, will inevitably lead to currency depreciation, and make taxation more difficult, so they believed that this is an irresponsible behavior of the government. David Hume said, "If the state does not eliminate government financing, government financing will eliminate the state. " Keynes, Pigou and Samuelson, the representatives of the beneficial theory of government financing, believed that government financing can stimulate economic growth. Government financing concentrates the idle funds of the country into the places most needed for economic development, and can continue to expand and grow with economic development, and is not a burden on future generations. Modern Ebel and Yilmaz also pointed out in their article "The Measurement and Impact of Fiscal Decentralization" that government financing can provide more employment opportunities and positions for the society and increase residents' income. Allen Consuiting Group, in "Public Debt, Sustainable Deficits, and Budget Integration," also argued that efficient investment and financing are good for job creation. Although the two opposite theories have existed until now, the issuance of government bonds has become the main financing means for most countries to absorb social funds and carry out public infrastructure construction. In 2020, Eman Abdel Khalek Fseifes and Talib Mohammad Warrad, when studying the impact of domestic and foreign public debt on Jordan's economic growth, believed that the government financing debt should be controlled to a long-term moderate level to minimize the future negative impact. It is also believed that the government should revise financing and debt management strategies to minimize debt obstacles without affecting economic development. In conclusion, today's scientists believe that government financing platforms should adapt to the economic development of The Times, whether beneficial or harmful.

In "Optimality of Local debt Limits," Wagner wrote that governments can raise funds for project investment through debt issuance, financing and other channels, avoiding the use of fiscal funds, and the cost of these investments can be spread over many years. The World Bank has also clearly pointed out that the Chinese government needs to reduce financing costs, maintain fiscal balance, and have a high level of financial management is very important. A complete regulatory system must first assess the risk of the government's financing bond issuance, and foreign governments generally set a risk assessment indicator warning line to judge whether the risk is controllable. Alan Sigg, an American scholar, clearly pointed out in his book Federal Budget - the Political Policy Process that the government's budget has a decisive impact on local government financing and the scale of debt issuance. In an article published in the journal Operations Research, Zenios Stavros A also expounded his findings that the government's debt financing supervision has introduced the view of risk management, which means that the government needs to strengthen the financing, the subsequent risk of debt, to carry risk management through to the end, and to strengthen the supervision of the latter half.

The regulatory power of local governments has gradually strengthened, and the central government has not interfered much in local financing. Waldo, an American scholar, argued in his book The Administrative State that the government should decentralize the regulatory power, so that all levels of government and finance have a high degree of autonomy, and the way of government supervision can be adapted to local conditions throughout the country rather than absolutely consistent. First of all, the government can grade the government's credit through a special credit rating to determine whether the government can borrow, and such information will be disclosed openly and transparently.

Then, local governments strictly control the scale of debt by combining their own debt ratio and debt repayment ratio, and establish specific quantitative management indicators. "Musgrave's golden rule of only spending on basic and pro bono capital projects" can be followed. Donato Masciandaro, professor and Chair of the Economics of Financial Regulation at Bocconi University, believed that there should be a relatively stable situation between government regulation and the development of the financing situation, and any regulation should fully consider the needs and development of local financing vehicles.

4 Representative national government financing platform transformation experience

4.1 American Model

In the United States, in order to promote the diversification and efficiency of public services, in addition to actively attracting private enterprises to participate in public sector investment, another strategy has been adopted - the establishment of special purpose vehicles (SPVS), which are entities neither traditional government agencies nor private enterprises but in between, usually government-mandated agencies or state-owned enterprises. They are entrusted with the responsibility of providing public goods and services. These institutions set a clear mission, direction and objectives at the beginning of their establishment, and through special laws (Acts), their scope of business and investment boundaries are specified in detail. In order to ensure the transparency and accountability of these government-authorized agencies and state-owned enterprises, the United States has established a comprehensive regulatory system that requires them to submit business plans, performance reports and financial conditions on a regular basis and disclose relevant information to the public. This approach not only enhances regulation, but also helps to create a more robust oversight mechanism to regulate the investment and financing activities of these institutions.

In addition, after the introduction of the PPP model, the United States successfully attracts private capital to participate in infrastructure construction through the future income of the project and moderate subsidies, effectively alleviating the financing pressure of the government, and improving the overall quality of infrastructure. The municipal bond market in the United States is also unique. It relies on the support of local finance, improves the credit rating of bonds through the intervention of insurance and guarantee institutions, and implements tax exemption on bond interest income. All these measures jointly promote the development of the municipal bond market. In general, these practices in the United States not only optimize the allocation of public goods by local governments, but also solve the problem of financial burden brought by large-scale public investment, and provide experience for other countries.

4.2 British Model

In the United Kingdom, the main way of financing of local government is borrowing, and the money is mainly from the Public Works Loan Committee and commercial banks. Britain is a pioneer of the PPP model. The original intention of its investment and financing system is to encourage private capital to participate in the construction of public projects, so as to promote the transfer of state-owned assets from the public sector to the private sector, to disperse risks, to improve the efficiency of project execution through competition mechanism, and to ensure the maintenance of public interests. According to the nature of infrastructure projects, the British government divides them into three categories: non-operational projects or projects with significant social benefits, quasi-operational projects and purely operational projects, and adopts different management strategies according to the characteristics of each type of projects. BT model is directly funded by the government. If the government is short of funds, it can supplement the funds by issuing local bonds or borrowing from banks. The second type of projects adopt BOT mode, and the third type of projects are open to private enterprises to participate, and provide certain financial subsidies and policy preferences. Through the joint-stock reform, those inefficient state-owned enterprises are privatized or transformed into public-private joint ventures, which not only reduces the financial burden of the government, but also increase the government's fiscal revenue. More importantly, the government takes the initiative to break the monopoly in the field of infrastructure, allowing the private sector to participate in urban construction, accumulating more infrastructure construction funds for the government, and effectively alleviating the problem of government financing difficulties. In the UK, the PFI model allows the government to grant a franchise for a specific project to a private enterprise, which is responsible for the financing and construction of the project, and operates the project for a certain period of time to recover the investment and obtain a reasonable return. This model further promotes the participation of private capital in the public infrastructure sector and improves the overall efficiency and quality of projects.

4.3 Indian Model

There are three levels of government in India, namely, central government, state government and local government. At the local government level, there are about 4, 000 urban local bodies (ULBs). The ULB is further divided into large cities, small urban institutions, etc., according to the size of the city. In India, both state and urban local governments can issue bonds. The main source of funding for the state government is the use of the State Government Development Loan (SDL) . It is coordinated by the Reserve Bank of India (RBI). Designated ULBs may also issue local bonds. However, the size of the issuance is much smaller than that of state government bonds.

4.4 Russian Model

In the early 1990s, Russia's financial management system underwent a profound change, from the original highly centralized to the model of fiscal federalism. In the course of this transformation, Russia's regional governments, including federal subjects and municipal governments, gained broad financial autonomy within their jurisdictions, including virtually unlimited borrowing power and the right to independently finance externally. In order to strengthen the management and control of local debt, the Russian Federal government issued the "Russian Federal Budget Code" (referred to as the "Budget Law") in 1998, which not only regulated the borrowing behavior of local governments, but also reflected the federal government's tendency to re-centralize financial power. The Budget Law clarified the forms of borrowing by local governments and imposed strict limits on foreign borrowing. According to the provisions of the Budget Law, the composition of the debts of subjects and municipalities of the Russian Federation covered a variety of types, including but not limited to government bonds, bank loans, loans from foreign banks and international financial institutions, budget loans from other budgetary units within the Federal budget system, government guarantees and other forms of debt. These rules set the framework for local governments' access to financing, while also ensuring the federal government's dominance in fiscal management.

4.5 Korean Model

South Korea's local government financing mainly adopts the following ways: First, local government debt, which can be subdivided into the following three types: general account debt, mainly used for public facilities construction, disaster relief and other activities; Special account debt, which is mainly used for sewage treatment, housing construction, etc.; The debt of public enterprises, which is mainly used for public utilities, economic development and other related affairs. Second, overseas financing. The Ministry of Finance shall make overall planning for overseas financing, carry out comprehensive supervision over the specific operation of administrative agencies, conduct necessary coordination for international cooperation, formulate sound systems for foreign exchange transactions and fund management, do a good job in government assessment, and carry out objective assessment of the efficiency of debt allocation and budget implementation.

Third, the PPP model. South Korea's PPP development is relatively leading in Asia, and has built a complete set of legal systems, and has formulated the PPP Law, which clearly stipulates that in the case of social capital as a disputing party to initiate mediation applications, the government should give consent, which shows that the private sector has a higher choice. The introduction of the bill has provided a boost to the good financing of local governments, and has also provided an authoritative legal basis for the settlement of various disputes, which is highly operational.

4.6 Japanese Model

In Japan, local government financing vehicles were mainly composed of four types of enterprises: local public enterprises, local independent administrative legal entities, local three communes and the third sector. Over time, the Japanese Ministry of Internal Affairs and Communications has reclassified these financing platforms, referring to the third sector, local three communes and local independent administrative legal entities in which local governments hold more than 25% of the shares as "third sector, etc." This new classification has become the main focus of research on the reform and management of local government financing vehicles in Japan. The discussion of local government financing vehicles in Japan will also focus on the category of "third sector, etc." The financing platform companies in Japan are subdivided into several categories, each with its specific function and positioning. Among them, the "third sector" is a legal entity jointly funded by the government and private capital, between a completely private enterprise and a government-owned enterprise, according to the different legal status, which can be divided into civil law legal person and commercial law legal person. "Local independent administrative entities" are legal entities established by the government to carry out specific government affairs, independent of traditional government administrative agencies, and focused on implementing or executing government tasks. The "local three communes" include "local housing supply communes", "local road communes" and "land development communes", which are established under their respective laws to provide public housing, promote road construction and effectively acquire and manage land resources. Through the classification and management of these financing platforms, local governments in Japan can more effectively mobilize resources to promote local economic development and social infrastructure construction.

4.7 Singapore Model

The Monetary Authority of Singapore, GIC and Temasek are the three major investment entities in Singapore that manage the government's reserves, holding the majority of the government's financial assets and making long-term investments, contributing S $21.56 billion in net investment returns for the Singapore Government in FY2022. The Ministry of Finance of Singapore has a 100% controlling stake in Temasek, but it does not participate in its operation and management, and its corporate governance relies more on independent directors who do not hold equity, which forms a three-tier supervision system of "government, Temasek, and enterprise". The most significant feature of the limited mode of Singapore Temasek Holdings (private) is that the government becomes the shareholder to carry out investment and financing activities, and controls the operating status and future development direction of the enterprises by timely consulting the financial reports of the enterprises, and evaluates the operating performance of the enterprises. The local government investment and financing platform can refer to the Temasek model of Singapore, combine China's national conditions and the platform's own operating conditions, transform the platform from a single operation and management mode to a group operation mode, integrate the regional investment and financing platform, and form a state-owned capital operation. The subordinates of the platform can build diversified business layout according to their own business nature, so as to achieve business focus and professional operation. An operational framework for local government-state-owned capital operations has been gradually formed. Temasek model has improved the relationship between local governments and platforms, and local governments have changed from managing capital to operating capital, realizing the separation of management rights and ownership, effectively improving the capital operation efficiency of investment and financing platforms, and thus facilitating the market-oriented transformation of investment and financing platforms.

4.8 Vietnam Model

In 2022, the Vietnamese governmentl, faced with a huge economic development financing demand of up to VND628 trillion (equivalent to about US $27.5 billion), which exceeded the budget set out in the original socio-economic recovery and Development plan approved by the National Assembly, with an additional demand of VND84 trillion (about US $3.7 billion). This financing need was expected to climb further to VND 706 trillion (about US $31 billion) by 2023, the vast majority of which would be raised by issuing government bonds on the domestic market. Vietnamese economic experts suggested that the issuance of municipal bonds, project bonds or other forms of capital raising instruments exceeding the public debt limit could be considered annually until 2035 to meet the growing financial needs. In addition, the experts came up with an innovative idea to pilot a "sandbox model" in two major cities, Hanoi and Ho Chi Minh City, a type of regulatory pilot zone that aims to provide a safe testing environment for new financial services, products or business models without compling with all regulations immediately and fully. Under the proposal, each city would receive a $1 billion grant for pilot projects, with $500 million coming from their municipal budgets and another $500 million from the central government. At the heart of this "sandbox model" is a control area designed by regulators that allows innovation to be explored and tested in a limited environment, while protecting consumers and market stability. In this way, Vietnam hopes to accelerate financial innovation while ensuring that risks are properly managed.

5 Path of transformation and development of local government financing platforms

5.1 Further guard against and resolve hidden debt risks under the guidance of local governments

First of all, local governments should strengthen supervision. By strengthening the daily supervision of investment and financing platforms, it can urge them to strictly abide by laws and regulations, standardize operation behaviors, and urge platforms to strengthen internal management, so as to prevent the occurrence of hidden debt risks.

Secondly, local government investment and financing platform companies should strengthen information disclosure, disclose the financial status and operation of investment and financing platforms in time, and let the public know the real situation of investment and financing platforms through improving transparency, so as to better supervise their operational behaviors. Finally, local governments should strengthen communication and coordination with investment and financing platforms, solve problems in a timely manner through communication and exchange, and jointly resolve hidden debt risks, so as to safeguard the common interests of local governments and investment and financing platforms.

5.2 Further optimize the investment and financing structure and carry out reasonable financing replacement

Local government investment and financing platforms should optimize the debt structure according to actual needs, reduce financing costs by means of different financing channels, such as bank financing, bond financing, asset securitization, etc., or actively issue green bonds, social bonds and other innovative financing tools to attract more social funds to participate in investment and financing activities. Secondly, local government investment and financing platforms should carry out reasonable financing replacement, pay attention to the liquidity and security of funds in the process of financing replacement, and actively expand financing channels through cooperation with banks, insurance and other financial institutions to achieve financing replacement. Third, local government investment and financing platforms may also achieve financing replacement through asset securitization and other ways to improve the efficiency of fund use. Finally, local government investment and financing platforms should strengthen risk management, reduce risks by developing risk management systems and strengthening internal control, and strengthen the evaluation and supervision of investment projects, so as to ensure that investment projects are compliant and risk controllable.

5.3 Intensify debt management and speed up the transformation process

Local government investment and financing platforms should establish a sound debt management system, formulate standardized debt management standards and operational processes, strengthen debt review and supervision, and effectively control risks by ensuring the compliance and rationality of debt. Secondly, local government investment and financing platforms should actively carry out asset and liability management, reasonably optimize the debt structure, strengthen the control of debt financing, reduce the debt ratio, continuously optimize the balance sheet structure, improve the financial robustness and sustainability, and actively explore diversified financing channels, so as to reasonably optimize their own financing structure. Finally, accelerate transformation and upgrading to promote high-quality development. Local governments should strengthen the supervision of local government investment and financing platforms, promote their development in the direction of marketization, specialization and refinement, constantly improve management level and efficiency, and actively introduce foreign capital to guide social capital to invest in the market, so as to form a pattern of common development of government and social capital.

5.4 Further strengthen the integration of industry and finance to improve the level of financial management

Local government investment and financing platforms should strengthen the connection between business and finance. The main function of local government investment and financing platforms is to provide financing services for the government, so they must closely integrate the government's financial budget, reasonably plan fund operation, reasonably formulate financial plans according to the actual business situation, and closely combine financial management with business operations to achieve interactive and win-win results. Secondly, optimize the financial management system. The financial management of local government investment and financing platforms needs to improve financial efficiency and quality under the premise of ensuring compliance, and ensure transparency and fairness of financial management by standardizing the disclosure of financial reports and budget implementation.

5.5 Effectively build a financial information management system to improve management efficiency

First, establish a sound financial information system. The financial activities of local government investment and financing platforms involve many aspects, such as fund raising, bond issuance, repayment, etc. A perfect financial information system should be established to help the platform realize real-time collection, processing and analysis of financial data, so as to improve management efficiency and quality. Second, establish a financial risk early warning mechanism. The financial activities of local government investment and financing platforms are faced with many risks, such as credit risk, liquidity risk, etc. They should establish a sound financial risk early warning mechanism to help the platforms identify and solve financial risks in a timely manner, so as to ensure stable financial operation. Third, strengthen information security management. The financial information of the local government investment and financing platform is very sensitive, so it should strengthen the information security management, and ensure the financial information security by introducing information security technology and formulating information security management system.

5.6 Intensify the training of professional personnel

First, local government investment and financing platforms should increase the introduction of professional talents, and improve the overall professional level of the platform by introducing high-end talents. Second, local government investment and financing platforms should pay attention to the cultivation of internal talents, formulate perfect training plans, and increase internal training efforts, so as to improve the professional skills and comprehensive quality of employees. Third, local government investment and financing platforms should establish cooperation with institutions of higher learning and professional institutions to jointly carry out relevant courses and training programs to provide more high-quality training resources and opportunities for professionals. While increasing the training of professional personnel, it will provide a broader development space and opportunities for talents.

5.7 Streamline the platform and clarify the business

In the future, the trend of high growth will no longer exist. Contraction and centralization become the inevitable trend. There are many platforms originally responsible for real estate development, but no business is integrated into one urban construction platform. For example, utilities such as water, gas and transportation are also integrated into one platform, which is convenient for management and can reduce financing costs, and can avoid social problems caused by the failure of a single entity. Automobile, pharmaceutical and tourism companies based on industrial platforms, Market competitiveness should be carried out in a market-oriented way.

There are no more than two county-level platforms and no more than three city-level platforms. If local governments have difficulty in repaying interest, it is difficult in management when there are too many platforms.

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