

《中国将加大力度规范地方政府债务》

Leverage remains under control, but possible risks 'scrutinized'

China will strengthen efforts in regulating local government debts, giving more prominence to controls over hidden debt risks, the vice-minister of finance said on Friday.

"While the overall government debt remains well below the level that would be risky, risks involved in illegal funding methods will be scrutinized in order to prevent financial hazards," said Vice-Minister of Finance Liu Wei.

The ministry will issue guidelines to enhance regulation of project-specific bonds, referring to new channels giving local governments greater borrowing capacity.

The latest new financing method introduced by the ministry is land revenue bonds, and the repayment source is income related to land sales.

His comments came after the central government introduced a slew of measures targeting off-balance-sheet debts during the first half of the year.

Zhang Bin, a senior researcher at the Chinese Academy of Social Sciences, said it is hard to predict when the regulatory measures will take effect. Currently, the total amount of off-sheet debt is hard to calculate, he said.

"The good thing is that documents released by the ministry are problem-solving oriented. The government has made it clear what kinds of funding channels should be strictly prohibited," Zhang said.

"The government will add more details as new risk points are found," he said. "Now the key is to make sure that the measures are put into place at local levels."

Enterprises and banks have been active in the past several years issuing credit to local governments to invest in infrastructure construction projects. Guarantees from local governments, often in the form of letters or other documents, helped ensure repayment.

Risks that accumulated in off-sheet debts would threaten the nation's financial stability if not properly resolved, given that they often are linked to another source of financial risk—funds from shadow banking, according to Zeng Gang, a senior researcher at the Chinese Academy of Social Sciences.

Zhang Lianqi, a financial expert consulted by the ministry, said while regulations are improved at the central government level, local governments should improve transparency by returning debts to the budget sheet using a specific timetable.

While fending off financial risks, the government will implement a proactive fiscal policy to support sustainable economic growth in the second half, said Wang Keping, deputy head of the budget department at the Ministry of Finance.

He said the government will continue to reduce taxes and costs for enterprises. A total of 1 trillion yuan (\$148.3 billion) of tax and cost burdens is expected to be reduced by year's end.

