

Article

Market-Oriented Transformation and Development of Local Government Financing Platforms in China: Exploratory Research Based on Multiple Cases

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Abstract: In recent years, the disorderly development of local government debt financing and local government financing platforms (GFP) in China has brought huge government debt risks. In order to control the debt increment caused by illegal financing of the GFP, the state has issued a series of documents. Under the new economic form, how to determine the position, choose the road, and plan the path of market-oriented development for high-quality economic development is critical to the GFP. This paper is committed to solving the key points and transformation paths of market-oriented transformation of the GFP. (1) On the basis of literature research, it analyzes the necessity, feasibility, and current transformation difficulties of market-oriented transformation of the GFP. (2) It defines the concept of the GFP and the concept of market-oriented transformation of the GFP. (3) It collates and analyzes the real cases of market-oriented transformation of four local government (county-level and above) financing platforms, studies the key points of transformation, and systematically summarizes the path of market-oriented transformation from three aspects: the goal, work plan, and implementation scheme of transformation and development. (4) Based on the idea of finding problems, diagnosing problems, optimizing, and improving, we put forward optimization strategy suggestions.

Keywords: market-oriented transformation and development; financing platform; multiple cases study; government



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1. Introduction

In the era of building a new development pattern in China, the local government financing platform (GFP) has the status of a special state-owned enterprise, but its disorderly development has brought huge government debt risk. In order to control the debt increment caused by illegal financing of GFP, the state has issued a series of documents, such as GF [2014] No. 43 which stripped the government financing function of the GFP. These documents aimed to prevent the increase in implicit debt of local governments from the perspectives of local governments, the GFP, and financial institutions, and further guide the standardized development of the GFP.

For the GFP, national policies have been tightened, risk prevention has become the top priority, and the local government debt management system is becoming more and more optimized [1]. The State Council and various ministries and commissions have significantly strengthened the regulatory measures for illegal borrowing by local governments at all levels and their financing platforms under their control, and strictly promoted the credit isolation between financing platforms and governments at all levels. The strict implementation of these documents or measures has increasingly forced the GFP to move towards the road of market-oriented transformation [2].

At present, and for a period of time in the future, the central government will coordinate the domestic and international economic situation with changes unprecedented in this century, strengthen efforts to resolve the existing debts of governments at all levels [3], and avoid systemic risks caused by the debt storms of governments at all levels, which must be the long-term choice of policy supervision [4]. In the era of building a new development pattern, the GFP has the status of a special state-owned enterprise. How to locate and choose a good path and plan a market-oriented development path for high-quality economic development is a topic that needs to be studied urgently. Therefore, it is necessary to start from actual cases, summarizing the experience of market-oriented transformation and development of the GFP, systematically analyzing and summarizing the key points and key paths of market-oriented transformation, and providing reference for the practice of market-oriented transformation of the GFP.

When studying the problems faced by the existing platform companies, there is a large gap between the countermeasures given and the actual situation, and there is a lack of results that are truly instructive to the market-oriented transformation and development of the platform. This study combines literature research, case analyses, and expert interviews. Based on the systematic analysis of the necessity, feasibility, and transformation dilemma of the market-oriented transformation of the GFP, and based on the actual situation of China, this research gives the definition of government financing platform and its market-oriented transformation. Secondly, four real cases are selected from the research group to analyze, refine the key points of the market-oriented transformation of the GFP, and summarize the path of market-oriented transformation with systematic guidance. Finally, based on the case analysis, this research gives policy suggestions to guide the future market-oriented transformation and development.

This research has the following potential contributions. On the one hand, it is conducive to controlling the debt risk of local governments, helping the government to improve the investment and financing system, and promoting the high-quality development of financial markets and capital markets. On the other hand, the market-oriented transformation of the GFP can be combined with the establishment of state-owned capital investment and operation companies, which is conducive to enhancing the vitality and core competitiveness of the state-owned economy and deepening the reform of state-owned assets and state-owned enterprises. In addition, it is also conducive to promoting the adjustment and transformation of local economic structure.

2. Theoretical Analysis and Current Situation Analysis of the GFP

2.1. Theoretical Analysis

China's unique mismatch between the financial and administrative powers of local governments gave birth to the GFP. To date, the GFP has made a lot of historical contributions and exposed many problems [5]. In view of the different political and economic systems and national conditions at home and abroad, the government has certain differences in the debt financing of infrastructure construction [6]. Most foreign countries adopt the way of issuing municipal bonds and cooperation with the private sector [7]. There is less research on the GFP, which cannot provide us with a reference in the construction of financing platform. However, the beneficial experience of foreign countries in government debt and infrastructure construction [8] still has great enlightening significance for us [9].

In 1953, Ragnar Nurkse studied and constructed the financing structure of government infrastructure construction. He believed that the government infrastructure construction department should enjoy investment funds. Peter et al. emphasize that government investment in infrastructure is not only conducive to stimulating economic growth, but also conducive to promoting the sustainable development of the whole society, and citizens' sense of fairness and quality of life will be improved [4]. Daniels et al. showed that, over the years, the issuance of municipal bonds by the U.S. government has played an extremely important role in expanding government investment [2]. Morten et al. studied the role of government investment in the telecommunications industry. The study found that, in the

face of economic crisis, the government's investment in public welfare and industry-specific infrastructure can maximize the economic and social benefits of the industry [10].

Domestic literature puts forward more targeted and realistic conclusions on the transformation of the GFP, and has made certain achievements in the research on government enterprise management and control mode [11], explicit and invisible risks, various regulatory policies, and market-oriented transformation direction of GFP [12], which provides ideas for the market-oriented transformation. However, most of the existing studies are analyzed from the theoretical and policy levels [13], and there are few case studies and practical guidance on the practical operation of the transformation of the GFP. The existing literature on the market-oriented transformation mostly focuses on single or several investment and financing platforms [14], does not conduct systematic research from the perspective of the government, and has a limited guiding role in practical operation.

Therefore, it is necessary to systematically identify the necessity, feasibility, and current transformation difficulties of the market-oriented transformation for the GFP in order to provide basic and important theoretical and practical guidance for the market-oriented transformation.

2.2. Current Situation Analysis

2.2.1. The Necessity of Market-Oriented Transformation

From the perspective of changes in the economic forms, in recent years, the rapid expansion of the GFP has benefited from the driving force of the local government to develop the local economy and the "invisible guarantee" for the platform debt, but it has also accumulated a lot of risks and problems. The government credit and the repayment risk of the GFP are coupled together, and many debts have the problem of inconsistency between the repayment subject and the person responsible for repayment. Once the finance is tight, the debt repayment risk will suddenly erupt, which will lead to regional financial risks to financial institutions and investors. By the end of 2020, the balance of local government debt was about CNY 25.66 trillion, the total interest-bearing debt of the GFP was about CNY 42.14 trillion, and the proportion of local implicit debt had reached 62.15%. In addition, non-standard overdue defaults of urban investment bonds have occurred frequently recently. In order to prevent and resolve the debt risks of local governments and avoid inducing systemic financial risks, the active transformation of the GFP is the key question.

Secondly, from the perspective of changes in the policy environment, with the tightening of national policies, risk prevention has become a top priority. The debt management system of local governments is becoming more and more optimized, and the illegal borrowing of the GFP is strictly supervised. GFPs have accelerated the stripping of local government credit, forcing a market-oriented transformation. At the same time, with the deepening of the reform of state-owned assets and state-owned enterprises, the "steady growth" and "making up for weaknesses" have brought the transformation direction to the GFP. The current series of policies have greatly restricted the behavior of the GFP to rely on government credit for debt financing.

2.2.2. The Feasibility of Market-Oriented Transformation

On the one hand, in order to promote the economy, the state has given certain financial support. In 2022, the macro policy will focus on cross cycle adjustment, and the monetary policy will still maintain steady and loose adjustment. In order to reduce the financing cost of the real economy, more large-scale tax cuts and fees, interest rates, and reserve requirements will accurately stimulate the market, focus on solving the financing difficulties and expensive financing problems of enterprises, and ensure the reasonable and abundant liquidity of the market. In this situation, the overall decline in the market financing interest rate is conducive to the development of the GFP.

On the other hand, after the strengthening of management since 2014 and the strengthening of implicit debt accountability since 2018, the debt risk of the GFP has been mitigated

and resolved through various ways, such as extension or borrowing new to repay the old, and has formed a conventional financing channel of “general bonds + multi variety special bonds + PPP + industrial fund + urban investment market-oriented financing” for local governments. The financing of the GFP is still growing in the norms, and the financing channels and methods are more diversified and reasonable. In addition to traditional bank loans, the GFP has innovated various forms in the bond market, such as corporate bonds, overseas bonds, medium-term notes, short-term financing bonds, project income bonds, and directional instruments, among others. In addition, in the past two years, with the promotion of the pilot reform of state-owned assets and state-owned enterprises, the financing of the GFP has also shifted more attention to equity financing, including mixed reform, equity investment, and listing.

In addition, a new development pattern brings development opportunities. From the perspective of China’s current urbanization level, it is still in the transformation from developing country to developed country. China’s urbanization road is still long. Although urban infrastructure construction has made great progress in recent years, there is still a large gap with developed countries in terms of per capita railway and highway mileage, and this aspect of development will be a breakthrough in expanding domestic demand. As an important driving force of economic development, fixed asset investment will maintain a reasonable growth and focus on giving due emphasis to the role of investment in making up weaknesses, identifying strengths and weaknesses, and increasing momentum [15]. It can be predicted that investments in infrastructure and other fields, such as construction and strategic emerging industries, will be further expanded, which can provide a large market space for GFP. In addition, urban construction has entered the post urbanization era, and the pace of urban renewal has accelerated significantly. The GFP still plays an irreplaceable role in urban construction and social development.

2.2.3. The Dilemma of Market-Oriented Transformation

In terms of financial capital, at the beginning of its establishment, the GFP took the government credit as its endorsement and assumed the responsibility of financing and debt repayment for local governments and promoting infrastructure construction. Promoting the market-oriented transformation of the GFP means that the platform company will exist in the market economic system as an independent subject, fully compete, be responsible for its own profits and losses, and bear its own risks. It is imperative to realize this turn and solve the existing problems of financial capital such as the huge amount of accumulated debt, new financing difficulties, and unreasonable existing financing structure of platform companies.

According to the data of the Ministry of Finance, by the end of December 2021, the national local government debt balance was CNY 30,470 billion. Among them, general debt is CNY 13,771 billion and special debt is CNY 16,699 billion. Government bonds amounted to CNY 30,308 billion, and the stock of government debt in the form of non-government bonds amounted to CNY 162 billion. Different from the general state-owned enterprises, the GFP once shouldered the important task of raising funds for the construction of local public facilities. In the past decade, while the GFP has developed rapidly, it has accumulated a huge amount of debt. With the arrival of the repayment period, the financial pressure on the GFP has gradually increased, which has also carried a heavy burden on its transformation and development. How to quickly increase cash flow income, broaden financing channels, and properly dispose of stock debt have become very realistic problems for the GFP.

In terms of enterprise management, for a long time the GFP has adopted the mode of “no separation between government and enterprise” as its internal management structure, and its internal governance structure is seriously inconsistent with the modern enterprise system. This is a major problem that must be solved in the transformation process of the GFP.

In the historical development process of the GFP, due to the nature and orientation of the business, the organizational structure of government and enterprises has been continued

with strong administrative color. In the actual operation, the situation remains that the asset and business operation are not independent enough. Although the GFP nominally has control over the invested assets, in the actual operation it needs to obey the arrangements of the local government, and the local government directly or indirectly controls the company's assets. The collection, management and use of infrastructure construction funds are decided by the government. The GFP is not an investment and financing subject integrating risk and income in the real sense, and it does not have independence. In terms of company operation, the function of the GFP is to share the power and financing pressure of local governments. In terms of operation, according to the needs of local economic development, the local government issues administrative instructions to the GFP to arrange tasks, and the platform company is responsible for the specific implementation. The development and operation of the GFP do not have independent goals and plans, but aim to complete the tasks assigned by the local government, giving priority to political and social benefits, poor economic benefits, too much administrative intervention, lack of autonomy, and low efficiency.

In terms of transformation direction, with the further regulation of the GFP by the state, the government financing functions are basically stripped off. The original living environment of the GFP has also undergone significant changes, and the traditional financing modes such as bank loans are unsustainable. Without violating the existing policies, many platform companies have made beneficial exploration on the transformation direction from multiple angles and aspects in order to seek their own sustainable development. However, many platform companies have long served local government investment and financing, and their own operation and management ability is weak. Both local governments and the GFP lack a clear positioning of the transformation direction. Under the pressure of clean-up and rectification, the GFPs that have lost government guarantees are no different from general market subjects in the eyes of financial institutions. How to seize the opportunity through self-positioning is the primary consideration for the transformation of the GFP.

3. The Connotation of Market-Oriented Transformation of the GFP

3.1. What Is a Local Government Financing Platform (GFP)?

The GFP is the product of adapting to China's current economic and political system. It plays an important role in promoting urban infrastructure construction, improving people's livelihood, and supporting the rapid development of the economy. In recent years, the literature on defining the concept of a GFP has made detailed analyses, mainly from the perspectives of government documents, identification of financial institutions, and identification of data companies, almost all of which are based on the three characteristics of "local government investment, financing function and enterprise legal person".

Based on the various definitions of the existing literature, combined with the research of Xu Pengcheng [16] and Xu Junwei, etc. [17], this paper proposes that a GFP is established by injecting physical assets (such as land or fixed assets), currency (such as financial funds or special funds), intangible assets, and other assets to accelerate infrastructure construction, provide public services to protect people's livelihood, adjust industrial layout, and promote economic development, while at the same time financing and/or investment in local governments at the front end of debt use, and/or relying on cash flow from government departments or other financing platforms at the back end of debt repayment.

3.2. What Is the Market-Oriented Transformation of the GFP?

The market-oriented transformation process of the GFP involves asset transfer, replacement, mergers and acquisitions, etc., which will face the risk of asset integration. For the regional integration of state-owned assets and resources, due to the large number of stakeholders involved, complex coordination relations and great difficulty in integration, even if the transfer or replacement is successful, it is often only a formal integration, and the GFP has no substantive management right over the subordinate transfer enterprises [18].

Moreover, there are differences in the understanding of market-oriented transformation among GFPs within the region.

In order to effectively promote the transformation, this paper holds that the market-oriented transformation of the GFP is not the transformation of a single enterprise, but should be a classification and step-by-step transformation under the unified top-level design of all platform enterprises of local government [19]. Specifically, at the micro level, the assets managed by local government are reclassified and transferred according to public welfare, quasi-public welfare, and business operation; the GFP adheres to the leadership of the party; the GFP functions without government credit endorsement; the GFP have a modern corporate governance structure; and the GFP systematically stimulates enterprise vitality, innovation, and endogenous power.

3.3. What Is the Symbol of Successful Market-Oriented Transformation of the GFP?

This paper discusses the transformation of marketization from the following three aspects: business marketization, management marketization, and financing marketization.

3.3.1. Business Marketization

Business marketization means that the GFP can expand its business in fair competition with other subjects as an independent market economy subject. The successfully transformed financing platform can make the most of its own advantages, possess core capabilities, reform and reshape existing businesses, explore and expand new businesses through model innovation, and gain a place in the market [20].

The marketization of business can be reflected in three business types:

First, entering a competitive market and transforming into a state-owned asset operation platform. The state-owned assets operation platform is responsible for the operation and management of state-owned assets, as well as the maintenance and appreciation of value. The main businesses include industry, commerce, cultural, tourism, and finance [21].

Second, transforming into a public utility operation platform. The business of public utilities is quasi-public goods. Generally, it is the business authorized by the government, including water supply, power supply, gas, garbage disposal, and other businesses. Part or most of the cash flow can cover the cost, which is no longer completely public welfare.

Third, transforming into a financial holding platform by building a comprehensive financial platform, integrating various financial instruments and financial resources, increasing profit growth points and improving anti-risk capabilities.

3.3.2. Management Marketization

Management marketization refers the establishment and improvement of the modern enterprise system by the financing platform so as to realize the goals of autonomous operation decision making, marketization of management and employment, and flexibility of salary and performance.

In the past, the core of the operation of the GFP was the relationship between government and enterprises. Business and investment depended on government assignment, and financing depended on government credit. It was difficult to clarify the asset boundary and play the role of managers smoothly. Marketization of management is to achieve “de-administration” in management [22], reducing the direct intervention of local governments on financing platforms. This has the result of shifting the control of the appointment and removal of personnel and investment and financing decision making away from the government by forming a decision-making and supervision mechanism for the board of directors, the board of supervisors, and the management. Supervision mechanisms constantly improve the corporate governance structure, operate in accordance with market laws, promote the transformation of local governments from management functions to supervision functions, and use market-oriented means to guide the development of the GFP.

3.3.3. Financing Marketization

Financing marketization means that the GFP relies on its own credit and the future cash flow of the project, obtains sufficient financing as a market-oriented subject, no longer relies on government credit, and meets the needs of stock debt transfer and new project investment [23].

The GFP needs to transform to meet the standards of modern enterprises [24], innovate project financing methods, and improve the credit qualifications of the subjects. This not only realizes the separation of government and enterprises according to the policy requirements, becoming an independent market-oriented subject [25], but also gives full access to the advantages of resources and experience accumulated in the past. When the local fiscal revenue is not enough to meet the large-scale urban infrastructure construction, it undertakes the investment, construction, operation, and management functions of some public welfare projects of the government.

In short, business marketization is the purpose, management marketization is the driving force, and financing marketization is the guarantee. Only by realizing the marketization of business can we realize the sustainable development of the GFP [26]; only by realizing the marketization of management can we stimulate the enthusiasm of managers and provide sufficient power for business innovation and business expansion; and only by realizing the marketization of financing can we provide sufficient funds for the transfer and resolution of the stock debt of GFP and the smooth development of new businesses, and provide guarantee for the long-term, orderly, and controllable risk of the GFP to serve local economic development.

4. Case Selection and Description

4.1. Research Method

This paper mainly adopts a research method combining multi-case and expert interviews based on the theoretical analysis and conceptual connotation of the GFP, then selects four typical cases from the research group's project database of market-oriented transformation and development of the GFP for analysis and data collection, which provided a basis for refining the key points and summarizing the path of market-oriented transformation.

The transformation of the GFP has the characteristics of long cycle and complex technology, and it will also face complex economic and policy environment in the process of transformation. Therefore, there needs to be a research method that is particularly suitable for exploring procedural and contextualized research objects, and can answer in-depth the "How" and "Why" research questions [27]. This method can make the research more closely integrated with the specific practical situation of the case and, through the analysis and discussion of the case event and its development context, it can better reveal the key and path of the transformation of the GFP.

Case research materials can provide real and objective data for research, while expert interviews can explore the content that cannot be covered by case data through communication with respondents. Additionally, the two complement each other.

Through interviews with the managers of GFPs, government managers, experts, and scholars in related fields, it is helpful to deepen the understanding of the transformation and development of GFPs. We consulted their suggestions and classified and summarized the extracted key points of transformation and development. In the end, a total of 10 experts were interviewed. See Section 5.1 for details of the expert interviews.

These four GFPs are located in the economically developed eastern region, and their market-oriented transformation is relatively successful. They provide a basis for refining the key points and summarizing the path of market-oriented transformation. As the four projects are in the confidentiality period, desensitization treatment is carried out in this paper.

4.2. Case Study on Market-Oriented Transformation of GFPs in Q City, JS Province

Q city is located in the core area of Yangtze River Delta integration with the most developed economy in China. It is a county-level city with strong economic strength. The general public budget revenue in 2020 will exceed CNY 7 billion. There are seven municipal platform companies in Q City, and the two largest platform companies have AA+ rating.

4.2.1. Problems before Transformation

The research group carried out five months of due diligence on the seven platforms of Q city and its more than 200 subordinate companies from the aspects of finance, asset resources, company management, company business, employee situation, and state-owned assets supervision, and found the problems before the transformation, as shown in Table 1.

Table 1. The problems before transformation of GFPs in Q City, JS Province.

Number	Problems	Concrete Manifestation
1	High debt repayment pressure and high financing cost	By the end of 2019, the financial liabilities of GFPs were CNY 63 billion, the average cost of loans was 6.41%, and the total annual interest paid was CNY 3.78 billion, reaching 53% of the city's general public budget, with an asset liability ratio of 72.93% (the average asset liability ratio of China's urban investment companies was 57%).
2	Low focus on main business and poor profitability	The seven GFPs have overlapping businesses, scattered industries, strong dependence on the government, and low market-oriented income. For example, the market-oriented income of trading and investment accounts for only 8%. In 2019, the total profit of state-owned enterprises was less than CNY 100 million, and the annual income of some GFPs could not cover the financing interest to be paid every year.
3	Misplaced rights and responsibilities and complicated levels	The equity and management rights of 84 enterprises are inconsistent. The nominal management level reaches 5 levels, which is not in line with the policy of generally not exceeding 3 levels.
4	The staff scale is large, the management is not standardized, and the personnel structure is unreasonable	By the end of April 2020, there were 3385 employees in GFPs, of which 509 were dispatched. The appointment process of middle-level cadres in GFPs is not standardized, and there is a lack of professionals in business development and project operation.
5	Weak supervision and bad relationship between government and enterprise	The supervision of state-owned assets needs to be strengthened, the property right management, financial supervision, evaluation system, and other systems need to be improved, and there is no unified supervision of state-owned assets. The debt responsibility of the GFPs is not clear, and the coordinated development mechanism has not been formed.
6	Poor asset effectiveness of state-owned enterprises	The proportion of effective assets (assets with cash flow) in total assets of GFPs is generally low, and effective assets need to be supplemented.
7	The value of administrative assets and resources is not fully revealed	The book value of the real estate assets under the names of 29 competent units is CNY 180 million, and the pre-evaluation value is CNY 1.5–1.9 billion. However, the asset warrants are not complete, and some government franchise resources have not been fully exploited.

4.2.2. The Plan of Market-Oriented Transformation

The research group has formulated a three-step overall plan for Q city from 2020 to 2025.

In 2020, it will find out the state-owned assets and debts of Q City, determine the main business development direction of each group, and form four state-owned enterprise groups (three AA+). It will promote the integration of assets and resources, do a good job in debt succession and personnel adjustment, and complete the equity transfer by the end of 2020. It will improve the state-owned assets supervision organization, study the list of

powers and responsibilities of the state-owned assets office, and strengthen the allocation of state-owned assets supervision forces.

In 2021, it will promote the evaluation and injection of administrative assets and resources, and form four AA+ rated enterprises in the first half of the year. It will strengthen the research on the main business, clarify the medium and long-term development strategy, and improve the ability of investment planning. It will establish and improve the market-oriented recruitment and supporting mechanism of managers, introduce the performance appraisal system of GFPs, pilot introduce professional managers as the management of GFPs, and establish an incentive mechanism with equal rights and responsibilities.

From 2022 to 2025, it will promote the listing of high-quality GFPs and promote the rapid development of industry by using the capital market. By the end of 2025, it will strive to form a layout of one AAA and three AA+ rated state-owned enterprises and hold more than two listed companies. It will establish a virtuous development cycle of “capital accumulation → industrial development → urban development → asset appreciation → capital re accumulation”.

In order to improve the top-level design scheme for the reform of GFPs in Q City, the research group designed the “1 + 4” model for the reform of GFPs in Q city. Here, “1” means that the municipal government authorizes the state-owned assets supervision and administration institution to perform the responsibilities of the investor, uniformly exercise the supervision function on the state-owned assets subordinate to the municipal commissions and offices, establish the market dominant position of GFPs, and establish and improve the modern enterprise system of separating government from enterprises. Meanwhile, “4” refers to the formation of four industrial groups (YH group, urban investment group, DJ group, and CT group). According to the development needs of Q city and the orientation of the industry, the four industrial groups are split and integrated by more than 200 existing companies, and are responsible for the development and expansion of industrial businesses.

4.2.3. Summary of Phased Achievements of Transformation and Development

After one and a half years of efforts by the research group and Q municipal government, the market-oriented transformation of GFPs of Q City has achieved the following results.

On the one hand, the GFPs have successfully realized the transformation of materialization. The DJ group has significantly increased its total assets from CNY 13.3 billion to 44.3 billion, and its net assets from CNY 7.9 billion to 21.4 billion. It has successfully completed the AA+ rating, straightened out the group’s management system, and initially formed a market-oriented business philosophy and mechanism. The YH group’s total assets increased to CNY 20.4 billion, and net assets increased to CNY 14.1 billion, obtaining AA+ rating. Based on the advantages of an AA+ platform and project experience, the CIT group relies on urban stock assets, injects administrative asset resources, and constructs urban development, urban operation services, and other sectors. The CT group focuses on improving the investment attraction and operation capacity of the city, looking for high-quality industrial equity targets and investing in key industrial projects by means of direct investment or indirect investment.

On the other hand, we straightened out the relationship between government and enterprises and formed a complete system of state-owned assets supervision. The state-owned assets supervision and administration institution of Q city has successively issued a number of institutional documents, such as the list of powers and responsibilities, the measures for the supervision and administration of investment in state-owned enterprises, the measures for the supervision and administration of transactions in GFPs, the measures for the administration of performance appraisal of GFPs, and the salary management system for leaders of GFPs.

In addition, the effect of institutional incentives has been enhanced, and the ability of business innovation has begun to show. After the market-oriented transformation

of Q city's GFP into a state-owned enterprise group, the project initiation pays more attention to economic returns and organically combines with local characteristic industries and resources. For example, based on the regional advantages of Q City, the DJ group vigorously develops real estate businesses such as commercial property and housing, and integrates the whole region's tourism resources.

4.3. Case Study on Market-Oriented Transformation of GFPs in Y National Industrial Park in JS Province

Y park is a national high-tech industrial development zone characterized by the development of environmental protection industry. The platform enterprises in the park mainly include a Development Corporation (10 subordinate enterprises), an Investment Company (13 subordinate enterprises), an Industrial Park Company, and an Environmental Sanitation Management Office.

4.3.1. Problems before Transformation

The problems before transformation are mainly reflected in the following four aspects.

First, the corporate governance structure is imperfect, and there is a lack of management system. The company has not established a governance structure, the operation and management mechanism are not perfect, and there are no internal decision-making documents and effective company management systems when there are changes in executives, investors, business scope, and other matters.

Second, the industrial structure urgently needs to be upgraded, and the contribution value of the environmental protection industry is low. There was still a big gap between the GDP of Y Park in 2018 and the average GDP of national high-tech zones. In terms of industrial structure, the cable industry accounts for the largest proportion, while the environmental protection industry accounts for only 20%. The growth rate of environmental protection industry in the park is basically the same as that of China's GDP, which is far lower than the average growth rate of receivables of China's listed environmental protection companies by 18%, and the growth rate is under great pressure of expansion. Only nine enterprises in the environmental protection industry have an annual actual sales revenue of more than CNY 100 million, and the largest enterprise with annual sales is less than CNY 1 billion.

Third, there are few operating assets with cash flow, a single financing source, and insufficient marketization. None of the platform companies have carried out market-oriented operation, and they do not have sustainable profitability. The main source of repayment funds still needs to rely on bank financial institutions to borrow and issue corporate bonds. The overall debt scale is likely to expand.

Fourth, enterprise employment is not standardized. The part-time work of public officials, the labor relations of employees, and the contents of labor contracts do not meet the requirements of China's current laws, policies, and regulations.

4.3.2. The Plan of Market-Oriented Transformation

The research group has formulated a work plan for the transformation and development of Y National Park. The Management Committee of Y Park have taken the following measures.

From 2019 to 2022, it will optimize the layout of state-owned assets in Y Park and classify 27 target companies into two major group companies, namely Z company and XY company. It will improve the supervision system of state-owned assets and increase and inject capital into highly indebted enterprises. It will clarify the main business of the two groups, clarify the medium and long-term development strategy, maintain the financing capacity, implement the substantive operation, and make breakthroughs in the operational business. It will optimize the debt financing structure and explore multi-channel financing channels at the group, subsidiary, and project levels. It will establish an internal settlement center or realize cash pool management, pay attention to the operation and necessity of ex-

isting projects, and establish and improve the market-oriented recruitment and supporting mechanism for managers.

From 2023 to 2025, it will increase investment and give play to the role of industrial funds. It will carry out alliance cooperation, obtain resources, introduce war investment, and maximize capital leverage. It will promote the listing of subsidiaries, acquire listing platforms, promote asset securitization, expand the scale of equity financing, and further optimize the financing structure.

From 2026 to 2028, it will build an industrial investment platform; participate in and even control local banks or funds, securities, leasing, and other financial institutions on the basis of industrial funds; gradually lay out financial business; and gradually promote the simultaneous development of industry and finance.

Guided by solving the prominent contradictions and problems in the development of GFPs, focusing on breaking down the obstacles of system and mechanism, realizing the principle of separating government from enterprises, and standardizing operation, it will clean up, merge, and integrate the GFPs involved in the reform.

4.3.3. Summary of Phased Achievements of Transformation and Development

After two years of efforts, the market-oriented transformation of the GFPs of Y park has achieved the following results.

First, the GFPs have gradually realized the transformation of materialization and marketization. The Z company has gradually transformed into operational functions through market-oriented, substantive, and professional development, and operates state-owned capital, assets, and resources with enterprise thinking. The XY company will gradually improve the capacity and level of expropriation and demolition, ensure the smooth progress of project construction, and improve the company's business qualification.

Additionally, straightening out the relationship between government and enterprises and group management have achieved initial results. According to the articles of association and relevant laws, the GFPs in Y Park shall perform the relevant procedures for the appointment and removal of leading group members and relevant personnel, and the asset management, performance appraisal, salary management, and party masses work shall be implemented in accordance with the relevant management measures. The Z company has established and improved the management level represented by the general manager and relevant internal institutions. The XY company has established and improved the board of directors, board of supervisors, management, and relevant internal institutions.

Finally, the incentive system was steadily implemented, and the business and management capabilities were gradually improved. After the establishment of the two major group companies in Y Park, the systems of open recruitment and competitive employment of enterprise managers have been gradually established and improved, and a market-oriented employment system with contract management as the core and post management as the basis has been established, forming a reasonable flow mechanism for all kinds of managers to move up and down and for employees to enter and leave. The two groups have steadily promoted the reform of the enterprise salary distribution system, formulated the top-level design of the salary distribution system, and established and improved the wage decision and normal growth mechanism that is basically adapted to the labor market and linked to the enterprise's economic benefits and labor productivity.

The two major group companies in Y Park pay more attention to the economic return of the project and have made market-oriented transformation attempts in combination with local characteristic industries and resources. For example, the Z company focuses on development and operation, entering the stage of operation and service, and providing rich and valuable operation services for enterprises settled in the park with new development concepts and operation modes.

4.4. Case Study on Market-Oriented Transformation of GFPs in Y City, XX Province

Y City is located in the core area of Yangtze River Delta integration with the most developed economy in China. It is a county-level city with strong economic strength. In recent years, the general public budget revenue is more than CNY 10 billion. Since 2002, seven GFPs have been gradually established in Y City, and the two largest GFPs have AA+ rating.

4.4.1. Problems before Transformation

The problems before transformation are mainly reflected in the following aspects, shown in Table 2 below.

Table 2. The problems before transformation of GFPs in Y City, XX Province.

Number	Problems	Concrete Manifestation
1	Fewer operating assets	Over the years, after the GFP in Y City obtained the financing funds, it lent the funds to various committees and offices, institutions, schools, hospitals, and other units at the request of the government. As a result, in addition to the reserved land injected by the government, the assets of the GFP are mostly accounts receivable from other state-owned enterprises and institutions.
2	The nature of the debt is unclear, the contradiction is prominent, and the current account situation is complex	The GFP believes that the purpose of corporate financing is to serve local economic development, so the company's debts are all government debts, and the contradiction of unclear debt nature is particularly prominent.
3	Weak financing capacity and heavy debt pressure	The two-level differentiation of capital cost control is serious. Some enterprises have low debt issuance cost and long term, while some enterprises cannot obtain loans from banks and other financial institutions, and can only survive through high-cost products such as financial leasing and trust. There is great pressure on debt interest repayment every year. A financing platform once issued a phase of corporate bonds in 2016, and then failed to issue bonds for three consecutive years.
4	The autonomy of enterprise management decision making is insufficient and the marketization is insufficient	Most GFPs have administrative business objectives and personnel arrangements. The business plan of the enterprise is greatly affected by the appointment and removal of government officials and lacks long-term planning.
5	The enterprise management is not standardized, and the incentive of the system is not always good	Enterprises from the person in charge to ordinary employees lack the enthusiasm to become bigger and stronger. Some enterprise employees reflect that "more work and more mistakes, less work and less mistakes".
6	There are dual problems of "Absence" and "Offside" in the supervision	The assets, property rights, and business autonomy of enterprise legal persons are difficult to implement, and the procurement of office supplies for as small an amount as tens of thousands of yuan needs approval.

4.4.2. The Plan of Market-Oriented Transformation

The research group has formulated a work plan for the reform and transformation of GFPs in Y City. The government of Y City and the research group have taken the following measures.

The research group led the third-party accounting firms and law firms to form a joint working group to carry out financial and legal due diligence on nearly 100 enterprises (including all GFPs) in Y City, and conduct a thorough investigation on asset operation, current accounts, major projects, real estate land ownership certificates, long-term equity investment, capital formation, external financing, mortgage guarantee, legal litigation, and other aspects. Then, the research group has formulated a three-step overall plan for the reform of GFPs in Y City from 2019 to 2025.

In 2019, the basic structure of the reform of GFPs in Y City will be basically completed, the group formation and equity transfer will be implemented, the market-oriented

main body will be initially established, and the investment and financing capacity will be enhanced.

In 2020, the group will improve the state-owned assets supervision system of Y City, realize the centralized and unified supervision of operational state-owned assets, increase and inject capital into high debt enterprises, guide the state-owned capital to gradually concentrate in advantageous fields, and support the formation of one or two high-quality GFPs that can play the backbone.

By 2025, according to the industrial development needs of Y City, it will cultivate the capital operation capacity of GFPs, and a number of GFPs with industrial influence and status and reasonable social responsibility will emerge.

In particular, the research group designed the “1 + 5” model for the reform of GFPs in Y City. Here, “1” means that the municipal government authorizes the state-owned assets supervision and administration institution to perform the responsibilities of the investor, uniformly exercise the supervision function over the state-owned assets subordinate to the municipal commissions and offices, establish the market dominant position of GFPs, and establish and improve the modern enterprise system of separating government from enterprises. Meanwhile, “5” refers to the formation of a joint development pattern of four industrial groups (Transportation Industry Group, Construction Tourism Investment Group, Public Industry Group, and Financial Development Group) and one state-owned capital investment and operation company (Urban Investment Company, in Y City, XX Province). According to the development needs of Y City and the orientation of the industry, the four major industrial groups are split and integrated by more than 70 existing companies and are responsible for the development and expansion of industrial businesses.

Finally, combined with the top-level design scheme, the research group has formulated a rigorous and detailed implementation plan for the reform of GFPs in Y City, formed a special working group with government staff to formulate and improve the formation scheme of enterprises in various countries, and determined the specific contents such as group positioning, equity structure, institutional setting, responsibility boundary, and personnel placement.

4.4.3. Summary of Phased Achievements of Transformation and Development

After two years of market-oriented transformation, Y City has achieved the following results.

On the one hand, the GFPs have successfully realized the transformation of materialization and marketization. The largest GFP has been transformed into a state-owned capital investment and operation company, holding shares in other groups. The second largest GFP has been transformed into a construction tourism investment group, which focuses on tourism, engineering construction, and urban service business. The weaker GFPs have been incorporated into several groups for unified management.

On the other hand, the reorganization of GFPs has enhanced market recognition and reduced financing costs. After the reorganization of GFPs in Y City, the asset resources are further concentrated, and the main business tends to be stable. The asset scale of the original largest GFP in Y City has been expanded by CNY 5 billion, the income has increased significantly, the annual decline of bond financing cost has reached 98 BP, and the annual interest expenditure is expected to be reduced by nearly CNY 100 million. The asset scale of the second largest GFP in Y City has expanded by CNY 3 billion, and the asset liability ratio has decreased by more than 8%. A total of CNY 4.5 billion of bonds have entered the approval process, and a number of financial institutions have expressed their active subscription intention.

In addition, we have clarified the relationship between government and enterprises and formed a complete system of state-owned assets supervision. The state owned assets supervision and administration institution of Y City has successively issued a number of institutional documents, such as the list of powers and responsibilities of the Municipal State owned assets office, the measures for the supervision and administration of investment

in GFPs, the measures for the supervision and administration of transactions of GFPs, the measures for the administration of performance appraisal of GFPs, and the salary management system for leaders of GFPs.

Finally, the effect of institutional incentives has been enhanced, and the ability of business innovation has begun to show. After the market-oriented transformation of Y City's GFP into a state-owned enterprise group, the project initiation pays more attention to economic returns and organically combines with local characteristic industries and resources. For example, the Construction Tourism Investment Group creates a global tourism project, integrates tourism resources, and drives local economic development.

4.5. Case Study on Market-Oriented Transformation of GFPs in S District, W City, XX Province

4.5.1. Problems before Transformation

Through investigation, it is found that GFPs in S District have the following characteristics before the transformation, as shown in Table 3 below.

Table 3. The characteristics of GFPs in S District.

Number	Characteristics	Concrete Manifestation
1	A large number of platforms and extensive development	There are more than 140 platforms in the region.
2	The management level is chaotic	The management system of GFPs in S District is not clear, the business model is not unified, the synergy between platforms is weak, and the organization and management efficiency need to be improved.
3	The main business is not prominent	The business categories of GFPs have a high degree of overlap. The business scale is small, scattered, and weak, and the industrial chain development is incomplete. The business content mainly focuses on the investment and financing functions of public welfare projects, and the operational business segment of the platform is weak.
4	The credit rating of the platform is generally low	The original businesses are mostly derived from government administrative orders, they lack the awareness and ability of independent development, and the development foundation is weak.
5	There are many shell companies	The main businesses of the GFPs are mostly based on undertaking government public welfare investment projects. There is no business entity and a lack of qualification. The ability to obtain operating income through internal blood supply and the development of operational projects is weak.

The Economic Development Corporation of W City is the only district level urban infrastructure construction investor in S District of W City, with a long-term credit rating of AA+. By the end of 2018, the total assets of the company were CNY 36.90 billion and the owner's equity were CNY 12.82 billion; the total operating income of the company was CNY 7.53 billion in 2018, with a total operating profit of CNY 1.03 billion. As of November 2019, the total balance of duration bonds was CNY 7.58 billion, mainly private placement bonds, medium-term bonds, and directional instruments.

As the core subject of state-owned enterprises in S District, the actual controllable assets and actual liabilities of the Economic Development Corporation are quite different from the book figures.

4.5.2. The Plan of Market-Oriented Transformation

In 2018, S District issued relevant policies requiring that, by 2020, a state-owned assets supervision and management system, modern enterprise system, and market operation mechanism in line with the requirements of economic development and market economy development of S District should be foundationally formed.

The market-oriented transformation of S District's GFP aims at the coordinated development of the integration of industry, city, and finance. In accordance with the requirements

of modern enterprise system, a “1 + N” state-owned investment holding group is established to collect, use, and franchise the operating assets and resources of administrative institutions in the region, professionally restructure the district’s homogeneous or affiliated enterprises, and realize district town linkage, unified resource allocation, and comprehensive debt control. This will accelerate the development of key areas of state-owned economy, such as the centralized allocation of state-owned capital and public services, and promote the development of high-quality infrastructure and public services in accordance with the requirements of district level planning.

Relying on the Economic Development Corporation, it reorganized and established the State-Owned Investment Holding Group Company (hereinafter referred to as “S Company”). As the only platform for the market-oriented and substantive operation of the district government, the S Company has formed a “1 + N” management structure. Optimize the business structure and resource allocation in combination with the economic development and social responsibilities undertaken by GFPs in the district. Focus on urban comprehensive development and operation, industrial investment and financing services, and asset management. According to the requirements of the three-level management structure, seven business segments and corresponding industry management subsidiaries of “urban construction, public services, urban operation, asset management, industrial investment management, industrial financial services, and industrial fund investment” are established, and subordinate business implementation subsidiaries are reorganized and established according to specific business needs.

4.5.3. Summary of Phased Achievements of Transformation and Development

First, the top-level design is completed and the “1 + N” mode is established. In 2020, S District will build “n” GFPs based on “1” state-controlled platform. For enterprises in general market competitive fields, market-oriented restructuring methods such as restructuring, merger and reorganization, asset transfer, and equity transfer shall be adopted. Shell companies and insolvent enterprises with serious losses in production and operation shall be closed down according to the law or withdrawn through market-oriented channels. Through the platform reform, the number of GFPs in the region was finally controlled at 25.

Second, we will divest the government’s financing function and properly handle the stock debt. In the process of integration of GFPs, we will sort out and standardize the management of stock debts and place them on the appropriate platform. We will strengthen communication and consultation with financial institutions, maintain capital turnover through appropriate extension and debt restructuring, replace space with time, ensure the safety of the platform capital chain, avoid systemic financial risks caused by the platform debt risk, and work so as to not affect the regional economic construction and financial environment, reasonably control the debt level, and not add government implicit debt. Public welfare projects are not packaged into operational projects through GFPs.

Third, we will promote the reform of the government governance model and improve the efficiency of resource allocation. On the one hand, we will give due attention to the “two hands” role of the government and the market, minimize the direct allocation of market resources by the government, build a modern economic system characterized by credit economy, and create a fair, open, and transparent set of market rules and legal business environment for capital. On the other hand, we will clarify the relationship between the government and enterprises, accelerate the transformation from managing enterprises to managing capital, rely on property rights and capital ties, rely on the articles of association and corporate governance structure, and perform the responsibilities of investors by means of exercising shareholders’ rights and giving full play to the role of directors, so as to promote enterprises to truly become independent market subjects. The district government has established a system for the collection and authorized use of operational resources of government administrative institutions and granted S District state control the right to exercise the operation and income of relevant assets and resources in accordance with the

law, so as to help the market-oriented operation transformation of enterprises and increase operational income.

Fourth, we will standardize the corporate governance structure and implement the talent development strategy, implement the independent market dominant position of GFPs, and implement the property rights and management autonomy of enterprise legal persons in accordance with the law. We will promote the GFPs in the district to complete the reform of corporate and joint-stock system, reduce the management level of enterprises, and reasonably limit the legal person level. In principle, the actual management level is controlled within level 2, but no more than level 3 at most.

We will implement the talent development strategy and bring it into the core of the enterprise strategy. First, we will establish a classified and hierarchical management system for leaders. Adhering to the principle of the party's management of cadres is combined with the election of the board of directors according to the law, the selection of managers by the board of directors according to the law, and the use of human rights by managers according to the law. Second, we will fully implement the open recruitment system and establish and improve the contract management employment system. We will establish a modern enterprise salary management system, appropriately open the income distribution gap according to different job categories, and closely link it with performance appraisal, so as to realize the increase and decrease in employees' income. Third, we will make a long-term, lasting, and targeted talent inventory and training for the talents needed by the enterprise's production, operation, and management.

5. Summary of Key Points and Paths of Market-Oriented Transformation of GFP

5.1. Summary of Key Points

This study takes the process of case investigation and expert interview as the main way to obtain relevant data. The case data are mainly based on the above four research cases, and the corresponding text data are formed. A total of 10 experts were interviewed, and all the interviewees had more than 10 years of relevant experience. The market-oriented transformation of the exchanged projects had a good performance.

After designing the interview outline, we made an appointment in advance with each expert for an interview time of 40 min to 1 h. The interview outline is as follows, including a total of six questions, as shown in Table 4 below.

Table 4. Interview outline.

Number	Question
1	What do you think are the key points of the "three-year action of state-owned enterprise reform" led by the state?
2	In the previous reform of state-owned enterprises, many local governments have reorganized GFPs, but the newly established GFPs are still weak in market development. What do you think is the main problem?
3	This round of state-owned enterprise reforms particularly highlights the establishment of a market-oriented operating mechanism. How do you think the local government should handle the relationship with the market-oriented transformation process of GFPs? Are there any specific mechanisms that must be implemented?
4	From the perspective of GFPs, what do you think should be paid attention to after the second round of reorganization of GFPs to ensure sustainable development in the direction of marketization? Please give an example
5	Urban development is inseparable from the healthy and effective circulation of capital. Poor capital operation capacity is a common problem in many GFPs that are lagging behind in market-oriented transformation. In what areas do you think GFPs should enhance their capital operation capabilities?
6	In addition to the above issues, what other key points do you think should be paid attention to in the market-oriented transformation of GFPs?

According to the interview results and the respondents' answers, the specific questions of the interview should be appropriately expanded and refined, and the interview time should be appropriately extended or adjusted. All interviewers and interview data are anonymized to protect interviewee privacy. After each interview is completed, an interview record is formed, which is organized into text data, a preliminary analysis of the interview content is conducted, and the interview results are summarized. Finally, an interview record of about 30,000 words was formed. The details of the experts are shown in Table 5.

Table 5. The details of the experts.

Number	Kind of Working Unit	Age	Experience (Years)	Title
1	Scientific research institutes	46	14	Professor
2	Scientific research institutes	38	10	Associate professor
3	Scientific research institutes	55	20	Professor
4	Scientific research institutes	59	25	Professor
5	Central government departments	56	20	Professor
6	Central government departments	52	18	Professor
7	Advisory body	48	15	Professor
8	Advisory body	40	10	Associate professor
9	Advisory body	45	16	Professor
10	Advisory body	42	12	Professor

Through the content analysis method, we summarized and merged similar key points, counted the occurrence frequency of different key points, and retained the key points that appear more than five times. After that, we consulted the internal and external state-owned enterprise reform experts of the research group to classify and summarize the key points. Finally, the key points of market-oriented transformation were divided into 5 categories and 27 key points, as shown in Table 6.

Table 6. Key points of transformation and development of GFP.

Number	Category	Key Points
1	Reform of state-owned assets supervision	Sort out the city's asset resources (asset resource attribute and ownership relationship); Platform integration and reorganization; Clear platform positioning and business layout; Government authorization and decentralization in place; The state-owned assets supervision system is complete.
2	Management Marketization	Improve the management and control system of parent and subsidiary companies (split the responsibilities and rights of investment control and management); Improve the corporate governance structure of the platform; Management system specification; Introduction, employment and marketization of salary mechanism; Strategic Marketization; Promotion of cultural soft power.
3	Business Marketization	Separate management; Specialized management; Market-oriented settlement of government business; Business diversification (industrial chain extension); Cultivate core industries of subsidiaries.

Table 6. Cont.

Number	Category	Key Points
4	Asset Management	Sorting out the internal assets of the platform (governmental and operational, scale and ownership); External high-quality asset resource injection; Clear property rights of stock assets; Effective revitalization of stock assets; Marketization of business mode.
5	Capital Operation	Credit rating improvement; Diversified financing channels; Various financing instruments (corporate bonds, corporate bonds, asset securitization, special bonds, funds, etc.); Plate listing; Equity investment; Mixed reform (introduction of war investment and employee stock ownership).

5.2. Summary of Market-Oriented Transformation Path of the GFP

The transformation and development of the GFP should not only solve the problems left over by history, but also explore innovative development and shoulder the mission of government public welfare undertakings and market operation requirements. Therefore, the transformation of the GFP should focus on the decisive role of the market in resource allocation on the premise of adhering to the modern state-owned enterprise system with Chinese characteristics, enhance self-hematopoiesis ability, and fundamentally break the implicit guarantee of the government. That is to say the government should change from asset management to capital management, improve the supervision system of state-owned assets, actively promote comprehensive reform, strengthen authorization, optimize supervision methods, promote supply side structural reform, optimize the layout structure of state-owned capital, and support financing platforms to serve the government as market players. The GFP is to build a centralized state-owned enterprise group, adjust the functions of the headquarters, streamline the organization, optimize the control mode, and improve the professional operation and intensive management mechanism. It is to change from “urban builder” and “project financier” to a centralized “resources, funds, assets and capital” as an integrated urban operator.

From the case analysis and summary, we found that the market-oriented transformation path is divided into the following three stages.

1. The first stage: manage old accounts, prevent risks, and build a structure

On the premise of overall stability and with the basic goal of managing old accounts and preventing risks, we will build a “1 + N” state-owned assets supervision system framework. On the one hand, the rectification work should be carried out mainly to solve the problems left over by history and clean up the debt relationship. According to the reasons for the formation of debt, we will clarify the solution of historical debt from the perspective of top-level design. On the other hand, we will realize the centralized and unified supervision of state-owned capital, take the development of integrated business model as the starting point, initially start the integration of state-owned enterprises in local areas, and build an effective “1 + N” state-owned assets supervision structure. We will guide state-owned capital to gradually concentrate in advantageous areas, clarify the responsibilities of the main business owners, determine the development direction of the main business of each group, increase and inject capital into highly indebted enterprises, do a good job in equity transfer, debt continuation, personnel adjustment, etc., and initially establish a market-oriented main body.

2. The second stage: ensure operation and seek development

Entering the second stage, the existing debts of local governments have been basically cleared, and the integrated business model has gradually matured. On this basis, the transformation of GFP should be promoted with the premise of urban development and the basic goal of ensuring operation and seeking development. First of all, we will adhere to the leadership of the party, comprehensively strengthen party building, clarify the position of the party committee in the corporate governance structure, and adhere to the party committee's pre-research on major issues. Secondly, we will promote the implementation of the functions and powers of the board of directors, establish and improve the market-oriented selection and employment mechanism of managers, introduce the performance appraisal system of state-owned enterprises, pilot the introduction of professional managers as the management of state-owned enterprises, carry out the differentiated reform of salary distribution, accelerate the formation of market-oriented mechanism, and stimulate the vitality of enterprises. Thirdly, each GFP should clarify the medium and long-term development strategy, maintain the financing ability, implement the substantive operation, and make a breakthrough in the operational business. Optimize the debt financing structure, explore multi-channel financing channels at the group, subsidiary, and project levels, adjust the structure of stock assets, and obtain incremental high-quality assets. In view of the fact that the self-hematopoietic ability of the enterprise has not been fully formed at this time, priority is given to developing businesses with stable investment and controllable risks, accumulating original capital for survival, gradually improving risk tolerance, and initially forming a new pattern of modern industrial development.

3. The third stage: steady growth and strong strength

When the GFP has the basic original accumulation, it should combine its own advantages and industrial layout, innovate the investment and financing mechanism, use the capital market to promote the rapid development of the industry, and cultivate the layout through direct cultivation and incubation or market-oriented integration. Emerging industries and leading industries with development prospects will gradually form a virtuous development cycle of "capital accumulation → industry development → urban development → asset appreciation → capital re-aggregation", increase investment in mergers and acquisitions, and emphasize the role of industrial funds. They will also carry out alliance cooperation; strengthen alliance cooperation with central enterprises, other provincial enterprises, advantageous private enterprises, and local municipal and state governments; obtain resources; introduce strategic investment; and maximize capital leverage. They will promote the listing of subsidiaries, acquire listing platforms, promote asset securitization, expand the scale of equity financing, and further optimize the financing structure.

6. Discussion and Suggestions

6.1. Discussion

Governments of various countries adopt different methods in infrastructure financing, and the GFP is based on China's unique political and economic system. Foreign related research mostly focuses on government debt, such as Daniels et al. (2010) [2], government financing such as Appiah-Agyekum (2013) and Dzhuryk (2018) [6,7], and other related research.

Research related to the GFP mostly analyzes the aspects of theory and policy, and puts forward development suggestions, such as Wang et al. (2011) and Zang et al. (2019) [11,28]. There are few case studies and practical guidance on practical operation. Even if there are case studies, they often start with the study of a single financing platform (e.g., Kong et al. (2021) and Yipeng et al. (2019) [9,20]), from which it is difficult to form systematic guidance and suggestions.

Based on the analysis of multiple real cases, combined with expert interviews, this paper extracts the key points of the market-oriented transformation of the GFP and sum-

marizes a systematic and instructive path of market-oriented transformation. We offer transformation suggestions combined with case analysis in order to point out the direction for the subsequent transformation and development of GFPs in China.

6.2. Suggestions on Market-Oriented Transformation of GFP

6.2.1. Improve the Supervision System to Prevent the Loss of State-Owned Assets

There are still some problems in the practice of state-owned assets supervision, such as vacancy, dislocation, and loss. Therefore, it is necessary to strengthen the supervision of investors, speed up the construction of laws and regulations on the code of conduct of state-owned enterprises, and strengthen the supervision of state-owned assets in important links such as state-owned capital operation, key areas of reform and key businesses of enterprises.

First, we must strengthen the construction of supervision system. For commercial state-owned enterprises, it is necessary to insist on capital management and strengthen the supervision of state-owned assets, implement information disclosure in accordance with laws and regulations, and strictly pursue accountability so as to prevent the loss of state-owned assets in the process of reform and development. For public welfare state-owned enterprises, the quality and efficiency of providing public products and public services should be regarded as an important supervision content, and information disclosure should be increased to accept social supervision.

Second, we must establish and improve the accountability mechanism, “fault tolerance mechanism”, and legal counsel system. It is necessary to establish and improve the accountability mechanism for dereliction of duty, mistakes, and dereliction of duty in major decision-making of state-owned enterprises; improve the systems of duty performance records, decision-making evaluation, and decision-making fault identification standards of major decision-making matters; and strictly investigate and deal with the waste of state-owned assets, corruption, embezzlement, transportation, and evasion of financial debts.

6.2.2. Properly Handle the Relationship between Government and Enterprises, and Standardize the Corporate Governance Structure

The GFP has always assumed the function of local government financing and has not been completely separated from the business ideas directly led by the government since the transformation. When implementing the market-oriented transformation, firstly, it is necessary to fully divest government debts and properly handle the relationship between platform assets and debts. Second, in the governance of financing platforms, the municipal government must adhere to the separation of ownership and management rights [29], and actively delegate power and dare to delegate power, adhere to the separation of government and enterprise, separate government and capital, further clarify the boundary of property rights between the two, and fully return the responsibility for project decision-making, financing, construction, management, and operation to the enterprise. It should rely on the articles of association and corporate governance structure, exercise shareholder rights and give full play to the role of directors to perform the responsibilities of investors, so as to promote the enterprise to truly become an independent market subject.

6.2.3. Optimize Industrial Layout and Improve the Allocation and Operation Efficiency of State-Owned Capital

It is necessary to continuously optimize the layout and structure of the state-owned economy, effectively give play to the leading role of the state-owned economy, and improve the efficiency of state-owned capital allocation.

The first step is to promote the orderly advance and retreat of state-owned capital. Guided by the market and taking enterprises as the main body, we should promote the optimization of the structure of state-owned capital and enhance the overall function and efficiency of the state-owned economy.

The second is to speed up the classified disposal of inefficient and invalid assets. We should establish and improve the market-based exit mechanism for the survival of the fittest, give play to the role of state-owned capital investment and operation companies, accelerate the disposal of inefficient and ineffective assets, and eliminate outdated production capacity.

The third is to support enterprises to dispose of assets at fair market prices.

The fourth is to intensify the restructuring of homogeneous enterprises, innovate enterprise management and business models, promote the integration and reorganization of homogeneous businesses, highlight main businesses, build core competitiveness, and help companies become stronger, better, and bigger.

6.2.4. Implement Talent Development Strategy and Accelerate Market-Oriented Transformation

As the market-oriented transformation of GFP companies is still in the process of gradual exploration, it is necessary to actively implement the talent development strategy and promote the reform of the market-oriented selection and employment mechanism.

Adhere to the principle of fairness, impartiality and open talent selection, strictly implement open recruitment and fair competition, strictly control the entry threshold, improve the performance assessment mechanism, further explore the quantitative assessment method of positions, focus on the design of performance salary linked factors, and realize the implementation of responsibility at all levels. At the same time, it is necessary to do a long-term, persistent, and targeted talent inventory and training for the talents required by the production, operation, and management of the enterprise, so as to ensure that the talents of the enterprise can meet the long-term development goals of the enterprise.

7. Conclusions, Limitations, and Future Research

7.1. Conclusions

Under the current macroeconomic situation, in order to prevent government debt risks and focus on the needs of GFPs in terms of corporate structure, financing capabilities, market competition, and sustainable development, how should GFPs position their functions, and how can they survive and develop? Under the current situation, how to take the step of transformation to marketization and standardization is an urgent topic to be studied.

Firstly, on the basis of literature research, this paper conducts a comprehensive analysis of the current situation of the market-oriented transformation and development of GFPs in China, and defines the relevant concepts and connotations. Secondly, it organizes and analyzes four real cases of market-oriented transformation of GFPs, studies and extracts the key points, and systematically summarizes the path of transformation and development from three aspects: the goal, work plan, and implementation scheme. Finally, starting from the transformation practice of GFPs, an optimization strategy is proposed.

7.2. Limitations and Future Research Directions

Limited to personal ability and research conditions, there are still many deficiencies in this paper which need to be further improved in future research. First of all, limited to the research conditions, this paper can only conduct inductive analysis from the four consulting project cases selected by the research group. These four GFPs are located in the economically developed eastern region; whether the conclusions are applicable to other regions needs further discussion. In the future, projects in different areas can be investigated to deepen the understanding of this problem. Secondly, due to the limitation of data availability, the research focuses on practice and case analysis, and fails to complete a large-scale quantitative analysis of the economic results before and after the transformation of the GFPs. In the future, we can pay further attention to the impact of the market-oriented transformation of GFPs on the local economy at the macro level.

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