

**A Prospectus of  
The Third Batch of General Obligation Bonds to Be Issued  
by Shanghai Municipal Government in 2016**

**I. Bond information**

**1. Brief introduction**

Under the ceiling imposed by the State Council, Shanghai Municipal Government will issue the third batch of general obligation coupon bonds for 2016 (the “Bonds”) amounting to 3 billion yuan. The Bonds are fixed-rate book-entry bonds and all are for swapping the existing local debts (swap bonds). The Bonds have a term of 3 years, the total size will be 3 billion yuan, and the interest will be paid on an annual basis. After the issue, the Bonds will be traded on the international financial assets transaction platform of the Pilot Free Trade Zone as part of China Interbank Bond Market. After the maturity date, the principal will be paid off in a lump sum.

**Table 1: Basic Facts of the Bonds to Be Issued by Shanghai Municipal Government in 2016**

Name	Shanghai Municipal Government General Obligation Bonds 2016 (Phase IX)
Scale	3 billion yuan
Term	3 years
Interest rate	Fixed
Method of repayment	Interest will be paid annually, and the principal will be paid off in a lump sum when the bonds mature.

**2. Issuance method**

The Bonds will be issued through tendering. On the tendering date, Shanghai Municipal Finance Bureau will offer the tender via the tender system of the Ministry of Finance for treasury bonds issuance, and the bidders will be the FTZ underwriters (members of an underwriter syndicate) selected by the Municipal Government of Shanghai in 2016. The bidding and tendering process is subject to and compliant with the Methods of the Municipal Government of Shanghai on Tendering, Issuance, and Redemption of FTZ Bonds in 2016, the Rules of the Municipal Government of Shanghai for the Tendering and Issuance of FTZ Bonds in 2016, and the Notice of the Municipal Government of Shanghai on the Issuance of General Obligation Bonds (Phase IX).

**3. Usage of revenues**

Under the guidelines of the Ministry of Finance, revenues from general obligation bonds must be used and managed under the general public budget. Revenues from swap

bonds must be used to pay off the principal of the local government debts identified to be outstanding as of Dec. 31, 2015 and to mature in 2016. Whereas the local government has made other arrangements to pay off the said debts, the swap bonds can be used to repay the principal of other identified government debts. According to the above guidelines, Shanghai Municipal Finance Bureau has drawn up a special arrangement for the usage of the funds raised from the issuance of Shanghai Municipal Government bonds in 2016, and the arrangement has been submitted to the Municipal Government and the Municipal People's Congress of Shanghai to be reviewed and approved. The funds generated from the issuance of the swap bonds will be used to repay the general obligation debts of the Municipal Government.

## **II. Credit rating**

China Chengxin International Credit Rating Company Limited (CCXI), which Shanghai Municipal Finance Bureau entrusted to conduct a comprehensive credit rating, has assigned an AAA credit rating to Shanghai Municipal Government's general obligation bonds issued and to be issued in 2016. In the whole duration, Shanghai Municipal Finance Bureau will continue to entrust CCXI to conduct follow-up credit rating of the Bonds on an annual basis.

## **III. Local economic prospect**

### **1. Mid to long-term economic prospect**

Shanghai Municipal Government has drawn up and issued the 13<sup>th</sup> Five-year Plan for the social and economic development of the city based on the actual conditions of the local and regional economic development, and according to the Proposals of the CPC Central Committee on the Formulation of the 13th Five-year Plan on National Economic and Social Development and the Proposals of CPC Shanghai Municipal Committee on the Formulation of the 13th Five-year Plan of Shanghai on National Economic and Social Development. Based on this five-year plan, Shanghai will implement a Four-Pronged Comprehensive Strategy and a concept of innovation-driven, coordinated, green, open and inclusive development, and give top priority to development and remain keen on the quality and efficiency of development through carrying out pilot reform programs and promoting innovations. Shanghai will especially focus on the supply-side structural reform and promote innovation-driven development and economic transformation and upgrading. Shanghai will accelerate the strides towards a science and technology center with global influence, and push for the coordinated and balanced development of economy, culture, social, ecology as well as politics and CPC organization, to make sure that the goals of building Four Centers and a modern socialist international metropolis will be basically realized at the end of the period. Shanghai aims to make greater contributions to fulfilling the national goal of building a moderately prosperous society in all aspects, achieving the second centenary goal of the Chinese nation, and realizing the Chinese dream of great revival.

The goals of Shanghai for its social and economic development during the 13<sup>th</sup> five-year plan period include: By 2020, establishing the basic framework for a science and technology center with global influence; carving out a new path of innovation-driven development, and lead the country or even the world in technological innovation and implementing the strategy of innovation-driven development; creating a more mature, international, market-oriented and law-abiding institutional environment conducive to the growth of socialist market economy; basically completing the construction of international economic, financial, trading and shipping centers; accomplishing the goal of building a modern international metropolis; and becoming a prosperous community in all aspects which is able to guarantee a better life for all the residents.

For the specific goals of the 13<sup>th</sup> Five-year Plan of Shanghai, please visit the website of Shanghai Municipal Government and Shanghai Municipal Reform and Development Commission.

## 2. Basic facts of Shanghai's economy 2013-2015

**Table 2: Basic Facts of Shanghai's Economy 2013-2015**

Item	2013	2014	2015
Total GDP (in million RMB)	2,181,815	2,356,770	2,496,499
Growth (%)	7.7	7.0	6.9
Primary industry (in million RMB)	12,489	12,426	10,978
Secondary industry (in million RMB)	790,781	816,771	794,069
Tertiary industry (in million RMB)	1,378,545	1,527,573	1,691,452
Proportion			
Primary industry (%)	0.6	0.5	0.4
Secondary industry (%)	36.2	34.7	31.8
Tertiary industry (%)	63.2	64.8	67.8
Industrial output (in million RMB)	3,389,938	3,407,119	3,321,157
Fixed assets investment (in million RMB)	564,779	601,643	635,270
Total Imp. & Exp. through Customs of Shanghai (in million USD)	812,137	863,455	RMB 5,083,817 million
Import (in million USD)	313,008	340,243	RMB 19772.45 million
Export (in million USD)	499,129	523,212	RMB 31065.72 million
Shanghai's Imp. & Exp. (in million USD)	441,398	466,622	RMB 2,806,088 million

Import (in million USD)	237,154	256,345	RMB 1,583,233 million
Export (in million USD)	204,244	210,277	RMB 1,222,856 million
Retail sales of consumer goods (in million RMB)	855,696	930,349	1,005,576
Per capita disposable income of urban households (in RMB)	43851	47710	—
Per capita disposable income of rural households (in RMB)	19208	21192	—
Per capita disposable income of permanent residents in cities and towns (in RMB)	—	—	52962
Per capita disposable income of permanent residents in rural areas (in RMB)	—	—	23205
CPI (Previous year = 100)	102.3	102.7	102.4
PPI (Previous year = 100)	98.2	98.9	96.1
PMI (Previous year = 100)	96.5	95.9	90.6
Price index of investment in fixed assets (Previous year = 100)	100.2	100.5	97.0
Balance of bank saving deposits of Chinese and foreign financial institutions in yuan and foreign currencies (in million RMB)	6,925,632	7,388,245	10,376,060
Balance of outstanding bank loans of Chinese and foreign financial institutions in yuan and foreign currencies (in million RMB)	4,435,788	4,791,581	5,338,721

Notes:

1. Based on Shanghai Statistical Yearbook 2014 and 2015, and the Statistical Communique of Shanghai Social and Economic Development 2015. Please visit the website of Shanghai Municipal Statistics Bureau for details ([www.stats-sh.gov.cn](http://www.stats-sh.gov.cn)).
2. Since 2015, Shanghai Municipal Statistics Bureau has reported the disposal income of rural and urban resident on a comparable basis.
3. Since 2015, the balance of bank saving deposits of Chinese and foreign financial institutions in yuan and foreign currencies has included saving deposits at non-banking institutions and the balance of outstanding bank loans of Chinese and foreign financial institutions in yuan and foreign currencies has included bank loans lent to non-banking institutions.

## IV. Shanghai's city-wide fiscal revenues and expenses ①

### 1. General public budgetary revenues and expenses

In 2014, the total general public budgetary revenues of Shanghai amounted to 458,560 million yuan, up 11.6% year on year. Including 47,640 million yuan in the form of appropriation from the Central Government budget and carry over from the previous year and 12,600 million yuan in the form of proceeds from local government debts, the total general public budgetary revenues of Shanghai amounted to 518,800 million yuan. In the same year, the general public budgetary expenses of Shanghai amounted to 492,340 million yuan, up 8.7% from the previous year. Including 3,600 million yuan in the form of repayment for the principal of local government debts, 50.20 million yuan in the form of Central Government budget appropriation carried over to the next year, and 16,060 million yuan in the form of budget stabilizing funds, the total general budgetary expenses amounted to 517,020 million yuan in 2014.

In 2015, the general public budgetary revenues amounted to 551,950 million yuan, up 13.3% year-on-year. Including 167,130 million yuan in the form of receipt of tax refund and subsidy from the Central Government and carryover from the previous year, 80,100 million yuan in the form of proceeds from issuance of local government general obligation bonds, the total general public budgetary revenues of Shanghai amounted to 799,180 million yuan. In the same year, the general public budgetary expenses of Shanghai amounted to 619,160 million yuan, up 19.5% year-on-year. Including 64,900 million yuan in the form of repayment for the principal of local government general obligation debts, 20,320 million yuan in the form of contribution to the Central Government budgetary income, 10,220 million yuan in the form of expenses carried over to the next year, and 84,580 million yuan in the form of budget stabilizing funds, the total general budgetary expenses amounted to 799,180 million yuan in 2015.

In 2016, Shanghai's budgeted general public revenues amount to 590,500 million yuan, up 7% year-on-year. Including 99,320 million yuan in the form of receipt of tax refund and subsidy from the Central Government and carryover from the previous year, and 103,300 million yuan in the form of proceeds from issuance of local government general obligation bonds, the total budgeted general fiscal revenues of Shanghai amount to 793,120 million yuan in 2016. In the same year, the budgeted general fiscal expenses of Shanghai amount to 688,800 million yuan, up 11.2% year-on-year. Including 20,120 million yuan in the form of contribution to the Central Government budgetary income and 84,200 million yuan in the form of repayment for the principal of local government general obligation debts, the total budgeted general fiscal expenses of Shanghai amount to 793,120 million yuan.

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① In the fiscal balance, the statistics for 2014 and 2015 are based on the final accounts, while the statistics for 2016 are based on the Report on the Execution of Budgets for 2015 and Draft Budgets for 2016 of Shanghai, and the Notes to Shanghai's Local Budget Adjustments for 2016 Submitted for Review.

## **2. Revenues and expenses from government-controlled funds**

In 2014, Shanghai's revenues from government-controlled funds amounted to 253,270 million yuan. Including 11,550 million yuan in the form of Central Government subsidy for government-controlled funds and utilized carryover from previous years, the total revenues from government-controlled funds of Shanghai amounted to 264,820 million yuan in 2014. In the same year, the total expenses from government-controlled funds of Shanghai amounted to 230,270 million yuan.

In 2015, Shanghai's revenues from government-controlled funds amounted to 231,220 million yuan. Including 85,550 million yuan in the form of Central Government subsidy for government-controlled funds and utilized carryover from previous years and 41,100 million yuan in the form of proceeds from issuance of special local government bonds, the total revenues from government-controlled funds of Shanghai amounted to 357,870 million yuan in 2015. In the same year, the expenses from government-controlled funds of Shanghai amounted to 218,490 million yuan. Including 37,800 million yuan in the form of repayment for the principal of special local government debts, 70,500 million yuan of transferred-out funds, and 31,080 million yuan carried forward to the next year, the total expenses from government-controlled funds of Shanghai amounted to 357,870 million yuan in 2015.

In 2016, Shanghai's budgeted revenues from government-controlled funds amount to 212,870 million yuan. Including 25,880 million yuan in the form of Central Government subsidy for government-controlled funds and carryover from the previous year and 116,700 million yuan in the form of proceeds from issuance of special local government bonds, the city's budgeted revenues from government-controlled funds total 355,450 million yuan. In the same year, the city's budgeted expenses from government-controlled funds amount to 239,250 million yuan. Including 89,300 million yuan in the form of repayment for the principal of special local government debts and 4,840 million yuan of transferred-out fund and 22,060 million yuan carried forward to the next year, the total expenses from government-controlled funds of Shanghai amounted to 355,450 million yuan in 2016.

## **3. Revenues and expenses from State-owned capital operations**

In 2014, Shanghai's revenues from State-owned capital operations amounted to 6,160 million yuan. Including 1,740 million yuan in the form of carryover from the previous year, the total revenues of Shanghai from State-owned capital operations amounted to 7,900 million yuan. In the same year, the city's total expenses from State-owned capital operations amounted to 7,550 million yuan.

In 2015, Shanghai's revenues from State-owned capital operations amounted to 11,030 million yuan. Including 360 million yuan in the form of carryover from the previous year, the total revenues of Shanghai from State-owned capital operations amounted to

11,390 million yuan. In the same year, the city's total expenses from State-owned capital operations amounted to 8,160 million yuan.

In 2016, Shanghai's budgeted revenues from State-owned capital operations amount to 8,530 million yuan. Including 3,230 million yuan in the form of carryover from the previous year, the total budgeted revenues of Shanghai from State-owned capital operations amount to 11,760 million yuan. In the same year, Shanghai's total budgeted expenses from State-owned capital operations amount to 11,760 million yuan.

## **V. Shanghai's municipal-level fiscal revenues and expenses**

### **1. General public budgetary revenues and expenses**

In 2014, Shanghai's general public budgetary revenues at the municipal level amounted to 220,930 million yuan, up 11.8% year-on-year. Including 45,810 million yuan in the form of final account income from the Central Government and the city and carry over from the previous year and 12,600 million yuan in the form of proceeds from local government debts, deducting 77,220 million yuan in the form of tax refund and transfer payments to districts (and a county), the general public budgetary revenues of Shanghai at the municipal level totaled 202,120 million yuan in 2014. In the same year, the general public budgetary expenses of Shanghai at the municipal level amounted to 168,760 million yuan, up 6.1% from the previous year. Including 3,600 million yuan in the form of repayment for the principal of local government debts, 12,600 million yuan in the form of expenses from on-lending local government debts to districts (and a county), 5,020 million yuan in the form of Central Government budget appropriation carried over to the next year and 11,490 million yuan in the form of budget stabilizing funds, the total general budgetary expenses of Shanghai at the municipal level amounted to 201,470 million yuan in 2014.

In 2015, Shanghai's municipal-level general public budgetary revenues amounted to 280,610 million yuan, up 14.8% year-on-year. Including 119,800 million yuan in the form of receipt of tax refund and subsidy from the Central Government and carryover from the previous year, and 80,100 million yuan in the form of proceeds from issuance of local government general obligation bonds, Shanghai's total municipal-level general public budgetary revenues amounted to 480,510 million yuan in 2015. In the same year, Shanghai's municipal-level general public budgetary expenses amounted to 233,350 million yuan, up 24.8% from the previous year. Including 14,500 million yuan in the form of repayment for the principal of local government general obligation debts, 67,700 million yuan in the form of expenses from on-lending local government general obligation bonds to districts (and a county), 105,090 million yuan in the form of tax refund and transfer payments to districts (and a county), 20,320 million yuan in the form of contribution to the Central Government budgetary income, 4,500 million yuan in the form of expenses carried over to the next year and 35,050 million yuan in the form of budget stabilizing funds, Shanghai's municipal-level general public budgetary

expenses totaled 480,510 million yuan in 2015.

In 2016, Shanghai's budgeted general public revenues at the municipal level amount to 300,200 million yuan, up 7% from the previous year. Including 92,100 million yuan in the form of receipt of tax refund and subsidy from the Central Government, the income contribution from the districts (and a county) and carryover from the previous year, and 103,300 million yuan in the form of proceeds from issuance of local government general obligation bonds, the total budgeted general fiscal revenues of Shanghai at the municipal level amount to 49560 million yuan in 2016. In the same year, the budgeted general fiscal expenses of Shanghai at the municipal level amount to 248,040 million yuan, up 6.3% annually. Including 20,120 million yuan in the form of contribution to the Central Government budgetary income, 120,640 million yuan in the form of tax refund and transfer payments to districts (and a county), 20,500 million yuan in the form of in the form of repayment for the principal of local government general obligation debts, and 86,300 million yuan in the form of expenses from on-lending local government general obligation bonds, the total budgeted general fiscal expenses of Shanghai at the municipal level amount to 495,600 million yuan in 2016.

## **2. Revenues and expenses from government-controlled funds**

In 2014, Shanghai's revenues from government-controlled funds at the municipal level amounted to 98,130 million yuan. Including 5,100 million yuan in the form of Central Government subsidy for government-controlled funds and utilized carryover from previous years, deducting 9,040 million yuan in the form of subsidy for government-controlled funds to districts (and a county), the total revenues from government-controlled funds of Shanghai at the municipal level amounted to 94,190 million in 2014. In the same year, the total expenses from government-controlled funds of Shanghai at the municipal level amounted to 78,900 million yuan in 2014.

In 2015, Shanghai's revenues from government-controlled funds at the municipal level amounted to 89,520 million yuan. Including 31,950 million yuan in the form of Central Government subsidy for government-controlled funds and utilized carryover from previous years and 41,100 million yuan in the form of proceeds from issuance of special local government bonds, the total revenues from government-controlled funds of Shanghai at the municipal level amounted to 162,570 million yuan in 2015. In the same year, the expenses from government-controlled funds of Shanghai at the municipal level amounted to 69,320 million yuan. Including 6,720 million yuan in the form of subsidy for government-controlled funds to districts (and a county), 6,600 million yuan in the form of repayment for the principal of special local government debts, 3,450 million yuan in the form of expenses from on-lending local government special bonds, 22,000 million yuan of transferred-out funds, and 23,430 million yuan carried forward to the next year, the total expenses from government-controlled funds of Shanghai at the municipal level amounted to 162,570 million yuan in 2015.

In 2016, Shanghai's budgeted revenues from government-controlled funds at the municipal level amount to 86,890 million yuan. Including 23,860 million yuan in the form of Central Government subsidy and carryover from the previous year and 116,700 million yuan in the form of proceeds from issuance of special local government bonds, Shanghai's budgeted revenues from government-controlled funds at the municipal level total 227,450 million yuan in 2016. In the same year, the city's budgeted expenses from government-controlled funds at the municipal level amount to 101,030 million yuan. Including 4,130 million yuan in the form of subsidy for government-controlled funds to districts (and a county), 26,500 million yuan in the form of repayment for the principal of special local government debts, 90,200 million yuan in the form of expenses from on-lending local government special bonds, 4,840 million yuan of transferred-out funds, and 750 million yuan carried forward to the next year, the total budgeted expenses from government-controlled funds of Shanghai at the municipal level amount to 227,450 million yuan in 2016.

### **3. Revenues and expenses from State-owned capital operations**

In 2014, Shanghai's revenues from State-owned capital operations at the municipal level amounted to 4,600 million yuan. Including 1,540 million yuan in the form of carryover from the previous year, the total revenues of Shanghai from State-owned capital operations at the municipal level amounted to 6,140 million yuan in 2014. In the same year, the city's total expenses from State-owned capital operations at the municipal level amounted to 6,070 million yuan.

In 2015, Shanghai's revenues from State-owned capital operations at the municipal level amounted to 9,230 million yuan. Including 70 million yuan in the form of carryover from the previous year, the total revenues of Shanghai from State-owned capital operations at the municipal level amounted to 9,300 million yuan. In the same year, the city's total expenses from State-owned capital operations at the municipal level amounted to 6,550 million yuan.

In 2016, Shanghai's budgeted revenues from State-owned capital operations at the municipal level amount to 7,040 million yuan. Including 2,750 million yuan in the form of carryover from the previous year, the total budgeted revenues of Shanghai from State-owned capital operations at the municipal level amount to 9,790 million yuan. In the same year, Shanghai's total budgeted expenses from State-owned capital operations at the municipal level amount to 9,790 million yuan.

## **VI. Overview of Shanghai's outstanding local government debts**

### **1. City-wide outstanding government debts**

As of the end of 2014, the outstanding balance of local government debts which Shanghai was liable to repay amounted to 581,250 million yuan. As of the end of 2015,

the outstanding balance of debts which Shanghai was liable to repay amounted to 488,000 million yuan.

For 2015, by the consent of the State Council, the Ministry of Finance imposed the outstanding local government debts ceiling of 601,850 million yuan on the city of Shanghai. The ceiling for 2016 is 651,850 million yuan.

As of the end of 2014, the outstanding balance of debts for which the government of Shanghai issued official guarantees was 23,860 million yuan, and the outstanding balance of debts for which the government had a limited rescue responsibility was 328,570 million yuan. As of the end of 2015, the outstanding balance of debts for which the government of Shanghai issued official guarantees was 17,900 million yuan, and the outstanding balance of debts for which the government had a limited rescue responsibility was 239,000 million yuan.

In terms of borrowers, government organs account for 29% of the outstanding balance of local government debts; public service units 14%; financing platforms 20%; SOEs (excluding financing platforms) 34%; and other borrowers 3%.

In terms of funding sources, bank loans accounted for 57% of the outstanding balance of local government debts; bonds 28%; payables to suppliers 8%; financing from other non-banking institutions 3%; and other sources 4%.

In terms of fund usage, the borrowed debts have been mainly used in basic infrastructure and public benefit projects such as municipal engineering, land reserve, transportation facilities, housing guarantee and ecological conservation and development, and these projects have met the needs of local social and economic development, boosted the improvement of the people's wellbeing and the development of social causes, and accumulated a large quantity of high-quality assets.

In terms of maturity structure, over 71.3% of the outstanding local government debts of Shanghai will be repaid after 2018 and the percentage of repayment liability spreads reasonably across the years.

## **2. Outstanding government debts at the municipal level**

As of the end of 2014, the outstanding balance of local government debts which Shanghai Municipal Government was liable to repay amounted to 193,210 million yuan. As of the end of 2015, the outstanding balance of local government debts which Shanghai Municipal Government was liable to repay amounted to 141,300 million yuan.

For 2015, the ceiling on outstanding local government debts at the municipal level was 193,210 million yuan; for 2016, the ceiling is 193,210 million yuan.

As of the end of 2014, the outstanding balance of debts for which the government of Shanghai at the municipal level issued official guarantees was 11,860 million yuan, and the outstanding balance of debts for which the government had a limited rescue responsibility was 176,560 million yuan. As of the end of 2015, the outstanding balance of debts for which the government of Shanghai at the municipal level issued official guarantees was 11,600 million yuan, and the outstanding balance of debts for which the government had a limited rescue responsibility was 128,400 million yuan.

In terms of borrowers, government organs account for 12% of the outstanding balance of local government debts; public service units 9%; financing platforms 25%; and SOEs (excluding financing platforms) 54%.

In terms of funding sources, bank loans accounted for 65% of the outstanding balance of local government debts; bonds 25%; financing from other non-banking institutions 5%; and other sources 5%.

In terms of maturity structure, over 80.1% of the outstanding local government debts of Shanghai at the municipal level will be repaid after 2018 and the percentage of repayment liability spreads reasonably across the years.

### **3. Policies and measures of Shanghai for debt management and risk prevention and control**

The total volume of local government debts of Shanghai is reasonable and the risk is generally under control. At the end of 2015, the city's debt ratio was 44.3%, well below the international warning level of 90% - 150% and also lower than the national average level of China. In recent years, according to the deployment of the State Council and guidelines of pertinent Central Government ministries and commissions, the Municipal Government of Shanghai has attached great importance to, and taken great caution regarding, government debt management, and has also taken effective measures to improve the system of rules and policies for government debt management, focusing on the control of the total volume of debts and the prevention and control of fiscal and financial risks.

1. Establishing and improving the system of rules and policies for government debt management. **First, long-term regular mechanisms for government borrowing control and supervision.** In accordance with the resolution of the 3rd Plenary Session of the 18th National Congress of CPC, in 2014, the Municipal Government of Shanghai issued Proposals of CPC Shanghai Municipal Committee on Improving Government Debt Management No.44 (2014), which identified the goals concerning government debt control during the 12<sup>th</sup> Five-year Plan period (2011-2015), and raised concrete requirements to enhance the city's management of government debts concerning the solvency of outstanding debts, control of new debts, regulation of borrowing and financing through bonds and enhancement of debt supervision and regulation. In 2015,

Shanghai Municipal Finance Bureau issued the Notice of Forwarding the Methods of the Ministry of Finance for Managing the Budget of Local Government Special Bonds in 2015 and the Notice of Circulating the Ministry of Finance's Notice of Promulgating the Methods for Managing the Budget of Local Government General Obligation Bonds in 2015. These documents aimed to further enhance the institutionalization of rules and policies for local government debt management. **Second, enhancement of regulation over financing platforms.** In 2011, the Municipal Government of Shanghai issued the Provisional Methods for Improving the Regulation of Municipal Government Financing Platforms No. 16 (2011) and the Notice of Further Strengthening the Regulation of District/County-level Government Financing Platforms No. 13 (2011), which have offered the necessary institutional guarantee for the sound and all-round supervision and regulation of companies as governmental financing platforms at the municipal and district/county levels. **Third, regulation over local government guarantees and pledges.** The Municipal Government of Shanghai issued the Notice of the Ministry of Finance on Firmly Prohibiting Illegal Public Fund Raising and the Notice of the Ministry of Finance on Regulating Borrowing and Guarantees Given by Local Governments at All Levels, both of which prohibited any illegal public financing and guarantees or pledges and are applicable to the borrowing and guaranteeing acts of Shanghai.

2. Enhancing on-going debt supervision and risk prewarning. **First, on-going debt monitoring mechanisms for local government debts.** Shanghai has established and will continue to improve and strictly implement the monthly reporting system for government debts, and has continued to analyze the statistics on a real-time basis, tracking the maturing status and changes of government debts and fulfilling all-round management and on-going monitor on the government debts of Shanghai. **Second, improvement of the government debt risk pre-warning system.** By monitoring a number of risk indicators such as the debt to revenue ratio and the debt servicing ratio, the city has enhanced the evaluation, prewarning and monitoring of government debt risks borne by the municipal and district/county governments, and the results are communicated to the district/county governments in time to fend off debt risks effectively. **Third, quota restriction over government debt.** According to relevant guidelines concerning debt control, especially the local government debt ceiling imposed by the Ministry of Finance, the Municipal Finance Bureau has drawn up a debt quota proposal for the whole city and a scheme concerning the distribution of local government debt quota among the municipal and district/county governments, which has been communicated to all district/county governments after it is approved by the Municipal Government. **Fourth, further innovation of the debt regulation model.** In cooperation with the special representative of the Ministry of Finance in Shanghai, via issuing joint circulars and other documents for example, the city has been able to conduct coordinated supervision on the local government debts of the district/county governments, and put the government debt management under standard regulation. The focus rests on debt risk monitoring and the building and implementation of a debt registering and reporting system.

3. Enhancing the management of local government debt budgets. In recent years, Shanghai Municipal Finance Bureau has issued the Opinions on Further Enhancing the Management of Funds Raised through Issuance of Local Government Bonds and the Methods of Shanghai to Manage the Use of Funds from Local Government Debts on-lent to District/County Governments, both clearly stipulating that revenues and expenses from government debts must be included into and managed under budgets, and offering a basis for regulating the use of on-lent funds. Meanwhile, according to the Opinions of the State Council on Strengthening the Management of Local Government Debts (2014) No. 43 and the guidelines of the Ministry of Finance concerning swapping outstanding local government bonds and issuing new local government debts, the city has designed budget adjustment schemes under the ceiling of bond issuance imposed by the Ministry of Finance, and the local government debts of Shanghai have been included in budget management by category: general obligation debts are managed under general public budgets, special debts are managed under budgets of government-controlled funds, and the issuance quota of local government bonds has been carefully designed and distributed to district/county governments. Meanwhile, the district/county governments of Shanghai are mandated to arrange the use of funds raised from issuing bonds prudentially, strictly managing the funds and putting them under budget management following a statutory procedure on a timely basis.

Shanghai Municipal Finance Bureau  
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