Research on The Sustainability and Rapid Growth of Local Government Debt

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Abstract. As an important source of local government finance, the malignant expansion of debt financing has become a pressing fiscal issue that China must urgently address. Through literature analysis and data comparison, this paper reveals the current state of debt growth and the resulting social problems, providing an in-depth examination of the urgency to curb its malignant expansion. The findings indicate that the sustainability of debt financing faces severe challenges. The paper proposes practical and feasible recommendations for the government to mitigate the excessive growth of debt through financial instruments such as asset securitization and asset leasing, with the aim of maintaining the sustainability of local debt financing and preserving fiscal balance.

Keywords: Debt Growth, Debt Sustainability, Urgency of Debt Resolution, KMV Model, Asset Securitization.

1 Introduction

Since the launch of the reform and opening up, China's local government debt has undergone a transformation from strict control to rapid expansion. This shift reflects not only adjustments in national macro policies but also the evolving role and growing responsibilities of local governments in promoting economic development. The 1994 "Budget Law" explicitly stipulated that, unless otherwise provided by law or approved by the State Council, local governments were prohibited from issuing local government bonds and could not engage in financing through bond issuance. When the global financial crisis broke out in 2008, the Chinese central government introduced an investment plan totaling 4 trillion yuan to counter the economic downturn caused by the crisis and required local governments to contribute a matching amount of 2.82 trillion yuan. For local governments with limited fiscal revenue, this financial obligation created considerable pressure.Therefore, in 2007, China's top fiscal authorities publicly announced for the first time that they were considering authorizing local governments to issue bonds. In 2009, the State Council approved the issuance of 200 billion yuan in local government bonds, which were issued by the Ministry of Finance on behalf of local governments and incorporated into provincial budget management.

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This marked the official beginning of local government bond issuance. Since then, the issuance model of local government bonds has undergone continuous reform, evolving through three stages: issued and repaid by the central government, self-issued but repaid by the central government, and self-issued and self-repaid. In 2015, the newly promulgated "Budget Law" stipulated that the issuance of local government bonds through provincial governments would be the only direct financing channel available to local governments, signifying the formal institutionalization of local government bond issuance.

As one of the sources of fiscal revenue, debt financing has been favored by local governments in recent years. However, due to the underdeveloped debt management system and the lack of experience in debt governance, debt risks have gradually emerged along with the growing and proliferating debt, which has attracted widespread attention and in-depth discussion. According to materialist dialectics in Marxism, necessity and contingency reveal different tendencies in the emergence, development, and extinction of objective phenomena, and they are in a relationship of unity and opposition. With regard to debt financing and debt proliferation, in order to meet the needs of local economic development, local governments are compelled by fiscal expenditure pressure to issue bonds and borrow from banks and other financial institutions. This is a necessary choice that is certain in the process of high-quality economic development and within the context of the new era and the new development pattern. It represents a general developmental trend shared with other policies such as tax revenue and land finance.Influenced by factors such as the financial crisis and pandemic disasters, the resulting debt growth and subsequent proliferation are merely contingent occurrences that are unstable and temporary.

In addition, the Central Economic Work Conference in 2024 proposed that a moderately loose monetary policy should be implemented in 2025, with timely cuts in the reserve requirement ratio and interest rates to maintain ample liquidity and promote growth in aggregate financing to the real economy and the money supply. This policy provides strong financial support to ease the debt burden of local governments and offers robust policy assurance for the high-quality development of local economies.Modern fiscalism once advocated the Fiscal Theory of Price Level (FTPL), which posits that the government can alleviate the pressure of its liabilities and fiscal deficit through fluctuations in market price levels. Specifically, when the government faces a large fiscal deficit and heavy liabilities, it may allow the price level to rise, thereby permitting inflation to occur. This approach has two advantages: first, inflation helps reduce the real debt burden; second, the rise in the price level increases the government's tax revenue. The FTPL provides scientific governance support for addressing China's local debt issues in the context of the new era. It also offers a theoretical economic basis for stimulating public consumption, revitalizing local economies, and promoting social circulation. A more proactive fiscal policy and a moderately loose monetary policy embody and attest to the principles of the FTPL.

Therefore, we should view local government borrowing from a developmental perspective and approach the formation and evolution of debt risk in a comprehensive and dialectical manner. It is essential to apply theoretical foundations that align with China's specific conditions to guide economic development. How to assist local gov-

ernments in achieving effective debt resolution and restoring fiscal balance has become a focal point of concern in academia and the economic field. This paper examines the extent to which local debt resolution pressures have intensified and explores feasible recommendations for mitigating debt accumulation. Using Shanghai's debt default risk forecast as a case study, it provides a direct and instructive theoretical reference for local governments seeking to optimize their fiscal management mechanisms.

2 Analysis of the Disorderly Growth of China's Local Government Debt and Its Implications

Since the launch of reform and opening up, China's local government debt has undergone a transformation from strict control to rapid expansion[1], reflecting adjustments in national macro policies and the evolving responsibilities of local governments. According to data disclosed by the China Local Government Bond Information Disclosure Platform, as shown in Figure 1, the overall growth trend remained relatively stable from 2015 to 2018. However, from 2019 to 2023, the slope of the debt curve increased markedly, indicating a significant acceleration in growth. Compared with the debt limit, the growth rate of the debt balance slowed before 2018, and the gap between the two measures gradually widened, suggesting that local debt remained stable and manageable. After 2019, however, the growth rate of the debt balance became more pronounced, causing the debt balance to approach the debt limit year by year. This trend indicates that local governments are facing mounting pressure in debt management.By the end of 2023, the national local debt balance had risen to 40.75 trillion yuan, indicating that the expansion of the local debt scale had become increasingly uncontrollable, while many governments were facing a progressively harsher overall financing environment.

The accumulation of local debt and the resulting fiscal imbalance have triggered a series of social impacts and practical issues. The urgent desire of local governments to increase revenue to resolve debt has driven law enforcement authorities to impose higher fines and increase their frequency during enforcement. In some cases, they have even disregarded legal and regulatory procedures to levy excessive penalties. For example, the transportation department has intensified surveillance of electric vehicle riders to ensure helmet use, while certain water, electricity, gas, and heating companies have illegally charged users construction fees for areas beyond the construction zoning red line[2]. These phenomena suggest that during periods of fiscal stress, law enforcement officers may alter their behavior to enhance the economic returns of their actions[3].In addition, some industrial enterprises were also affected, and the State Administration for Market Regulation once in 2019.In that year, five typical cases of irregular charges involving enterprises were made public. In several regions, local entities engaged in such practices by collecting various fees, including agency fees, from local enterprises under improper pretexts, while falsely shifting responsibilities onto the companies. Some even went further by arbitrarily creating additional fee items and imposing high charges, duplicated charges, and charges beyond the scope, thereby increasing the burden on numerous small and medium-sized enterprises and infringing

upon the legitimate rights and interests of business operators. To tighten fiscal discipline and control expenditures, many local governments implemented reforms in the salary structure of staff in public institutions. These measures included moderately reducing salary levels, cutting or eliminating the 13th-month salary, delaying the salary payment time, borrowing from banks and private enterprises to fund payrolls, and even lowering the teacher salary level as a last resort.Moreover, local governments have pursued economic benefits blindly, rigidly replicating basic public welfare projects and favoring formalistic infrastructure projects. They have incurred enormous project costs and wasted substantial resources[4], while neglecting potential project risks and failing to achieve the intended construction goals. The central government has issued multiple notifications exposing cases of massive waste caused by blind borrowing by local authorities. For instance, a city in Gansu Province blindly borrowed funds to launch a tram project, yet its annual income was far below its annual operating costs, resulting in wasted local funds and a debt surge.

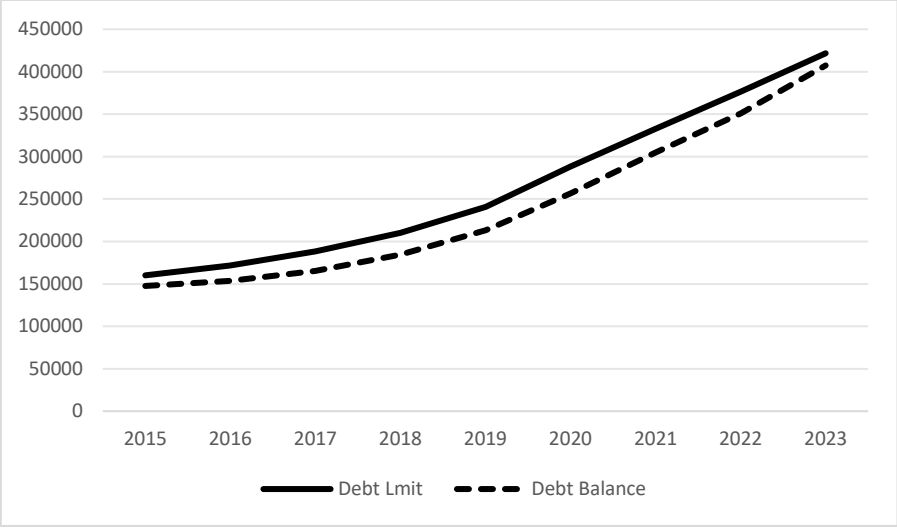

Fig. 1. Growth trends of China's debt limit and debt balance from 2015 to 2023 (unit: 100 million yuan).

3 The Urgency of Curbing Debt Growth

3.1 Surge in Implicit Debt

Market estimates indicate that during 2017–2018, the scale of implicit debt ranged between 34 trillion and 46 trillion yuan. In July 2017, the Politburo meeting first called to "resolutely curb the increase of implicit debt," after which the growth rate of local implicit debt declined significantly, although its absolute scale continued to rise year by year. By 2020, the size of China's local implicit debt was estimated to be roughly twice that of explicit debt, with a conservative estimate placing implicit debt at nearly 50 trillion yuan and the overall government leverage ratio reaching 92 percent. However,

in recent years, some local governments have continued to raise funds in violation of regulations, leading to a further expansion of implicit debt[5]. According to market participants who compiled data on the debt balance of local government financing vehicles (LGFVs) across regions, the total amount reached as high as 65 trillion yuan, indicating that the implicit debt problem has become increasingly severe.

3.2 Continuous Rolling of "Borrowing New to Repay Old"

In recent years, the issuance of special bonds has surged, leading to a steady increase in the pressure on local governments to repay principal and interest. Interest payment reduction has become a central focus in debt mitigation efforts. According to data from the Ministry of Finance, since 2022, local government bond interest expenditure has exceeded 1 trillion yuan. In 2023, the total fiscal funds allocated by local governments for principal and interest repayment reached 1.6 trillion yuan, of which repayments on special-purpose debt amounted to as much as 1.1 trillion yuan. In addition, interest expenses on local debt accounted for 6.7% of local government general budgetary revenue, representing a significant increase of 3 percentage points compared with 2019. In some regions, interest payments on special bonds have surpassed the 10% warning threshold of annual government fund budgetary expenditure[6]. Furthermore, since more than 90% of local government bond principal repayments rely on borrowing new to repay old, interest payments must be covered by fiscal revenue. Consequently, curbing the growth of interest expenses and servicing the substantial interest burden have become the primary challenges in local debt repayment.

3.3 Unreasonable Debt Structure

According to data disclosed on the China Local Government Bond Information Disclosure Platform, as shown in Figure 2, the issuance proportion between general bonds and special bonds fluctuated from 2015 to 2023. The proportion of special-purpose debt initially declined slightly and then continued to increase, stabilizing at around 60 percent after 2022, while the proportion of general-purpose debt moved in the opposite direction. As shown in Figure 3, the debt limit for general-purpose debt remained relatively stable from 2015 to 2023, without significant fluctuations. In contrast, the new special debt quota exhibited a marked upward trend between 2015 and 2019. After peaking in 2020, the new special debt quota remained at a relatively high level, with a slower growth rate.In summary, the annual issuance of special-purpose debt has shown an upward trend in volume. Moreover, high-cost and short-term bonds account for a significant proportion of special bonds. Particularly under conditions of slowing economic growth and declining fiscal revenue, local governments may fall into a new round of "investment competition" as they strive to secure larger quotas for special bond issuance[7].

3.4 Regional Differences in Debt Pressure

Due to data availability, this study selects the debt ratio and liability ratio of provinces in the eastern, central, and western regions in 2022. According to data disclosed by the Enterprise Early Warning System, as shown in Figure 4, Tianjin in the eastern region recorded the highest debt ratio at 278.65%, followed by Hebei Province at 167.81%. This indicates that both Tianjin and Hebei bear heavy debt burdens and face substantial pressure in debt resolution, while other provinces remain within a manageable range. In the central region, except for Hubei Province, which has a debt ratio as high as 221.6%, most provinces maintain debt ratios between 90% and 150%, and liability ratios below 60%. Therefore, a prudent approach to debt management is required. Although debt risks are generally controllable, potential risks should still be closely monitored. In the western region, both debt ratios and liability ratios are generally higher, with most provinces recording debt ratios near or above 150%. Among them, Qinghai and Guizhou have liability ratios exceeding 60%, reflecting elevated debt risks that call for strengthened debt management and risk control.Debt heterogeneity across regions indicates that the spatial distribution of local debt in China is highly uneven[8], and there are significant disparities among regions in terms of fiscal capacity and debt management capability.

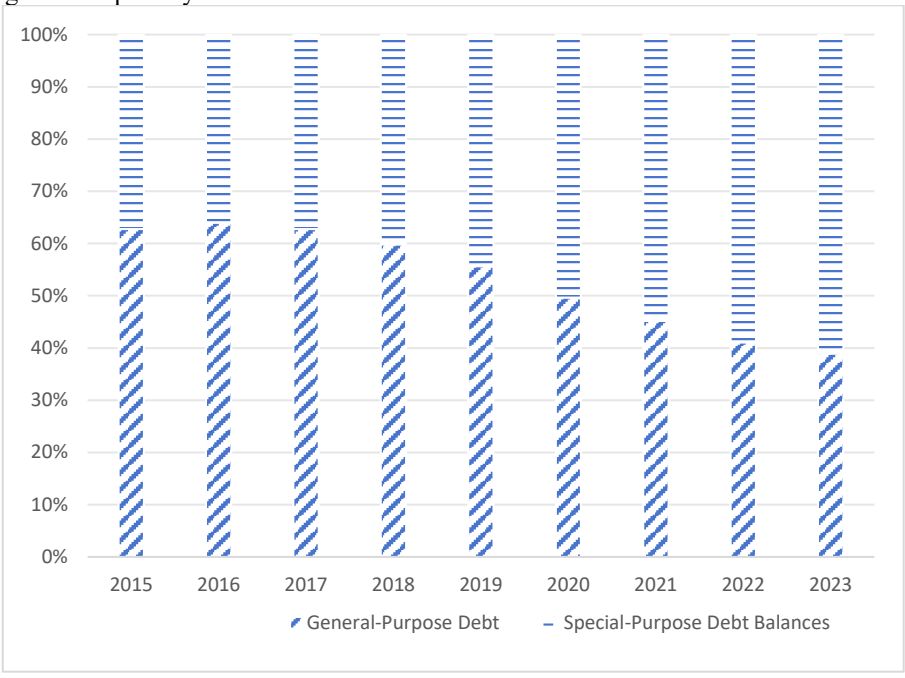

Fig. 2. Proportion Changes of China's Government General-Purpose Debt and Special-Purpose Debt Balances from 2015 to 2023 (Unit: %).

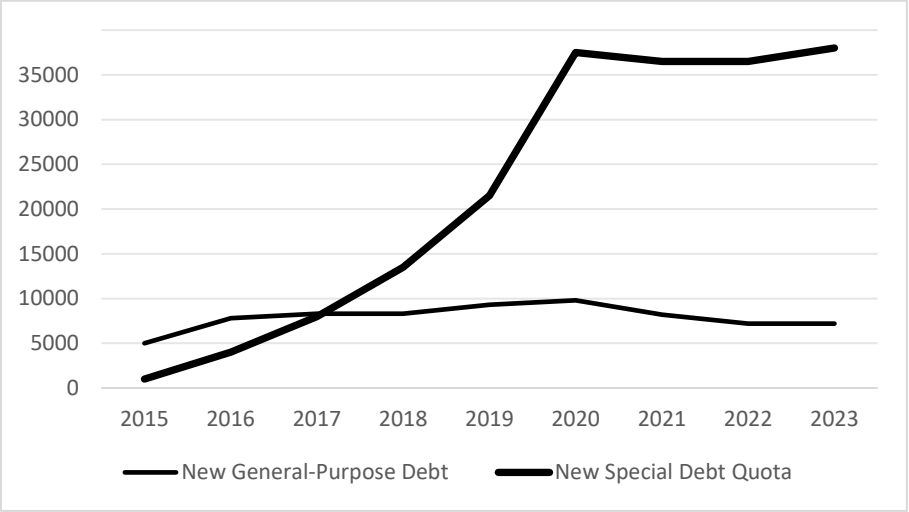

Fig. 3. Trend Chart of New General-Purpose Debt and New Special Debt Quota of Local Governments in China from 2015 to 2023 (Unit: 100 million yuan).

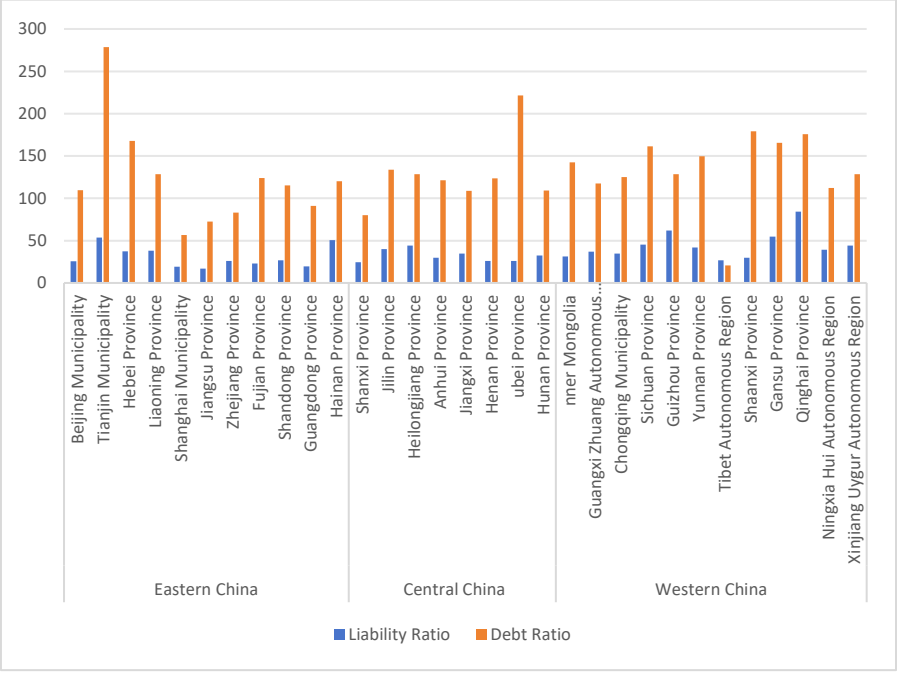

Fig. 4. Liability Ratio and Debt Ratio Data by Province in China, 2022 (Unit: %).

The numerous social issues arising from debt clearly indicate that vicious debt growth has become a significant hidden threat to healthy economic development.

Ensuring sustainable debt development is not only essential for maintaining financial market stability but also a necessary condition for safeguarding social fairness and justice and promoting sustainable and healthy economic development.

4 Sustainable Prediction of Local Government Debt

Maintaining debt sustainability requires the ability to anticipate potential debt defaults. Therefore, assessing whether local government debt carries default risk is of critical importance. The Shanghai municipal government is at the forefront nationwide in addressing local government debt issues. Accordingly, this paper applies the KMV model to estimate the distance to default and the probability of default for the Shanghai municipal government's debt.

4.1 Construction of the KMV Model

Drawing on the methodology of Chen Shiying et al. (2022) [9], this study assumes that the local government's solvency fiscal revenue serves as the basis for model construction

$$R_t = f\left(Z_t\right) \tag{1}$$

Here, R_t represents the solvency fiscal revenue at time t, Z_t is a random variable, and $f(\cdot)$ denotes a specific function.

When the local debt matures (with a maturity time of T), if the solvency fiscal revenue R_T is less than the debt due B_T, the local government will default on its debt, and the probability of default is p.

$$p = P\left(R_T < B_T\right) = P\left[f\left(Z_T\right) < B_T\right] = P\left[Z_T < f^{-1}\left(B_T\right)\right] \tag{2}$$

If Z_T follows a standard normal distribution, denoted as $Z_T \sim N(0,1)$, it can be concluded that

$$p = P\left[Z_T < f^{-1}\left(B_T\right)\right] = N\left[f^{-1}\left(B_T\right)\right] \tag{3}$$

Assume that R_t satisfies a Markov stochastic process, that is

$$dR_t = gR_t dt + \sigma R_t dz_t \tag{4}$$

Where g represents the growth rate of solvency fiscal revenue, σ denotes the volatility of solvency fiscal revenue, and dz_t is the increment of the Wiener process. After applying Itô's lemma and integrating, we obtain

$$R_t = R_0 \exp\left[\left(g - \frac{1}{2}\sigma^2\right)t + \sigma\sqrt{t}Z_t\right] \tag{5}$$

where t > 0.

By applying the rules for the mean and variance, we obtain

$$\sigma = \sqrt{\frac{\frac{1}{n-2}\sum_{i=1}^{n-1}\left(\ln\frac{R_{i+1}}{R_i} - \frac{1}{n-1}\sum_{i=1}^{n-1}\ln\frac{R_{i+1}}{R_i}\right)^2}{t}} \tag{6}$$

$$g = \frac{\frac{1}{n-1}\sum_{i=1}^{n-1}\ln\frac{R_{i+1}}{R_i} + \frac{1}{2}\sigma^2 t}{t} \tag{7}$$

Therefore, the distance to default (DD) and the probability of default (p) for local debt are respectively given by

$$DD = \frac{\ln\frac{R_T}{B_T} + \left(g - \frac{1}{2}\sigma^2\right)T}{\sigma\sqrt{T}} \tag{8}$$

$$p = N(-DD) \tag{9}$$

4.2 Estimation of Shanghai's Local Government Bond Issuance

Due to data availability, this study selects four fiscal indicators for Shanghai from 2014 to 2023: General Public Budget Revenue, General Public Budget Expenditure, Government Fund Revenue, and Local Government Debt Balance. The data are sourced from the Shanghai Municipal Statistics Bureau. Referring to domestic methodologies for debt risk assessment, the formula used to calculate Shanghai's Debt Serviceable Fiscal Revenue is: Debt Serviceable Fiscal Revenue = General Public Budget Revenue + Government Fund Revenue + Local Government Bond Issuance − General Public Budget Expenditure, as shown in Table 1.

Based on the above ten-year debt-servicing income data, the grey forecasting model (G(1,1) model) was applied using MATLAB software to predict the debt-servicing income for 2024 to 2026, which are estimated at RMB 1,618 billion, RMB 1,765.5 billion, and RMB 1,926.4 billion, respectively. The probability of small error p is 1, and the posterior error ratio C is 0.3732, indicating that the forecast meets the evaluation criteria.

Since the default probability is assessed one year ahead, the debt maturity T is set to 1. By substituting the ten-year debt-servicing income data into equations (5) and (6), the growth rate g and volatilityσof Shanghai's debt-servicing income for 2024 to 2026 are obtained, as shown in Table 2.

Table 1. Fiscal Indicators of Shanghai from 2014 to 2023 (Unit: 100 million yuan).

Year	General Public Budget Revenue	Government Fund Revenue	Local Government Bond Issuance	General Public Budget Expenditure	Debt Serviceable Fiscal Revenue
2014	4585.55	4923.44	2532.7	5812.5	8007.31
2015	7991.8	6191.56	2312.2	4880	8992.44
2016	8891.1	6918.94	2295	4485.5	8752.66
2017	8679.1	7547.6	1960.6	4694.2	7786.3
2018	9427.6	8351.5	2095.4	5034.9	8206.4
2019	9412.6	8179.28	2418.1	5722.1	9373.52
2020	9855.8	8102.1	3175	6891.5	11820.2
2021	10084.7	8430.9	3769	7356.8	12779.6
2022	11677.3	9393.2	4041.5	8538.6	14864.2
2023	11720.9	9638.5	3466.7	8832.3	14381.4

Table 2. Growth rate g and volatility σ of Shanghai's debt-servicing income from 2024 to 2026.

Year	Growth rate g	Volatility σ
2024	0.070941052	0.108411398
2025	0.075704937	0.103564792
2026	0.076718093	0.09838225

Using the hypothetical debt ratio (government maturing debt/solvency fiscal revenue), a calculation range of 60% to 100% is established to estimate the debt default probability and distance to default for the Shanghai municipal government from 2024 to 2026. Based on the rating standards of Standard & Poor's and Moody's, this study sets the debt risk default probability early warning value for the Shanghai municipal government at 0.4%, and extracts the calculation results near this threshold, as shown in Table 3.

Table 3. Debt Distance to Default and Default Probability of Shanghai from 2024 to 2026 under Different Debt Ratios.

Year	Debt Ratio (%)	Debt Issuance Scale (Billion RMB)	p	DD
2024	81%	13105.80	0.548%	2.54388
	80%	12944.00	0.392%	2.65847
2025	82%	14477.10	0.472%	1.21951
	81%	14300.55	0.332%	1.23457
2026	83%	15989.12	0.434%	1.20482
	82%	15796.48	0.300%	1.21951

According to the data in Table 3, when the Shanghai municipal government's debt ratio reaches 81% in 2024, the default probability is approximately 0.548%. When the debt ratio is 80%, the default probability decreases to around 0.392%. Therefore, to

avoid default and ensure the sustainability of debt financing, the Shanghai municipal government's bond issuance in 2024 should not exceed RMB 1.2944 trillion. Similarly, the maximum bond issuance amounts for 2025 and 2026 should be limited to RMB 1.43 trillion and RMB 1.5796 trillion, respectively.

5 Conclusions

This study uses ten years of local fiscal data from Shanghai from 2014 to 2023 for an empirical analysis. Considering both the distance to default and the probability of default, the KMV model is applied to forecast a reasonable and controllable bond issuance scale for Shanghai from 2024 to 2026. The following conclusions are drawn: if Shanghai issues bonds according to the forecast results during 2024–2026, several positive outcomes are expected. First, the bond issuance scale will grow steadily under reasonable control of the debt ratio, supported by a stable fiscal position. This stability can sustain the pace of growth, prevent forced reductions in bond issuance due to insufficient debt-servicing capability, and ensure the continuity of government financing. Second, a low default risk combined with clear debt-servicing expectations will attract proactive subscriptions to Shanghai government bonds from various investors, including commercial banks and insurance institutions. This will not only increase the subscription rate and shorten the issuance period but may also lead to oversubscription, thereby strengthening the government’s initiative in managing issuance timing and investor selection. Third, a sound fiscal foundation and low-risk profile will enable Shanghai to flexibly adjust its debt structure, such as by extending debt maturity or optimizing interest rate types. These adjustments can better align with the timing of fiscal revenue and expenditure, reduce the pressure of concentrated short-term debt repayments, and enhance the flexibility of debt management.

The asset value and volatility metrics in the KMV model can be updated in real time according to changes in the economic environment and fiscal revenue and expenditure. This enables the model to dynamically capture variations in the local government’s debt-servicing capability and ultimately generate explicit probability of default values and distance to default metrics, thereby transforming abstract debt risk into concrete quantitative results. In addition to the Shanghai municipal government, other provinces and cities can also leverage this feature of the KMV model to conduct both cross-sectional and longitudinal comparisons of debt risk across different regions and periods. This approach facilitates the rapid identification of high-risk areas by regulatory authorities and research institutions, improving the efficiency and accuracy of debt risk assessment and supporting the sustainable growth of bond issuance scale.

This study also has certain limitations. It uses the bond issuance scale prediction of Shanghai as the sole example, while overlooking the bond issuance scale predictions of other provinces and cities. Moreover, whether the KMV model is equally applicable to the financial conditions of other regions remains open to discussion.In addition, in the current era, the return elasticity of assets related to the digital economy and the use of green financial instruments may affect the predictive accuracy of the traditional KMV model. Therefore, it is imperative to standardize and quantify economic indicators such

as those of the digital economy for integration into the model, while incorporating intelligent tools driven by AI to enhance the model's predictive performance.

6 Policy Recommendations for Sustainable Debt Development

6.1 Activation of Idle Assets

Asset Securitization. This section proposes several types of assets for reference by relevant authorities, categorized into tangible and intangible assets. For production-related assets, local enterprises may have decommissioned equipment due to industrial upgrades. The government can collaborate with these enterprises to securitize equipment that retains market value and potential income-generating capacity, with the aim of generating returns.In addition, with regard to non-productive assets, the government may also securitize non-cultivated biological resources such as wild flora and fauna with medicinal or nutritional value, as well as commercially valuable water resources including mountain springs, mineral springs, and seawater. These securitized assets can be issued to the public to attract subscriptions from commercial enterprises and research institutions. As for intangible assets, some local governments possess abundant tourism resources. In collaboration with tourism and finance departments, they can securitize assets such as the right to collect fees from scenic areas and theme parks, the image rights of historical figures, and the trademark rights of local specialty foods. These assets can then undergo asset reorganization and credit enhancement before being issued as asset-backed securities to investors. Furthermore, the securitization of public data assets holds significant potential in revitalizing data resources, expanding financing channels, and promoting the market-oriented allocation of data as a production factor[10]. China possesses a vast stock of existing assets, including a significant volume of dormant and idle assets, which provides a solid foundation for the development of asset securitization. At the same time, the new stage of development presents ample opportunities for diversifying asset securitization strategies[11].

Leasing and Selling Idle Assets. Assets that are in high demand, needed for short durations, frequently used, and easy to lease can be utilized to increase local fiscal revenue through external leasing or sale. Given the growing number of participants in various public examinations and the shortage of accessible learning resources, local governments can collaborate with schools, public libraries, and large bookstores to open idle classrooms, computer labs, sports facilities, laboratories, and library resources to the public and educational institutions for a fee. Additionally, idle spaces and advanced equipment from government agencies such as public security bureaus, courts, and fire departments—including meeting rooms, office spaces, parking spots, and conferencing equipment—can be leased to external parties.For regions rich in natural resources, local governments may lease or sell these resources to enterprises, research institutes, and other organizations. For example, Pingyin County in Jinan, Shandong Province transferred the exclusive operating rights for its low-altitude economy to Shandong Jinyu General Aviation Co., Ltd. for RMB 924 million, enabling the com-

pany to provide services such as flight license training. The low-altitude sector can also be utilized for drone operations and logistics transportation. Additionally, the development of high-altitude and marine sectors can be transferred to relevant enterprises to increase fiscal income for local governments.

Moreover, local governments can form specialized teams to conduct comprehensive surveys of local intangible cultural heritage, identifying cultural resources with unique value. They may then invite bids from tourism service companies to contract the development of cultural products, and allow artists and designers to create cultural and creative products with local characteristics. By leveraging celebrity influence and social media, a distinctive brand image can be built. Cultural tourism can also drive the growth of related sectors such as local food and accommodation services, thereby increasing employment opportunities for local residents and ultimately stimulating coordinated growth in local consumption and the broader economy.

6.2 Other Recommended Measures

From the perspectives of revenue generation and expenditure control, this paper proposes the following additional feasible measures.

On the revenue generation side, local governments can organize community-level initiatives in which community staff and volunteers enter into agreements with responsible parties to provide services related to elderly care—such as daily assistance, recreational activities, and medical escort services—as well as childcare services, including supervision, educational tutoring, and school commutes. These services should be reasonably priced to ensure affordability while generating income. In addition, local governments can identify public service resources with economic potential, such as parking fees at transportation hubs or the monetization of data assets, and develop viable business models for their operation. Furthermore, underutilized suburban land can be jointly developed with film production companies into filming bases. Alternatively, existing sports venues can be leveraged to attract bids from film studios, sports event organizers, music festivals, or concert promoters. These entertainment-oriented projects can stimulate consumption among younger demographics and promote the economic development of surrounding areas.Finally, local governments, in collaboration with transportation authorities, should establish toll stations on national and provincial highways, formulate appropriate toll standards, and oversee toll collection practices to ensure their legality and rationality.

In terms of "expenditure control," this paper primarily offers recommendations regarding the implementation of public projects. Relevant entities should enhance democratic participation in project decision-making by adopting a bidirectional approach that aligns with public needs, thereby ensuring decisions are both scientifically grounded and practically applicable. Furthermore, local governments should evaluate officials' performance based on the principles of scientific development. They should leverage multiple forms of oversight, including intra-party supervision, public scrutiny, and media monitoring, to encourage officials to focus on foundational and long-term initiatives, and to avoid engaging in superficial or vanity projects driven by formalism.Finally, efforts have been made to implement a real-name accountability system

for local government borrowing. Under this system, both the creditworthiness of the local government and the personal credit of responsible officials serve as the basis for debt credibility. Changes in an official's personal credit during their term of office are recorded in the national personal credit reporting system. Additionally, the evaluation system for official promotions incorporates changes in the local liability ratio as a key indicator. Legal constraints on borrowing authority are being strengthened, and stricter accountability mechanisms are being enforced to hold officials responsible for debt-related decisions.

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