Conditions and Solutions for the Change of Investment and Financing Conditions of Government-Guided Funds

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Abstract: Whether it is the government guiding fund or the government investment fund, it should belong to the management of the government public investment fund. Government investment guidance funds are generally considered to be different from general market-oriented funds because of their official status. But that is not the case. The government investment guidance fund with golden spoon has its own natural advantages in the fields of credibility and investment projects, but its advantages are also disadvantages. For example, for a long time, the public has been inclined to the credit of the government. Investing in the government "only pays but pays".

1. Introduction
Government Guiding Fund, also known as Venture Guiding Fund, refers to the special capital invested by the government and attracting relevant local governments, financial institutions, investment institutions and social capital to invest in venture capital institutions or newly established venture capital funds in the form of equity or creditor's rights, without profit-making purposes, in order to support the development of venture enterprises. Gold. Development and Reform Departments jointly punish fund managers, fund managers and practitioners on the list of joint disciplines for dishonesty in accordance with applicable laws and regulations and the Joint Disciplinary memorandum signed by various departments. Disciplinary measures include, but are not limited to, market entry and restrictions on participation in government procurement activities as suppliers. Limit subsidized financial support and strictly examine the issuance of corporate bonds.

2. Necessity of Establishing Venture Capital Guidance Fund

2.1 The Purpose and Function of Establishing Venture Capital Guidance Fund

Venture capital guiding fund is a policy fund established by the government and operated in a market-oriented way. It mainly guides social funds into the field of venture capital by supporting the establishment and development of venture capital enterprises, and guides the fund itself not to engage in venture capital directly. The main role of the guiding fund is to give full play to the leverage and magnification of government funds, combine the policy objectives of the government with the market-oriented operation of venture capital, so as to guide the demonstration role of the fund in promoting the establishment and development of a number of venture capital enterprises in Qian Dynasty by social capital both inside and outside the city, and to enhance their capital strength, so as to solve the problems of small and medium-sized enterprises. Innovation is an effective way to solve the difficult problem of entrepreneurship financing. Second, we should innovate the way of government investment and transform government direct investment projects into improving the quality and efficiency of investment by guiding venture capital enterprises to select projects, investment projects and management projects according to market mechanism. Thirdly, we should give full play to the role of the government in guiding the direction of investment, attract venture capital enterprises to increase their investment in small and medium-sized enterprises in the early stage of entrepreneurship and reconstruction, enhance the independent innovation ability of small and medium-sized enterprises in our city, and cultivate a number of enterprises to go public. Fourth,
attracting strategic investors and introducing advanced investment management concepts, providing management and capital appreciation services for small and medium-sized enterprises through specialized and market-oriented operation of venture capital enterprise management team, improving the level of specialization and market-oriented operation of investment in our city, enhancing the consciousness of social capital to engage in venture capital, and creating a good social atmosphere for venture capital.

2.2 The Significance of Establishing Venture Capital Guidance Fund for the Economic Development of Our City

The establishment of venture capital guiding fund is an important part of deepening the reform of investment and financing system, the need to establish and improve the mechanism of venture capital, the need to stimulate investment, and the effective way to solve the problem of innovative venture financing for small and medium-sized enterprises. Vigorously developing venture capital enterprises has important practical significance for increasing the proportion of direct financing, broadening the financing channels of small and medium-sized enterprises, promoting industrial upgrading and economic restructuring, and increasing social employment. At present, the financing difficulties of small and medium-sized enterprises in our city, especially small and medium-sized high-tech enterprises, have become a "bottleneck" problem restricting the economic development of our city. A number of small and medium-sized enterprises with growth originally should have but failed to grow into large and competitive enterprises and groups at home and abroad. We must establish the policy support mechanism of venture capital guiding fund, guide private capital to increase investment in small and medium-sized enterprises, and transform the advantages of science and technology and resources of our city into economic advantages effectively. Our city has obvious resource advantages and important scientific and technological achievements, and the transformation of high-tech achievements and the development of high-tech industries need to invest a lot of funds. It is difficult to meet the needs only by government direct investment. We must give full play to the leverage of government funds, make full use of the mechanism of venture capital, and effectively drive social capital to support high-tech. Technical industry development. The financing structure of small and medium-sized industries in our city is unreasonable. The development funds mainly rely on their own accumulation. The proportion of bank loans is low due to the limitations of offset and pledge. It is very difficult to list and finance bonds. Due to the narrow investment channels and single investment and financing tools in the whole society, private funds have not been effectively started. The shortage of funds for small and medium-sized enterprises is essentially a shortage of capital funds, which leads to serious obstacles to bond financing. Therefore, we should make full use of venture capital as a new type of investment and financing to support the development of small and medium-sized enterprises. Tools are very important. Although foreign venture capital enterprises have invested in some projects in our city in recent years, the number and amount of investment projects are still limited, especially in the early stage of venture capital investment. Generally speaking, the role of venture capital in promoting independent innovation, industrial upgrading and increasing social employment is not obvious. Therefore, it is necessary to support the development of venture capital enterprises and promote the healthy and rapid development of small and medium-sized enterprises through the establishment of venture capital guidance fund.

3. The Feasibility of Establishing Venture Capital Guidance Fund

3.1 The state encourages local governments to set up venture capital guidance funds

In order to promote venture capital to support the development of small and medium-sized enterprises, especially high-tech enterprises, the Interim Measures for the Management of Venture Capital Enterprises promulgated by the National Development and Reform Commission and other ten ministries and commissions encourage local governments to set up venture capital guiding funds. The Circular of the State Council on Implementing Several Complementary Policies of the National
Outline for Medium- and Long-Term Scientific and Technological Development (20xx-2020), (Guofa 20xx6), encourages relevant state departments and local governments to set up venture capital guidance funds. In the Circular of the General Office of the State Council Transmitting the Guiding Opinions of the Development and Reform Commission and other Departments on the Normative Establishment and Operation of Venture Capital Guiding Fund, the nature and purpose of the establishment of the Venture Capital Guiding Fund, its establishment and source of funds, its operating principles and methods, and its management are specifically stipulated, so as to provide venture capital for our city. The normative establishment and operation of capital guidance funds provide the basis of laws and policies.

3.2 The Venture Capital Guidance Fund has been successfully established both at home and abroad.

Internationally, in order to promote the development of venture capital, the United States, Britain, Israel and Taiwan have set up the venture capital guiding fund funded by the government, which has played a very important role in promoting and demonstrating the early development of venture capital enterprises. Since the promulgation of the Interim Measures for the Management of Venture Capital Enterprises in November of 20xx, governments all over the country have been quite enthusiastic about setting up guiding funds, and have set up more than 60 guiding funds for venture capital successively. Among them, the total scale of venture capital guiding fund in Tianjin Binhai New Area is 2 billion yuan, that in Shenzhen is 1.6 billion yuan, that in Pudong New Area is 1 billion yuan, that in Zhongguancun is 500 million yuan, that in Pudong New Area is 1 billion yuan, and that in Suzhou Industrial Park is 1 billion yuan. The total size of the district guidance fund is 1 billion yuan. Hangzhou's guiding fund is 500 million yuan, Shaoxing's 200 million yuan, Changzhou's 100 million yuan, Zhuhai's 100 million yuan, Ningbo's Beilun District (Development Zone) 30 million yuan and Hangzhou's Yuhang District 30 million yuan. In addition, many cities are actively preparing to set up, including Xi'an's proposed venture capital introduction. The total size of the guiding fund is 300 million yuan, and the first phase is 100 million yuan. Among them, the Municipal Development and Reform Commission is 0.2 billion yuan, the municipal finance is 0.5 billion yuan, the industrial special fund is 0.2 billion yuan, and the science and technology special fund is 0.1 billion yuan. The main characteristics of these guiding funds are as follows: firstly, they mainly come from financial funds; secondly, they mainly support venture capital enterprises through equity participation rather than establishing sole state-owned or inherent holding companies to operate; thirdly, some cities manage venture capital guiding funds by setting up independent institutions of institutional legal persons.

3.3 The conditions for the establishment of the guiding fund in our city are basically in place.

Firstly, there are 6173 small and medium-sized enterprises in our city, many of which have a certain scale and potential foundation to become bigger and stronger, and can provide excellent investment project resources for venture capital enterprises. Second, in the 1990s, there was a upsurge of venture capital in our city, but due to the lack of policies and regulations, it soon fell into a low ebb. However, at present, social capital still has the market enthusiasm to engage in venture capital and hopes to be guided by government policies. Thirdly, a group of individual and institutional investors with high risk identification ability and strong risk tolerance have emerged in our city, which creates better market conditions for guiding private capital to enter the field of venture capital. Fourthly, in recent years, the city's fiscal revenue has been increased by many factors and has a fast speed. It has the conditions to solve the problem of venture capital guiding fund capital. Fifth, the preparatory work is adequate. In recent years, the Municipal Development and Reform Commission has repeatedly investigated and studied the problems related to the establishment of the Venture Capital Guidance Fund in our city, and the scheme formed has basically matured.
4. Basic Framework for Guiding the Normative Establishment and Operation of Funds

4.1 Principles, Scale and Sources of Guiding Fund Establishment

The total size of the guiding fund is RMB 200 million, and it is in place by stages. Funds come from special financial funds and industrial development funds to support the development of venture capital enterprises; investment income and guaranteed income to guide funds; interest income from idle funds deposited in banks or purchased Treasury bonds; funds donated gratuitously by individuals, enterprises or social institutions, etc. The first-phase funds in place are 10 million yuan, including 5 million yuan of municipal finance, 3 million yuan of special science and technology, and 2 million yuan of special industrial projects. Follow-up funds will be put in place in five years according to the operation situation and by the same proportion and other means. From the next year when the guiding fund is set up, the Council shall put forward specific suggestions on the arrangement of the funds in five years, which shall be submitted to the municipal government for approval before implementation.

4.2 Guiding the Principles, Ways and Procedures of Fund Operation

The guiding fund operates according to the principle of "government guidance, market operation, scientific decision-making and risk prevention". Taking into account all aspects, we should actively attract foreign capital to set up venture capital enterprises in Qin Dynasty and support local social capital to set up venture capital enterprises at the same time. The main objects of support are all kinds of venture capital enterprises established in Shanghai and put on record by the city's venture capital management departments according to the procedures stipulated in the Interim Measures for the Management of Venture Capital Enterprises. Guiding fund operation mainly attracts social capital to co-sponsor and set up venture capital enterprises by means of equity participation, and at the same time, follow-up investment and financing guarantees are taken into account according to the operation situation. To guide the equity and rights formed by the fund's share-holding investment, it is necessary to withdraw from the market by means of enterprise repurchase, share transfer and listing. The guiding fund shall adopt the preferred stock method to participate in the stock, and the return of the equity investment shall be agreed upon with reference to the benchmark interest rate of bank loans in the same period. The operation procedure of the guiding fund is operated in eight steps: public solicitation, application, acceptance, evaluation, publicity, decision-making, implementation and withdrawal.

4.3 Guiding the Fund's Investment Decision-making and Management

In accordance with the provisions of the Circular of the General Office of the State Council transmitting the Guiding Opinions of the Development and Reform Commission and other departments on the Normative Establishment and Operation of Venture Capital Guiding Funds, the Guiding Fund shall establish a board of directors, an independent appraisal committee and a management center.

1) The Council of Shanghai Venture Capital Guiding Fund is the decision-making body of the Guiding Fund. The Council is composed of five members. There shall be one chairman of the board. The directors are appointed by the Municipal Development and Reform Commission, the Finance Bureau, the Finance Office, the Science and Technology Bureau and the Industry Promotion Bureau as leaders. The chairman is a leader of the Municipal Development and Reform Commission. The Council is responsible to the municipal government. Guiding the Board of Directors of the Fund to make decisions on the proposed investment projects based on the evaluation results adopted by more than two-thirds of the members of the evaluation committee. As the representative of a legal person, the chairman of the board of directors exercises the rights and interests of the guiding fund to the outside world and assumes corresponding obligations and responsibilities.

The main responsibilities of the board of directors are to determine the basic management system of the guiding fund, to examine and approve the operating plan and investment plan of the guiding fund, and to examine and approve the withdrawal plan of equity investment. Under the council, the
Strategic Advisory Committee employs eminent persons and professionals at home and abroad to provide strategic investment advice for the Guiding Fund.

2) The Shanghai Venture Capital Guidance Fund Evaluation Committee is responsible for the independent evaluation of the support scheme of the Guidance Fund to ensure that the decision-making of the Guidance Fund is democratic and scientific. The evaluation committee consists of 11 members, including representatives of the Municipal Development and Reform Commission, the Finance Bureau, the Bureau of Science and Technology, the Bureau of Industry Promotion, the self-regulatory organizations of venture capital industry and social experts. Among them, representatives of self-regulatory organizations in venture capital industry and social experts shall not be less than half. The chairman of the evaluation committee is a venture capital expert who participates in the evaluation of investment plans. Establish a database of investment appraisal experts, and randomly select experts to participate in the appraisal, so as to ensure the quality of the appraisal.

3) The Shanghai Venture Capital Guidance Fund Management Center is the executive body of the Board's decision-making. The establishment of institutions as legal persons is conducive to the combination of government guidance and market-oriented operation, and to the standardized operation of investment; to the overall planning and centralized management of the competent authorities of venture capital; and to the incorporation of guiding funds into the evaluation system of public finance in accordance with the provisions of the state. It also conforms to the provisions of the Circular of the General Office of the State Council transmitting the Guiding Opinions of the Development and Reform Commission and other departments on the Normative Establishment and Operation of Venture Capital Guiding Funds. The nature of the management center is self-supporting business units with 6 staffing. The professional talents needed for venture capital can be recruited and solved from the society. The Development and Reform Commission will be responsible for the centralized management of the venture capital management department in our city. Due to the shortage of full and differential undertakings in our city and the heavy burden of financial support personnel, according to the requirements of the state for the establishment and operation of the guiding fund, and considering the fact that the management center has market-oriented operation and future investment profitability according to the guiding fund, it is determined that the management center is a self-supporting institution. Appropriate and feasible. Management costs shall be controlled by the Council in accordance with relevant regulations and practices. Among them, appraisal fees, consultation fees and audit fees of accounting firms should be included in the management fees extracted.

The main responsibilities of the management center are to formulate specific management system for guiding the fund; to conduct due diligence on the partners; to implement investment plans and to manage the equity formed by the investment; to participate in major decision-making of the investors, to supervise the direction of investment; to formulate and implement exit plans, etc.

4.4 Supervision and Risk Control of Guiding Fund

The guidance fund shall be supervised by the Municipal Administration Department of venture capital, the Finance Office and the Finance Department. Establish an effective performance appraisal system and incorporate it into the public finance appraisal and evaluation system. Through the formulation and issuance of guiding fund management measures, clear guiding fund establishment and operation of relevant provisions to prevent risks. By formulating the Charter of the guiding fund, defining the specific procedures and regulations for guiding the operation, decision-making and management of the fund, as well as the relevant conditions for applying for the support of the guiding fund, the assets and financial risks can be controlled to the maximum extent. The guiding fund shall not be used for loans or expenditures such as stocks, futures, real estate, sponsorship, donations, etc. The idle funds of the fund and the various assets and rights and interests formed by the investment shall be guided and managed in accordance with the relevant financial rules and regulations of the State.
References


