

PPP Status in China

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PPP Status in China

1. Past experiences with PPPs
2. PPP is a Comprehensive Reform
3. PPP Framework in China
4. Actions Taken

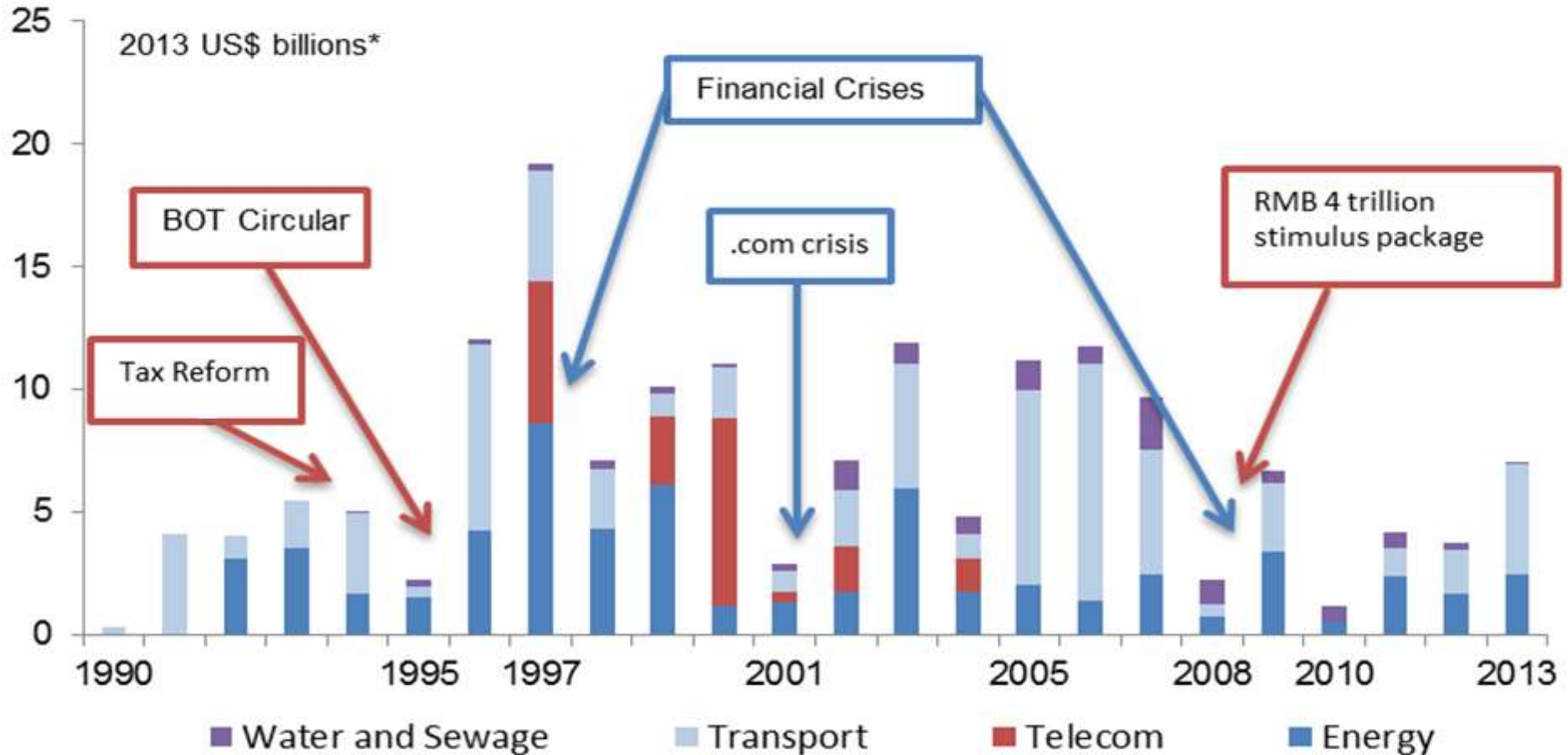
1. Past experiences with PPPs

PPPs or Private Participation in Infrastructure (PPI) activity, in China, started in early 1990s in transport and energy sectors.

- ◆ 1994 - China's tax reform
- ◆ 1995 - BOT Circular
- ◆ 1997 - Asian Crisis
- ◆ 2001 - “.Com” crisis
- ◆ 2008 - Financial crisis & stimulus packages

1. Past experiences with PPPs

Figure 1: Private Participation in infrastructure projects in China, by Sector



Source: World Bank and PPIAF, PPI Database.

* Adjusted by US CPI 2013

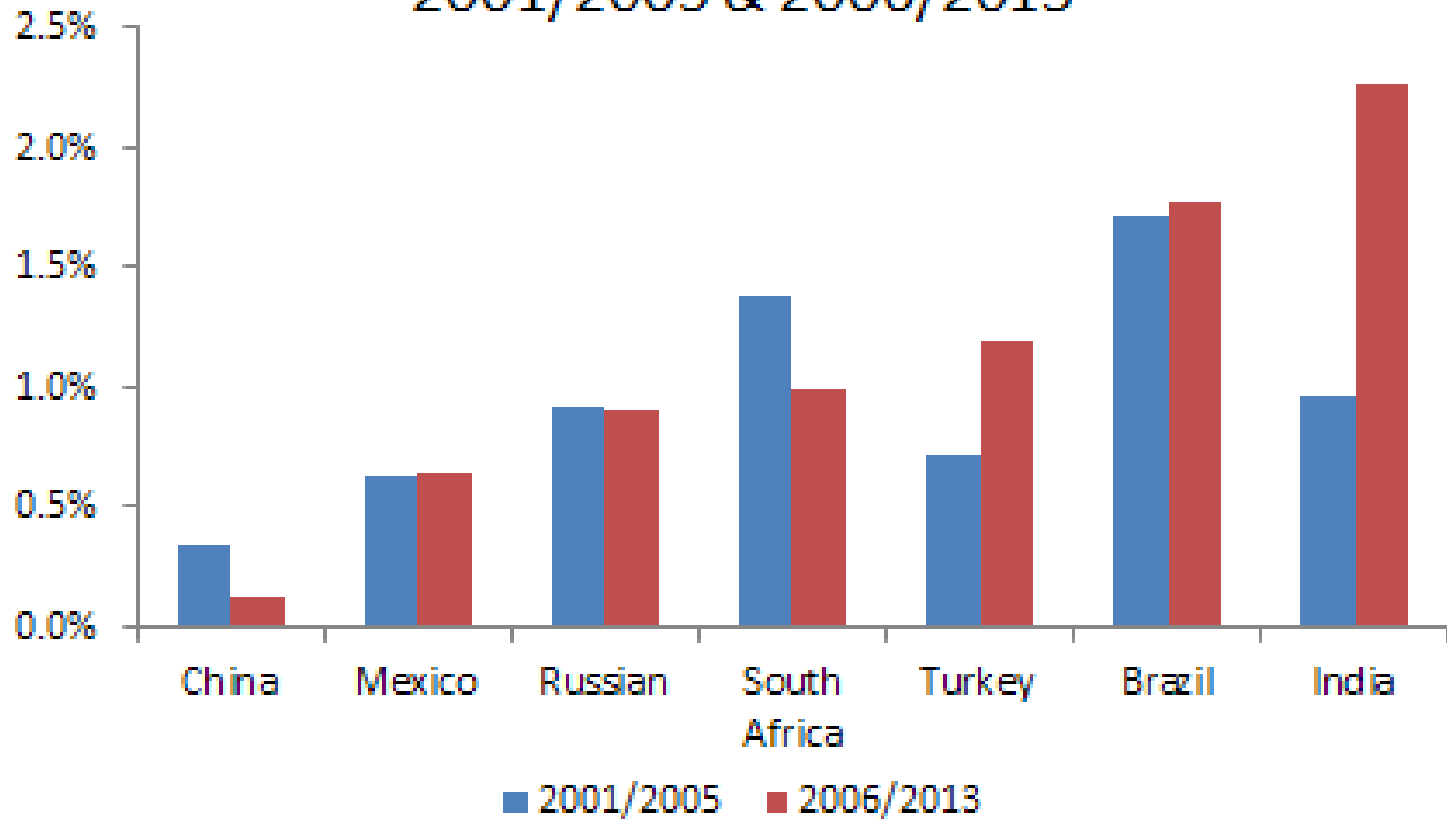
Note: PPI database does not include projects in which Chinese State Owned Enterprises (SOEs) maintain over 75% ownership.

1. Past experiences with PPPs

Since 1990s, China has attracted US\$150 billion of PPP projects in transport, energy, water and sanitation, and telecoms.

However, China has a relatively low percentage of PPI in overall infrastructure investment and as a proportion of GDP.

Figure 2 - PPI Total as percentage of GDP for 2001/2005 & 2006/2013



Source: PPI and WDI

1. Past experiences with PPPs

Main challenges in promoting use of PPP in China.

- ◆ Without fully developed law and regulation framework;
- ◆ Poor awareness of the “whole lifecycle” management
- ◆ Institutional capacity needs to be improved;
- ◆ Lack of PPP unit for management and coordination;
- ◆ Lack of transparency in pricing and fee adjustments;
- ◆ Market needs further development.

2. PPP is a Comprehensive Reform

The new government is carrying out comprehensive reform.

- ◆ Highlight the rule of law, and let market play decisive role;
- ◆ Economic reform is a key part; the focus is to clearly define the boundary of government and market;
- ◆ Transform government functions, simplify administrative approval procedure, relieve restrictions on market investment, and release market vitality;
- ◆ Public finance is the foundation and pillar of state governance.

2. PPP is a Comprehensive Reform

Finance Minister Lou Jiwei said, PPP is an important reform instrument:

- ◆ To modernize state governance;
- ◆ To make market play a decisive role in resource allocation;
- ◆ To accelerate the government to transit its roles & responsibilities;
- ◆ To set up a modern finance system; and
- ◆ To promote healthy urbanization in China.

PPP is seen as a tool that will support the development of a new type of urbanization, improve public services, and help build a modern fiscal system. PPP is not only a financing tool.

2. PPP is a Comprehensive Reform

To put this broad role of PPPs into full play, four key tasks were initiated in early 2014.

- ◆ “Busting barriers and defining rules”, to create an enabling environment conducive to the application of PPP model;
- ◆ “Specifying responsibilities and strengthening enforcement”, by promoting the establishment of PPP units;
- ◆ “Selecting samples and setting models” by starting pathfinder PPPs as soon as possible; and
- ◆ “Building consensus and enhancing capacity” by supporting PPP publicity and training.

3. PPP Framework in China

(1) Institutional Framework

(2) Legal and Policy

(3) Guidelines

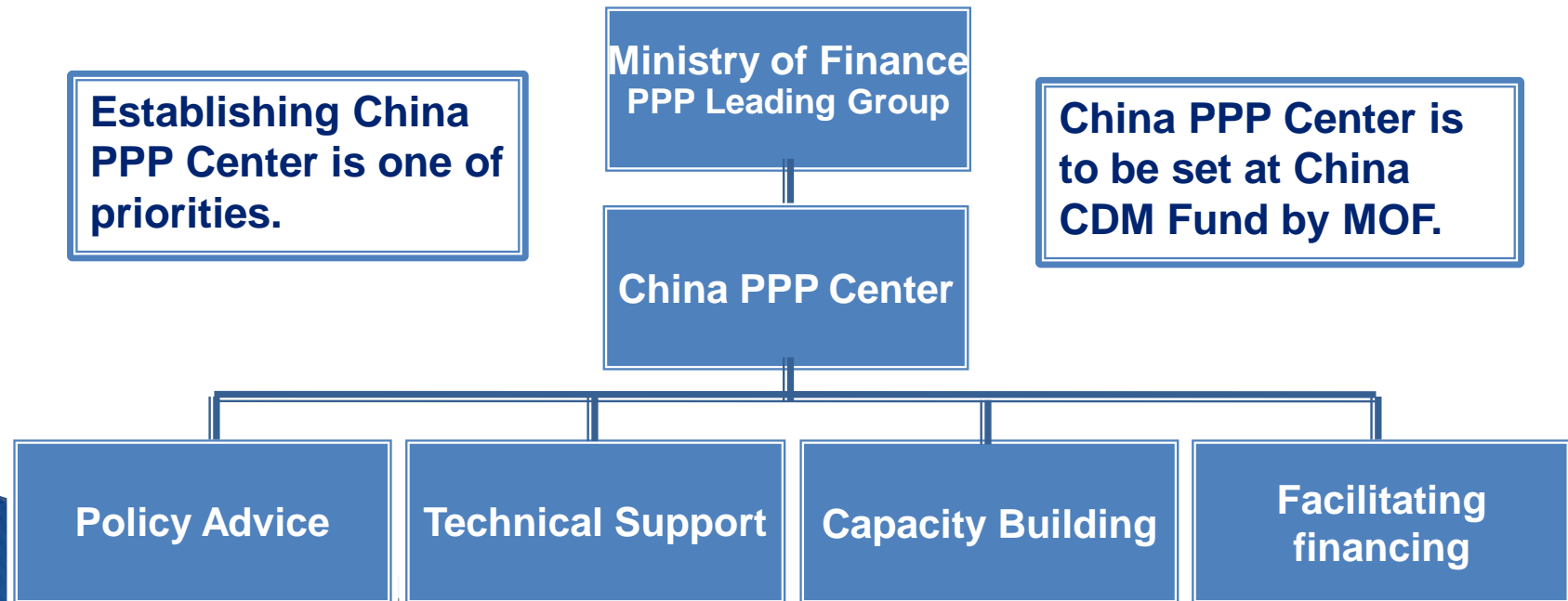
3. PPP Framework in China

(1) Institutional Framework

- ◆ MOF plays the leading role in PPP, for MOF takes first responsibility in implementing the reform on “allowing private capital to take part in urban infrastructure investment and operation through concession”;
- ◆ MOF has set up a PPP Leading Group, chaired by Vice Minister Wang Baoan, and comprised of seven departments including Depts. of Finance, Economic Construction, Treaty & Law, Budget, Treasury, International cooperation, and China PPP Center (CPPPC);

3. PPP Framework in China

- ◆ The PPP Leading Group has set up an office, whose chair and co-chairs consist of DGs of Dept. of Finance, Economic Construction, and CPPPC;
- ◆ CPPPC was set up by MOF, and was officially approved by State Commission Office of Public Sectors Reform (SCOPSR).



3. PPP Framework in China

(2) Legal and Policy

- ◆ PPP is a type of government procurement. PPP provides public products and services under a contract between the public and the private, and should conform to Budget Law, Government Procurement Law and Contract Law;
- ◆ A series of rules and regulations governing PPP were issued by MOF, including the revised Budget Law; the Implementation Rules of the Budget law and of the Government Procurement Law will soon be issued, to meet the needs of PPP management;
- ◆ Default under PPP contract: subject to civil law;
- ◆ Violating environment and safeguard etc.: subject to administrative regulation

3. PPP Framework in China

- ◆ MOF have issued a *Notice on Promoting PPP* in Sept..
 - a. Promoting pilot projects;
 - b. Improving supporting policies;
 - c. Pilot project evaluation;
 - d. Establishing information sharing mechanism;
 - e. Standardizing the selection of project partners;
 - f. Developing comprehensive and standard project contract;
 - g. Improving project fiscal subsidy management;
 - h. Strengthening pilot project performance assessment ;
 - i. Establishing PPP management entities.

3. PPP Framework in China

(3) PPP Guidelines

The Guidelines on PPP Project, which is being prepared by PPP Center and will be issued in Nov.;

- ◆ **Project Identification (& appraisal)**

Technical, economical, commercial, financial, and fiscal; feasibility;

- ◆ **Project Preparation**

Management structure, Business Case (risk allocation, performance requirements, payment & adjustment mechanism, procurement, etc.), and review by government;

- ◆ **Project Procurement**

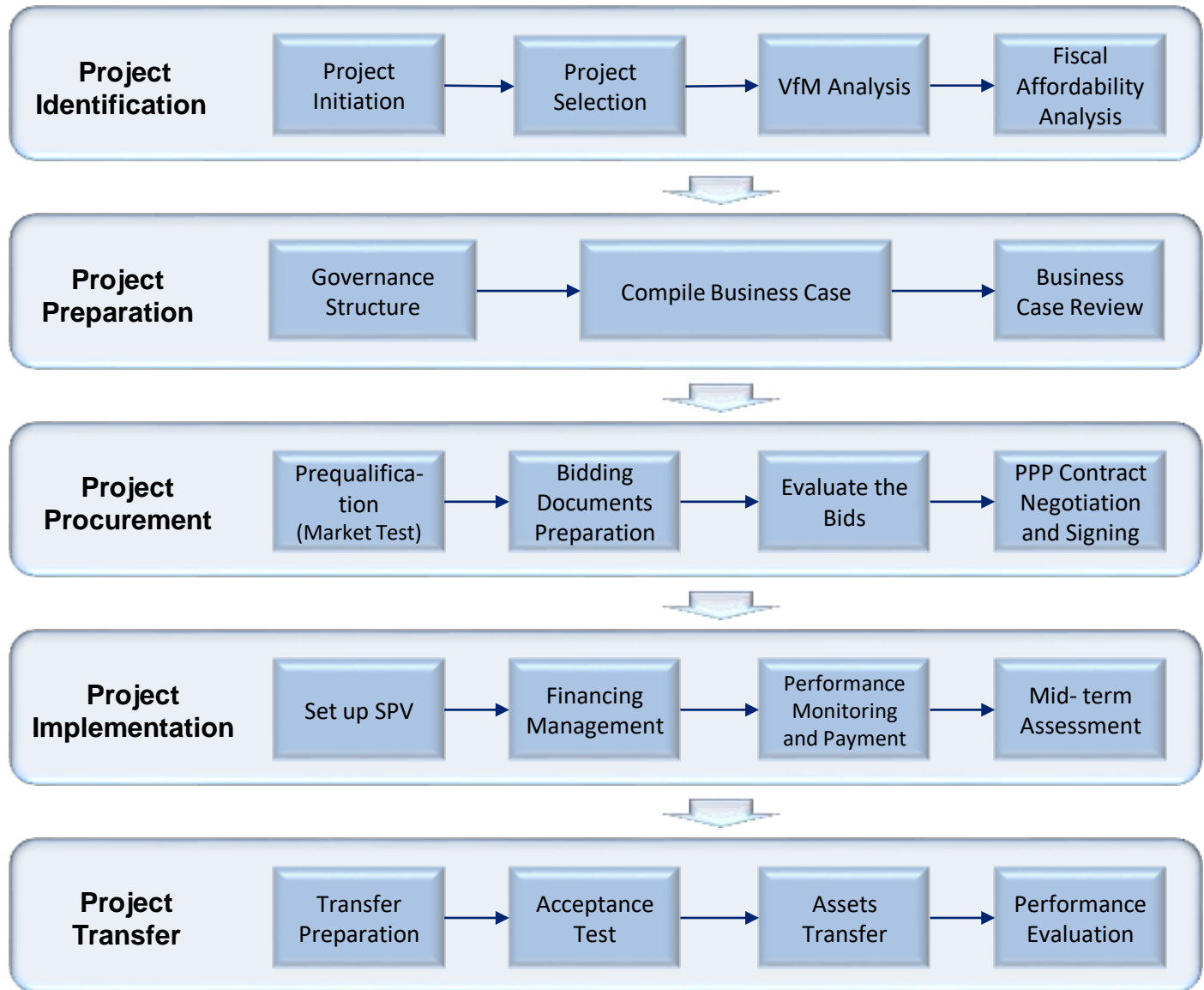
Subject to the Government Procurement Law (Public bidding, invitation for bid, competitive negotiation, competitive dialogue, and unitary source purchase);

- ◆ **Project Implementation**

Project financing structuring, contract management, administrative supervision, and public oversight;

- ◆ **Project Transfer**

PPP Project Process



4. Actions Taken

- (1) Top Level Framework Design
- (2) Training
- (3) Knowledge Dissemination
- (4) Demonstration Project Screening
- (5) International Cooperation

4. Actions Taken

(1) Top Level Design

- ◆ Set up governance structure of promoting PPP in both central and local level;
- ◆ The revised Budget Law was issued;
- ◆ MOF is making amendment to government procurement law;
- ◆ MOF issued a Notice on Promoting PPP ;
- ◆ CPPPC is drafting PPP guidelines and will be issued in Nov.;CPPPC is drafting PPP contract guideline and will be issued in Dec..

4. Actions Taken

(2) Training

- ◆ Finance Minister Lou Jiwei addressed a special workshop on PPP last Dec. during national fiscal meeting;
- ◆ Vice Minister Wang Baoan addressed a national training in Mar.;
- ◆ ADB have undertaken PPP trainings in Henan , Heilongjiang, Gansu, and Chongqing;
- ◆ More than 70 trainings have been organized by MOF and local finance bureaus.

4. Actions Taken

(3) Knowledge Dissemination

- ◆ The book, entitled PPP Development Case Study: Shanghai Huadian Xinzhuang Industrial Park CCHP Project, was published and disseminated in Aug.;
- ◆ A series of PPP reports based upon published documents about PPP by ADB, WBG, EU, UK, Canada, Australia, etc. have been circulated;
- ◆ About 30 typical PPP cases in various fields in 9 countries have been translated into Chinese. The book will be published in Dec.;
- ◆ And other PPP related books and reports.

4. Actions Taken

(4) Demonstration Project Screening

- ◆ Over 300 proposals have been submitted to MOF by provinces, which cover water and waste water, solid waste, transportation, comprehensive use of underground space, and underground pipe network;
- ◆ Local governments are actively screening pilot projects and pushing forward project implementation.

4. Actions Taken

(5) International Cooperation

Vice Minister Shi Yaobin emphasizes making full use of international resources.

- ◆ Meetings with ADB and WBG for PPP cooperation;
- ◆ Assigned a staff to ADB for three-month PPP on-job training;
- ◆ Visited Korea, Canada, Australia to learn PPP experiences.

Thank You!

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