



Technical Assistance Consultant's Report

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People's Republic of China: Leadership in Public Private Partnerships (Financed by the ADB's Technical Assistance Special Fund)

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FOREWORD

The PPP model began originated in public infrastructure projects. As compared with traditional project financing and implementation model, the PPP model has many advantages, and developed into a new way of all parties involved, "win-win" to provide public goods or services. From the beginning of the 1980s, western countries began to use the creative PPP models in the project financing area. In the 1990s, more and more countries introduced the PPP model. In recent years, China also has a lot of successful use cases. It can be said the PPP model is applied to the field of infrastructure and public services, has been recognized by the academic practice of developed countries proved feasible.

The PPP training program, which is supported by the Asian Development Bank, the PPP Committee, Henan Province Department of Finance and Heilongjiang Province Department of Finance, were held in February and April 2014. More than 500 participants from the two provinces and other provinces took part in these training programs. The leaders Zhao Qingye from Henan DOF and Wang Qingjiang from Heilongjiang DOF went to the training site and made opening speeches. Luoyang City and Harbin are identified as two ADB's pilot PPP cities by China MOF. The ADB will support the work of the pilot cities to carry out PPP projects through technical assistance and sovereign loans in two ways.

In the two training sessions, the ADB hired experts from the China PPP Committee, Development Research Center of the State Council, Jumbo Consulting and Beijing Dayue consulting company to deliver and share their experiences.

I. ISSUES

1. The Decisions on Some Major Issues Concerning Comprehensively Deepening the Reform adopted by the Chinese Communist Party Central Committee in November 2013 called on the market to play a decisive role in the PRC's development. Chinese Communist Party Central Committee. 2013. *Decisions on Important Issues Concerning Comprehensive and Far-reaching Reform*. Third Plenum of the 18th Central Committee of the Communist Party of China.
2. PPPs were endorsed as a way of extending the participation of social capital (which encompasses the private sector) in the delivery of public services. Subsequent policy statements clarified that PPPs will be used to support the development of a new type of urbanization, improve the quality of public services, and help build a modern fiscal system which will ensure fiscal sustainability and enhance transparency. Public finance dimensions are addressed in ADB. 2014. *Money Matters for Local Governments in the PRC*. Manila.
3. Four key tasks were initiated in early 2014: (i) "Busting barriers and defining rules", to create an enabling environment conducive to PPPs; (ii) "Specifying responsibilities and strengthening enforcement", by promoting the establishment of PPP units; (iii) "Selecting samples and setting models" by starting pathfinder PPPs; and (iv) "Building consensus and enhancing capacity" by supporting PPP publicity and training. Wang, B. 2014. *Public Private Partnerships. Speech by the Vice Minister of Finance to the Ministry of Finance's PPP Training*, Beijing, 17-18 March 2014.
4. A landmark notice on PPPs released by the Ministry of Finance (MOF) in September 2014 further refined the approach to promoting PPPs. Ministry of Finance. 2014. *Notice on Issues Related to the Promotion of Public Private Partnerships*. No.76 [2014], Finance

Department, Beijing (September). Covering capacity development and awareness raising, the enabling environment, and project development, the notice introduces many good international practices that will close gaps in the PRC's operational framework for PPPs.

II. PUBLIC PRIVATE PARTNERSHIP (PPP) TRAINING IN LUOYANG

5. From 18 to 22 February 2014, the Asian Development Bank, Henan Province Department of Finance, Finance Bureau in Luoyang City held a five-day training session about PPP. This training is a small technical assistance projects. As Luoyang has been chosen as the first PPP pilot city, Luoyang Municipal Bridge and packaged sewage treatment projects have been tentatively identified as a loan supporting projects.

6. In this training session, ADB hired a number of PPP experts, also invited Jia Kang from the Institute of Fiscal Science MOF and Meng Chun from the State Council Development Research Center. The title of Jia Kang is New Economics of Supply: Institutional Innovation and PPP. Jia Kang said that Luoyang was chosen as the pilot PPP projects, which can bring a very bright future for the Luoyang city and for the whole Henan Province. The PPP model can resolve the financial pressure and enhance the technical facilities. At the same time, the private enterprises can make a better space for development. Meng Chun compared the past BOT model and the new PPP model, analyzed the classification of PPP in the form of development. Meng Chun also pointed that we should encourage and guide the social capital, and discussed the new urbanization construction investment in PPP mode choice.

7. The Luoyang municipal government and Henan DOF also attached great importance to the training. Zhao Qingye, deputy director of Henan Provincial Department of Finance and Wu Zhongyang, vice mayor of Luoyang Municipal ,attended this training and made very important speeches, which mobilized this training and made it achieving good results. Many participants are the leader from different cities of Henan Province, who are in charge of leadership and front-line business backbone.

8. As for the form of training, experts shared their opinion in the first three days and the trainers organize the case studies and group interaction in the last two days.

9. Mr.Sun Jie delivered the "PPP Overview" speech. He clarified the concept of PPP and the importance of PPP. He also told the theoretical basis of the PPP, the promotion reasons of PPP model.

10. Mr. Xie Fei, from the China CDM Fund Management Center, introduced the Clean Fund overview, Henan Lankao County biomass cogeneration project, China Energy Efficiency Finance Program (CHUEE) and clean energy projects, such as cleaning the bus leasing fund PPP mode the specific practice cases, and proposed the idea of further use of the PPP model.

11. Mr. Miyazaki Suguru, from Japanese nationality in China Cooperation Agency , introduced the implementation of the PPP in Japan, including the characteristics of cases and implementation measures.

12. Mr. An Bo, from the ADB, describes the meaning of PPP, the government implemented the successful operation of the logic and conditions of the PPP. He focused on the case Britain, South Korea and other countries, and introduced the public-private partnership centers of the UK, South Korea, India and other typical countries.

13. UK law firm Pinsent Masons partner Zhang Xiaohui lawyer from the perspective of practice describes how multi-dimensional look from the international PPP / BOT projects, from the perspective of the parties involved in-depth analysis of the interrelated contractual framework.

14. Dr. Jing Wanbo, from the Research Institute of Fiscal Science, introduced the PPP-related domestic and foreign policy, introduced the United Kingdom, Australia, the United States, Japan, South Korea and India, which included the PPP model in the background, history, development situation, regulatory agencies, the legal system as well as a number of cases, and domestic PPP policy of the sort.

15. Mr. Li Chengxi, from the Industry Financial Leasing LLC, introduced the concept of financial leasing, livelihood projects associated with the implementation of practical cases. He also introduced the ADB Clean Energy Bus project.

16. Mr. Wang Guowang, from Jumbo Company, introduced the PPP project financing for the participants. He pointed the PPP transaction structuring and transaction process, the basic structure and elements of project finance and PPP project financing case.

17. In the case studies and group tests parts, Professor Yuan Jingfeng from Southeast University, Jumbo Consulting Li Jingyi ,Xu Yuhuan carried out respectively transportation, water supply and other areas of PPP projects for students in Luoyang City, the unit made a detailed introduced and everyone had a full exchange and interaction.

III. PUBLIC PRIVATE PARTNERSHIP (PPP) TRAINING IN HARBIN

18. Harbin PPP training session was held in Harbin, April 1 to 2, 2014 by Provincial Department of Finance jointly with the Asian Development Bank. More than 300 participants attended this training, which were from public finance sector of Hei Longjing Province and the province's 13 cities. Heilongjiang Provincial Finance Minister Wang Qingjiang made a mobilization speech at the opening ceremony. Nie Yunling, the vice mayor of Harbin municipal government, participated in the opening ceremony and met with ADB training specialists.

19. ADB Principal PPP specialist Craig Sugden and other seven experts from ADB, Jumbo, Dayue and CRIFS held the training program. This session also invited Mr. Jia Kang to deliver the lecture on "supply-side economics and PPP".

20. The experts said that, in order to carry out infrastructure and public services, the government had to learn to use the social capital and to provide them to enter into a partnership with capital. PPP model can mobilize more social resources and utilize more expertise, to provide more municipal public services. Meanwhile, PPP mode also provides a performance-based management framework, which can effectively improve the effectiveness of public construction project. For the increasing pressure on local government debt, it is very urgent to find new and sustainable local government financing model. PPP is one of the best ways to solve this problem.

IV. PROCUREMENT WORKSHOP

21. A procurement workshop was held 12-13 May 2014 in Beijing. Representatives from Harbin and Luoyang Government were invited. Procurement procedures, PPP cases, ADB roles and approaches from Harbin and Luoyang Finance Bureaus preferred approach on procurement and readiness were assessed and discussed. Productive discussion was held with Luoyang Municipal government on a PPP program that could fast-track the development of their new city area and rehabilitate existing infrastructure.

V. THE CD-ROM AND WEBPAGES PRODUCTION

22. After these two training program, the China PPP Committee, in accordance with ADB's requirements, began to actively collect training video materials. After a lot of communication and market inquiry, the Committee selected several good qualifications, good reputation CD printing company's commitment to work. Ultimately, selected by the ADB, we choose China Finance Publishing & Media Group, Shenzhen Branch to finish the CD and web production work. The PPP Committee is in charge of supervising and overseeing the progress and quality of CD-ROM production. During the CD and web production preparing period, The PPP Committee connected with the ADB to communicate via e-mail and telephone several times, for continuous adjustment and improvement for feedback. Finally , we successfully complete sets of production and web links 1000 disc production (website: http://www.mofppp.org/_d276630787.htm). After the APEC meeting, we in accordance with ADB's filled out by hand delivery orders, mailed to those who need a large number of discs.

VI. CONCLUSION

23. The participants gave the positive response to the experts' presentations and speeches. For the questions of the participants, the training programs arrange the specialized Q&A session, and the experts have done serious answers. At the end of the trainings, participants also filled out effectiveness evaluation forms for further evaluating and improvement. Overall, the students gave high praise to these experts, and some participants expressed some advices and wished to attend more PPP training.

24. In addition, in early May 2014, the ADB PPP procurement conference was held in Beijing Representative Office. The China PPP Committee arranged two persons to attend this conference and record the entire context. Mr. Sun Jie also participated in the PPP training activities in Gansu and Chongqing, which had achieved good results.

25. The government is firm in the lead of awareness raising and capacity development of PPPs, and MOF's PPP Centre has commenced local government-level training. For example, follow-up training for 6,000 officials was held in the Heilongjiang province in late 2014 with the support of the PPP centre and the PPP Research Committee. While the SSTA played an important role in helping map out an approach to such training, but there is no longer an imperative for ADB to actually deliver PPP training.

Design Summary	Performance Targets and Indicators with Baselines	Status	
	1.4 At least a satisfactory rating of events by most participants (2012 baseline of 0)	Achieved.	<p>Overall, the participants gave high praises to expert's presentation and speeches.</p> <p>Expressions of interest to attend future PPP events were mentioned by some municipal participants.</p>
2. Readily accessible, user-friendly knowledge products	2.1 PPP training materials released on the web by end-2014 (2012 baseline of 0)	Achieved.	<p>The training materials were made available on MOF website by 20 July 2014. (Website: http://www.mofppp.org/_d276630787.htm).</p> <p>In addition, 1000 disc production were also distributed to various municipal government institutions in PRC.</p>

Activities with Milestones	Inputs	
1.1. Identification of and engagement with public agencies suitable for participation in PPP awareness raising and capacity development events (by month 3)	Achieved.	Experts from RIFS led the team in identifying key public agencies to participate in PPP awareness raising event.
1.2. Assessment of the capacity of likely training participants to prepare and implement PPPs and identification of knowledge gaps and capacity weaknesses (by month 3)	Achieved.	Experts from RIFS together and the Municipal government helped in assessing the capacity of training participants and identify knowledge gaps.
1.3. Development of training courses and training materials that will address the identified knowledge gaps and capacity weaknesses (by month 6)	Achieved.	<p>ADB recruited experts from RIFS, China PPP Committee Development Research Center of the State Council, Jumbo Consulting, Beijing Dayue, to develop PPP training materials.</p> <p>A PPP Training package was prepared based on capacity building programs in Luoyang/ Henan and Harbin/ Heilongjiang.</p>

<p>1.4. Delivery of PPP awareness raising and capacity development events (PPP Forums, PPP Fundamentals and PPP Clinics) to address the knowledge gaps and capacity weaknesses (by month 14)</p>	<p>Achieved.</p>	<p>Conducted two PPP Trainings:</p> <ul style="list-style-type: none"> • First training in Henan Province, Department of Finance, Finance Bureau in Luoyang City held 5 day training session from 18-22 Feb 2014. This served as PPP Pilot City. • Second training in Heilongjiang Province, Provincial Department of Finance in Harbin City held 2 days trainings from 1-2 April 2014 attended by more than 300 participants.
<p>1.5. Conduct of rating exercise by event participants (for all events)</p>	<p>Achieved.</p>	<p>Evaluation exercises were administered for both training sessions. Overall, the participants gave high praises to expert's presentation and speeches.</p> <p>Expressions of interest to attend future PPP events were mentioned by some municipal participants.</p>
<p>1.6. Hold a final consultation to seek government feedback on the contribution of the training and to identify sensible next steps in awareness raising and capacity building (by month 14)</p>	<p>Achieved.</p>	<p>RIFS in close coordination with PRC PPP committee, Henan Province and Heilongjiang Province Department of Finance are identifying next steps in building awareness building on PPP.</p>
<p>2.1 Identification of suitable web-site for release of the training materials (by month 3)</p>	<p>Achieved.</p>	<p>It has been identified that the most suitable site to release the training materials is on MOF website.</p>
<p>2.2 Uploading of training materials (by month 6)</p>	<p>Achieved.</p>	<p>The training materials were made available on MOF website by 20 July 2014. (Website: http://www.mofppp.org/_d276630787.htm). In addition, 1000 disc production were also distributed to various municipal government institutions in PRC.</p>

ADB = Asian Development Bank, PPP = public-private partnerships; TASF = Technical Assistance Special Fund.

^a Study tours will be arranged by the implementing agency.

Source: Asian Development Bank estimates.