



Completion Report

Project Number: 47280-001
Technical Assistance Number: 8505
April 2016

People's Republic of China: Leadership in Public– Private Partnerships

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TA Number, Country, and Name:			Amount Approved: US\$225,000	
TA 8505-PRC: Leadership in Public–Private Partnerships			Revised Amount: not applicable	
Executing Agencies: Heilongjiang Provincial Finance Bureau and the Henan Provincial Finance Bureau		Source of Funding: ADB's Technical Assistance Special Fund (TASF-other services)	Amount Undisbursed: \$25,368.57	Amount Utilized: \$199,631.43
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Description

Against the background of a goal of achieving equal access to basic public services, the 12th Five–Year Plan 2011–2015 of the People's Republic of China (PRC) called for an expansion in infrastructure and other municipal public services.¹ The Third Plenary Session of the 18th Central Committee of the Communist Party of China held in November 2013 reinforced the importance of providing the municipal services demanded by rapidly increasing urban populations. Reforms were initiated that are restructuring the economy and fostering inclusive growth by encouraging the market to play a decisive role in the PRC's development. The participation of the social capital sector, which includes the private sector and state-owned enterprises, in urban infrastructure investment and its operation via concessions and other means is also being promoted.²

Guidance on the Asian Development Bank's (ADB's) role in supporting public–private partnerships (PPPs) in the PRC was provided at the “PPP in Urbanization” workshop held in Beijing in August 2013.³ The workshop was organized jointly by ADB, the Ministry of Finance (MOF) and the National Development and Reform Commission. At the workshop, central government agencies emphasized the importance of tapping into the knowledge resources of international financial institutions such as ADB. International financial institutions were encouraged to promote PPPs in a pragmatic, proactive and prudent manner, and to help strengthen the enabling environment. The next step for ADB's PPP program was identified as the support of projects with strong demonstration effects and innovative features, either in terms of finance, sector, or geographical location. The importance of extending efforts beyond municipalities and to the prefecture and county levels was highlighted. Capacity development was identified as an essential element of ADB's support for PPPs.

The technical assistance (TA) responded to the government's request by partnering with potential PPP demonstration cities. The TA partnered with Harbin Municipality, the capital city of the Heilongjiang Province, and the smaller Luoyang Municipality in Henan Province.

Expected Impact, Outcome, and Outputs

The TA's impact will be the incorporation of PPPs in municipal service delivery. Performance will be measured by the finalization by the two participating municipalities of at least one international standard PPP for municipal services by end-2016. The expected outcome was an improved capacity of municipal governments in preparing, implementing, and monitoring PPPs for municipal services. Performance was to be measured by the preparation by the two participating municipalities of at least one international standard PPP proposal (e.g., business case) for municipal services in 2014. To achieve the outcome, the TA targeted two outputs: (i) PPP awareness raising and capacity development events; and (ii) readily accessible user-friendly knowledge products.

Delivery of Inputs and Conduct of Activities

The Harbin and Luoyang Municipal Finance Bureau's, the TA's implementing agencies, coordinated a number of PPP training and awareness raising events. Two major events were held. A five day event was held in Luoyang in February, 2014, and a two day event was held in Harbin in April, 2014.

ADB staff and the TA helped the two municipal governments screen potential PPP projects and commence development of four pathfinder PPPs. The four projects demonstrated new, improved approaches to using and preparing PPPs in the PRC drawing on good practices in other countries. With the support of the TA, three of these projects, with a total capital investment of \$700m, had completed their initial market testing and were ready to commence procurement by mid-2014. One of these, an urban road and bridge PPP in Luoyang modelled on similar PPPs in Australia, Canada, the United Kingdom and the United States, reached financial close in early 2016 and has since been applied in Anhui Province. The remaining project, a technical vocational education and training project in Harbin was prepared to feasibility stage with the support of the Cities Development Initiative of Asia.

¹ Government of the People's Republic of China. 2011. *Twelfth Five-Year Plan for National Economic and Social Development of the People's Republic of China, 2011–2015*. Beijing.

² See ADB. 2014. *Money Matters: Local Government Finances in the People's Republic of China*. Manila.

³ ADB. 2014. *Public–Private Partnerships in Urbanization in the People's Republic of China*. Report of the workshop held on 22–23 August 2013 in Beijing. Manila.

Four market testings were supported by ADB staff and the TA in early-2014. A workshop was held May 2014 in Beijing to discuss a PPP-specific approach to procurement. A workshop was held in June 2015 to review the experience of the road and bridge PPP and its potential to replace the build-transfer road project in widespread use in the PRC.

Implementation took 21 months with one extension to secure sufficient time to make final payments. Around 10.1% of the TA funds were not used (\$25.369), owing to higher than expected sharing of workshop costs by the IAs.

ADB engaged a total of 22.0 person-months of consulting services and resource persons. Inputs were provided by senior officials, advisors from the Research Institute of the Fiscal Sciences, the China PPP Committee Development Research Center, and leading advisory firms and academic institutions. The consultants and resource persons were engaged following ADB's Guidelines on the Use of Consultants. The performance of the consultants was satisfactory.

The performance of the executing agencies and IAs was satisfactory. The participating governments responded flexibly to ensure the TA remained in alignment with the emerging PPP reforms and took maximum advantage of the available resources.

The performance of Asian Development Bank was also satisfactory. The active participation of ADB staff facilitated the sharing of the international experience and tailored implementation to local needs.

Evaluation of Outputs and Achievement of Outcome

The outcome was achieved and all outputs were successfully completed. The two main events were attended by around 50 senior decision-makers and 100 senior officials, with around 600 participants in total, from the host provinces and elsewhere. Participants' evaluations were positive. The presentations from these workshops were consolidated into a PPP training course that was made available on MOF's in July 2014.⁴ In addition, 1,000 compact disc versions inclusive of video were produced and distributed to central and local government agencies throughout the PRC.

Overall Assessment and Rating

The TA is rated highly successful. The expected impact is on target to being achieved. The TA deepened awareness of the potential of PPPs to contribute to the incorporation of PPPs in municipal service delivery. By developing the capacity of high level decision-makers and government officials, it encouraged leadership in PPPs with a focus on meeting the challenges arising from urbanization. Local ownership of the TA was evidenced by the large number of participants and the willingness of the IAs to bear part of the training costs.

The sustainability of the TA's support is demonstrated by the continued development of the PPP program in both participating provinces and municipalities. Luoyang has progressed from a baseline of no PPPs to having more projects in MOF's 2015 list of demonstration PPPs than any other city in the PRC. Henan has more demonstration PPPs than any other province. Harbin and Heilongjiang also have projects on this list. Heilongjiang subsequently provided PPP training for 6,000 officials in late 2014 with the support of some advisors previously engaged by the TA.

Major Lessons

The effectiveness of a capacity development TA is improved by a close alignment with government reform programs. Effectiveness is also enhanced by providing flexibility during implementation to ensure that the use of TA resources can accommodate changing priorities and respond to opportunities to enhance effectiveness.

Recommendations and Follow-Up Actions

It is recommended that capacity development support for PPPs be followed-up by assistance for the implementation of key concepts and principles through project-level support. This will help ensure the effective use of the foundation that has been built by ADB's TA for PPPs, and deepen the insights generated from ADB support. The PRC government has taken a firm role in the lead of awareness raising and capacity development of PPPs, and there is no longer an imperative for ADB to carry the responsibility for delivering PPP training.

TA = technical assistance.

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⁴ At http://www.mofppp.org/_d276630787.htm