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**General Introduction of PRC
Public-Private Partnership (PPP)**

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2019

Overview

- PRC PPP Laws and Regulations
- PRC PPP Modalities and Process Flow
- Key Issues for PRC PPP
- Overview of the Project Case

PRC PPP Laws Regulations

Related Laws

- Civil and Commercial Law
 - General Principles of The Civil Law
 - Contract Law
 - Property Law
- Business Law
 - Law of the PRC against Unfair Competition
- Law of the PRC on Administrative Permission

The Resent Response of MOF about the PPP Law

- **Duties.** To avoid conflicts between departmental documents, NDRC and MOF will guide PPP projects based on their respective functions and responsibilities. Important PPP policy measures and management systems will be jointly formulated by the relevant departments.
- **Requirements.** a)The market can not effectively allocate resources; b)the government is responsible to provide; c)the public has a long-term and stable demand; d)the construction and operation of the project are specifically undertaken by social capital or the project company.
- **Principles.** Equal consultation, risk sharing, honesty and trustworthiness, and openness and transparency.

The Resent Response of MOF about the PPP Law

- **Integrity.** The government should strictly implement the cooperation project agreement, and shall not break the contract by administrative division adjustment, government change, institutional or functional adjustment or change of responsible person; government payment, subsidy, financial expenditures such as compensation and share of risks agreed in the project agreement, shall be included in the government budget and be paid punctually.
- **Rights and obligations.** The qualifications and responsibilities of the stakeholders of PPP project.
- **Assessment.** The departments should organise an assessment by means of economic and social benefits to analyse the necessity and rationality of adopting PPP modality when formulating an implementation plan for a PPP project.

PRC PPP Laws Regulations

Regulations

- People's Government (State Council)
- National Development and Reform Commission (NDRC)
- Ministry of Finance PRC (MOF)
- The Provisional Governments and Departments'
Regulations

The 2019 49 Regulation Issued by MOF

Standardized PPP project

- The contractual term of Public welfare project should be more than 10 years. PPP projects have to leagly go through the procedures for value-for-money evaluation and financial affordability.
- The social capital is responsible for project investment, construction, operation and corresponding risks, and the government takes risks such as policies and laws
- Establish a payment mechanism completely linked to the output performance of the project

The 2019 49 Regulation Issued by MOF

Standardized PPP project

- The project capital is in line with the **state's prescribed ratio**, and the shareholders of the project company pay their capital in full and on time with their own funds
 - Transportation: Metro 20%, Port and Inland Water Transportation, Airport 25%, Railway, Highway 20%
 - Real Estate: Subsidised Housing and Common Commercial Housing 20%, Others 25%
 - Industries: Iron, Electrolytic Aluminium 40%, Cement 35%, Metals, Coke, Yellow Phosphorus 30%.

The 2019 49 Regulation Issued by MOF

Standardized PPP project

- The contract should be signed by the county-level or above government or its authorized institution.
- Registering in the China PPP Center (an online information system) and fully disclosing project information timely while actively accepting social supervision
 - www.cpppc.org

9248 PPP Projects , \$2009.8073 billion

- Energy 1304
- Transportation 385
- Water 906
- Environment 75
- Agricultural 69
- Wood 133
- Technology 152
- Subsidised Housing 265
- Healthcare 106
- Elderly care 440
- Education 199
- Cultural 116
- Sports 3690
- Municipal Infrastructure 197
- Governmental Infrastructure 598
- Towns Development 320
- Tourist 34
- Social Security 138

PRC PPP Modalities

Management Outsourcing — O&M/MC

Franchise

1 Rent — BLT

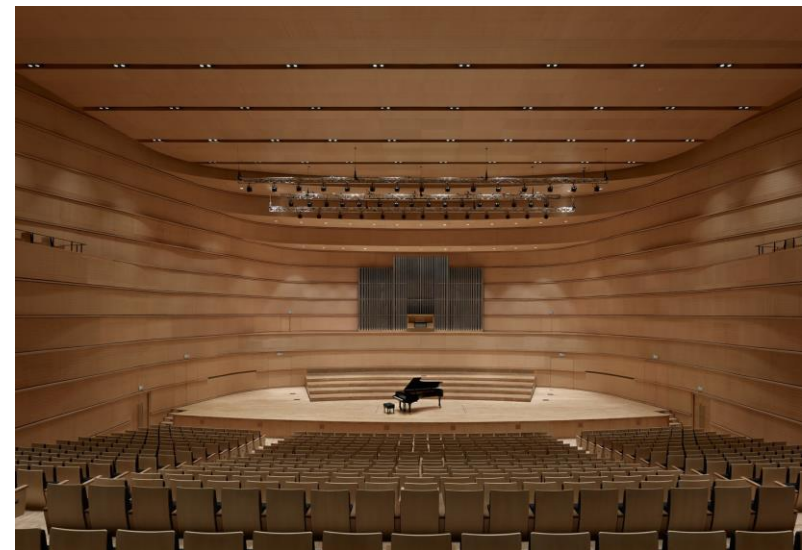
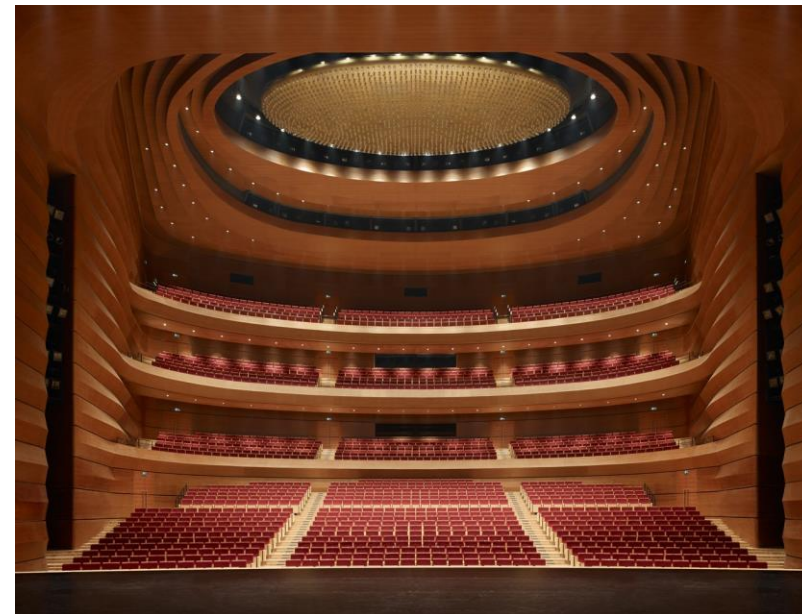
2 Transfer With
Time Limit — BOT/TOT/ROT

Privatisation — BOO/TOO

PPP Modalities Cases

- Anhui Chuzhou 3rd Waste Water Treatment and Pipeline Network Project (“**O&M**”)
- Hebei Olympic Sports Center Project (“**MC**”)
- Guangxi Culture and Art Center Project (“**BOT**”)
- Guangxi Xingye County Culture and Tourist and Public Service Facilities PPP Project (“**TOT**”)
- Jiangsu Huaian Smart City Project (“**BOO**”)

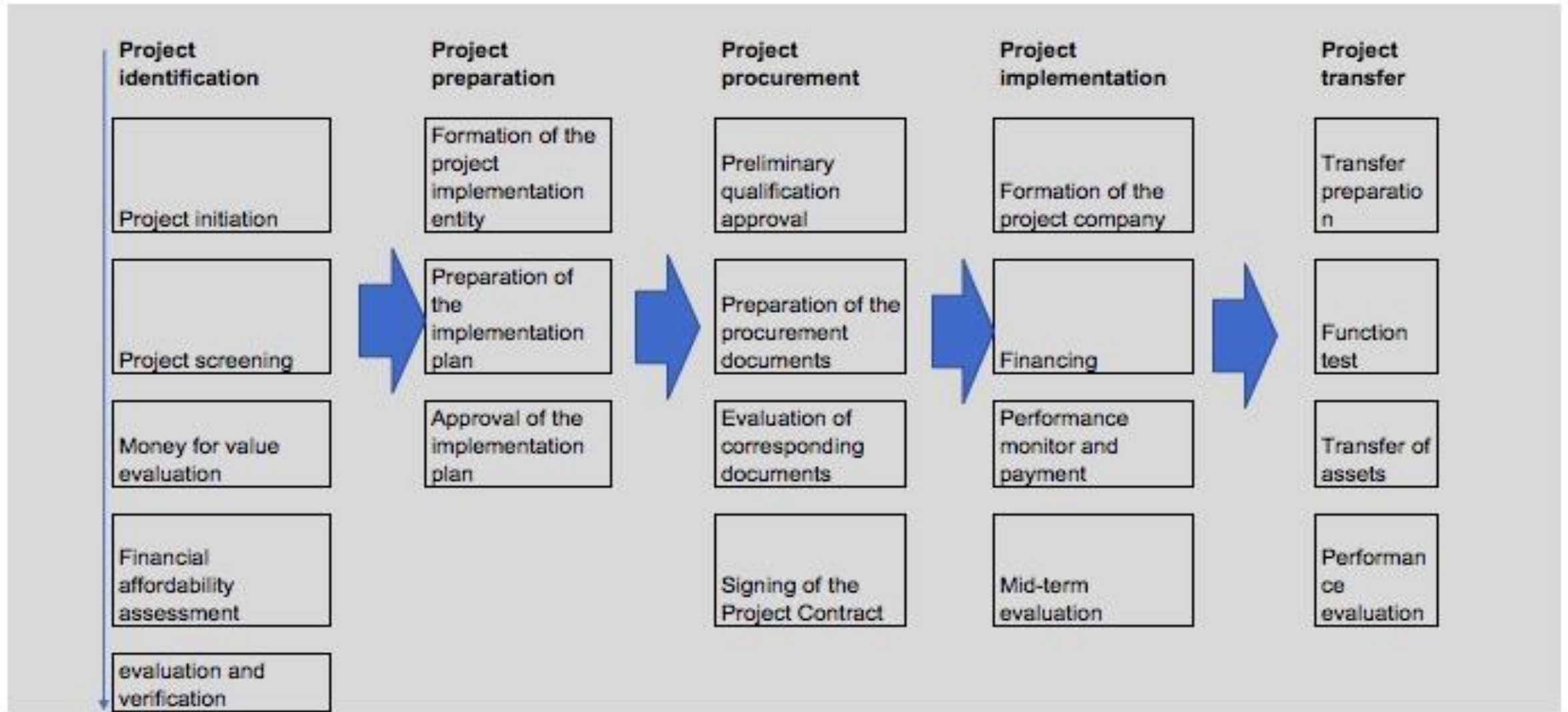
Guangxi Culture and Art Center Project



Guangxi PPP Modalities

- On China PPP Center, there are 174 Guangxi PPP projects
- 160 projects are using BOT model.
- 2 projects are using O&M model.
- 3 projects are using BOO model.
- 4 projects are using TOT model.
- The rest are using other models including ROT, BLOT, DBMT and BTO.

PRC PPP Process Flow



Financial Affordability Assessment Report

- Identification of obligations
- Payment estimate
- Viability evaluation
- Information disclosure
- Conclusion

PPP Project Implementation Plan

- The general information of the project
- The basic framework for risk allocation
- The project operational method
- The transaction structure
 - Project investment and finance structure
 - Project payment mechanism
 - Supplementary arrangement
- The contractual arrangement
- The regulatory framework
- The selection of the procurement method

Key Issues for PRC PPP

- Fixed Asset Investment Project Approvals
 - Project approval, verification and record-filing schemes
 - Other corresponding approval authorities
- Feasibility Study Report
 - The role of Government Investment in PPP projects
- Tendering Requirement
 - Projects using government budget exceeding RMB 2 million which accounts to 10% or more in the total investment of the project
 - Projects utilizing loans or subsidy fund from international organizations or foreign governments

Case Study - Guangxi Elderly Care – Healthcare Integration & Public-Private Partnership Project

- Application process
- PPP subproject of Hezhou Elderly Care Project
- Discussing PPP Modalities

Thank you