

---

# A Study on the path of Mechanism-Innovation of County Economic Development under PPP Mode

Zhilu Wu

School of civil engineering and architecture, Southwest Petroleum University, Chengdu  
610500, China

dharnise7en@foxmail.com

---

## Abstract

County economy is the basic unit of urban and rural development, is the cornerstone of regional economic development. County economy is the support of the national economy, has a mutual promotion role in raising the level of urbanization. However, there are mostly problems such as overcapacity, serious pollution, single industry and irrational economic structure. Due to the expansion of urbanization, the infrastructure of county cities has been unable to meet the needs of local development. government actively promote PPP and enact some policy to support , which provides us with the development of new ideas for the county economy. This paper mainly discusses the path of mechanism-innovation of county economic development under PPP mode

## Keywords

County-economy, mechanism-innovation, PPP model.

---

## 1. Introduction

County economy was produced for the first time in the 16th National Congress of the Communist Party of China (NCCPC). "County economy" was formally incorporated into the scope of national economic construction and economic reform. From the 16th NCCPC to the 5th Plenary Session of the 16th CPC Central Committee, the party's literatures on the county keep on economic connotation of the deepening of the expression, indicating that the central county economic connotation of a comprehensive interpretation. "Eleventh Five-Year Plan" proposed on the county economy system statement, indicating that the new county economy is based on the rural areas, with agriculture and rural economy as the main body of the traditional county economy, transferring to the county and the center of the town to non-agricultural economy Leading, 1st,2nd,3rd industry coordinated development of new county economic.

According to the analysis of China's economic development for 30 years, we can foresee the 10 years or more, if the Chinese economy want to cross the current middle income stage, into the high-income stage, the biggest potential is in our county market. From the current situation of the development of county economy, the government's financial and banking support is particularly important, especially in the development of relatively backward county areas, to take the government financial support, financial discount, etc., to accelerate the development of the region has an important role. But the development of county economy can not simply rely on the original financial model, which should make full use of the private surplus capital to the establishment of a relatively safe social capital stability investment mechanism .And then, making the private economy capital flows relatively safe, so that the county economy has achieved steady growth in the healthy operation of the private economy. Therefore, the use of PPP model will combine the county government departments of social responsibility and entrepreneurial spirit of private enterprises to play the role of private enterprises to promote the development of regional economy. In the process of the exchange of factors of

production, so that private enterprises can strengthen their own basis through the financing of the county Construction, and the way of market-oriented operation, the use of real estate development, market development and other projects to achieve capital appreciation, in order to achieve the goal of sustainable development of county economy.

## **2. The Dilemma of County Economic Development**

### **2.1 Resource Elements Few and Scattered Resource Elements**

First, the county economy in the various elements of resources can not be rationally combined into a new market players. Second, the lack of high resources elements of the various resources of the county economy led to the lack of innovation capacity, especially the information, technology, patents, brands, talent and other key factors that determine the success or failure of market competition.

### **2.2 The Market and the Financial Weakness**

First, enterprises and local state-owned industry in the shortage of economy and the old and new institutions to grow up in the township industrial, as the county finance, were attack by domestic and foreign market, production and marketing difficulties. Second, the expansion of institutions in the county and a serious over-bias. It is particularly serious that every time a county-level institutional reform is carried out, it is not a streamlining of institutions, but lead to a new round of institutional expansion , a considerable number of county economic and financial revenue growth is far behind the growth of finance expenditure; Third, the tax system reform has exacerbated the contradiction on county financial constraints. In terms of most counties (cities), the general financial weakness, more debt, heavy burden and pressure, highlighted in the make ends meet. Simply through the financial allocation can not meet the county economic development.

### **2.3 Irrational Economic Structure**

County economic structure and the national economic structure does not match. the county economic structure is still in the low level. long-term planned economic system was caused by a single economic structure of the county, industry, product similar. Self-sufficient small agricultural economy was erased difficultly in the short term. With the restrictaion of policy, mechanism, market and other factors, the county economic is difficult to have a big breakthrough and qualitative leap in the short term.

## **3. The Promotion of PPP for the County Economic Development**

PPP model is the whole partnership of cooperation by government and social capital to provide public goods or services . Based on the granting of franchise rights, characterized by benefit sharing and risk sharing. Through the introduction of market competition and incentive and restraint mechanisms,bringing into play both sides and to improve the quality of public goods or services and supply efficiency. PPP is a constraint-based investment and financing mechanism, which is appropriate risk and stable return. The application of PPP model in county economy is mainly embodied in three aspects: First, effectively filling the funding gap and reducing the financial burden. Second, to promote the county to maximize the use of resources and the local and surrounding areas of economic development. Third, improving the efficiency of county economic development and optimizing the allocation of resources. [1]Data show that PPP mode compared to the traditional model for the government to save about 17% of the cost.[2]

## **4. Application Status and Case Analysis of PPP in County Economic Development**

Because of the country's active promotion, the strong support of the policy and the response vigorously of local government, the applications of PPP receive better feedback in some areas. Such as the program of menyuan county , in the grasp of the local tourism industry development prospects,

so the urgent need for infrastructure investment, which introduced the PPP model. In the practice of PPP mode, the project has been greatly improved, which is in the industrial radiation effect, poverty alleviation effect, tourism brand efficiency and the project's profitability. But in the course of the operation also exposed too many problems.

#### **4.1 The Deficiency of PPP Legal System and the Imperfection Of Contract System**

In the preparing stage of the project, the law of the local implementation of the PPP model in Qinghai Province is vacant. [3]Therefore, the concept of carrying out the project is mainly drawn from the experience of PPP projects at home and abroad, which will inevitably produce the operation does not meet the norms of the problem in this process. The contract system of PPP model consists of the PPP project contracts, financing contracts, project contract, insurance contracts and so on. Because The project is mainly related to "A detailed planning scheme for the construction of guanhuatai", "A detailed description of the building of guanhuatai", and the contract system of this project does not meet the requirements of the PPP model.

#### **4.2 The Deficiency of Preparing Work**

This project did not pass the VFM (value for money evaluation) and the financial capacity to determine whether it is suitable for the utilization of PPP mode. Second, due to objective reasons, the government lacks sufficient transparency in the screening of social capital. In addition, there is no clear risk-allocation mechanism.

#### **4.3 Government Regulation Is Not Rigorous and Low Participation**

In the past, project pays attention to construction, but to contempt operation, which exposed a lot of problems. So the operation is the core of the PPP life cycle. At this stage, the government is mainly responsible for the project supervision and management, financial subsidies and so on. Social capital is responsible for the operation of the project, to solve the project construction, operation, management, technical support and other specific matters. During the operation of this project, the role of SPV project management company is not significant. The government participation is low. The supervision and evaluation of the project is not professional. The government and the enterprise are separated, which may lead to the enterprise's moral hazard.

#### **4.4 Project Management Level to be Improved**

As the company set up for a short time, the lack of talent of management and the imperfection of the mode of operation, resulting in project income risk. The chaotic management approach has seriously affected the visitor's experience, thereby reducing the project's profitability. In addition, the supporting infrastructure of the project is seriously lacking; the number of non-taxi operators in the county; the number of hotels in short supply and other issues lead to the economic impact of guanhuatai below the expected level.

### **5. The Mechanism Innovation of County Economic Development under PPP Mode**

#### **5.1 Mechanism-Innovation Of Government Regulatory**

##### **5.1.1 The Establishment of Government Departments Joint Meeting System**

Governments at all levels should understand the relevant situation of the introduction of the new urbanization infrastructure project by the PPP model, tracking the financing process of the county (city) and township infrastructure construction projects, and regularly checking the financing flow and the profit situation. If there is a problem in a timely manner to discuss the solution. The functional departments shall establish a coordination mechanism for the purpose of simplifying the approval process and improving the efficiency of the work.

### 5.1.2 Improving the Accountability System of Government to Ensure the Implementation of PPP in the Process of Infrastructure Construction

Clear responsibility division, the formation of a list of relevant responsibilities which is convenient for facilitating internal self-supervision. At the same time, related personnel positions, and responsibilities give in a public, inviting the public supervision. County (city) and township government effectively perform the management responsibilities to the PPP model investment. County (city), township government departments focus on the market access, quality of service, related PPP project performance, integrity and other aspects of the main management of the implementation of management.

## 5.2 Mechanism-Innovation Of Agency

### 5.2.1 Construction of PPP Professional Advisory Service Mechanism

In April 2015, the Ministry of Finance and the Social Capital Cooperation Center promulgated the "Notice on the Collection of Government and Social Capital Cooperation (PPP) Professional Advisory Service Agency". In order to recruit the relevant standards of PPP professional advisory services agency, looking forward to serving the practice of PPP mode. First of all, we should conscientiously implement the notice's spirit, through the policy to guide the provincial, city (county), county (city) and township PPP build a professional advisory service platform. Second, it should be established as soon as possible PPP professional advisory service standard system, and the same time, setting up PPP professional advisory service company qualification, the relevant practitioners qualification certificate examination.

### 5.2.2 Emphasizing on the Construction of PPP Professional Advisory Service Agency

First of all, BY means of the integration of resources of county (city), township departments, making use of land, finance and other professional to create a strong PPP financing platform. Departments at all levels support and make recommendations to establish a set of standards, norms, professional PPP model financing service process. While introducing a monitoring mechanism to ensure that its processes are transparent, true and effective.

## 5.3 The Mechanism-Innovation of Personnel Training

Due to PPP model has a wide range, strong professional knowledge, the number of relevant financial, legal, financial and other complex talents are few. First, the government should spend some money on the training of government staff for acknowledge the professional knowledge. While government departments in the process of public strokes should be biased to the relevant professional background of talents, and attract more professionals by releasing some benefit policies for talents. Second, we must improve the PPP consulting service professionals in the supervision and management, to ensure the performance of their duties. Third, we must supervise the professionalism of government officials, and social capital personnel, consultants to get along and avoid corruption.

## 6. Conclusion

By considering the current policies and circumstances of county economy and analyzing the problem of project., we proposed a series of mechanism of innovation of County Economic Development under PPP Mode

.It is benefit for governments and social capital that collaborate fairly, openly and justly.

## References

- [1] Xiaojuan Tian, Fang Hu: The promotion of PPP for the county economic development, China Accounting and Learning, No.8(2016), P.182-183 (In Chinese).
- [2] Ming Xu: The Application and Innovation of PPP Model in County Economic Development, Management manager, No.28(2016), P.231-232 (In Chinese).

- [3] Shuang Guo: The Practice of PPP Mode to Promote the Development of County Area--A Case Study of guanhuatai in Menyuan County, Qinghai Province, Qinghai Finance, No.11 (2016), P.31-35 (In Chinese).