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# Discussion on the Connotation and Development of PPP Mode in China's Projects

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## Abstract

In recent years, China's PPP project has developed rapidly. In the application of PPP mode in China, the fields involved have broken through the traditional infrastructure and public services, and have begun to extend to the fields of national defense, education, culture, medical care, leisure and entertainment. constant increase. The article expounds the meaning of PPP, the main characteristics of PPP mode and the purpose of introducing PPP in China, and puts forward its health development suggestions for the current PPP model implemented in China, in order to provide certain reference value for subsequent research.

## Keywords

PPP; Feature; Suggestion.

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## 1. Introduction

Since 2014, China has become the country with the largest and largest PPP projects in the world. By the end of July 2018, the national PPP comprehensive information platform project library had accumulated 7,867 projects, and the investment amount has exceeded 11 trillion yuan. In addition, the Ministry of Finance will launch a fourth batch of 396 PPP demonstration projects with 18 ministries, involving an investment of 758.8 billion yuan. The PPP project will also face many problems in the process of advancing. It is of practical significance to discuss the connotation and development of PPP model in China's projects.

## 2. The Meaning of PPP

The PPP (Public-Private Partnership) is literally a public-private partnership. In the "Guidelines for the National Development and Reform Commission on Government and Social Capital Cooperation", PPP is defined as: the government and social capital enhance the supply of public goods and services, improve supply efficiency through cooperation models, and through different ways, the government Equal consultation, benefit sharing, risk sharing and long-term cooperation with social capital[1].

## 3. Analysis of the Main Features of PPP Mode

The main features of the PPP model are equal negotiation, long-term cooperation, benefit sharing, and risk sharing. The characteristics are analyzed and the PPP model is fully understood.

### 3.1 Equal Consultation

Under the PPP model, the government and the social capital side are not subordinate relations, but an equal cooperative relationship, and the two sides negotiate together.

### 3.2 Long-Term Cooperation

The operating period of PPP projects is generally more than ten years, and the project life cycle is relatively long. Therefore, the government and social capital parties should be prepared for long-term cooperation with each other.

### 3.3 Benefit Sharing

The PPP model is generally applied to the public infrastructure and public services. The government represents the public and pursues the interests of the public. The social capital wants to have reasonable and considerable returns. Through the reasonable application of the PPP model, the two interests can be balanced, so that both parties can achieve the expected target benefits.

### 3.4 Risk Sharing

PPP is an equal mode of cooperation between the two parties, and the interests are shared, so the risks should be shared by both parties. Generally speaking, the national policy and legal risks are borne by the government, while the risks of commercial operations are borne by the social capital parties. The risk of force majeure such as natural disasters is shared by both parties.

## 4. Analysis of the Purpose of Introducing PPP in China

In the three aspects of government, social capital, and users (public), we will understand and analyze the purpose of introducing PPP in China in detail. On the one hand, it can be used to test the effectiveness of subsequent PPP implementation. On the other hand, it is better. Understand the problems that can be solved after the introduction of PPP.

### 4.1 Government Side Analysis

#### 4.1.1 Alleviate the government's financial pressure and the contradiction between supply and demand

Public facilities and services provided by the government are a traditional model, but the government has limited financial resources. With the development of social economy, the way of providing public goods by the classic government obviously can not meet the needs of people. By introducing the market-oriented mechanism provided by public goods, the pressure of insufficient government financial funds can be alleviated, and the provision of public goods can also be provided. More diversification, mitigating regional concentration issues provided by public goods, and the number of items will increase accordingly [2].

#### 4.1.2 Provision of Public Goods, Quality and Efficiency, Risk Sharing

The government side represents the interests of the public and introduces a multi-marketization mechanism, which only transfers the tasks provided by public goods, not the responsibility. Therefore, the government must bear certain responsibility for the quality and efficiency of public goods. The introduction of social capital to participate in the construction of public facilities can introduce the advantages of corporate management experience, professional technology and innovation of social capital parties (such as state-owned enterprises, private enterprises, etc.) to better serve the project and improve the quality and production efficiency of public goods. By introducing a market-based mechanism to break the monopoly and inefficiency of traditional public institutions to provide public goods, based on the pursuit of project interests, the construction cost can be saved, and the public's goodwill toward the government can be increased. In addition, the public goods are transformed from the traditional government to the government and social capital cooperation, and the project risks are shared by both parties, which appropriately reduces the pressure on the government [3].

### 4.2 Analysis of Social Capital Side

#### 4.2.1 Enhance the Competitiveness and Innovation of Enterprises and Promote Market Vitality

The PPP project is introduced into the social capital side through bidding, and after strict screening and review, the best enterprise is selected as the provider of public facilities [4]. In the process of bidding, the enterprises that want to be selected as PPP projects have greatly improved the vitality of the market, promoted competition among enterprises, enhanced the public's awareness of participating in social construction, and provided living space for social forces. In addition, the social capital side has a strong profit demand in the process of providing public goods. Therefore, the social capital side will have the motivation to improve its own business management experience and

innovation ability, in order to better achieve the provision of public goods, so that the government or the public is willing to spend more to use the public facilities.

#### 4.2.2 Improve Corporate Reputation and Enable Enterprises to have a Stable Return on Investment

The PPP model is applied to public welfare projects such as public facilities and public services, and the PPP project cycle is generally more than ten years. Compared with other projects, the cycle is longer and the returns are relatively more stable. Working with the government to provide the public with the social capital of public facilities can also improve the goodwill of the company in the hearts of the public and enhance the visibility and credibility of the company. Especially for private enterprises, it is more desirable for enterprises to have a stable development [5]. PPP projects have more fixed costs and more stable return on investment, which is more beneficial to enterprises than other projects.

#### 4.2.3 Enhance Public Participation Awareness, Nurture and Develop Social Forces

The introduction of a market-oriented mechanism in the provision of public goods has broken the traditional rules of providing public goods by the government, providing living space for social forces (such as private enterprises), enriching the main body of public goods, and increasing opportunities for public choice.

### 4.3 User (Public) Perspective Analysis

#### 4.3.1 Get better Service and Enjoy a Fairer Social Treatment

Public facilities and public services have always faced the problem of uneven regional distribution in China, and the introduction of the PPP model has greatly expanded the number of public goods provided. Due to the state's policy support, the scope and scope of public goods provision have increased substantially, effectively solving market failure problems and promoting social equity in resource allocation. In addition, because the public facilities built by the PPP model are introduced into the social capital side, the advantages of the management experience, knowledge level and innovation ability of the social capital side are utilized, so that the public can enjoy better service.

#### 4.3.2 Increase Employment Rate

PPP projects are developing rapidly in China, and the number of projects is gradually increasing. In the stages of project identification, preparation, procurement, implementation and handover, a large amount of living labor is required. Of course, more people are needed to provide labor. As the number of projects increases, it will also solve some employment problems and increase the employment rate.

## 5. Advice on Promoting the Healthy Development of PPP Mode

China's PPP projects will encounter many problems in the implementation process, demonstration project review, and actual operation. For example, many PPP projects do not have commercial profitability, and the policy documents highlight the enterprises to actively participate in PPP-related business, becoming a tool to avoid bidding and contracting business. Project approval is incomplete or lacking. The participating projects are more common, and the stocks are real debts. In order to promote the healthy development of the PPP model, the following suggestions are proposed:

#### (1). Raise awareness and quickly keep up with the situation

Local governments at all levels should recognize the situation, act quickly, seize opportunities, and use the PPP model to promote the upgrading of public infrastructure.

#### (2). Standardize the implementation of the project implementation process

Do the preliminary work of the project, promote the project implementation information disclosure, strengthen the performance appraisal, and finally increase the tracking and supervision of the demonstration project.

#### (3). Increase publicity

Use different media as a carrier, actively promote, and hold regular promotion meetings.

#### (4). Strengthen PPP project financing support

Strengthen cooperation with financial institutions, establish a financing guarantee mechanism for PPP projects, broaden financing channels, enhance social capital investment confidence, and stimulate social capital investment enthusiasm.

## 6. Conclusion

The PPP model has been widely promoted and developed in China, and the market mechanism has been introduced in the process of providing public goods. Through the competition, the provision of public goods can be more effective, low cost and better quality. But it is undeniable that there are still some problems in the process of using the PPP model. In order to make the PPP model develop healthily and sustainably in China, as the two main players of the model - the government and the social capital side must face up to the problems in the PPP model, and actively and timely solve them, be brave in innovation, and come out with a Chinese characteristic. The road to PPP development will better realize the public value of the PPP model and contribute Chinese wisdom and Chinese power to the development of PPP internationally.

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