

Inspiration of British PF2 to the Development Direction of Chinese Current PPP Project

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Abstract—In recent years, cooperation between government and social capital (PPP) model has been gradually popularized in China. Without a doubt, PPP has played a positive role in the sustainable development of economy. However, since 2018, China PPP project audit and loan policy has entered a new phase of reform and waiting. It mainly because of the numerous risks that PPP projects have taken place in China for these years and the problem that in some PPP projects, the capital utilization is lower than the expectation. By expounding the problems existing in PPP projects in China at present, and summarizing the development and reform of PPP projects in Britain in recent years, this paper draws some ideas for the rectification and reform of PPP projects in China in the future, and gives the development direction of PPP projects in China. These can be a useful reference for solving some Chinese PPP problems.

Keywords—PPP, PFI, PF2, public-private partnerships, social capital

I. INTRODUCTION

As an emerging developing country, China has a large demand for infrastructure. There are usually three ways of providing infrastructure and public services. The first is a public service provided by the public sector, but this approach can lead to government failure. The second is a completely market-oriented way of providing public services by the private sector. The government guarantees the public interests through regulation and the private sector provides public services according to the market rules. But there will also be market failures in this way. In order to solve the problems of government failure and market failure, countries all over the world explore how to bring the advantages of the public and private sectors into full play and establish a kind of benefit-sharing and risk-sharing. Partnership to improve the quality and efficiency of public service delivery led to the creation of a third approach, the PPP model.

However, starting from Agricultural Bank of China in January 2018, all major commercial banks have suspended all the new PPP financing operations, including capital financing and project loans, to conduct a comprehensive risk check. Although the initial suspension was announced this comprehensive risk check would be ended in the March 2018, all banks, including Bank of China, remain very cautious about PPP commercial loans afterwards.

Why is the PPP project suddenly unexpected? After nearly half a year's interpretation by all parties, it is not difficult to see that this is mainly due to the fact that many existing PPP projects have experienced inadequate risk supervision, false financing, lack of industry rules and regulations leading to management confusion,, and the effective utilization of funds is lower than the public expectation. The industry is more chaotic with this situation.

On November 1, 2018, the President Xi Jinping made an important speech on private economy. He stressed that the position and role of the non-public economy in Chinese economic and social development has not changed, and the principles and policies of encouraging, supporting, and guiding the development of the non-public sector of the economy have not changed. This is the President fourth time talking about private economy within more one month. It is clear that after nearly a year of adjustment, PPP projects and other private financing projects to re-open the door. Therefore, what adjustments should be made to the new China PPP project?

On the other hand, as one of the first country in the world to use PPP project, Britain has experienced the period of development, frustration, improvement. This gives Uk a lot of successful experience for evolving the PPP projects, which is the most lacking in China. Therefore, this paper attempts to compare the development of PPP project in China with that in UK, to sort out the problems of PPP project in China and to put forward some suggestions for reference.

II. THE DEFINITION AND CLASSIFICATION OF PPP

PPP (Public-Private Partnerships), is a public-private partnership. At present, there is no accepted view of PPP. The definition of PPP varies from country to country all over the world. Chinese PPP project definition comes from two authorities. Of which, In the Circular of the Ministry of Finance on the Promotion and Application of the Cooperation Model between Government and Social Capital (Finance [2014] 76), the "Government and Social Capital Cooperation Model" (PPP) is defined as: "Government departments and society" A long-term combination of capital in the field of infrastructure and public services. (B) Relations, usually in which social capital undertakes most of the work of designing, building, operating and maintaining infrastructure, and obtains a reasonable return on investment through "user fees" and necessary "government payments"; Government departments are responsible for monitoring the price and quality of infrastructure and public services to maximize the public interest. " This description extends private capital to the category of social capital and defines the division of

responsibilities between government and social capital in cooperation and the profit return model under the PPP model of China. The National Development and Reform Commission's guidance on Cooperation between Government and Social Capital in the National Development and Reform Commission [2014] In 2724, PPP is defined as "the government shares the benefits of social capital in order to enhance the supply capacity of public goods and services, improve the efficiency of supply, through franchise, purchase of services, equity cooperation," Risk sharing and long-term partnership. " Overall, the two ministries gave the PPP basic framework in the same direction, albeit in detail, with the NDRC pushing for a smaller franchise PPP, than the Treasury.

III. CURRENT SITUATION OF BRITISH DEVELOPMENT

The UK is an early country that adopted the PPP model to carry out infrastructure construction, and its development status can be summarized as follows:

A. Top-level Legal Design

So far, Britain has no specific legislation on the PPP, is through the Treasury issued a variety of regulatory documents to manage. In the PFI phase, there are three policy documents: "deal with investment risk" (2003), "strengthen long-term partnership" (2006) and "infrastructure procurement: achieving long-term value" (2008). In the PF2 phase, there is a policy document: PPP's New approach'(2012).

B. In Terms of Organizational Security

Before 2010, there were two agencies in charge of the PPP operation in the UK. the PPP working Group of the Treasury, and the British Partnership (Partnership UK), operates independently of the Treasury and operates as a corporation, with market investors accounting for 51% of the shares, with the Treasury and Scottish authorities accounting for 44% and 5% respectively. Special support for the PFI Project selected by the PPP working Group. In 2011, the Treasury Department established the functions of the IUK, Infrastructure UK working Group and the UK Partnership. Manage and implement PF2 project.

C. Implementation of PPP

Firstly, less franchising is used, and PFI/PF2. is chosen in most cases. Franchising projects require user fees, while PFI projects are paid by the government. Since education and health care in the UK are free for all, most of them adopt the PFI model. Even the vast majority of transport (highways, railways, etc.) is based on the PFI model, and there is currently only one user-paid transport in the whole of the UK (22 km of road projects, with fewer users due to road charges. The government is now planning to reclaim the state.

Secondly, the project covers a wide range of industries, mainly education, medical care, transport, waste disposal. At the end of March 2012, 717 PFI projects in Britain even included unusual prisons, police stations, courts and so on. Among them, the number of education, medical treatment, transportation, waste treatment and other industries accounted for 28.71%, 18.97% and 5.30%, the total is more than 50; The proportion of total investment is 20.50% 22.06% and 7.95%, which is more than 60%. The amount of investment in transportation projects tends to be large, although the number of projects is large Less than six percent, but the proportion of investment is more than 12.

Thirdly, the overall operating period is longer. The total share of projects with a life span of 20-30 years is 81.45. There are also a small number of projects with a life span of less than five years, mainly IT projects, and some more than 40 years of projects, mainly transportation projects and medical projects.

IV. DOMESTIC PROBLEMS AND SOLUTIONS

A. Adjustment of Competent Bodies

At present, the key problem of China lies in the lack of clarity to the PPP authorities, and the differences in the direction of guidance and approval of the PPP projects among the competent departments, which lead to confusion in management and inefficiency. In order to improve the efficiency of public project construction and avoid "multiple management", we can learn from the British Government's merger thinking. The emphasis of the phase merger is to gradually and flexibly transform the competent methods and departments into a more explicit one. A new management method of unity of power.

In the first phase, the relevant organizations in charge of the PPP project, including the UK Partnership, the PPP Policy Group of the Treasury and the Treasury Infrastructure Finance Centre, will be merged into the UK Infrastructure Agency;

In the second phase, the UK Infrastructure Construction Authority and the large projects Authority were merged to form a new body, the UK Infrastructure and Project Authority, currently in charge of the PPP, combining the relevant regulatory functions. At the same time, provide technical assistance for project selection and later procurement and implementation phase.

Therefore, in the future reform of PPP projects, China can adjust the departments in charge by stages and divide the departments of cross-management at the present stage. This method can refer to the rectification method of project bidding management department since 1999. Finally, a related management and supervision department is formed, and the supervision department is set up for the eastern coastal area with good PPP operation, and the strict ideal research department is set up for the high-speed development of northwest China.

B. Information Transparency

At this stage, there are also problems in China, such as the people's distrust caused by the opaque information about the PPP project, which leads to the failure of many PPP projects to achieve the expected operating results. At the present stage, a kind of thought often appears in China, which thinks that there are many problems such as the unclear flow of funds in government operation projects, and the people's trust in PPP projects is far lower than that of some private listed companies whose information is open to the public. This idea has led many people to misunderstand the PPP project from the beginning, thus the pricing and other issues have been questioned.

A similar story happened in the UK in 2011-2012, when there was a lot of public opinion about Britain's PPP health care system because of the high level of information opacity and inefficiency. For this reason, since the British government launched PF2, in 2012, it has clearly pointed out that transparency of information is the core of the PF2 mechanism arrangement. It has launched the project construction report in the fiscal year, and it will also have tracking reports on specific projects, paying great attention to information disclosure. Maintaining open and transparent markets, on the one hand, is conducive to public monitoring of the progress of public infrastructure projects, on the other hand, it is also conducive to upgrading Confidence in private investment

The UK Infrastructure and projects Authority exercises supervision of projects on behalf of the Treasury, which releases aggregate data on projects at the end of each fiscal year (as of March 31 of that year), disclosing the number and amount of projects.

For this reason, China can carry on the following plan in the reform of the PPP project in the future. The Ministry of Finance should request the following stages of the major projects to be audited, including the project planning and implementation plan, the attention to the feasibility study of the project, the preliminary implementation plan of the project, the evaluation of the value for money, and the determination of the procurement and delivery method of the project; After the purchase is completed, the complete PPP project implementation scheme is formed according to the project purchase result, and the investment decision is evaluated finally. The projects mentioned above are open to information about progress in these areas.

C. Introduction of a New PPP Model

At the present stage, the service requirements of PPP projects in China are large and complete, which is suitable for some PPP projects that began from the early stage, such as some infrastructure projects in the early stage. However, with the further application of PPP in China, many PPP projects have entered the operational period. At this point, there is a problem, for those early PPP projects, in the construction of PPP partners, usually consider more of the construction period, as the private capital also comes from the direction of construction. In operation, many projects are faced with a number of contractors for scattered small services, such as cleaning, meals are not good, but service costs are The question of improvement Referring to the UK, we will find that the UK has introduced new PF2 programs for such projects since 2012. In PF2 mode, we can save some unimportant services in order to reduce the cost. The innovation of flexible service in PF2 mode is to expand the use of some projects, such as schools and other educational facilities. According to the traditional PPP mode, the campus can not be used during the school closed period, otherwise the contractor cost will increase, but in the PF2 mode, such schools can also be used for other public education purposes, but not included in the contractor cost. In addition, due to government involvement, the PF2 bid The quasi-contract also provides the solution for the government to change the service standard.

Therefore, in the future, China can introduce more new PPP models. At present, TOT, DBO, ROT and other methods are usually used for PPP projects in China. And in the future, when PPP is set up, more models can be considered, such as the current BLT, BOO, SC, O&M, which is more popular in the world, to enrich the combination of PPP and give more options for government and private capital. Find out how to build the right project.

V. CONCLUSION

As a good way to attract private capital, PPP will become the focus of economic growth in the future. The situation of China makes state-owned enterprises participate in PPP mode with more advantages. At present, the social capital of PPP projects is dominated by state-owned enterprises and mixed systems, and mainly by construction enterprises. This mode of cooperation makes the current PPP mode operation and management has many difficulties and puzzles. This paper studies and discusses these practical problems and puts forward some solutions by comparing the successful experiences of UK PPP projects. It is important to note that PPP, as a complement to the traditional delivery model, is used only in the Better value for money can be used, accounting for only a fraction of public investment. Even in countries such as Britain and Australia, where the PPP is more mature, PPP is no more than 15 percent of public investment. Therefore, in the future work, choose the appropriate project, carry on the reasonable structure PPP project, will help the Chinese PPP project to rise to a higher level.

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