

# Circular on Further Effectively and Jointly Implementing Public-Private Partnerships

(30-MAY-2016)

Note: English version for reference only, Chinese version shall prevail.

Cai Jin [2016] No. 32

Finance departments (bureaus) as well as development and reform commissions of all provinces, autonomous regions, municipalities directly under the Central Government and cities specifically designated in the state plan, and the Financial Bureau and the Development and Reform Commission of Xinjiang Production and Construction Corps,

Since the issuance and implementation of the Guiding Opinions of the State Council on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Social Investment (Guo Fa [2014] No. 60) and the Circular of the General Office of State Council on Forwarding the Guidelines of the Ministry of Finance, the National Development and Reform Commission and the People's Bank of China on Promoting the Public-Private Partnership Model in Public Service Sectors (Guo Ban Fa [2015] No. 42), each region has earnestly carried out the decisions and arrangements of the CPC Central Committee and the State Council, vigorously promoting the public-private partnership (PPP) model, and made some results. To do better in the PPP-related work, it is hereby notified as follows:

## **I. Advancing PPP work steadily and orderly**

Each region shall invest more effort in publicity of the PPP model, guide all sectors in the society in establishing a correct concept and understanding, set realistic targets and scientific and reasonable expectations, and actively and steadily encourage and guide social capital to participate in the supply of public goods and services, to facilitate the sustainable and healthy development of the PPP model.

## **II. Further strengthening coordination and cooperation**

Each region should further strengthen coordination and cooperation between departments, thus pooling the policies together to actively promote the implementation of PPPs. For any policy involving the functions of several departments, a document shall be issued jointly; and for any policy involving the relevant department only, comments shall be solicited fully from other departments before the issuance, to ensure the consistency in government orders, policy coordination, efficient organization, and accurate targets.

### **III. Effectively performing the work at the early stage of any PPP project**

It is necessary to strengthen the project feasibility study, and make full demonstration and scientific decisions, to ensure the rational and efficient provision of public goods and services. After the decision-making on projects, the social capital should be selected in accordance with the law for the projects in respect of which the conditions are ripe and whether the PPP model is suitable, and the preparatory work should be carried out at a faster speed.

### **IV. Establishing a sound and reasonable mechanism for returns on investment**

Each region shall, through reasonably determining the price and charging standards as well as operating period, ensure that appropriate government subsidies are granted, in order to prevent long-term financial risks; through appropriate allocation of resources and modes of financing, reduce financing costs and improve fund utilization efficiency; fully exploit the commercial value of follow-up operations of a PPP project, and encourage social capital to innovate management models, to improve operational efficiency, reduce project costs, and increase project profits; and create an adjustable dynamic mechanism for returns on investment, and timely adjust and improve the same according to changes in conditions, environmental and etc., to prevent the government from transferring excessive profits.

### **V. Focusing on improving the efficiency of PPP project financing**

All regions should effectively align projects with the China PPP Financing Support Fund, to facilitate the coordination between the Central Government and local governments, optimize the financing environment for PPP projects, and reduce financing costs; and resolutely put an end to all kinds of irrational guarantee or promise, excessive subsidies or pricing, to avoid financing in a disguised form by commitment to a fixed return, shares in form but debts in content, and other means.

### **VI. Strengthening supervision and administration**

All regions should conduct effective supervision and administration over the implementation of laws, administrative regulations, industry standards, technical specifications for products or services for the PPP projects, and strengthen review and management of project contracts, as well as supervision and audit of costs; and put an end to the arrangement for fixed returns and financing in a disguised form, and on the conditions that the social capital shall obtain reasonable income, achieve incentive compatibility.

### **VII. Enhancing information disclosure of PPP projects**

The timely release of project information should be effectively aligned with investment demands, to promote information symmetry and fair competition on the market. It is imperative to timely and fully disclose information relevant to project implementation plans, bid and bidding, procurement documents, project contracts, project progress, and operating results, so as to effectively protect the public's right to know, actively accept social supervision, and safeguard the public interest.

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FROM: Ministry of Finance