

# Circular on Regulating Project Database of the National PPP Integrated Information Platform

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

## Circular on Regulating Project Database of the National PPP Integrated Information Platform

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Finance departments (bureaus) of all provinces, autonomous regions, municipalities directly under the Central Government and cities specifically designated in the state plan, and the Financial Bureau of Xinjiang Production and Construction Corps:

In order to thoroughly implement the spirit of the National Financial Work Conference, further regulate the operation of PPP projects and prevent alienation of PPP mode into a new financing platform, and resolutely curb the increase of hidden debt risks, we shall now standardize the implementation of the project database of the National PPP Integrated Information Platform (hereinafter referred to as "project database") management and related matters as follows:

### I. General provisions

**Unify understanding.** Financial departments at all levels should have a profound understanding of the importance of standardizing the management of project database, promptly correct the phenomenon of generalized misuse of PPP mode, further promote the development of PPP norms, make every effort to promote the return of PPP to the origin of the innovation and supply mechanism of public services, and promote the goal of enhancing public service efficiency, lay a solid foundation for a sustainable development of PPP mode.

**Classify policies.** The financial departments at all levels shall, according to the stage of the project, classify the project database into Project Reserve List and the Project Management Database, incorporate the projects at the identification stage into the project reserve list, and focus on project incubation and promotion; put the projects at preparation, procurement, implementation, and transfer stages into the project

management database, in accordance with the PPP laws and regulations, implement whole life-cycle management, in order to ensure standardized operation.

**Strict management.** Financial departments at all levels should strictly standardize the project entry criteria of the project database, establish and improve the management mechanism, where a designated person in charge of continuous project follow-up, and dynamic adjustment, timely eliminate projects that do not fit the entry criteria, projects, the operation of which is not standardized, and those without complete information, Continuously improve the quality of the project database management.

## II. Strict entry criteria of new projects

Financial departments at all levels should conscientiously implement the relevant laws and regulations, as well as policies, strictly check the recent entry applications, prioritize and support stock projects, prudently carry out government paid projects, thus guarantee the quality of the new entries. Projects, involved in one of the following circumstances, shall not be included in the database:

**Projects not suitable for PPP mode.** Projects that do not belong to the public service sector, for which the government is not obliged to provide, such as commercial real estate development projects, investment projects, etc.; projects, due to national security or major public interest, unfit to be borne by the social capital; projects, involving only construction, lack of operational sectors; and other projects not suitable for the implementation of PPP mode.

**Projects lack of preparation.** These projects include new construction projects, renovation and expansion projects that have failed to fulfill the relevant approval procedures; stock projects that concern state-owned assets transfer, but fail to fulfill the relevant approval and assessment procedures; projects that fail to pass the VFM evaluation and financial affordability evaluation.

**Projects without effective payment mechanism.** Projects that receive reimbursement through government subsidies or viability gap subsidies, but fail to establish payment mechanism linked to project output performance; projects, the government subsidies or feasibility gap subsidies of which are not continuously and smoothly paid during the project cooperation period, resulting in certain pressure on internal fiscal spending surged; projects, the construction costs of which do not participate in performance appraisal, or actual performance appraisal results linked to less than 30% of the total, in order to solidify the government spending responsibility.

## III. Centralized elimination of the unqualified projects

Financial departments at all levels should organize the centralized elimination of the unqualified project and fully verify the important project information and implementation plan, VFM evaluation report, financial affordability demonstration report, procurement documents and PPP project contracts. Projects concerning the listed provisions (1) and (2) above shall be canceled:

**Projects that fail to carry out the "two evaluations",** including those that have entered the procurement stage but did not carry out VFM evaluation or financial affordability demonstration (in exception of projects that have entered the procurement stage before April 7, 2015 but failed to carry out financial affordability demonstration and projects that have entered the procurement phase before December 18, 2015 but failed to carry out VFM evaluation); those that have carried out VFM and financial affordability evaluation, but the evaluation methods and procedures not meeting the requirements.

**Projects that are not suitable for PPP mode.** Projects that have been in the database for one year but lack of any substantive progress; projects that have not yet entered the procurement stage, but the level of fiscal bearing capacity of the local government at present and future has exceeded the upper limit of 10%; projects, the sponsor or implementing agency of which has confirmed in writing no longer apply PPP mode for implementation.

**Projects that do not meet the regulatory requirements,** including those with non-compliant financing platform companies as social capital parties; those adopting the construction-transfer (BT) mode; those with

discriminatory provisions in the procurement documents, affecting the equal participation of social capital; those failing to implement the project debt financing as stipulated in the contract; those violating relevant laws and policies, failing to pay the project capital in full and on time, using the debt as capital or with a third party holding the shares of social capital.

**Projects that involve in illegal guarantee by debt.** Including those with the government or government designated agencies repurchasing social capital investment or causing principal losses; projects with the government commitment to social capital return on fixed income; projects with the government and its departments to provide any form of guarantee for the project debt; projects involving other illegal and debt guarantee behaviors.

**Projects that fail to disclose information as required.** Projects that violate relevant laws and regulations of the country, the revealed information being inconsistent with the Party's strategies, principles and policies, or involving state secrets, trade secrets, personal privacy or intellectual property rights, which may endanger national security, public security, economic security and social stability, or damage legal rights or interests of citizens, legal persons or other organizations; projects that fail to accurately fill in the project information, fail to update any information for one year from the date of input, or fail to disclose the project implementation plan, VFM evaluation and financial viability demonstration result, government procurement information, and other key information.

#### **IV. Implementation**

**Identify responsibility entity.** The provincial financial departments should earnestly fulfill the responsibilities of the project database management and uniformly deploy the financial departments in cities, districts and counties under their jurisdiction to conduct centralized elimination work. The Ministry of Finance and the China Public Private Partnership Center (hereinafter referred to as the "China PPP Center") are responsible for the verification and clearance of PPP demonstration projects of the Ministry of Finance, and conducts business guidance on the elimination of unqualified projects in various places.

**Improve the working mechanism.** The provincial financial departments should set up special working groups to focus on elimination of unqualified projects, work out plans, distribution of tasks, requirements and schedule for the work. Designate a person in charge, and invite experts to participate. Local financial departments at various levels should, together with relevant parties, step up publicity of policies and public opinions, and report important progress to the Ministry of Finance in a timely manner.

**Define a due date.** The provincial finance departments should complete the concentrated elimination of unqualified projects in their respective regions by March 31<sup>st</sup>, 2018, and report the progress and result to the Financial Department of the Ministry of Finance for record.

**Guarantee a full rectification.** For regions failing to complete work in time, the PPP Center, under the guidance of the Ministry of Finance, shall urge them to complete the rectification within 30 days. In case of overdue rectification, rectification uncompleted or partly completed, the new projects in the questioned region shall not enter the database until the rectification is completed.

Ministry of Finance  
November 10, 2017

FROM: Ministry of Finance