Public-Private Partnerships (PPPs) in China: Present Conditions, Trends, and Future Challenges

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The public-private partnerships (PPPs) model provides a feasible framework for the delivery of public services. In recent years, the PPPs scheme was introduced to China, though, still on narrow scale. This step highlights the fact that the service provision by governments are insufficient and inefficient in their current form while various public services and infrastructures are required to meet the needs of the growing Chinese economy. A few local governments have realized the significance of the PPPs model applying it to public infrastructure projects. In China, the government plays an important role in promoting this model. However, many problems remain in applying this model to China. In this paper, we will analyze the present conditions and future trends of the PPPs model in its application to China from a theoretical as well as a practical perspective.

KEYWORDS: Local Agenda 21, PPPs, Public Service Delivery, Public Sector Reform

1. Introduction

Since the mid-1990s, the public-private partnerships (PPPs) scheme adopted in many advanced and industrialized countries has been increasingly introduced in developing parts of the world. In China, recent years a vital discussion on the PPPs scheme as a suitable way to innovate the current governance framework has come to the stage. The essential questions discussed here concern with not only why the PPPs scheme has been introduced to China but also how to apply it to China. To answer to these essential questions, this contribution seeks to address the questions how we can describe the present condition of the PPPs scheme, as well as the current trends this scheme indicates, and what challenges we are confronted with in China when considering the introduction of such novel forms of service provisions. The major question here then is whether the Chinese government, central or local, can take a leading role in the promotion of this model. Addressing these questions brings a particular interest to us not only because the PPPs scheme has an increasing importance in the governance framework of the public and private service provisions, but also because these questions have been scarcely researched systematically in China. Therefore, in this paper we will analyze the present condition of the PPPs model applying to China and the challenges and trends from the theoretical and practical perspectives. For this purpose, we will examine the examples of the PPPs model in the field of urban infrastructure projects, here especially cases of water supply, wastewater treatment and subway construction.

2. PPPs Concept and Its Merits

Generally, the PPPs model is a form of collaboration between the public and private sectors for the purpose of providing public services which have been traditionally provided only by the public sector. For example, according to Kooiman (2003), the PPPs scheme is a form of interactive governance, which emerged in many advanced and industrialized countries. He explains that its development is based on pragmatism as well as ideology, or a combination of both: “The appreciation of governing in partnership cannot be separated from changing views on the way of public and private interact.”… “Such interactions between public and private, expressed in concrete forms of public-private collaboration or co-operation, are often referred to as PPPs” (Kooiman, 2003: 102).

According to Teisman and Klijn (2002), the PPPs scheme is based on the framework of joint decision making rather than a principle-agent relationship, and the subject which defines what the problem is and what solutions should be selected is not the government alone, but both the public and the private sectors. Different from traditional contracts or arrangements, a partnership between two parties concerned requires an appropriate mechanism to ensure that the public interest is protected for a long term and the risk can be equally shared by the two partners concerned. In this regard, Carroll and Steane (2000) point out partnerships are cooperative ventures that rely upon the agreement to confirm its economic and social goals between participant actors for the purpose of generating some positive outcome. Thus, they argue that the PPPs model is a kind of interaction and collaboration between the public and private sectors.
The fundamental principle to establish the PPPs scheme is that the public and private sectors respectively obtain the resources which are advantageous in specific service areas and the delivery of such services. The underpinning principle of the notion of partnership is thus collaboration and mutual supporting among participants, and the sharing of resources, risks, responsibilities and rewards among the actors involved.

Moreover, the PPPs model has been discussed in relation to the classification of public goods and services by economists such as Samuelson and others. While economists provide a definition of public goods, they embody either or both of the characteristics of non-excludability and non-rivalrousness in consumption, these definitions suggest that almost all of public goods and services should no longer be treated as consumption goods for the purpose of pure social-welfare. It is therefore that is argued that market-based approaches must be introduced by the government (Holcombe, 1997). And yet, with regard to the provision of public goods and services the government has not enough capability and resources to adequately respond to the growing needs for public services, that is, to provide all of public goods by itself. Therefore, in employing the PPPs scheme the government seeks to achieve the goal of value for money (VFM), to relax the fiscal pressure by transferring risks to the private sector and to decrease loans for infrastructure investments. In this context, the PPPs model presents a significant innovation for the public sector, while the private sector demands to participate in the process of public service provisions in order to seek more opportunities for profit making in the long run. Furthermore, trying to include private sectors into the service provisions appears appropriate because they have the financial capability as well as the technologies and expertise to fulfill such tasks. Thus, under the appropriate condition, private sectors are able to mobilize their resources and help governments to offer adequate and high quality services to the public.

Nowadays, there is a trend of public sector reform in many developed and developing countries which are opening doors for the application of the PPPs scheme. Such forms of PPPs (ex. outsourcing, licensing, concession, build-operate-transfer [BOT], design-build-finance-operate [DBFO]) provide a broad portfolio of opportunities for different societal actors to overcome structural limits in the provision of public services.

3. Public Service Reform and Applying the PPPs scheme to China

3.1 Background of Public Service Reform in China

Over the past two decades, economic reforms in China have generated remarkable growth (OECD, 2005). During this period, the Chinese government has been striving to adjust the function of its administrative system while promoting public service reforms to meet the challenges associated with shift to the market-driven economy.

The framework of development which underpins the process of transformation China currently undergoes may be traced back to the concept of the Four Modernizations (sige xiandaihua), announced by Premier Zhou Enlai in the mid-1960s and revived by Deng Xiaoping to launch his economic reform program in 1978. This reform initiative proclaimed a brilliant future for the Chinese economy by 2050. More precisely, it promised the modernization of agriculture, industry, national defense and science & technology. In the mid-1980s, Deng Xiaoping elaborated “three steps” for the future development. The first was to double the real GDP level by 1990 and thus to solve the problem of insufficient clothing and food (wenbao wenti). The second was to build a well-off (xiaokang) society by 2000 by quadrupling the real GDP level. The third was to raise per capita GDP within 30 to 50 years to the level of an intermediate developed country. The strategy of “three steps” is considered as the most significant objective for the Chinese economic reform process. It is so popular and inspiring that it became almost a catchphrase in China. The concept of a well-off society is particularly interesting since it was reinvigorated (and redefined) by Jiang Zemin, the former Chairman of the PRC, to describe a “Chinese-style” modernization process, essentially indicating the realization of prosperity. After the end of Deng’s period, Jiang Zemin further proclaimed and emphasized the concept of “socialism with Chinese characteristics.” It mainly served the purpose to re-orient and reposition the Communist Party of China, while at the same time it also officially legitimized private entrepreneurship for the first time. When Chairman Hu Jintao came to power, two slogans were put forward by the fourth generation leaders (Hu Jintao/Wen Jiabao) in 2004, proclaiming Scientific Development and a Harmonious Society, taking a more comprehensive approach for the development (Li, 2006; OECD, 2005; Wang, 2005). Based on these two concepts, Chinese reform process does not only focus exclusively on the economic dimension but also emphasizes the need for social and political reforms. In short, the reform process is being expanded to other fields.

During the years 2004–2007, the fourth generation leaders complemented the discourse on the modernization of China in integrating the social dimension and in stressing the importance of reconciling conflicts between the rural and urban areas and among different social groups to promote social stability. The concept of Scientific Development (kexue fazhan) accords highly to the needs of individuals as well as the co-coordinated and sustainable development. The concept of Harmonious Society (hexie shehui) is further linked to the notions of social welfare, a more equal distribution of income according to the rule of law. The latter envisages a closer relationship between the government and the public. However, although such ideas are important and indispensable, for their realization China has still a long way to go. And yet, most Chinese people recognize that public service delivery is insufficient and inefficient, even inequitable in its current form in China. Whatever the ideas of well-off society or harmonious society contain, there are many difficulties to be resolved. For instance, public spending remains low in such key areas as education, where it is
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below 4% (of GDP) target proclaimed by the government. The same is true for health, where public expenditure is unlikely to meet the increasing needs of the people, as well as for urban infrastructure, or environmental protection, to name only the most important areas.

In particular, for example, higher education institutions now receive only half their budget from the public funding by the central government, with the rest coming from sub-national budgets, student fees and private sector contracts. The number of students has increased fifteen fold within 10 years (as for 2005, about 20 million students are enrolled in higher education institutions) [1]. However, dependence on private capital would increase social disparities as in the field of higher education accessible only to those who can afford to pay for it. According to the Chinese central government, about 40 million students will study in various institutions for higher education by the end of 2020. However, the resources of higher education are obviously insufficiently equipped for the development in this field.

Public infrastructure in China has long been regarded as a social-welfare issue with the government taking full responsibility for the financing and operation of infrastructures, especially, in urban regions. However, due to the speedy urbanization and improvement of living standards, conventional sources of financing such as governmental transferring payments and borrowing from banks can no longer meet the fast growing demands. In addition, although much has been achieved through the market mechanism, but the government has to focus on areas where markets cannot accomplish national objectives. Unparalleled growth rate brought about the income gap. In booming cities of Shanghai, Beijing, and Guangzhou, members of the elite class earn as much as six times the income of their rural counterparts. However, over 20 million people in vast countryside still live on less than $1 per day. They could hardly have chances to earn their livelihood. Such gap is a threat to both economic growth and social cohesion. How to reform the model of public service provisions and provide adequate, fair and effective public services has become an important task for the Chinese government. Against this background, it is justifiable to argue that the traditional model of public service provisions calls on the change in order to meet these challenges.

In general, the market and civil society become mature in many industrial countries. Business companies and non-profit organizations can play important roles in delivering public services. The cooperation relationship between the public and private sector is well recognized by governments of industrial countries. Different from developed countries, the singular provision of public services in some developing countries by the government has a long history. Market is underdeveloped and civil society is still very week in China, while the government represents the unique subject of public service provisions. Thus, as for China, along with the public service reform, the essential issue is how to transform the role of central government and local governments. In other words, the government should redefine its roles and functions. Therefore, "Building Public Service Oriented Government" becomes an important idea which is considered as one part of the theoretical notion of Scientific Development and Harmonious Society. That is, the government should not merely focus on economic development, but should consider its important responsibility to provide public goods and fair services. Moreover, the government needs to increase investments in public infrastructures, such as facilities of transportation, education, health, and environmental protection.

Confronted with severe shortage of financial and technical resources, some officials acknowledged that governmental investment alone can no longer meet the needs of public infrastructures and services. The public service reform must be promoted in order to tap private resources. The academic circle and some government departments have recognized the necessity and significance to involve the domestic and foreign private sector investors in urban infrastructure and environmental protection, and education and health care projects. Therefore, as a form of cooperation and horizontal interaction approach among various societal actors, the PPPs model has been introduced and discussed widely in China.

3.2 Discussion on the Remarkable Cases of the PPPs Model in China

The Administrative Centre for China’s Agenda 21 (ACCA21) [2] introduced the concept of the PPPs model to the representatives from the 16 regions at a training course. The course, which addressed international co-operation with regard to the Local Agendas 21, was held from 6–8 January 1999. The conceptual framework of partnerships was discussed at the tripartite meeting which was held in Beijing in June 1999 to review the progress of Local Agenda 21 initiatives in China. At the meeting, the State Development Planning Commission (SDPC) and the Ministry of Science and Technology (MOST) of China expressed to support the PPPs initiative. Together with the United Nations Development Program (UNDP) Beijing approved to incorporate the PPPs scheme in the on-going Capacity 21 Programme —i.e. Capacity Building for Local Agendas 21 in China (see ACCA21). In recent years, some departments of the Chinese central government have recognized the importance of the PPPs scheme. Besides SDPC and MOST, the Ministry of Finance (MOF) and the Ministry of Education (MOE) initiated discussions with international finance institutions to apply the PPPs model in areas of public services. In addition, the first civic think tank, China Center of Public-Private Partnerships (CCPPP) was established in Beijing in 2003. They have published some surveys and reports on public utility reforms with regard to the PPPs model. The China Public-Private Partnership Forum 2005 was held in Beijing in November 2005. Many officials from China, USA, and Australia, France, officials from international institutes such as the World Bank, the International Finance Company (IFC), and many scholars attended this conference to discuss the experiences of introducing and applying the PPPs model in several industrial countries and the prospects for the application of the PPPs model in China.
It should be pointed out that, although the PPPs model has been discussed widely in China since 1999, knowledge of this model remains limited in both academic and government circles. On the one hand, most discussions focus more on the investment of public infrastructures with the model merely regarded as a new means for financing; while, on the other hand, the wider cooperation among various societal actors (governments, for-profit organizations and non-profit organizations) has not been taken seriously. The role of non-profit organizations as important agents of service delivery is still weak in China. Thus, for example, the civic organization CCPPPs has highlighted in numerous case studies the collaboration between the government and enterprises, while not sufficiently focusing on the collaboration between the government and NPOs or NGOs. The present condition of the PPPs model in China corresponds with the theoretical insights provided by Kooiman, who points out that “a relatively narrow but concrete form of PPPs occurs when there is a financial-economic motive for public-private co-operation. In such PPPs, private capital is invested in (semi-)public projects or programs” (Kooiman, 2003: 102). However, he remarks that “PPPs also can be part of a strategy of corporate communication or social responsibility. For the voluntary sector, PPPs as a form of interaction with the government can be seen as a relatively normal phenomenon” (ibid.).

In the discussion on the PPPs model, opinions still diverge into different directions, with some promoted projects in the 1990s choosing the path of BOT projects [3]. Ding Xiangyang, an official of the Beijing Municipal Development and Reform Commission (Beijing Municipal DRC), believes that China began experimenting with the so-called BOT (build–operate–transfer) mode of operation, and financing should look back to the mid-1990s. He explains that under BOT the government grants a private company the right to build a project, allows the private company to operate the project for a profit over a period agreed upon by both parties, and then the private company transfers the project gratuitously to the government upon expiry. For example, in Beijing, the ways of BOT has been used in a wide range of urban infrastructural projects (Li, 2005). An expert on BOT projects, Wang, Shouqing argues that the Chinese Government has been applying the PPPs scheme (BOT) at a large scale since the early 1990s, with the focus on the investment of road-building as well as water and power plant projects (Qiao et al., 2001; Sachs et al., 2007; Wang et al., 2000a). Among these projects, the most typical case is the Laibin B Power Plant in the Guangxi Province constructed with the help of foreign investments. The project was awarded through international competitive tendering and it has become a successful example for a BOT project in China based on which many projects are now implemented (Sachs et al., 2007).

An active area of public infrastructure construction is the field of environmental infrastructure (e.g. facilities of water supply and sewage treatment), represented by the 6th Water Plant in Chengdu, the Northern Sewage Treatment Plant in Shenyang and the Lu-Gouqiao sewage projects in Beijing. With regard to water resource management and distribution, massive private investment are expected. In addition, with the expansion of the PPPs model, one of the most spectacular developments are subway construction projects in different parts of China, among which a number of high-profile property projects involve large private investments, for example, the construction of the Beijing subway. Additionally, many projects to construct Olympic sport sites in Beijing including private investments. In this study, we will focus on urban infrastructure projects to analyze the application and trends of the PPPs model in China.

4. PPPs Scheme for Delivering Environmental Infrastructures and Public Transportation in China

4.1 Urbanization and PPPs: Cases of Urban Water Supply and Wastewater Treatment

With the rapid development of urbanization and the continuous reform of the financial investment system, urban infrastructures have also embarked on a fast growth track. Water scarcity has always been one of the most foreboding challenges to China’s development. According to a report of ACCA21, safe drinking water access in urban areas has gradually declined from 98% in 1990 to 94% in 2000 based on a WHO/UNICEF joint monitoring program. Moreover, water resources are very unevenly distributed with Northern China having only one-fifth of the per capita quantity of Southern China and just 10% of the world average, creating an environment ripe for large-scale water diversions and bulk water sale (ACCA21).

The government used to dictate strict price ceilings on water. Along with the economic development, the price of water has become determined by the market and through the so-called “guidance pricing” mechanism (i.e. allowing market pricing within a range defined by the government). Although the ownership of water belongs to the government, the private firms are required to renew their water facilities management and construction every five years. In the countryside where economic growth has begun, local governments are more eager than before in welcoming private investments. French-style concessions, “Build, Operate, Transfer” (BOT) model and other forms of PPPs thrive in the arena of water supply and sewage treatment.

According to the survey of ACCA21, since the mid-1990s, Suez, a multinational corporation, has gained 18 bulk water contracts in China’s high income areas such as Hainan province. The French company Veolia is involved in 13 projects and has signed a 50-year management contract in Pudong, Shanghai in 2002. The British Thames Water and the German-owned Berlinwasser are also making significant inroads into the Chinese market, with the latter recently winning a $58 million contract in the eastern city of Hefei (the capital of Anhui province). Since 2000 to 2001, the four projects in rural and urban water supply and wastewater treatment financed by the World Bank loans averaged $100
million per project, and all of which promoted the public-private cooperation and relied on cost-recovery measures. In southern China, for more and more private capital participates in public infrastructure projects, direct negotiations between firms and municipalities are being replaced by the competitive bidding process.

It is too early to evaluate the performances of these PPPs projects of water supply and sewage treatment. Though, the prospects would be good if these projects can achieve a win-win outcome. In order to promote these PPPs projects, the government plays an important role in the facilitating stage. For example, some local governments support collaboration, take over the guarantee for loans, ensure the return for the private sector, and promise to purchase services. An inspiring trend is that the Guangdong province and some cities in Jiangsu and Sichuan Province have opened the handling rights for infrastructures. Since January 2000 they have taken the facilities of water supply, wastewater treatment and municipal solid waste to the private sector. Furthermore, the Guangdong provincial government is going to set the platform for private investments in terms of allocation of intellectual talents, sharing of research and development and access to financing.

4.2 Transportation Infrastructures and the PPPs Model of the No. 4 Beijing Subway Line

According to official estimations covering the years from 2002 to 2004, 163.3 billion yuan (US$20.2 billion) were invested in the infrastructure of Beijing, while from 2005 to 2008 Beijing planned to invest an additional 320 billion yuan (US$39.51 billion) in the construction projects, including those for Olympic-specific venues. At the same time, the local government revenue was no more than 74.4 billion yuan (US$9.19 billion). As Qin Hong, deputy director of the Ministry of Construction Policy Research Centre, observes, the government is no longer a sole source of financing. The private sector must be involved in Beijing’s capital construction (Li, 2005) [4]. In search of funds to fill the financing gap, the government has to invite foreign companies and Chinese private capital to participate in infrastructure development and public services in China. The municipal government of Beijing is shifting to the PPPs scheme to solve special urban development problems, especially in the field of transportation.

In October 2004, the State Development and Reform Commission (SDRC) approved the Beijing Municipal DRC document that allows investors outside Chinese mainland to participate in building and operation of Beijing’s No. 4 Subway Line, which is expected to cost about 15.1 billion yuan (US$1.82 billion). The Mass Transit Railway Corporation Limited of Hong Kong (MTR) has expressed its willingness to invest up to 6 billion yuan (US$741 million) in this and other projects. Another investor, the Beijing Capital Group (BCG), was also accepted to cooperate with the municipal government to run this subway project. The MTR is owned exclusively by the Government of the Hong Kong Special Administrative Region. In February 2005, Hong Kong MTR, Beijing BCG and the Beijing Municipal Government signed the Concession Agreement of No. 4 Beijing Subway Line. The “Concession Agreement” has opened the curtain for this particular subway construction project in mainland China under the PPPs scheme.

The No. 4 Beijing Subway Line is a main traffic route through the south and north of the city. Running from the South from Majialou in the Fengtai district through Fengtai, Xuanwu, Xicheng and the Haidian District, north to the Longbei village of Haidian district, its length is 27.69 kilometers, and it has a total of 24 stations. The subway line is the north-south traffic artery in the western urban areas of Beijing. The line No. 4 was officially put in operation ahead of the 2008 Olympic Games.

The project of No. 4 Beijing Subway Line is divided into an A and B part according to the main responsible bodies for the investment and construction. Part A covers the major part of the project in terms of civil engineering. The total amount of the investment is 10.7 billion yuan, which is equal to 70% of the total project investment. This part has been undertaken by the Beijing No. 4 Beijing Subway Line Investment Co., Ltd. (hereafter referred to as “No. 4 Line Company”, representing the government actually) [5]. Part B included vehicles, signals, AFC systems and electrical machinery equipment. Its invested amount was 4.6 billion yuan, is equal to 30% of the total project investment, and is undertaken by “the MTR-BCG Commonwealth” (hereinafter referred to as “Concessionaire” or PPP Cooperation Company) [6].

After the completion of the No. 4 Beijing Subway Line in accordance with the “Concession Agreement,” the “Concessionaire” will sign an “Asset Lease Agreement” with the “No. 4 Line Company” under which the Concessionaire will receive the right to use the assets of part A. The subway concessionaire will be responsible for the operation and management of the No. 4 Beijing Subway Line, including all facilities. In addition, the Concessionaire will be able to compensate its expenditures through revenues from ticket sales and the commercial operation of subway stations (Chai, 2005). The franchise of the No. 4 Beijing Subway Line project will last 30 years. Upon expiry, the Concessionaire will transfer its part of the project to the departments designated by the municipal government facilities of Part B and the facilities of Part A will be returned to the No. 4 Line Company.

In accordance with the “Concession Agreement”, the Beijing municipal government will oversee the construction of the No. 4 Line Company to ensure that the quality of civil engineering meets the highest standards while being completed in a timely manner, and to monitor the construction of the technological aspects of the project. The ticket fares of the No. 4 Line will implement government regulated pricing, calculated based on the mileage system. During the concession period, the Beijing municipal government will formulate and promulgate price standards subject to the relevant laws and regulations. The government has the right to adjust fares along with the development of the socio-
5. Opportunities and Challenges of the PPPs Model in China

With the rapid economic growth and with success in bidding for the 2008 Olympic Games, it is obvious that the current public infrastructure cannot meet the demands of these developments. The Chinese government has to invite foreign companies and domestic private capital to participate in infrastructure construction and the provision of public services through the means of PPPs. Recently, many important policy steps have been taken to change the management framework from the top to lower levels in the public sector. For example, the Beijing Municipal Government issued the “Regulations on Developing Urban Infrastructure with PPPs Arrangement” on August 28, 2003. In September 2006, the Standing Committee of the Beijing Municipal People’s Congress deliberated the “Beijing Municipal Regulations on Developing Urban Infrastructure with PPPs Arrangement.”

The government is obliged to perform according to the Concession Agreement. If the Concessionaire breaches the “Concession Agreement” the municipal government has the right to implement sanctions, which might include a withdrawal from the concession. At the same time, of course, the government is obliged to perform according to the “Concession Agreement.”

Subway in Beijing has run at a deficit ever since the No. 1 Beijing Subway Line was put into operation in 1969. Thus, as the director of the Beijing Municipal Development and Reform Commission (Beijing Municipal DRC) points out: “The significance of No. 4 Beijing subway Line lays not only in the PPPs model, but it will become an example for Beijing’s infrastructure construction” (Chai, 2005).

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In practical terms, the selective application of the PPPs model, in particular, the project of the No. 4 Beijing Subway Line has stimulated similar projects in other areas, with the introduction of the PPPs model in the areas of gas supply, solid waste treatment, urban water supply, sewage treatment and other now being scrutinized. Many officials assume that the PPPs model represents an effective way to ease the financial burden the public sector carries. Meanwhile, they believe that the PPPs model is more efficient than the traditional model of financing and service provision due to flexible management mechanisms, expertise, and cost-awareness, and thus being more feasible to meet the demands for financing the infrastructure and the growing challenges for the provision of public services. As for Beijing, currently more than 860 projects have been accomplished by the year 2008 Olympic Games (Li, 2005). Furthermore, it is necessary to stress the fact that the question of how to promote the PPPs model in areas such as education and health care is evolving into important debate issues in China, with plenty of opportunities to apply to the PPPs model in sight.

However, there is no doubt that the application of the PPPs scheme requires certain internal and external conditions. Although there are more and more successful cases of such public private partnerships in realizing urban infrastructure projects in China, the investment system in its current form does not facilitate further partnerships. The policy and legal environment for private participants are not mature, with no BOT or PFI act established. The “36 Clauses of Non-Public Owned Economy” is merely a framework in principle. Put simply, there still remains high risk for both the government and the private sector to engage in such a framework. Accordingly, many initiatives cannot be identified or pursued. Thus, to reduce risk, the legal and economic frameworks need to be improved. Recent experiences in China indicate that the following challenges should be confronted with great care:

- Attraction and rewards: The government is still somewhat reluctant to allow profits in the public infrastructures. In part, this is because the government believes that the poor population cannot afford to pay for those services if the public infrastructure is operated by private investors. Whether or not the private sector is attractive depends on whether the PPPs project offers benefits to them. Private investors seek profits and the government has the responsibility to ensure that investors gain proper rewards.
- Stability and transparency: The success of the PPPs model depends on a stable political environment, which is often absent in many developing countries of Asia, including China. At the national and local levels, the institutional framework is changing quickly or is still immature. Meanwhile, those changes often take place in a non-transparent way, posing great restraints for the private sector.
6. Conclusion

PPPs have been adopted in many industrialized countries and recently spillover to some developing countries as well. As an innovation form of the governance framework, the advantage of the PPPs model is obvious. On the background of the introduction of the PPPs model in China, we can draw the following four conclusions:

1. With many public infrastructures and services in demand to meet the needs of the people in parallel with Chinese economic development, this model is suitable to the current public service reform process for relaxing financial burden of the public sector. Therefore, this model offers good prospects which can facilitate the development of the public service provisions in China.

2. Comprehensive understanding of the PPPs model remains limited in both the academic and government circles despite partial introduction of the PPPs scheme (BOT mode in particular) to China. However, the PPPs scheme is merely seen as the new way of financing projects. The role of non-profit organizations as agents for service delivery remains weak in China.

3. Some local government departments have realized that this model is very important and applicable to public infrastructure projects. For the purpose of promoting the PPPs project, many important steps have been taken to change the management framework from the top down to the bottom up. Governments are playing important roles, such as facilitator, enabler, and purchaser, though the regulative and monitoring capabilities remain substantially weak.

4. Numerous problems remain with regard to applying the PPPs model to China with respect to the policy environment (investment and financing system), the legal environment, governmental credibility, role changing of the government, capability-building and the prevention of corruption.

The government of China needs multidimensional strategies to promote the public service reform, which should include a reorganization of the investment and legal systems, enhancing the participation of the private sector. The road of reform remains rocky, with the PPPs model offering an important step to improve the public service provisions in China.

Notes
[2] ACCA21, an implementing agency of the UNDP-sponsored project, seeks to broaden participation of other bilateral and multilateral donors. At the beginning, they produced a training package of the PPPs model and organized training courses of the PPPs scheme for local government officials. The participants reacted very positively to the PPPs scheme and expressed strong interest in the participation of follow-up activities. The willingness and interest are prevailing but the enabling policy environment and technical expertise on local levels require further development.
[3] Generally speaking, the PPPs model includes the mode of BOT. However, it is surprising that BOT project has not been considered as a form of PPPs in its early stage (i.e. before 1999) in China. Therefore, the practice of BOT represents an earlier development than the introduction of PPPs in China.
Part A is considered as a pure public good and it is operated on a not-for-profit basis. Its investment derives from the Beijing municipal government.

The total investment of PPPs Cooperation Company is 4.6 billion for the No. 4 Beijing Subway Line. Its registered capital is about 1.5 billion yuan. Hong Kong MTR Corporation and Beijing Capital Group share 49% each. Beijing Municipal Infrastructure Investment Co. Ltd. will pay 2% of the total investment.

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