Transforming China's PPP Landscape

Key Changes and Strategic Implications from 2023 Onwards

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PPP History in China – Stages & Keywords

1984 - 2002

Central government, foreign investors, BOT

2003 - 2013

Local governments, state-owned companies, PPPs

2014 - 2023

PPP fever, fluctuation, suspension

2023 Onwards

New PPP mechanism

Zoom In

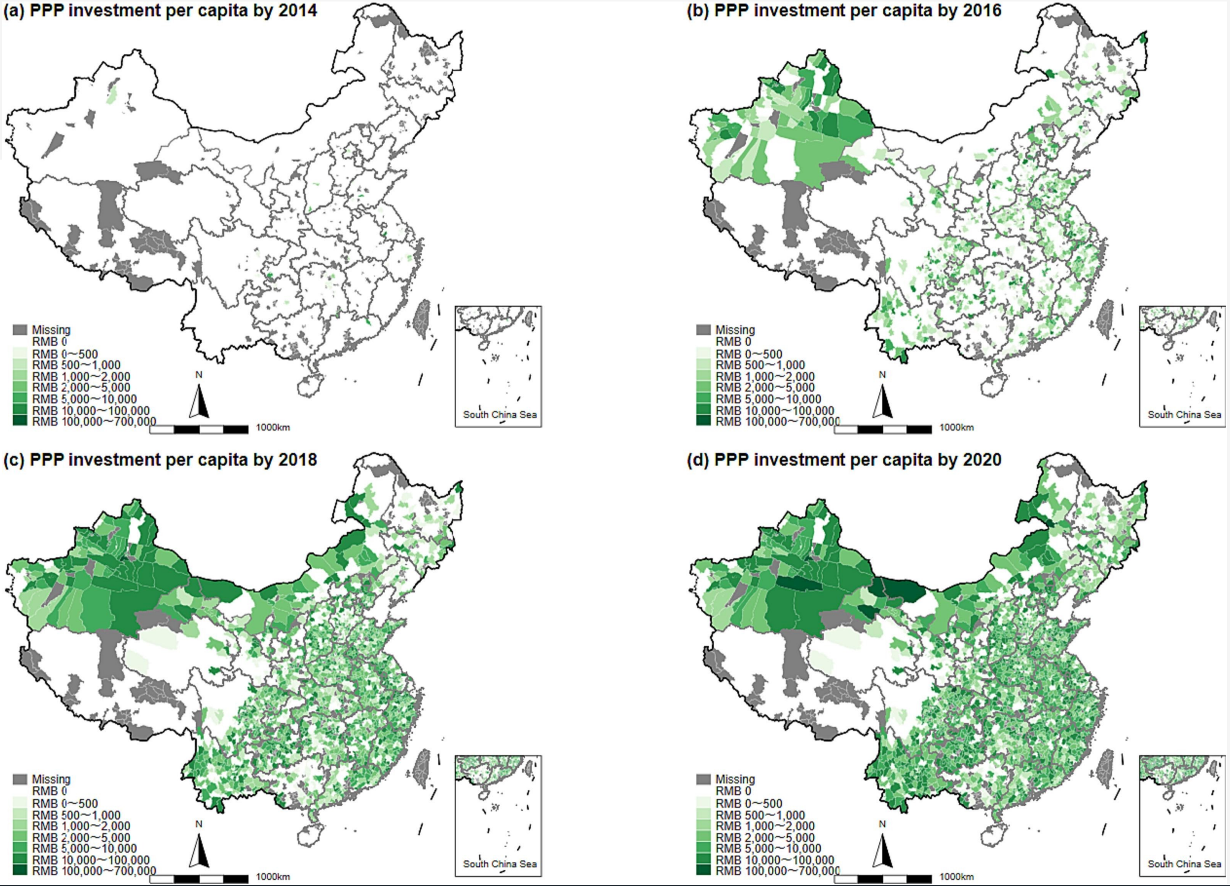
2014 – 2017: PPP Fever

2017: MOF clamp down on unqualified PPP

2019: Projects entering operation face problems

Feb 2023: PPP suspended

Nov 2023: New PPP mechanism launched



10,332

2014 - 2022.10, Number of PPP Projects Proposed

8,488

2014 - 2022.10, Number of PPP Projects Signed

13.9 trillion RMB

2014 - 2022.10, Total Investment of Signed Projects

What Happened?

State Council Audit Report for 2022

Randomly reviewed 408 PPP projects of 187 counties from 18 provinces

151 projects significantly underperformed

01 MOF Project Database

Requisite → approval not strict, corruption

02 Government-pays

Preferred → local government too much commitment

03 Financial Crises

No payments on time → financial crises for investors

Problems

Reference: National Audit Office (2023)

New PPP Mechanism

New Leader

- NDRC takes over the responsibilities of MOF (who will be overseeing existing PPP projects)
- Oversee new PPP projects
- Maintain new PPP project information system

Focus and Scope

- Projects with operational income
- User-pays
- Fiscal commitments generally not allowed
- Concession-type models

Private Involvement

- State-owned enterprises generally not allowed
- Projects with a higher degree of marketisation – solely
- Projects with stronger public attributes – no less than 35%

Strategic Implications

- Shift from MOF to NDRC oversight marks a significant change in China’s PPP landscape – more aligned with existing infrastructure development
- Focus on market-driven projects with user-pays, concession-type models, very limited fiscal commitment and state-owned enterprises involvement
- Adaptation required by stakeholders to understand and meet new PPP regulatory and operational frameworks
- Assess and realign ongoing projects with the new PPP framework to ensure compliance and sustainability
- Strategic positioning for long-term success in China's evolving PPP environment

References

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