

Analysis of Public Goods Supply in China under the PPP Model

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Abstract

At present, the research on the PPP model is at a peak. Scholars at home and abroad have a profound understanding of the supply of urban public goods. At the same time, China is in a period of rapid development of public product supply under the PPP model. Therefore, it is very necessary to explore and analyze the supply mechanism of urban public goods from the perspective of the PPP model.

Keywords

PPP model; Public goods; Supply of public goods.

1. Introduction

In the current context of deepening globalization and marketization, the issue of public goods supply has become a common focus for both governments and society, especially in China, where the economy is rapidly developing and the process of urbanization is accelerating. Faced with the challenges of traditional supply models, the Public-Private Partnership (PPP) model, with its innovative nature, has provided new ideas for solving the problem of public goods supply. This paper, through a literature review and case analysis, deeply explores the origins, definitions, and development of the PPP model, systematically organizes the current situation and difficulties of urban public goods supply in China, and proposes strategies for achieving effective supply. The paper emphasizes that by cultivating a rational market mechanism, innovating the investment and financing system, and guiding policies and multi-party cooperation, market vitality can be stimulated, and the quality and efficiency of supply can be improved. In terms of research methods, this paper comprehensively uses literature analysis, case analysis, and comparative analysis, striving to analyze issues comprehensively and objectively, and to propose practical strategies. Structurally, this paper is divided into five parts: introduction, literature review, current situation analysis, strategy discussion, and conclusion, aiming to provide a reference for the reform of public goods supply in China and the promotion of the PPP model, and to promote the sustainable development of the social economy.

2. Development of PPP Model Domestically and Internationally

PPP is an acronym for Public-Private Partnerships, which can be translated as a partnership between the public and private sectors or a cooperative relationship between the public and private sectors. The term PPP was first introduced by the British government in 1982, referring to the long-term agreements signed between the government and the private sector, authorizing the private sector to construct, operate, or manage public infrastructure and

provide public services on behalf of the government. [1] So far, there is no precise and unified definition of PPP in different places; instead, each place has its own definition that is adapted to local conditions.

German scholar Ivorber Portz stated: "Trying to sort out what PPP is or what it is not almost makes no sense, there is no fixed definition, and it is difficult to verify its etymology." The exact meaning of PPP needs to be determined according to different cases. [1] The European Union considers PPP to be a model of cooperation between the public and private sectors, aimed at providing public products and services traditionally provided by the public sector. [2] The National Council for PPP in the United States believes that PPP is a way of supplying public products that lies between outsourcing and privatization. It involves designing, managing, investing in, operating, and maintaining public infrastructure and providing related services to meet public needs, as well as providing related services to meet public demands. [3] According to the United Nations Institute for Training and Research, PPP encompasses all forms of institutional cooperation among supporters of various social systems to address some thorny issues at the local or regional level. [4]

From the breadth of the definition, the broad sense of the PPP model this year refers to the cooperative process of government departments and private enterprises signing project financing agreements to jointly provide public products and services. The content of the agreement includes: attracting social capital through the following means for the government to build public works. In fact, no matter what the definition of the PPP model is, it is a long-term arrangement for cooperation between the public and private sectors for mutual benefit.

3. Analysis of the Current Situation of Urban Public Goods Supply

The government's responsibility should be to serve citizens, meet citizen needs, and manage public affairs. Therefore, the responsibility for the supply of public products lies with the government. However, for various reasons, the government cannot provide all public products. "Government failure" means that the government is very passive in the supply of many public products and cannot play any role. Therefore, we must rely on market forces to supplement the supply of public products, with the government and the market providing in various forms of public products to ensure effective supply. Since the reform and opening up and economic transformation, taking the opportunity of concept renewal, technological reform, and system innovation, the process of urbanization in our country has accelerated. The commercialization trend of urban public products and public services has become increasingly obvious, gradually breaking free from the shackles of the planned economy and creating a new environment conducive to innovative and commercial supply models. It has gone through three stages of development: The first stage was mainly to solve the existing public goods supply gap and encourage the establishment of a market system with multiple tracks for public goods. The second stage saw the supply of public products taking the form of joint ventures and shareholding companies, with some foreign and private capital beginning to invest in the supply of public products. The third stage is the stage of establishing a market integration system, gradually forming a new model of "public management, social participation, and market operation," gradually forming a diversified investment structure, and establishing an investment and entrepreneurship model based on concessions in the initial stage. [5]

4. Analysis of the Dilemma in the Mechanism for the Supply of Urban Public Goods

4.1. Market Competition Mechanism Has Not Been Formed

The goal of urban public product supply reform is to maximize social and public interests, and marketization is the choice of the times to play the role of the market mechanism in optimizing resource allocation and effective supply. [5] From the start of the socialist market economy to today, people have been able to clearly understand the roles of the government and the market in the economic development process, but they still lack a correct understanding and grasp of the roles of both in the market. The supply of urban public goods. Many local governments, due to various pressures such as finance and performance, have neglected the market competition mechanism. The planned economic system that our country has implemented has also had a certain impact on this. The original public welfare urban public goods have always been produced and supplied by the government in a unified manner, and the government has adopted a mechanism of low prices and high financial subsidies. The form of government pricing leads to the prices of such goods and services basically not being affected by the supply and demand relationship. At the same time, due to the lack of a well-functioning information disclosure mechanism, the market competition of the supply side and the prices of government-controlled public goods are a single fixed price, which cannot adapt to the current economic and social development. Moreover, due to the establishment of price monopolies by some specific manufacturers, high or low prices, this not only makes the quality of products difficult to guarantee but also affects market order. [5]

4.2. There Are Drawbacks in the Investment and Financing System

The imbalance in the supply and demand relationship of public goods has led to lagging urban infrastructure construction and slow economic development. Due to the high threshold for enterprise access, the lack of separation between government and enterprises, and the widespread existence of monopolistic operations, the policy environment and investment environment both lack standardized standards, the investment soft environment is not good, and social capital finds it difficult to integrate. Therefore, in the absence of competitive market conditions, there is a lack of incentives to improve the quality and efficiency of public products, making public products uniform and the quality of public products negligible. The urban living standards in China are far below those of developed countries, especially due to the lack of cleaning and drainage services related to households and manufacturing. It is difficult to rely solely on the government to meet the growing public demand, which has led to many problems, including the expansion of blind areas in public facilities and increased complaints from residents.

4.3. Government Regulatory Measures Are Lagging Behind

At present, our country has not established a specialized management institution for public goods and services, the division of government management functions is overlapping, specific regulatory responsibilities are unclear and difficult to implement, and there are often obstacles in coordination. This multiple supervision makes enterprises bear the burden of multiple managements. At the same time, the phenomenon of multiple entrustments and the separation of rights and responsibilities is also very common. Therefore, some local governments still rely on administrative power to intervene in the production and operation of enterprises, and the vitality of enterprises cannot be released in the market.

5. Analysis of How the PPP Model Can Achieve Effective Supply of Public Goods

5.1. Cultivating a Rational Market Mechanism

To gradually move away from the traditional pricing methods based on market models, governments of all countries need to adopt appropriate regulatory policies to promote the reform of urban commodity and service prices. Price hearings are an important measure to advance the rationalization of prices and the construction of information disclosure. Establishing a regular and open supervision consultation and dialogue mechanism, taking into account the opinions of consumers, operators, and relevant departments, to ensure price balance and consider the interests of consumers and producers. Producers participate in all aspects by establishing supply and demand information exchange platforms, urban public service information platforms to collect specific needs of residents, and improve the relevance and efficiency of product supply. Breaking the information silo production model and improving supply efficiency. At the same time, a review group composed of relevant parties, experts, and intermediary organizations is established to regularly conduct scientific reviews of public products and services, eliminate price monopolies, and produce the best products at the most reasonable cost. Price setting should minimize government financial expenditure as much as possible while ensuring the returns of social capital, with the appropriate price ultimately determined through the game between the government and social capital. [6] Introducing PPP is key to improving the construction financing and traffic management capabilities of public infrastructure and public service projects; it also provides more space for social capital, which is conducive to alleviating government financial pressure. [7] In the field of urban public product supply, introducing private capital financing through the PPP model can not only alleviate the government's financial pressure but also integrate private capital into the market-oriented financing system, play the role of various market entities, and promote a win-win situation for the government and enterprises.

5.2. Innovating Participatory Investment and Financing System

In terms of policy, the government needs to relax market access standards and guide multiple market entities to integrate into the construction of urban public products, such as relevant access policies, bidding policies, and social capital investment and financing policies, to ensure the timeliness of policies; [7] In terms of system, it is necessary to broaden the investment and financing channels of enterprises, improve financing management methods, promote market access, and create a soft investment environment suitable for local actual conditions. Adjust the functional positioning according to the roles of the government and the private sector, introduce new public service providers and public product production models, build a multi-dimensional participation model, and establish a multi-center order service supply mechanism to break the inherent thinking and allow multiple service providers to form a competitive mechanism. Changing the financing mechanism is considered an effective way to cut off the original single investment. In recent years, the PPP model has provided a good opportunity for diversified financing. The direct financing of PPP projects is provided by public sector funds and private direct investment, and indirect financing is provided by financing forms such as credit, financial leasing, or commercial leasing, which is a joint investment in the project. [8] Therefore, this is the best combination to promote cooperation between the government and private capital. It organically combines the benefits of the public and private sectors, allows private capital to obtain priority for public products, and then improves the efficiency of public products.

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