

# Reflections on Promoting Agricultural PPP Model

## -- Taking Jiangxi Province as an Example

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### Abstract

**With the advancement of urbanization and the transformation of government functions, the infrastructure construction led by government investment is becoming more and more tight. Under the environment, the advantages of PPP mode construction are highlighted and the characteristics of agricultural development are in line with some aspects. Based on the analysis of the present situation of PPP projects and agricultural PPP, this paper discusses the feasibility of extending PPP model to agriculture in combination with the situation of Jiangxi Province, and puts forward the advantages and key points of developing PPP agriculture to help Jiangxi Province development of PPP mode.**

### Keywords

**Rural economy, PPP model, agricultural development.**

## 1. Introduction

The Guiding Opinions of the National Development and Reform Commission(NDRC) on the Cooperation between the Government and Social Capital defines the PPP model. The PPP model refers to the government's benefit sharing, risk sharing and long term partnership with social capital through franchising, purchasing of services, equity cooperation, etc. in order to enhance the supply capacity and improve the supply efficiency of public goods and services.

Agricultural development has always been the focus of our government. For agricultural development, the investment is large, the cycle is long, and the effect is slow. Most of it depends on the characteristics of government subsidies, and also fits the PPP model very well. Jiangxi Province has been a large agricultural province since ancient times, with a variety of agricultural characteristic brands and rich natural resources. At the same time, Jiangxi Province is committed to the development of PPP mode, which has the feasibility of promoting PPP mode in the field of agriculture.

## 2. Development Status of Agricultural PPP

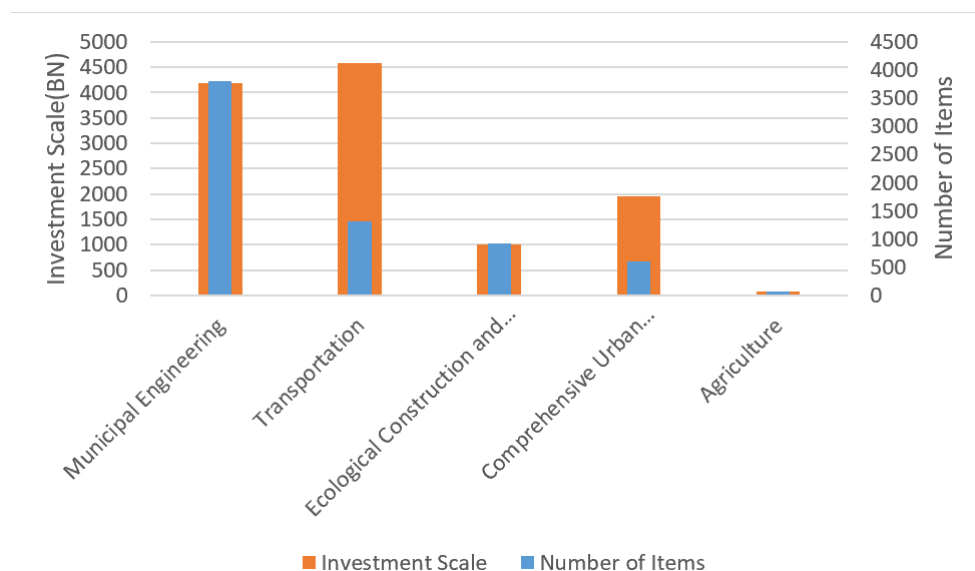
### 2.1. The Development of PPP Model

In the world, countries financed through PPP mode are generally divided into three echelons, China is the third echelon, and the maturity of PPP market is relatively low. In order to better promote the PPP model, China has initially established a three in one system of "law + policy + Guide contract standard", established a professional guidance agency, strengthened publicity and training guidance, actively cultivated the consulting service market, improved the awareness of public participation, established a national project management database and expert database, and realized online dynamic supervision and multi sharing of information and data.[1]

By the end of March 2020, according to the information disclosure of the national PPP comprehensive information platform project of the Ministry of Finance, 9458 national management database projects and 14.42 trillion yuan of investment have been accumulated. The main areas of PPP are municipal engineering, transportation, ecological construction and environmental protection and comprehensive development of cities and towns, with 3810, 1314, 926 and 611 respectively; the total investment is 4.18 trillion yuan, 4.58 trillion yuan, 1 trillion yuan and 1.95 trillion yuan respectively. [2]

## 2.2. Current Situation of Agricultural PPP

With the introduction of relevant policies and regulations, the transformation of government functions and the demand for infrastructure construction, the country ushered in the development of PPP projects. PPP has been applied in 19 economic fields such as energy, transportation, municipal administration, environmental protection, medical care, pension, education, etc. However, there are only 70 agricultural projects, with a total investment of only 86 billion yuan. (as shown in Fig. 1)



**Fig 1.** Industry Distribution of Project Management Library (part)

In terms of the actual needs of China's current agricultural development, the promotion of PPP model has certain development potential. In 2017, the state issued the Implementation Opinions on Further Promoting the Cooperation of Government and Social Capital in the Agricultural Field to clarify the key scope of PPP, including the green development of agriculture, construction of high standard farmland, modern agricultural industrial park, rural complex, agricultural product logistics and trading platform, "Internet +" modern agriculture. The No.1 document of the Central Committee of the Communist Party of China in 2019 pointed out that it is necessary to strengthen the guidance of rural planning, implement the village infrastructure construction project, accelerate the completion of the short board of rural human settlements environment and public services, specifically focus on the three-year action of rural human settlements improvement, implement the village infrastructure construction project, improve the level of rural public services, and strengthen the rural pollution control and ecological environment protection.

Agricultural projects are similar to PPP model in some aspects. Agricultural projects usually have the characteristics of long investment and recovery cycle, large amount of investment funds, high risk, and their social benefits are significantly higher than economic benefits. The reason why PPP model is promoted is largely because it can realize the purpose of risk sharing

and benefit sharing. Most PPP projects have a period of more than 10 years. The value for money evaluation and financial affordability demonstration in the early stage of the project standardize the feasibility of the project. In this comparison, the agricultural project itself has the characteristics of PPP project.

From a practical point of view, China's agriculture is still the Achilles heel of China's economic development, with insufficient investment, limited level of science and technology, weak agricultural foundation and other issues. It is far from enough to rely on the government's financial subsidy investment alone, while PPP mode will introduce social private capital and increase investment in agricultural development is a good way.

### **3. The Feasibility Analysis of Implementing Agricultural PPP Model in Jiangxi Province**

According to incomplete statistics, around PPP work, the State Council issued 22 documents, the National Development and Reform Commission issued 19 documents, the Ministry of Finance issued 54 documents, the China Banking Regulatory Commission led the issuance of 3 documents, and other departments issued 10 documents, which also pointed out the direction and corresponding policy support for the promotion of the agricultural PPP project in Jiangxi Province.

#### **3.1. Policy Support and Encouragement**

The subsystem of JDRC has become a special topic of PPP work, which summarizes and discloses the relevant work progress and project situation, and provides superior government soil environment for the promotion of PPP mode. The first promotion of agricultural projects in 2016 shows that the Jiangxi provincial government has also begun to pay attention to the development of agricultural PPP model, which has delivered a good signal to the social capital. Jiangxi intelligent agriculture construction project in the project promotion has attracted the attention of the government. Its overall structure is built in accordance with the "123 + N" mode, namely, "one cloud" - Jiangxi Agricultural data cloud; "two centers" - agricultural command and dispatching center, 12316 information service center; "three platforms" - Agricultural Internet of things platform, traceability platform for quality and safety supervision of agricultural products, and E-commerce platform for agricultural products; "N systems" - sub-systems related to planting industry, breeding industry and OA paperless office, agricultural comprehensive law enforcement, agricultural technical services, etc. In the months after the promotion, the corresponding preliminary work has been carried out, and the preliminary implementation plan of PPP has been prepared. The rapid progress of the project reflects the high attention and practical promotion of the Jiangxi provincial government and the Department of agriculture. [3]

#### **3.2. Good Promotion Foundation**

Jiangxi Province has a good agricultural foundation. It has made great progress in rural reform, intelligent agricultural construction and agricultural financial innovation, laying a foundation for the operation of PPP model. The construction of "four areas and four types" agricultural modern park and the financing pilot project of "financial benefit to agriculture and credit connect" are more or less in line with the basic characteristics of agricultural PPP mode in organization construction and financing channels.

#### **3.3. Agricultural Modernization**

The Department of Agriculture of Jiangxi Province took the lead in proposing the construction of "123 + N" intelligent agriculture in the whole country, which was supported by the general office of the State Council and the Ministry of Agriculture and promoted to the whole country.

At present, the "123" platform has been basically completed, and N systems are being built. We should further promote the implementation of the "Internet plus" modern agriculture action, and serve as an advance force for the informationize of agricultural databases.

## **4. The Key Points of Implementing Agricultural PPP Model**

### **4.1. Preliminary Project Demonstration and Risk Prevention**

At the end of 2015, for PPP projects, NDRC made it clear that it is necessary to carry out the value for money evaluation and financial affordability demonstration in the project identification stage, which embodies the core value of PPP projects, that is, to realize the value for money and maximize the advantages of PPP. Therefore, the agricultural project must also carry out these two demonstrations, and have a overall control over the project. The agricultural project is related to the people's livelihood and cannot be ignored. In the evaluation and demonstration, we should highlight the particularity of agriculture, pay more attention to environmental protection risk, technical risk and force majeure risk. In the project audit, we should pay more attention to whether there is the possibility of applying for PPP mode in general financing mode and obtaining project financial support and subsidies.

### **4.2. Design of Financing Plan**

The continuous development of agricultural financial innovation in Jiangxi Province has given PPP projects more choice of financing channels. At the beginning of 2016, Jiangxi Agricultural Bank launched "Jinsui oil tea loan" and "tea loan" in Ji'an City, and launched "industrial poverty alleviation credit" and other financial innovation products in Ganzhou City to help characteristic agriculture.

Therefore, the financing scheme design of agricultural PPP project should pay more attention to the choice of channels. The financing channels that can only be selected with the income right within the service life as the guarantee are relatively single. Besides debt financing, equity financing can also be considered, which is more conducive to attracting investors. However, we should also consider the choice of project types, and we can learn from the successful experience in the world conditionally, enrich financing options, and effectively disperse risks.

### **4.3. Social Benefits and Performance Evaluation of the Project**

There are some utility inseparable lines in the development of projects in the agricultural field, some of which must be developed in bundles. For example, the social benefit requirements of the construction of agricultural infrastructure are far greater than the economic benefit, and its multiplier effect is obvious, which is the basis for the smooth development and follow-up development of agricultural production. And its cost and benefit have externality, and its influence is extensive and far-reaching.

PPP projects are generated at the beginning to solve the problem of public goods and services. Although the introduction of social capital must take profitability into account, its public performance is still an important aspect of project evaluation. Social benefit, public satisfaction and environmental evaluation are important indicators in the performance evaluation of agricultural PPP project in the whole life cycle, which is inseparable from the particularity of agricultural project itself.

### **4.4. Access Threshold of Social Capital**

At present, all parts of the country have provided a series of subsidy incentives and encouragement policies for PPP projects, which will weaken the objective evaluation of the participants on the selection of the project's optimal profit model in the long run in the past, and will not achieve the real value for money of the project.

Strengthen the qualification examination of social capital's investment in the agricultural field. Before the rural land transfer and expropriation projects are involved, the investment motivation, capital strength, investment experience and project operation ability should be examined and evaluated, which should also be reflected in the performance evaluation system and related assessment. To avoid blind pursuit of economic benefits and government subsidies, waste of natural resources, and dampen the good momentum of agricultural development.

#### **4.5. Pilot Implementation and Technicalization**

Agricultural development is different from urban infrastructure construction, most of which are carried out in the form of pilot projects. Jiangxi Province has rich experience in agricultural pilot projects, including agricultural parks and agricultural modernization. At the same time, agricultural varieties are diversified and featured. The characteristic leading brands of Jiangxi Province can be bundled with non beneficial projects for development, which is more attractive to the social capital side and conducive to the pilot work.

The support of agricultural technology is also the development feature emphasized by Jiangxi Provincial Department of agriculture for many times. PPP mode is also the result of interdisciplinary development and strong specialization in the field of agriculture. It has special requirements for the professional level of PPP project scheme design. Therefore, in the process of promotion, attention should be paid to the construction of expert team and the reserve of project database.

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