Study on Government Supervision of PPP Project for Community Home-based Care

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\textbf{Abstract.} Under the increasingly severe situation of the current aging problem, the pension PPP project can realize the complementary advantages of the government and social forces, and then achieve a win-win situation. However, due to the long cycle and low income of pension service itself, there are some problems such as inadequate government supervision and speculative behavior of capital. Based on this, this paper hopes to combine the successful experience of foreign PPP project supervision, and give suggestions from the three levels of government, market and social forces respectively, so as to provide ideas for the effective supervision of PPP project of community home-based care.

\textbf{Introduction}

According to the latest data released by the National Commission on Ageing, from 2015 to 2035, China will enter a period of rapid aging, with the elderly population increasing from 212 million to 418 million. From the data, we can see that China’s aging situation is very serious, and pension has become an urgent problem to be solved. Traditional family pension and institutional pension can not meet the current pension needs. The booming development of community home-based pension services not only makes up for the shortage of demand, but also provides a broad soil for the operation of pension PPP projects. In 2016 and 2017, China promulgated several opinions on fully opening up the old-age service market and improving the quality of old-age service, and implementation opinions on using the cooperation mode of government and social capital to support the development of old-age service industry and other policies, which provided a huge impetus for guiding social capital to enter the old-age service industry.

Scholars at home and abroad have made relevant research on pension PPP project from the perspective of theoretical analysis and game theory. Based on the Ottawa PPP project agreement, Zaato et al. (2015) believed that value for money, clear responsibility and high participation are important factors of effective supervision. Greco (2015) constructed PPP project supervision model based on principal-agent theory to provide reference for improving government supervision level. Zhao Jinyu (2019) used KMRW reputation model to construct the game model of PPP project supervision for the aged, and put forward corresponding supervision suggestions for the behavior of social capital at various stages. Wang Yinglin (2016) designed a reasonable reward and punishment mechanism for PPP project supervision through the analysis of incentive-effort game model based on the analysis of capital speculation.

According to the PPP Center Project Bank of the Ministry of Finance, there are 210 pension projects with a total investment of 164 billion yuan by September 2018. PPP mode has become an important way in the field of pension services. Due to the imperfection of the current pension service system, the imperfection of laws and regulations, and the characteristics of community home pension service, such as large pre-investment and long cycle of fund recovery, there are many problems in the actual operation of pension PPP projects, among which the most important one is the supervision problem. At present, China’s pension PPP projects have some problems, such as imperfect supervision system, speculative behavior of social capital and low transparency of
information, which seriously affect the operation of PPP projects. Therefore, how to reduce and eliminate these problems and carry out effective supervision by the government is of great significance for the healthy development of pension PPP projects.

**Current Supervision Problems of PPP Project for Community Home-based Care**

**Insufficient Supply of Supervision System**

Adequate and effective system plays an important role in the government supervision of the PPP project for community home-based care. However, the current regulations and documents on PPP projects are numerous and complicated, and most of them only involve principled requirements, rarely mentioning the specific operation and implementation rules of supervision. Despite the issuance of relevant documents, there is still a situation of "no basis" and insufficient supply of relevant regulatory systems. The state attaches great importance to the operation of PPP projects. Since 2014, the state has issued more than 40 important documents to standardize PPP projects. Government Procurement Law, Tendering and Bidding Law and corresponding implementation regulations are also strictly observed in the operation of PPP projects. The release of relevant documents effectively promotes the transition period from "wild" development to high-quality development of PPP projects, but the "universal applicability" of these documents also makes it difficult for some PPP projects to achieve fine management, such as pension PPP projects. Therefore, there is an urgent need for the government to formulate norms and implementation rules that can promote the cooperation of multi-stakeholders of pension PPP projects.

At this stage, China has not established a supervision institution for pension PPP projects. The Ministry of Finance, the Development and Reform Commission, local governments and competent departments at all levels all assume part of the supervision responsibilities. There are many problems in the cooperation of various supervisory bodies, such as duplicate supervision, insufficient supervision, and even serious imbalance of supervision. As a new financing project, PPP project often leads to the problem of government competing for interests and mutual buckling due to the lack of a unified management mechanism and legal norms in practice. Therefore, only by establishing a unified institution or uniform regulation can pension PPP project get on the right track.

**Speculative Behavior of Social Capital**

According to the incomplete contract theory, due to the existence of bounded rationality and transaction costs, the contract is doomed to be incomplete, especially for the pension PPP project, which has a long contract cycle and high risk. Faced with uncertainties of market and human nature in the process of project operation, the bounded rationality of social capital has the tendency of opportunistic behavior, which will destroy the quality and efficiency of pension PPP projects. At the same time, pension PPP projects are mostly long-term low-profit projects with no profit-making purpose. It is difficult to earn excess income through user payment, which increases the pressure of capital cost borne by the company, and the capital will also generate speculative behavior.

Due to the lack of supervision system, the operation of the handover PPP project is basically in the state of "zero supervision" and "irregularity", which leads to the uneven quality of service provided by pension PPP project. Although some government departments entrust the third party to evaluate the service quality of pension PPP projects, due to insufficient and asymmetric market information, the natural attribute of private sector's "profit-making" will take risks in order to gain more benefits. And the third party will not take the initiative to increase the cost of evaluation and supervision to ensure the service quality and power rent-seeking may even occur in the private sector.

**Low Transparency of Information Disclosure**

There is a general lack of transparency in the supervision of pension PPP projects. First, the relevant departments have low requirements for the disclosure of regulatory information. At present,
although the Ministry of Finance of China has the requirements for information disclosure of the national PPP integrated information platform warehousing project, it is all the basic information of the project. It does not require the disclosure of PPP project implementation progress, performance supervision and other information, that is, the importance of regulatory disclosure is insufficient. Second, the transparency of supervision is mainly reflected in the public's right to know. China has not yet established a perfect PPP project supervision information management system, and the public lacks a platform for participation. At present, China has not yet formed an atmosphere of citizens’ extensive participation in social and public affairs, and the consciousness of the public to participate actively in public affairs has not yet formed. In addition, the lack of a perfect PPP project supervision information management system and participation platform makes it difficult for the public to truly participate in the pricing of community home-based pension services. The key issues such as price adjustment and government financial subsidy mechanism are only the final results of fiscal expenditure allocation scheme and pension service pricing. Therefore, in most cases, it is difficult for the public to play a role of discussion and restraint in pension PPP projects, which indirectly leads to the low transparency of regulatory results.

Experience of Overseas Supervisory Model of Pension PPP Project

UK-three-level Institutional Supervision Model

In the establishment of regulatory bodies, the UK adopted a three-tier management structure. First, the Ministry of Finance unified deployment, formulated policies and guidelines, then established partnership organizations and planning evaluation organizations, and formed a three-tier management model with the Infrastructure Bureau. At the same time, Britain has also established dispute resolution mechanism, which mainly includes administrative consultation mechanism, request for government reconsideration mechanism, mediation mechanism and expert arbitration mechanism. When the government exercises administrative power to execute PPP cases, Britain gives the private sector of PPP projects the power to execute objections, that is, when the executed party does not accept the government's power to enforce, the government cannot enforce the case, but must bring the case to the court to make an enforcement decision and pass the court's judicature. Strength enables the private sector to perform. Through the way of judicial restraint of the administrative power of the government, Britain has restricted the abuse of administrative power by the government in PPP projects, and has formed effective restrictions on the government's participation in PPP projects, thus achieving the purpose of supervision.

US-graded Independent Regulatory Model

In the establishment of regulatory bodies, the PPP supervision system in the United States is deeply influenced by its federal system, that is, the setting of regulatory bodies is divided into federal government level and state regulatory agencies, in addition to the establishment of a separate industry standard committee. The US states United set up specialized regulatory agencies based on their own unique conditions. At the same time, in order to avoid loopholes between the federal government and the states regarding the PPP model, the country has also given some social organizations regulatory powers to compensate for the regulatory gaps caused by the country's special state. This institution is not for profit. Its purpose is to assist government supervision and provide professional support. In terms of regulatory procedures, the United States has also been focusing on the establishment of neutral regulatory standards, ensuring the openness and transparency of procedures, maintaining fair and just regulatory standards, and striving to build a fully competitive market environment. Independent regulators in the United States have a single function, with very few staff, usually consisting mainly of experts in the industry. The members of the regulatory body have professional knowledge in the relevant industries, can exercise effective supervision, and have won the widespread trust of the public.
Germany—"Public Interactive Network" Model

German PPP project supervision, especially worth learning from its excellent performance evaluation system. In the early stage of the operation of PPP project in Germany, there were some phenomena such as manipulation of bidding in secret, malicious collusion between the government and social capital, which had a very bad impact on the operation of PPP project and resulted in very serious adverse consequences. Post-German innovative initiatives have established a performance evaluation system, established management federations extensively in various places, realized the "public interaction" between projects, formed network management of PPP projects in various places, solicited public evaluation of services provided under PPP projects, and gave full play to the supervision of the public. The role of public evaluation as the performance evaluation standard of project operation, through the network to achieve data exchange between regions, form a contrast, to help other regions learn project construction and operation experience. This system is called "Public Interactive Network" in Germany. The emergence of this network has greatly curbed the corruption of the government, improved the operation efficiency and product quality of PPP projects, and promoted the development of German public utilities.

Relevant Suggestions on Improving Government Supervision of PPP Project for Community Home-based Care

Government Level: Accelerate the Implementation of Supervision System and Establish Independent Supervision Institutions

Perfect supervision system is the fundamental guarantee for the standardized operation of pension PPP projects. The operation of pension PPP project is a long-term systematic project. It is a brand-new exploration from project application to project implementation, operation, transfer and continuing operation. It has a large investment, a long duration and a wide range of coverage, involving many subjects of responsibility and interests. Therefore, on the basis of equal cooperation, the government should regulate the violations of laws and regulations in PPP project, and establish a comprehensive regulatory system of PPP project in combination with laws both inside and outside the industry. First of all, we need to formulate a special legislation to guarantee the operation of PPP project in an all-round way, clarify the supervision content and operation process of pension service, systematically stipulate the various stages of PPP project, and ensure that all stages of the whole PPP project have laws to follow.

Meanwhile, an independent and comprehensive supervision institution for pension PPP projects should be established, and all PPP projects should be under the unified responsibility of the supervision institution. The institution must be neutral and fair, so as to effectively solve the problems of overlapping powers and buck-passing. Secondly, some PPP projects with small scale and strong local characteristics can be independently supervised by local supervision institution. However, the report should be submitted to the national regulatory authorities for review.

Market Level: Incentive and Punishment Co-exist to Reduce Rent-Seeking Space

Motivation is the driving force, supervision is the guarantee, the government must work together in order to achieve the standardization and sustainable development of the industry. Therefore, for the social capital, we must start from two aspects: incentive and severe punishment.

Firstly, to strengthen the incentive to social capital, government departments should properly use financial subsidies to promote the enthusiasm of social capital. In addition, reputation has obvious incentive effect on the social capital. The better the reputation of the social capital, the higher the enthusiasm of maintaining reputation. On the one hand, establish a multi-dimensional performance appraisal system. Besides investigating the substantive factors such as service effect and service quality, we should also fully evaluate the soft power of social capital operation by establishing social evaluation indicators such as credit rating and social acceptance. On the other hand, set up dynamic compensation mechanism. On the basis of ensuring reasonable profit rate, the social capital with good credit shall be given economic compensation of the same proportion beyond the...
standard score of performance appraisal, so as to motivate the social capital to maintain its reputation.

Secondly, in order to eliminate speculation of social capital, effective supervision is also essential. In addition to material punishment, government departments should also establish a strict access and exit mechanism to check and balance the behavior of social capitalists. The government should set up a record-keeping or approval system to raise the entry threshold of pension PPP projects. At the same time, the exit criteria should be standardized. Establish a list of dishonest PPP projects for the aged, increase the punishment of the social capital with bad credit, such as canceling the qualification of PPP projects and prohibiting entry into the market of pension services, and increase the cost of violation.

Social Strength Level: Smooth Feedback Channels to Realize National Supervision

Because of the strong public product attribute of the PPP project, the public, as the ultimate beneficiary of the PPP product or service, has the right to participate in the quality supervision of the project. Government departments can make full use of the supervision role of the public by means of the government service hotline, media disclosure, and regular opinion polls. At the same time, the information platform can be used to realize the supervision of the community PPP project by stakeholders, social media and the public, and ensure that the project is open and transparent.

Meanwhile, the government should actively guide regulators to disclose PPP project performance information, timely release the progress of pension PPP project through the network platform, and ensure the public's right to know. Here, we can learn from the German PPP "Public Interactive Network" model, all the pension PPP projects can be uploaded to the website, forming network management, sharing project information and exchanging operation data with each other, and the public can directly evaluate the services provided by the PPP projects on the Internet. Well-functioning projects directly share successful experiences online for project learning in other areas.

Summary

Since the PPP project for community home-based care is still in its infancy, both the regulatory policy and the mechanism are in an imperfect stage. Therefore, this paper analyzes the existing regulatory problems in the pension PPP project and learns from the successful mode of foreign PPP project supervision. It is believed that the government should step up institutional innovation and establish an independent supervision organization; social capital should adopt measures combining incentives and severe punishments; at the same time, increase information transparency and provide channels for people to participate in the supervision of PPP projects.

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