



MF Case 26: Nanning, China Nakaohe Watershed management project

Project Introduction:

Nanning Nakaohe watershed management project adopted PPP mode. The project is composed of 7 subprojects, including riverway regulation, waste interception, water quality purification, ecological restoration, etc. In 2015, a project company was jointly established by the contributor representative of the municipal government, Nanning Jianning Water (Group) Co. Ltd, and the social capital, Beijing Drainage Group Co. Ltd. The total cost of the project in first two years was 1.19 billion yuan.

The registered capital of the project company is 0.2 billion yuan. The rest of the funds are raised by the social capital, and bank loans are the main source of it. As of June 16th, 2016, the project company had borrowed 0.24 billion yuan from China Construction Bank Guangxi Branch, with the benchmark interest lowered by 10%.

Funding Sources:

Nanning municipal government pay for the performance of the project quarterly. The government has established a set of performance evaluation indicator system, and hired qualified third-party institutions to monitor and evaluate the project monthly. In addition, the government pays basin service fee annually as subsidy.

Relevance of the cases:

The total investment of this project reached 1.19 billion yuan, there are great difficulties if public financial one-time pay of the cost, because Nanning is not a very wealthy city. However, river pollution control must take immediate action, or residents' health will be affected. Therefore, Nanning City take leasing and government procurement model. Government and social investors signed a 10-year agreement of social capital investment to build all the infrastructure needed for pollution control in the basin, Nanning Municipal Government leased these facilities through government procurement during the ten-year contract period, they pay for the performance of the project quarterly. Most crucially, the government pays for the operational performance of these facilities, paying

for the public services provided by these facilities, therefore, the standard of lease payment is strictly in accordance with the changes in the watershed water quality standards brought by the operation of these facilities. The government has established a set of performance evaluation indicator system, and hired qualified third-party institutions to monitor and evaluate the project monthly.

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Source: China environmental protection online, April 26th, 2017.

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Credentials

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