

Private Participation in Infrastructure in China: Issues and Recommendations for the Roads, Water and Power Sectors

Authors: Michel Bellier and Yue Maggie Zhou

Infrastructure plays a pivotal role in development of any country. This helps not only the domestic investors in investing the money in infrastructure but also creates the confidence of the foreign investors, who want the desired return on the investment. The story of China is not an exception. In a developing country, only government cannot afford the cost and management of the infrastructure and thus, the concept of private participation comes across. The World Bank has greatly been able to analyze the critical elements of the private participation in China by this book and has provided suitable recommendations for each sector. The main focus areas of the book are Concepts and Models for Private Participation in Infrastructure, Private Participation in Infrastructure in China, Laws and Regulations for Private Participation in Infrastructure in China, Financing Private Infrastructure Projects in China, Road Issues and Recommendations, Water Issues and Recommendations, Power Generation Issues and Recommendations and suitable examples in each case. However, the World Bank has examined the different issues very technically and it would be a real value to the practitioners in the infrastructure field.

The report summarizes the findings of a study by the World Bank and IFC on the various aspects of enhancing private sector participation and the selection of suitable projects. The report compares China's experiences with those of developing and industrial countries and offers recommendations for improvements. In addition, detailed issues are looked at for roads, water supply and sanitation and power generation.

Prima facie, the following appear to be core issues

1. China has made significant progress in encouraging joint ventures, between a Chinese Government company and a corresponding foreign company with the desired expertise and investment capacity. The "concession" method and BOT method are the usual approaches.
2. China favors a system of starting pilot projects, in suitable areas before going in for the major implementation.
3. Equity seems to be the primary mode of financing of Private Infrastructure projects, and most of the projects so structured, provide a dividend/return of 20% to the investors. As regards publicly funded projects, debt is usually preferred.

[†] Reviewed by P Nair, Consulting Editor of *The ICAFI Journal of Infrastructure*, and Deepak Kumar, Associate Consultant, The ICAFI University Press.

4. Most of the debt in China is anyway in the form of public sector bonds. The banking and finance system, driven by the market, as is prevalent in Western and other democratic countries is usually absent.

5. The Chinese government is moving in a systematic way towards market reform in the core sectors. They are therefore

examining the efficacy of models for the production, distribution and sale of water, power and road services and have requisitioned several international consultants to adapt the same to local conditions. The transparency of financial information is of paramount importance in making private sector investment decisions. The authorities have recognized this and are making efforts towards systematic implementation of the same.

The investor in China (or any other country, specifically a developing country) has to contend with the following risks.

- Design and development risk—It arises because of design error in tender specifications or contractor design error.
- Construction risk—Such risk may be because of cost overrun, delay in completion of the project, quality shortfalls in construction.
- Operating cost risk—Such risks are like Operating cost overruns, failure in obtaining permissions, changes in prices of suppliers, supplies not delivered by public authorities.
- Revenue risk—Such risk arises because of Changes in tariffs, Project company failure, and Operator failure. Such risk must be shared between public and private sectors.
- Financial risk—Such type of risk arises because of devaluation of the local currency, no convertibility or non-transferability of foreign exchange.
- Unanticipated risks like the acts of God like floods, earthquakes, and riots or may be because of the changes in general legal framework like taxes.

How to Mitigate the Risk?

If any project faces the risk of changes in legal, approval and regulation, then the government should ideally assume such risks. On the other hand, the commercial risk must be handled by the private sector, moreover, it has been recommended by the world bank that the party best placed to control a certain kind of risk should assume and manage that risk and finally, some risks must be shared between the public and private sectors and certain risks can be extenuated based on the performance-based contracts. The risk has to go to the party who can manage it best.

The Regulatory Framework for Private Infrastructure in China

China has felt the need of the laws and regulations for private participation in China. China is trying to establish a balance between the public interests and private return. Government

About the Authors

Michel Bellier is Lead Transport Specialist in the Transport Sector Unit for the East Asia and Pacific Region at the World Bank.

Yue Maggie Zhou is Investment Officer in the Private Sector Advisory and Transaction Unit at the International Financial Corporation.

is also displeased with contractual arrangements, which shift certain risks to the domestic investors. There is an urge therefore to establish a strong national framework, which can minimize the interference and unfair treatment by the local governments. This will surely give an edge in restrengthening the financial sector. China has made a successful bid for improvement for private investment levels, by establishing laws and regulations like The General Principles of Civil Law (1988), Administration of Land law (2000), The Foreign Investment Catalogue, Security Law (1995) and the Bidding Law (1999) at state and central levels. But the lack of clarity and approaches to legislation have also created the confusion. for example, term of transfer and re-transferability in highway law are not addressed in case of Private Toll Roads.

The most important issue is getting the approval from the respective agencies. Getting the approval is rather difficult and time consuming in China. The dominant areas of concern to investors are the types of approvals needed, which authority to approach and whether the approvals taken are legally effective. Moreover, there are three stages of approval process for infrastructure projects. These are project approval stage, project company approval and operational approvals.

Problems in Approval Process

- Limited staff in state development planning commission delays the approval process, as state development commission approves projects of more than \$30 mn.
- From a foreign exchange point of view, it is impossible to achieve “comprehensive balancing” of the project since the revenues of infrastructure projects are normally done in local currency and the funds for the projects are normally in foreign currency. Moreover, ministries, bureaus and commissions, and agencies are also involved in granting project approvals, and each of the main approval steps again passes through smaller approvals, consultations, and filings with various government agencies. The approval process is more tedious in case of non-BOT Projects.
- There are many projects, which need approvals to establish and register the project company. These registrations can be related to Company Law of 1994, and the Joint Venture Law or Wholly Foreign-Owned Enterprise Law. Moreover, the companies also take all the pains in getting the site inspection from different local government agencies etc.
- Lack of core competence in handling the private sector as this has not been the traditional way that infrastructure has been traditionally financed in China. The requirements of state funded infrastructure and joint/private sector projects are quite different.

The Chinese Security Law

- The Chinese security law was announced in 1995 and has played a critical role in China’s efforts to promote a favorable investment environment. This is in order to control the risk exposure which provides the protections in case of default, including resorting to the project assets, the ability to take over control of a project by stepping into the operation or transferring it to a third party, and priority ranking in claims. But

the private investors feel that security law is more restrictive and less attractive while comparing with other countries.

- The Security Law provides for three main types of securities related to infrastructure projects. These are guarantees, pledges, and mortgages. However, the registration of the securities is also very tedious from the lender's point of view. The public cannot access the security registration data easily, which shows the inconsistencies with the security law. Thus, there is an urgent need to make the securities information system more transparent and user accessible. This would include information on assets and liabilities, mortgages and pledges concerning the various assets. Another issue is the repayment against securities for private parties. The Chinese laws restrict the government agencies from providing repayment except for loans from foreign government guarantees. This restriction is totally different from the international standard and makes the future infrastructure projects impossible for private investors.
- Mortgaging the land is problematic in China as lands belong to the state and land use right has been allocated for a fee, but when the lenders need to enforce the mortgaging against the land use right, a practical problem occurs. Moreover, the allocated land does not afford the use of security of tenure or a right to compensation for arrogation. This restricts the financing options as such land is not refinancable. This is a core local issue and has to be addressed suitably.

Regulatory Framework

The Regulatory system, more than anything else, regulates the risks involved with execution of the project. This is exceptionally important for investors, in particular the equity investors, who are very drastically affected if the risk management is not done in an appropriate manner. Investors believe that the regulatory framework is very important, which should mitigate their risks and can create the confidence in the government. Moreover, it is also important as it affects the public in the fact that the return on investment in infrastructure projects needs a long period. In short, the effective regulatory framework is the need of the hour in China. The effective framework must talk about the tariffs, the laws, contracts, licenses and the agencies involved in infrastructure projects.

The role of the agencies in regulatory framework is very crucial, which must be given certain autonomies and should cover a particular industry. The authority of respective agencies must be transparent and specific enough declaring which agencies work at national, provincial, or municipal level in government. As Kerf el states, "The regulator's mandate must be clearly defined by law, and not be subject to the discretion of political authorities. The executive branch's discretion in making appointments should be constrained by legislative provisions specifying certain qualifications." In the regulatory framework, the element location is important. It must be decided which regulatory system will save the time and thus choose the system, like centralized or decentralized. This must be in favor of the investors. However, it has been seen that decentralized system places the regulator close to the service provider. Regarding the regulatory body, the authorities and responsibilities must be transparent and each regulatory body must cover

a specific sector, like in India, IRDA for insurance sector, Ministry of Education covering different facets of education etc.

While talking about the regulatory framework, it is very important to talk about the tariff regulation. China has been successful in attracting foreign direct investment and listing infrastructure companies on its stock exchanges, but it only recently began using private equity funds. Infrastructure has been the main sector attracting private equity investment in China, but traditional sources of private equity financing—such as insurance companies and pension funds—have not yet been extensively mobilized. Strategic direct investment and private equity investments share some common concerns including project economics (for example tariff, currency, and security risks), and the regulatory. However, let it be any tariff or economic regulation, it must support the investors. A very important breakthrough of concessional projects is that most are procured through competitive bidding. However, the concessional projects have had mixed results.

Financing Private Infrastructure Projects In China

While China has been able to attract substantial private investment, they are still wrestling with the specifics. These specifics are

- What should be the return on investment for equity?
- How much should the domestic investor participate, and in which projects?
- On what terms should the foreign investors repatriate their funds?
- What should be the regulatory system that monitors this investment and what should be the ground rules?
- How much should be the debt equity balance in various types of projects?
- What should be the risk sharing, and how much of risk sharing should the domestic investor/public take?

These are issues, which trouble all developing countries. But in China the structure is unique. This is what makes the inviting of the private sector so difficult. But the book indicates that the authorities are making special attempts to come to grips with the problem, and evolve a unique solution to the problem.

It was against this background that the State Development Planning Commission asked the World Bank and International Finance Corporation to study China's framework for private participation in infrastructure, determine how China can diversify funding sources for infrastructure projects and promote a wide range of investment models (in addition to BOT schemes).

Sound regulation is also needed to enable China to revitalize its finance sector. Only when domestic firms are used to operating according to market rules and exhibit financial discipline, will banks achieve reasonable repayment rates for their loans. Right now, as per prima facie observation, domestic banks are geared to evaluating corporate structures and lack the sophistication to evaluate these elaborate and intricately structured projects.

Yet a legal framework, involves more than just passing legislation. In many cases, the implementation and enforcement of the legislation, including processes for project approval and subsequent regulation are more problematic to investors than the laws themselves. Thus, an effective legal system should incorporate such fundamental elements as the rule of law, respect for contract rights and an independent court system.

Financing can either be through debt or equity. China relies essentially on debt financing to fund infrastructure projects, particularly as far as the public funded projects are concerned. The private funded projects would be expected to be more efficient and China looks therefore to finance this part primarily through equity financing.

It is worth noting that private participation in infrastructure could be both local and foreign. Most traditional infrastructure projects involving private participation are non-concessional projects, carried out by joint ventures between a foreign equity investor and a domestic company directly or indirectly owned by the central or local Government. In these projects, Government is not a direct party to the contract and does not directly undertake the domestic party's obligation under the contract. Sometimes, a letter of support or comfort is provided, which is not legally binding.

There are various issues, which need to be tackled. Creating and enforcing security is not easy for lenders. Therefore, debt finance is not available for privately funded projects. Chinese banks do not really play a significant role in financing private infrastructure projects. The approval process is more geared towards a corporate setup and the Chinese banks have not yet adapted to the needs of more complex projects. The debt market is dominated by government bonds. Under the annual State Credit Plan, the bond issue quotas are given to ministries and provinces, which in turn make the decision on the allocation of the quotas among the domestic enterprises, subject to the enterprises being rated positively by the certified rating agencies in China.

Bonds can be an important source of financing for infrastructure projects. In the US, for example, local governments are able to mobilize significant private financing through the bond market even though 43% of the water sector (mostly systems in small communities, serving 86% of the population) is publicly owned. But this kind of smooth availability of funds for infrastructure projects requires a developed financial system, where there is a free transferability of financial instruments between one segment and another, depending on market demand. Chinese financial markets have not reached this stage.

Security papers and mortgages are also an issue. Corporate paper, issued by subsidiaries of the Chinese Government, is basically worthless without any backup. The authorities would seldom honor the obligations borne by their subsidiaries. In such circumstances it becomes very difficult to calculate the ROI, thereby hindering private capital flows into key infrastructure projects. If the private party predominates, then the market apparently shows enough confidence to contribute substantial equity money. However, this would not apply in 90% of the cases. Proper backup and guarantee would reduce the cost of infrastructure financing and ensure a smooth flow of funds.

Special status has to be given if the investor has to get his returns in foreign currency. This is where the foreign long term equity market—the insurance and pension funds, would come into their own in China.

The Chinese Government is not happy with the contractual arrangements that provide investors with overly favorable returns and shift certain risks to domestic parties. On the other hand investors have certain reservations about China's business environment—especially the complex but incomplete and ineffective legal and regulatory framework. And approval process, which makes it difficult and time consuming to initiate, execute finance and close projects.

Road Policy

The big obstacle before China is how to raise the capital for construction of the new roads as the need to construct the highway is the need of the hour. In the new project, private sector has hardly contributed 10% of the project and the government loans and tax revenue are not sufficient to cover the future capital requirement.

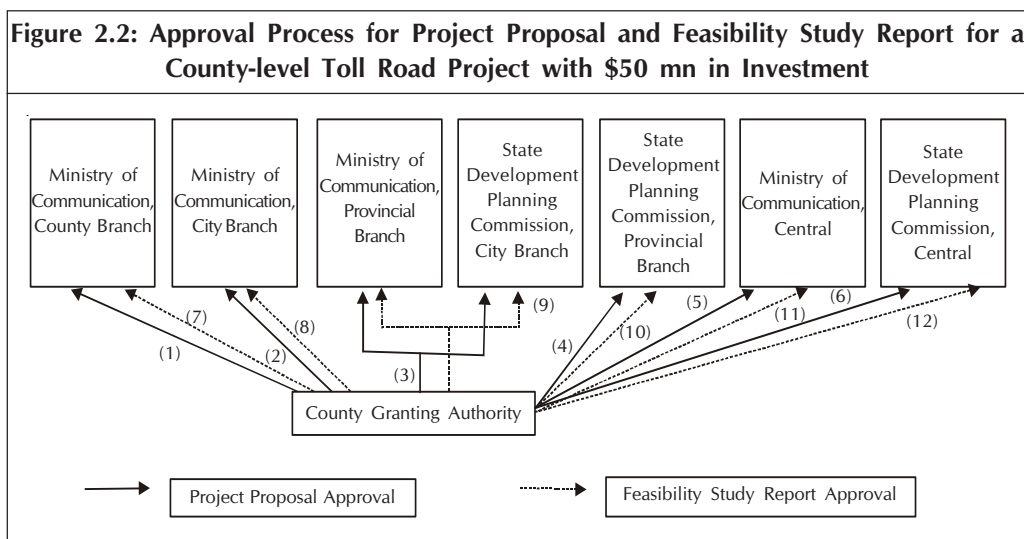
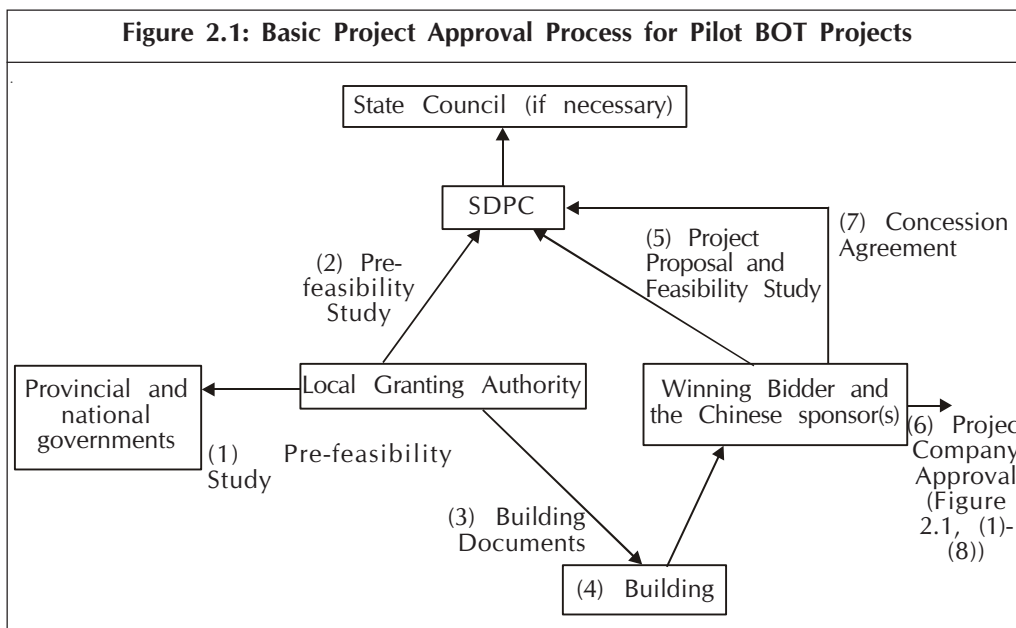
Traditional Sources of funds for road construction in China are:

- Fuel tax
- Vehicle purchase fee
- Road maintenance fee
- User charges
- Central grants
- Local budgets.

Road maintenance fee and vehicle purchase fee, till recently, accounted for 70% of the total highway funding.

However, at the policy level, China has very complicated approval process of the project. This can be more crystal clear if Figure 2-1 and 2-2 are observed carefully. By observing these figures, it is obvious to note that the approval process for BOT projects is however easier than toll road projecting. Such complicate process restricts the participation of private sector. There should be a clearer definition of levels of application of jurisdiction and better levels of transparency and accountability in decision-making. Road Policies may address how to strengthen the institutional and corporate activities to increase the commercial orientation and managerial efficiency of the expressway operating entities, setting the appropriate level and structure of tolls to promote cost recovery and creating an environment to attract private investment.

Current institutional arrangements do not permit a coherent integrated approach to solving urgent and complex problems in road sector because of the fragmented nature of the mandates of the ministries and uncertain relations between provincial governments and the central government. There is the need of policy on public and private financing, which must provide the transparency in the approval process, and contracting. Moreover, the government can assume some risks that are under its direct control (planning risk, political risk, and so on.)



Water and Sanitation Sector in China

Because of the growth in demand, the Chinese government wants to make the water sector more efficient through numerous reforms, including adapting the laws and regulations related to water supply, implementing tariff reforms for water and wastewater, restructuring and corporatizing water utilities, and experimenting with various forms of private participation. Clearly the State plays a crucial role in managing water. The real success in overcoming China's water problem largely depends on how well policy makers respond to the various water related issues confronting them.

Financing of Road Sector in China	
Development Structure	Description
Public Financing	
Asset securitization using Equity offering	Such securitization is sensitive to the market condition and costly to the owner and provides the limited capacity to fund large scale development market sensitive and costly to owner.
Private Financing	
Joint Venture Shareholding company using financing mode like public and private equity, bank loans and user fees.	This Satisfies need for limited development capital but the asset base is not enough for debt financing.
Cooperative Joint Ventures	This is a good framework to attract the foreign capital and it is meant to attract and create the confidence of foreign investors. The process can be made efficient and cheaper by competitive bidding for foreign partners, which would provide the technical experience of equipment along with the equity capital.
International Debt Financing in the 144A Market	China faces a great difficulty in developing workable regulations to permit the financing of highway infrastructure with long-term debt, secured in international markets. This is because of absence of a well-structured legal and regulatory framework.
Securitization of existing highway assets	Mature expressways and bridges with well-defined traffic levels are injected into shareholding companies to generate immediate cash flows and profits, to attract public investors on the exchanges.
Build-Operate-Transfer (BOT)	The Chinese government grants a concession to a foreign-invested project company to construct, finance, operate and maintain an infrastructure project during the term of the concession and own the project. Thus, it offers the dual benefits of additional funds and more efficient provision by encouraging foreign investment, along with effective technology transfer between countries; if any.

China understandably has a complex institutional structure for the water sector, with strong interdependencies across departments and agencies.

- At the state level the main agencies are:
 - The Ministry of Water Resources,
 - Ministry of Construction,
 - State Environmental Protection Administration, and
 - State Development Planning Commission.
- At lower government levels, there are commissions responsible for planning, construction, finance, industry, and environmental protection, all of which could relate to water supply and sanitation. These commissions and bureaus report to both their local government bodies and their state-level counterparts.
- Municipal governments are primarily responsible for providing water and wastewater treatment services, owning and managing more than 60% of water capacity. Unlike water service providers, which have been corporatized (albeit government-owned, under the supervision of municipal public utility bureaus), wastewater companies have only recently been established in a majority of municipalities. Most wastewater systems continue to be managed separately from water systems by municipal management bureaus.

Various studies have shown that water tariffs are very low in China, even lower than water production costs (not including the cost of distribution and commercial management). This reversed relationship between production costs and retail tariffs was evident in several water BOT projects, where the bulk tariff, the project company charged the local water company, was higher than the retail water tariff for end consumers. More and more municipalities are starting to understand the importance of recovering costs and have steadily increased water tariffs. There are also significant discrepancies between water tariffs in different cities, even in the same provinces.

Regulation Related to Water Sector in China
1. Regulation on Management of Pricing of Urban Water Supply (1998): This regulation gives the responsibility to the municipality for approving tariff charges. It has been stated to cover all operations and maintenance, depreciation, and interest expenses by water tariffs along with a 8-10% return on the net value of fixed assets.
2. Circular on strengthening the collection of Wastewater Treatment Tariffs (1999): It talks about the recovery of operations and maintenance costs by charging a wastewater treatment fee; which will replace unregulated and <i>ad hoc</i> fees that were used to finance waste water investments.
3. Interim Provisions on Guiding Foreign Investment Direction and the “Catalogue for the guidance of Foreign Investment Industries” (1995) is one of the regulations, which prohibits foreign investment and management in urban networks of water supply, sewers, and water drainage.
<i>Source: Extracted from the Book.</i>

Private Sector Participation in Water Sector

A large proportion of funds to develop China's water infrastructure is expected to be raised by means of overseas investment, loans and market financing. The political trend is clearly in favor of attracting foreign capital and joint funding to achieve the required water supply and sewage treatment targets. However, private participation in water sector in China is very poor in comparison to other infrastructure sectors. For sponsors got the finance through bank lending in a few cases they take out the money from their corporate balance sheet. The interest in such sector is very low because individual investment in such sector is less than \$30 mn, a threshold at which the approval by the State Development Planning Commission is done. The models that have come up in financing the water sector are management contract, BOT contracts, official or tender BOT schemes, and Concession contract.

BOT contracts can be further broadly divided into three categories,

- Negotiated cooperative joint venture BOT schemes—Follows cooperative joint ventures, which are controlled by either provincial or municipal authorities but the central government supports in a limited way.
- Negotiated wholly privately owned BOT schemes —where the local government agencies only act as the granting authority and regulator and do not take any equity stake. This is in order to avoid any conflict. Example—Shanghai Dachang.
- The third one is official or tender BOT schemes, which involve competitive bidding, central government and off-taker credit support provided by provincial or municipal governments. Example—Chengdu Water Supply and Beijing Water #10.

Examples of Foreign Investments in Water and Sanitation Sector in China
<ul style="list-style-type: none">• In late 2001, US Filter won a \$3.1 mn contract to supply the city of Karamay, China's new Waste Water Treatment Plant (WWTP) with biological and clarification technology.• In August 2002, Thames Water announced its plan to acquire 48.8% stake in the Hong Kong-based China Water Co for \$72 mn, thus, expanding its operational and technical expertise in China.• Ondeo has a contract for the equipment and site supervision of a drinking water purification plant (150,000 m³/d.) in Changzou.• In May 2002, Ondeo signed two new contracts in China for a total value of almost EUR 460 mn. In Qingdao, Ondeo was chosen to manage a 25 year contract to supply drinking water to 2.3 mn residents. In Shanghai, Ondeo is reconstructing two drinking water treatment plants located in Nanshi and Yangshupu.• Vivendi recently signed a 23 year contract worth \$307 mn with the Chinese municipality of Baoji (population 500,000) for the refurbishment and extension of two drinking water treatment plants and their operation.
<i>Source: www.aquamedia.at</i>

Recommendation of World Bank for water and sanitation sector—The promotion of a broad range of private participation models in Water is what is being encouraged. In addition to concession schemes, the Chinese Government has been urged to look at other models of encouraging private participation in the water sector. Two of them could be the management contract model and the leasing contract model. The management contract model looks at getting the private party, essentially to handle the management operations, without incurring much of the financial risk. The leasing contract model allows all the facilities to be leased by the Private parties at a regular rental. Here commercial risks as well as operating risks are borne by the private party. However, the ownership responsibility and hence financing of the capital investment would not be borne by the private party.

The generation of different models would create a wider range of options and hence greater Private participation. What is needed is the sophistication and know-how to handle such options.

Power Sector

Power is a complicated issue because it is one of the most basic of the infrastructure sectors and invariably ties up with the weaker sections of society, particularly in a developing country. China's power sector has performed impressively during the past 20 years in support of economic growth and has made substantial institutional and organizational reforms. The first entails separating generation from distribution and transmission and splitting the generation assets among a number of market players. During this phase, generators will bid for dispatch into a mandatory energy pool from which a single buyer would purchase the energy. The second phase would commence with the creation of secondary markets and power trading facilities. Reforms are at an early stage and a number of power projects are being plotted. In terms of growth, the numbers are impressive, but the institutional framework is yet to be fine-tuned. An effort is on to separate policy and regulation from ownership and management.

Management of the sector has been reorganized at the Central, State and Provincial levels. The state power corporation owns the national transmission and distribution systems as well as nearly half of the generation capacity. There are seven regional power groups and 32 provincial groups. There is an effort to develop indigenous technologies. Ultimately, they will divest their ownership in generation assets, to a great extent.

China permits private investment in power generation but not transmission and distribution. Private participation in generation rose throughout the 90's. By 2000, there were as many as 95 projects, which had substantial private sector participation and involvement.

Most of these projects have been "non-concessional" i.e., they are joint ventures between foreign investors and government power companies. Of late, the BOT model and the other variants are being explored. Joint ventures are very popular, because they give the Chinese Government a substantial amount of control.

Private sector projects contain the following features

- Support letters from the relevant agencies of the government, due to the absence of a comprehensive legal framework
- Heavy reliance on international debt financing which increases the foreign exchange risks.

Trading Models for a Competitive Power Market

The following areas need to be addressed in order to implement the secondary stage of reforms.

- Integrated planning.
- Increasing civil penalties for generator abuse.
- Providing competitive markets for ancillary services.
- Expanding the scope of existing Laws on open access to infrastructure.
- Developing the financial market to close the loop between it and the physical market.
- Streamlining changes to the market code (which needs to be incorporated).
- Developing firm access arrangements for transmission.
- Reviewing the value of lost load to determine the effect of the price cap on investment in peaking plants.
- Improving the relationship between the dispatch price and the settlement price.

Recommendations of the World Bank for Power Sector in China

- A consistent legal and regulatory framework.
- A proper market governance structure.
- More transparency and access to relevant information.
- Drafting of proper power purchase agreements.
- Proper hedging techniques to handle the currency conversion.
- Proper evaluation of the creditworthiness of various participants.
- Management of fuel markets.

Strengthening the market structure all around will help the secondary structure of power reform to evolve. However, the market is currently in its first phase of reform and moving towards the second. The adoption of suitable power purchase agreements and the drafting of the same is a significant skill that needs to be redressed through suitable training.


Conclusion

Thus, the book states that China is one of the fastest and alluring infrastructure investment markets in the world, but the need is to have the easy and simple approval process of the projects. However, it has been observed that the private financing in China is far better than other countries, but China, being a large country, needs a huge investment in infrastructure and there are big opportunities out there for the same, provided the mechanics are right. This Book has elaborated the issues in a systematic and professional manner. However, the fact remains, that even without all these prescriptions, China continues to outstrip most other countries in growth and development pace. Therefore, the discerning reader, while accepting these prescriptions as the classical way to go, would also

acknowledge that perhaps China has found the formula to develop infrastructure faster and more efficiently than any of the “prescription models” would make us believe. At the same time, they have not been slow to appoint esteemed consultants to look into the intricacies and detail, while retaining sovereignty on the basic principles and norms that shall be followed. The Chinese government needs to focus on certain issues that the World Bank has recommended in order to attract more investors. There are other issues, which have been covered in this book, and it is a very handy snapshot of the core issues affecting China’s infrastructure.

In particular, China is yet to fully address its concern over loss of control in vital infrastructure projects and the proper or optimum risk transfer scenario between the overseas investors and the domestic investors. Once they are able to successfully do this, they would then successfully launch themselves into the secondary stage of reforms, which much better than most other countries are able to achieve.

The core of the matter seems to be the ability of a developing country to absorb what is necessary for it and reject what does not serve its purposes. Considerable skills and know-how are required to know which is which, in actual practice. This book, by laying out all the core issues, offers considerable food for thought about acceptance, rejection and more importantly, suitable adaptation and assimilation of these principles to suit the local culture.

India has much to learn from China in this regard. However, the “techniques and technologies” are of great value and offer possibilities of adapting some of them to the local environment. India is perhaps more fortunate in this regard, in having many of the features more suitable to the adaptation of such models. Therefore, we urge practitioners to read the actual book, a soft copy of which can be downloaded on http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2003/06/21/000094946_03061104024592/Rendered/PDF/multi0page.pdf 

Reference # 27J-2004-09-06-03