Supporting the Development of PPPs in the People’s Republic of China
An International Perspective

Executive version
March 2015
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Foreword

Visiting London in 2014, Premier Li Keqiang described the UK and China as ‘Partners for growth, reform and innovation’. This statement is backed-up by the statistics: latest data from China’s Ministry of Commerce show that the UK remains China’s most popular European investment destination, and that the UK is China’s second largest European trading partner. Late last year the UK became the first sovereign outside China to issue an RMB bond, supporting London’s establishment as Europe’s most vibrant centre for RMB business.

Our policy partnership is also unrivalled, covering all aspects of financial, healthcare, science, energy and education policy. One area of especially fruitful cooperation in recent years, which has been discussed in successive UK and China Economic and Financial Dialogues, has been the development of public private partnerships in China.

Premier Li Keqiang, when he visited London, called on the UK and China to boost cooperation on urbanisation. With China needing to build new town houses for the equivalent of the population of London every year for the next 15 years, the prize is huge. The UK, with its long history of mobilising private finance and designing new and better ways for the private and public sector to work together to produce better infrastructure and services for its citizens, is uniquely well placed to support China in this endeavour. We have a long track record stretching back over 20 years to the time when we first pioneered the use of PPPs in this country, and we now finance over 60% of our total infrastructure with private finance and a further nearly 20% through different forms of PPPs.

This Report, and its two accompanying Reports, prepared by Infrastructure UK, makes an important contribution to this shared endeavour. At home, Infrastructure UK are responsible for developing the UK’s infrastructure and PPP policies and, internationally, for providing advisory and training support to foreign officials. Infrastructure UK have had the privilege of visiting China multiple times in developing these reports and have received many delegations from China, including from the National Development and Reform Commission, the Ministry of Finance and local governments.

The aim of these Reports is to assist the Chinese government by providing an international perspective on the development of PPPs in China and to make suggestions on ways in which these important reforms could be taken forward – drawing on our own experience in the UK and from around the world. Although of course, first and foremost, China’s policies will need to reflect China’s own specific circumstances, I hope Chinese policymakers at both central and provincial level find that these Reports provide a practical contribution and I look forward to many more years of productive policy collaboration between the UK and China on PPPs.

George Osborne
Chancellor of the Exchequer
Introduction

China’s Third Plenum set out a path to redefine the relationship between the government and the market and stated an ambition to “let the market take the decisive role in allocating resource.” Alongside the broader reform agenda intended to develop a joint ownership economy and to increase cooperation between government and social capital, there is growing senior level commitment to developing Public Private Partnership (“PPP”) approaches. Infrastructure UK (a unit within HM Treasury (“IUK”)) would like to contribute to this process and to help the People’s Republic of China (“PRC”) take forward its PPP development strategy, and has accordingly investigated its institutional frameworks and produced three reports as follows:

- Report 1 (this Report): “Supporting the development of PPPs in the People’s Republic of China – An International Perspective”
- Report 2: “The Setting up of a Specialist PPP Unit to take forward the PPP programme in the People’s Republic of China” and

In Section 2 of this Report IUK suggests a possible Eight Point Plan or framework for the development of PPPs in the PRC. Section 3 contains suggestions as to the timing and overarching considerations for reform. Section 4 contains recommendations for the taking forward of reform and Section 5 contains a more detailed review of the overall enabling environment for PPPs in the PRC.

The thinking in this Report has developed out of the engagement IUK has enjoyed over the last two years with various delegations from China, including with the National Development and Reform Commission, the Ministry of Finance and local governments, and from IUK’s visits to China referenced in Annex A.

IUK would, in particular, like to record their thanks to the:
- Ministry of Finance,
- National Development and Reform Commission,
- China PPP Centre, MOF
- Economic Research Institute,
- PPP Research Committee of the China-Public Finance Academy,
- National Health and Family Planning Commission of MOH,
- Department of Housing and Urban Development,
- Asian Development Bank,
- various British Companies doing business in China,
- Hefei Municipal Government,
- Shenzhen Municipal Government.
for the very helpful meetings which IUK enjoyed with them during their field research.

We would also like to thank the British Embassy, and in particular Henry Bell, Zheng Weiwei and Huang Zhenqian, for their tireless support in making all this possible.

We have discussed the ideas in this Report with China as they have emerged during the course of this collaboration and recognise the progress that has already been made in many areas. Development of PPPs is a journey. These three Reports are intended as a guide not a blueprint for this and the precise route and timetable for change is of course for the Government of China. If however, as part of the ongoing United Kingdom cooperation with the Government of China, the Government of China felt that further discussions of these ideas was useful, IUK would be happy to re-engage with them on this journey.
We suggest that the PRC may wish to consider an Eight Point Development Plan for PPPs in China as follows.

Box 2.A: Eight Point Plan for the Development of PPPs in the PRC

1. Consulting and finalising the PPP law, while at the same time developing:
   - PPP policy,
   - PPP guidance, and
   - PPP contract standardisation models.

2. Developing an investment and communications plan including:
   - pathfinder projects, a project pipeline and, ultimately, a national plan that reflects PPP policy drivers, sector priorities and delivery model priorities.

3. Developing administrative methodologies for PPPs including:
   - a business case approach for project preparation,
   - appraisal and evaluation techniques (including Value for Money tests),
   - approval processes,
   - procurement procedures,
   - audit procedures, and
   - benefit capture and feedback processes

4. Developing an overall governance framework designed to:
   - appraise, approve, monitor, audit and ensure successful delivery of the PPP programme.

5. Setting up:
   - the central PPP unit as a focal point for PPP expertise and to drive forward the PPP programme,
   - sector specific PPP units in key ministries to help disseminate it, and
   - an appropriate regional network.
Eight point plan for the Development of PPPs in the PRC

6. Developing public sector PPP knowledge and policy design expertise through:
   - training programmes for GOC and provincial officials,
   - recruitment of commercial expertise to build up the Unit,
   - use of expert advisers, and
   - experience from pathfinder projects.

7. Developing infrastructure funding and financing options and risk mitigation tools to:
   - facilitate private financing of infrastructure.

8. Creating PPP management and monitoring tools so as to:
   - capture information centrally,
   - develop control totals for PPPs, and
   - monitor and safeguard the use of PPPs at subnational level,
   all in the interests of improved transparency.

Practical suggestions for the carrying forward of each of these eight elements of development are set out in Section 4.

Alongside the development plan we further suggest that the following three pre-conditions to the successful development of PPPs need to be considered.

Other Important Preconditions to the successful introduction of PPPs

1. Political commitment from high-level PPP champions that demonstrate support to the PPP programme and communicate high-level policy drivers.

2. A competitive market place for the bidding of contracts and provision of finance.

3. Enforcement of PPP contracts by courts free of political influence.

These are considered in Section 3.3.
3.1. Timing of Reform

The backdrop for introduction of PPPs to the PRC is complicated. PPPs may be seen as part of a broader process of reform – both influencing and being influenced by it. It is therefore not self-determining. The timing, necessary steps, and the order of the steps for introducing PPPs to the PRC therefore cannot be viewed in isolation and will be a matter for the GOC to determine.

3.2. Transitional Arrangements

It is clear that the introduction of PPPs to the PRC poses very real challenges and will need to be taken forward in a pragmatic way. The solutions reached in other countries will not necessarily be directly applicable. In particular, in order to move to a fully-fledged PPP model and administrative structure, transitional measures may need to be taken.

3.2.1. Transitioning Economy

Introducing PPPs to a country can produce many benefits. In addition to the obvious one of leveraging in private finance to an economy to boost infrastructure growth, PPPs can produce improvements to public service provision and can change the way in which the public and private sectors engage with each other. In short they can be an instrument of social change and may provide a stepping stone to move from a centrally controlled state economy towards a more commercial market-driven economy; we understand that the GOC are particularly interested in the “commercialisation” and increased transparency benefits that PPPs can bring.

### Transitioning Finance Sources

- **STATE - DRIVEN ECONOMY** → **PPPs** → **MARKET- DRIVEN ECONOMY**

3.2.2. Transitioning Partners

We have been informed that the PRC has already done many thousand PPPs. Our understanding is that most of these PPPs have been entered into between a public body and a state
3.2.3. Transitioning Finance Sources

Currently most Chinese PPPs are set up with finance from state or other public sector banks. In order to allow room for private finance to enter PPP competitions the GOC will need to find ways of stepping back from state financing. Furthermore the rate of interest that private sector lenders may require may not match the rate that state lenders can offer. As a transitional measure therefore there may be some cost consequences.

Thus the financing aspects of PPPs may also need to pass through intermediate phases of development with, initially, State Bank finance giving way to Chinese private sector finance and then, ultimately, opening up to overseas private sector finance. To move directly from State Bank finance to overseas finance at the outset may be too big a jump (for example as regards necessary changes to forms of PPP contract and procedures). We suggest that the initial aim could be to make such reforms as are necessary to attract private finance from within the borders of the PRC, with a view to concentrating on attracting international finance at the next stage, as illustrated below. This is the development course taken by many countries when introducing PPP programmes.

This suggestion is driven, in part, by the thought that domestic lenders are likely to be less concerned than international lenders over issues such as political risk, independence of judiciary and enforceability of contracts against public bodies. Traditionally international lenders are more likely to join the market once some track record in these areas is demonstrated (though multilaterals may take a more
pragmatic approach).

It is therefore suggested that initial “stage 1” reforms are aimed at mobilising private sector finance within China for PPP projects in China, and that later, as a “stage 2” matter, further reforms are considered which are aimed at attracting overseas investors into China.

This assumes that any market reforms necessary to achieve stage 1 (domestic private finance) may be achievable if there is political will to push them through (and we are aware of GOC’s recent pilot project to establish five banks owned entirely by private companies as it continues to liberalise the financial sector). If however GOC considers that any reforms necessary to develop an internal private finance market will take too long, the position could be reconsidered and perhaps some progress could be made on both fronts (domestic and international) at once.

### 3.2.4. Transitioning Finance Methodology

The typical, though not universal, finance methodology used for PPPs is project finance. A project finance structure brings a number of benefits. It:

- insulates the contractor (as a “special purpose company”) from being brought down as a result of any other business outside the PPP project,
- does not use up the balance sheet capacity of the contractor’s parent body,
- offers committed longer term tenors than balance sheet finance can typically provide, and
- ensures that lenders take a rigorous approach towards conducting due diligence over the project (since it is the primary source of debt repayment repayment) and supervising the ongoing performance of the project by the contractor.

The usual methodology in the PRC however is a balance sheet financing approach (without using a special purpose project financed company). While it is possible to finance PPPs on either basis (for instance this approach is common in India (though these loans have a shorter tenor and require refinancing) and also in the waste sector in the United Kingdom) in order to reach the full potential for PPPs in the PRC it may be beneficial to introduce something more akin to a project finance approach and see if the market may start transitioning towards this. We recognise however, given the current liquidity in the PRC’s domestic market, that this may not be an immediate priority.

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1 Including Alibaba, Tencent, Fosun. The Financial Times of 11.3.14 quotes Chinese Banking Capital as being 12% private investment based.
3.2.5. Transitional Central vs Regional relationship

We understand that the huge majority of PPP projects in the PRC take place at local/provincial level. A particular challenge that the GOC will therefore need to consider, as part of the broader relationship between the local regions and the centre, is how to regulate or influence PPPs at a local level. PPPs are difficult to achieve and need powerful central control in order to push through the necessary changes, yet the GOC at present is moving towards providing greater levels of autonomy to the provinces. The GOC will therefore need to find ways (perhaps through funding or approval mechanisms) to ensure that its PPP methodology is consistently and uniformly rolled out to the regions.

There is a risk that the centre and the regions could embrace the new PPP approach with different ideas in mind, for example with:

- the centre looking for greater levels of transparency in local finance, and
- the regions looking for additional sources of off-balance-sheet borrowing.

The GOC will therefore need to ensure that PPPs are not misused and will need to consider how to deal with PPPs as part of their overall financial supervisory and control arrangements. The unconstrained use of off-balance-sheet PPP financings can damage national economies (as revealed in the recent world-wide financial crisis).

3.2.6. Transitioning Governmental Role

PPPs may also help evolve the role of government away from that of primary provider of services with involvement in micro level matters in the market, towards a more developmental and regulatory market role. The recent Chinese government circular talks of “the transition of role from direct “provider” of public goods to “partner” of the private capital and “supervisor” of PPP projects.”

3.3. Three preconditions to Successful PPPs

Alongside these transitional arrangements there are three key preconditions which will need consideration as follows.

3.3.1. Political Support

Introducing change is difficult – and the changes required successfully to introduce PPPs to a country are significant. The process will only succeed therefore if it has political support from the highest authority. This has been demonstrated in countries around the world. Where such support is present however successful introduction of PPPs may result.

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2 NDRC [2014] No 2724 Guidance of NDRC on PPPs. See also MOF [2014] No 76.
3.3.2. Competitive Market

The driving force behind all successful PPP programmes is competition. If PPPs are introduced without the essential element of competition, the transformational effects which they can produce and the value for money benefits they can drive are unlikely to be fully realised. For a Chinese PPP programme to be successful it may therefore be necessary to change not only the way contracts are written but how they are procured – and if the way in which PPP contracts are produced is changed, then the way in which other infrastructure contracts are procured can also change. Thus can PPPs be the catalyst for producing broader change in an economy. The extent to which PPP procurements should be opened up to the additional competitive pressure that overseas bidders can bring is a matter for the GOC but such an opening up is capable of producing additional sources of expertise and technology as well as finance.3

3.3.3. Enforcement of Contracts

Historically the PRC has tended to manage relationships and sort out disputes outside the courts. Under PPPs a lot of emphasis is put into trying to reach a complete agreement through the terms of the PPP contract and lenders, in particular, view the ability to enforce the contract, even against state bodies, in an impartial court of law, as an essential part of the overall business environment. 4 This is likely to be more of an issue for overseas banks than domestic ones and is a reason why initially the GOC may wish to concentrate on the domestic finance market.

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3 MOF Circular [2014] No 113 On Printing and Issuing the PPP Operations Guide, at Chapter 3 section (G) endorses such a competitive approach by providing that PPP procurements shall comply with the Government Procurement law of the PRC and relevant rules and regulations and be realised through public tendering, competitive negotiations, selected bidding, competitive consultations and single source procurement and that the Project Implementation Agency shall choose the appropriate procurement method according to characteristics of demand. Further detail is then provided on the PPP procurement process.

4 MOF Circular [2014] No113 On Printing and Issuing the PPP Operations Guide, at Chapter V article (30) now envisages this possibility by providing “If dissatisfied with the administrative supervision of government departments, the private capital or Project Company may apply for administrative reconsideration or administrative proceedings.”
The headings below are taken from our suggested Eight Point Development Plan presented in the previous Section. Against each point is a number of practical suggestions for the further development of the PPP operating environment in the PRC.

Each of these suggestions is derived from our more detailed analysis of the PRC’s enabling environment for PPPs in Section 5. Cross references to this more detailed analysis (and, where relevant, to our other two Reports) are made in the text below.

The Eight Point Development Plan

1 Consulting and finalising the PPP law, while at the same time developing (a) PPP policy (b) PPP guidance and (c) PPP contract standardisation models.

**Box 4.A.Suggestion 1 A**

We suggest that the GOC:

- should be developing its policy now in parallel with the law – and as an important precursor to its contract standardisation work.

**Box 4.B.Suggestion 1 B**

We suggest that the GOC may aim:

- to create a regulatory pyramid with high level general empowering law at the top and more detailed and flexible policy, guidance and contract layers beneath - as illustrated below.
2 Developing an investment and communications plan including pathfinder projects, a project pipeline and, ultimately, a national plan that reflects PPP policy drivers, sector priorities and delivery model priorities

Box 4.C.Suggestion 2

We suggest that the GOC considers developing an investment and communications plan to demonstrate high level commitment and also to:

- inform and give confidence to the private sector (contractors and lenders),
- reflect policy, sector and delivery-model priorities, and
- make clear where PPPs could play a role.

This could include:

- encouraging provinces to develop their own provincial or wider regional plans,
- development at the centre of the pathfinder list into an overarching narrative which informs provincial plans and deals with cross-cutting issues, and
- setting up portals for the communication of PPP programme data.

An infrastructure plan also provides government with a mechanism to monitor progress on the delivery of projects and to intervene where necessary.

A truly national infrastructure plan, developed along strategic lines, can provide benefits as:

- a Planning tool (to ensure the right projects are prioritised for the country, optimising value for money of government spend),
- a Strategic tool (to facilitate a “joined up” approach in government and facilitate growth),
- a Marketing tool (to provide a focus for domestic and overseas investors), and
- a Delivery tool (to provide a focus for tracking project delivery and accountability).

3 Developing administrative methodologies for PPPs including (a) a business case approach for project preparation (b) appraisal and evaluation techniques (including VfM) (c) PPP approval processes (d) procurement procedures (e) audit procedures and (f) benefit capture and feedback mechanisms, all within an overall governance framework
Box 4.D. Suggestion 3 A

We suggest that the GOC:

- develops a standardised business case methodology to assist in the assessment and approval of PPP projects and that tests of affordability, deliverability and value for money be key determinants,
- considers how this can be used at both central and local levels, and
- develops policy to deal with value for money methodology.

In the United Kingdom all PPP and other large or complex projects have to go through a “business case” preparation and approval process in order to ensure that they are set up on the right basis and likely to offer value for money.

The business case format, to assist in the preparation and evaluation of PPP projects, should:

- help GOC decide if a proposed project is a good project for the GOC,
- include an options appraisal,
- include a cost benefit analysis,
- demonstrate what type of contract would offer “best value for money” (on a whole life cost and risk basis),
- help it decide if it was suitable for private finance,
- demonstrate that it was affordable, and
- demonstrate that it was deliverable

The business case and VfM methodologies should then be placed within the overall governance structure for PPPs.

Box 4.E. Suggestion 3 B

We suggest that the GOC takes further steps to develop standard PPP documentation and contracts.

Box 4.F. Suggestion 3 C

We suggest that the GOC:

- further develops its procurement methodologies relevant to PPPs and that
- whatever procurement model is used it is important that some real element of competitive tension is introduced (as regards both contractor and lender) for PRC PPP tenders.
4 Developing an overall governance framework designed to appraise, approve, monitor, audit and ensure successful delivery of the PPP programme

Box 4.G. Suggestion 4 A
We suggest GOC develops an overall governance structure for PPPs that:

- provides layers of support/expertise where needed (and this may be at departmental and sub-national level as well as at the centre),
- provides challenge, and approval, hurdles at relevant stages to the procurement/delivery team,
- is joined up with broader procedures - in particular as regards approval regimes,
- ensures that approval decisions are properly informed by business case scrutiny,
- is transparent and gives reasons for decisions,
- ensures PPP liabilities are transparent and recognised,
- separates approval responsibility from procurement/delivery responsibility,
- separates audit responsibility from approval and procurement responsibility, and
- puts in place procedures to deal with any potential conflicts of interest.

Box 4.H. Suggestion 4 B
We suggest that:

- either the PPP Unit, or the Ministry with the responsibility for planning projects, should take the lead in co-ordinating Government approvals,
- public bodies should include, as part of their project business plans, a strategy for obtaining necessary approvals
- procuring authorities should spend more time on obtaining or facilitating approvals (especially as to land and its development - and the relocation of people) in the early stages of a procurement – rather than leaving this as a matter for the bidder to deal with later on in the process, and
- departments and local authorities (who have their own approval processes) should only come to the centre for approval when their project has been approved by the relevant local / departmental process.
5 Setting up (a) the Central PPP unit as a focal point for PPP expertise and to drive forward the PPP programme and (b) sector specific PPP units in key ministries to disseminate it.

We understand that the PRC is currently investigating the creation of a central PPP unit.

Box 4.1. Suggestion 5 A

We suggest that the PPP unit:

- has an influential location within Government and with a clear and strong governance structure,
- is given sufficient powers and responsibilities to be able to effectively regulate the PPP programme,
- is allowed to recruit and retain experts with commercial experience in PPPs,
- is set up for the long term so that it provides a permanent knowledge base and long term corporate memory for the PPP programme, and
- is part of an overall institutional governance structure.

PPP Units can be given a range of powers and responsibilities; these can include long term strategy (PPP infrastructure planning), PPP policy, business case scrutiny, approvals, procurement/delivery support, finance, market outreach, and communications, project monitoring, data collection and reporting. A natural progression for the activities of a PPP unit is set out in the box on the left.

For further detail and further recommendations for the unit, please see also IUK’s separate Report 2 entitled “The Setting up of a Specialist PPP Unit to take forward the PPP Programme in the People’s Republic of China.”
Box 4.J. Suggestion 5 B

We suggest that, alongside the setting up of the central unit, the GOC should (a) encourage key delivery departments to set up their own units and (b) consider the extent to which it should plan and support the setting up of further PPP units at regional, provincial and even some large town levels.

Section 8.8 of our Report 2 “The setting up of a specialist PPP unit to take forward the PPP programme in the PRC”, provides further details and suggestions on how to address this.

6 Developing public sector PPP knowledge and policy design expertise through a mixture of (a) training programmes for GOC officials (b) recruitment of commercial expertise to build up itsPPP Unit (c) use of expert advisers and (d) experience from pathfinder projects.

Box 4.K. Suggestion 6 A

We suggest that the GOC increases its central knowledge base through a combination of:

- training programmes for public sector officials,
- recruitment of private sector commercial experts from the private sector,
- secondments, and
- appointment of expert advisers, and
- experience from pathfinder projects.

More detailed recommendations are in our separate Report 2 entitled “The Setting up of Specialist PPP Unit to take forward the PPP Programme in the People’s Republic of China”.

Box 4.L. Suggestion 6 B

We suggest the GOC may wish to consider if it should relax any restrictions on overseas experts working in the PRC in order to ensure an adequate supply of good quality advice is available for its PPP projects and support the further development of the local advisory industry.
7 Developing infrastructure funding and financing options and risk mitigation tools to facilitate private financing of infrastructure.

Box 4.M.Suggestion 7 A

We suggest that the GOC further investigates infrastructure funding and financing options and risk mitigation tools which may be appropriate for the PRC. This could include:

- review and assessment of prevalent international financing instruments that have been used for the development of PPP infrastructure projects directly or indirectly, including capital contributions, dedicated annuity funds, infrastructure development funds, public sector equity funds, public sector infrastructure development banks, co-lending facilities and international financial institutional funding,
- review and assessment of prevalent international risk mitigation instruments for PPP development, including government guarantees, and third-party financial guarantee instruments used to backstop government obligations (e.g. Asian Development Bank and other Multilateral Development Banks’s Partial Risk Guarantee (PRG) and Partial Credit Guarantee (PCG) instruments, International Financial Institutions (IFI)/bilateral and private sector risk mitigation instruments),
- review of funding options available in the PRC for PPP development,
- identification of critical areas/limitations that may be hindering the development of specific risk mitigation and funding solutions for PPPs, and
- adoption of risk mitigation and funding mechanisms that may be best suited for PPP projects (both concession and availability based) in the PRC.

One area where there is a particularly urgent need for clarity, is the extent to which it is legitimate to include pricing and volume mechanisms and protections on transport and other concession projects.

Box 4.N.Suggestion 7 B

If the PRC wishes to encourage private sector investment in transport and other concessions:

- it will need to be clear what protections it can legitimately provide as regards price and volume risk to lenders,
- in the longer term, the GOC may also need to develop more transparent and predictable regulated pricing regimes, and
- it may also consider other models such as “availability based” contracts.

See further our Report 3 “Standardisation of PPP Contracts in the people’s Republic of China” at Annex B.
Creating PPP management and monitoring tools so as to (a) capture information centrally (b) develop control totals for PPPs and (c) monitor and safeguard the use of PPPs at subnational level, all in the interests of improved transparency.

**Box 4.O.Suggestion 8 A**

We suggest that the GOC:

- keeps information (which could be published annually) recording key information about the PPP projects which are entered into and in particular the liabilities incurred by the public sector,
- in due course, considers whether any overall control limits are needed, and
- as a secondary matter (and as part of any broader reform of national/sub-national finance) considers how existing PPP projects are recorded.

As regards the taking forward of PPPs in the provinces:

**Box 4.P.Suggestion 8 B**

The GOC may consider an approach involving:

- mandating that all PPPs using central funding be subject to central approval and regulation,
- ring-fencing some funding for local authorities for local PPP projects which authorities can bid for (and which will be subject to regulation),
- possibly going further and requiring PPP projects above a certain size (whether centrally or locally funded) be subject to central approvals.
5

Review of China's PPP Frameworks

Intentionally omitted.
This Report has followed the following work plan:

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<th>Stage</th>
<th>Activity</th>
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<tr>
<td>Stage 1</td>
<td>Initial visit to collect opinions and views from relevant stakeholders in the Government of China</td>
<td>Completed 28 July - 1 August 2014</td>
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<td>Stage 2</td>
<td>Produce first draft report</td>
<td>Completed September 2014</td>
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<tr>
<td>Stage 3</td>
<td>Second visit to PRC to obtain feedback on draft report</td>
<td>Completed December 2014</td>
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<tr>
<td>Stage 4</td>
<td>Produce second draft Report</td>
<td>January 2015</td>
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<tr>
<td>Stage 5</td>
<td>Finalise and issue Report</td>
<td>January/March 2015</td>
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and is subject to the qualifications set out in Annex B.
B  Qualifications

This Report is subject to the following qualifications:

1. This Report has been made for the GOC only.

2. The statements made in this report have been made honestly and in good faith and on the basis of IUK’s general PPP experience in the United Kingdom and overseas.

3. Statements regarding the legal environment or practice in other jurisdictions have similarly been made honestly and in good faith, but have not been the subject of due diligence, are not warranted, and cannot be relied upon to be accurate.

4. IUK is not a legal firm and shall not, in this report, be taken to be giving any legal, financial, accounting, tax or other technical advice or warranty. IUK will bear no liability that the Government of China or any of its institutions may incur in any way arising out of this Report.