

## **Legal Risk Impact in Public Private Partnerships (PPPs): The Case of the Chinese Water Sector**

Asheem Shrestha\* and Igor Martek\*\*

*China is currently experiencing a rising demand for water, combined with limited funding availability for water project procurement. Consequently, local Chinese governments have sought procurement solutions by experimenting with public private partnerships (PPPs). However, the legal risk in PPPs, particularly in the water sector, remains high. Legal risk refers to risk arising from the legal and regulatory systems surrounding PPPs. Past research have identified legal risk in PPP projects in China as critical, however the stages at which they are significant have not been studied. This paper examines the legal risk associated with PPPs in the water sector in China and measures the degree of risk across three key stages; 1) Procurement, 2) Construction and 3) Operation. The interrelationship between legal risk at these three stages is also investigated. The significance of the risk was measured by determining the probability and severity of the risk. Correlation analysis was used to investigate the relationship between legal risks across the three stages. Our findings are that legal risk is present at all three stages, at close to moderate levels, with risk significance greatest at the operational stage. Moreover, while no correlation was identified for legal risk at the operational stage with those of earlier stages, it was found that legal issues arising during the procurement stage significantly exacerbated any further legal issues that emerged during the construction stage of water projects. The findings from this study will be significant in providing practitioners with the information to manage this risk at different stages of PPP projects.*

**Field of Research:** Risk Management