

# Overview of Contractual, Risk Allocation, Technical and Financial Aspects

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# 6-WAY VIABILITY TEST

## L-O-T S-E-E

- 1**  **LEGALLY JUSTIFIABLE**
- 2**  **ORGANIZATIONAL PREPAREDNESS**
- 3**  **TECHNICALLY FEASIBLE**
- 4**  **SOCIALLY SUSTAINABLE**
- 5**  **ECONOMICALLY VIABLE**
- 6**  **ENVIRONMENTALLY COMPLIANT**

# Contents of Project Study

1. needs analysis
2. affordability assessment
3. value for money assessment
4. preliminary risk assessment
5. stakeholder assessment
6. human resource assessment
7. bankability assessment
8. legal viability assessment
9. market testing if relevant
10. PPP Option recommendation
11. indicative transaction implementation plan
12. draft PPP contract

# 4 Clusters of PPP Risks

Policy and  
Political

Economic and  
Fiscal

Process and  
Legal

Environmental  
and Spatial

# 52 PPP Risks

## A. Policy and Political

1. Succession
2. Corruption
3. Legislative
4. Regulatory
5. Risk mismatch
6. Taxation
7. Audit
8. Political Force Majeure

## B. Economic and Fiscal

9. Credit
10. Demand
11. Economic
12. Cost
13. Foreign exchange
14. Gearing
15. Inflation
16. Insurance
17. Interest
18. Life cycle costs
19. Market competition
20. Market familiarity
21. Payment mechanism
22. Revenue tariffs
23. Sponsor

# 52 PPP Risks

## C. Process and Legal

- 24. Acquiring planning approval
- 25. Bid process
- 26. Consortium structure
- 27. Counterparty
- 28. Feasibility studies
- 29. Legal/ Capacity
- 30. Local partners Interface
- 31. Social or protester
- 32. Time

## D. Environmental and Spatial

- 33. Asset quality
- 34. Availability
- 35. Commissioning or start-up
- 36. Construction
- 37. Demographic
- 38. Design
- 39. Environmental
- 40. Force majeure
- 41. Ground conditions
- 42. Installation
- 43. Operational
- 44. Technology
- 45. Project management ability
- 46. Project performance
- 47. Raw material Supply
- 48. Residual value
- 49. Site Acquisition
- 50. Usage
- 51. Volume
- 52. Weather

# Sample Risk Allocation Matrix

Risk	Public	Private	Shared
Design		X	
Construction		X	
Finance		X	
Technology		X	
Regulatory Process			X
Traffic Revenue			X
Environmental Compliance	X		
O&M		X	
Approval Process	X		
Change in Law	X		

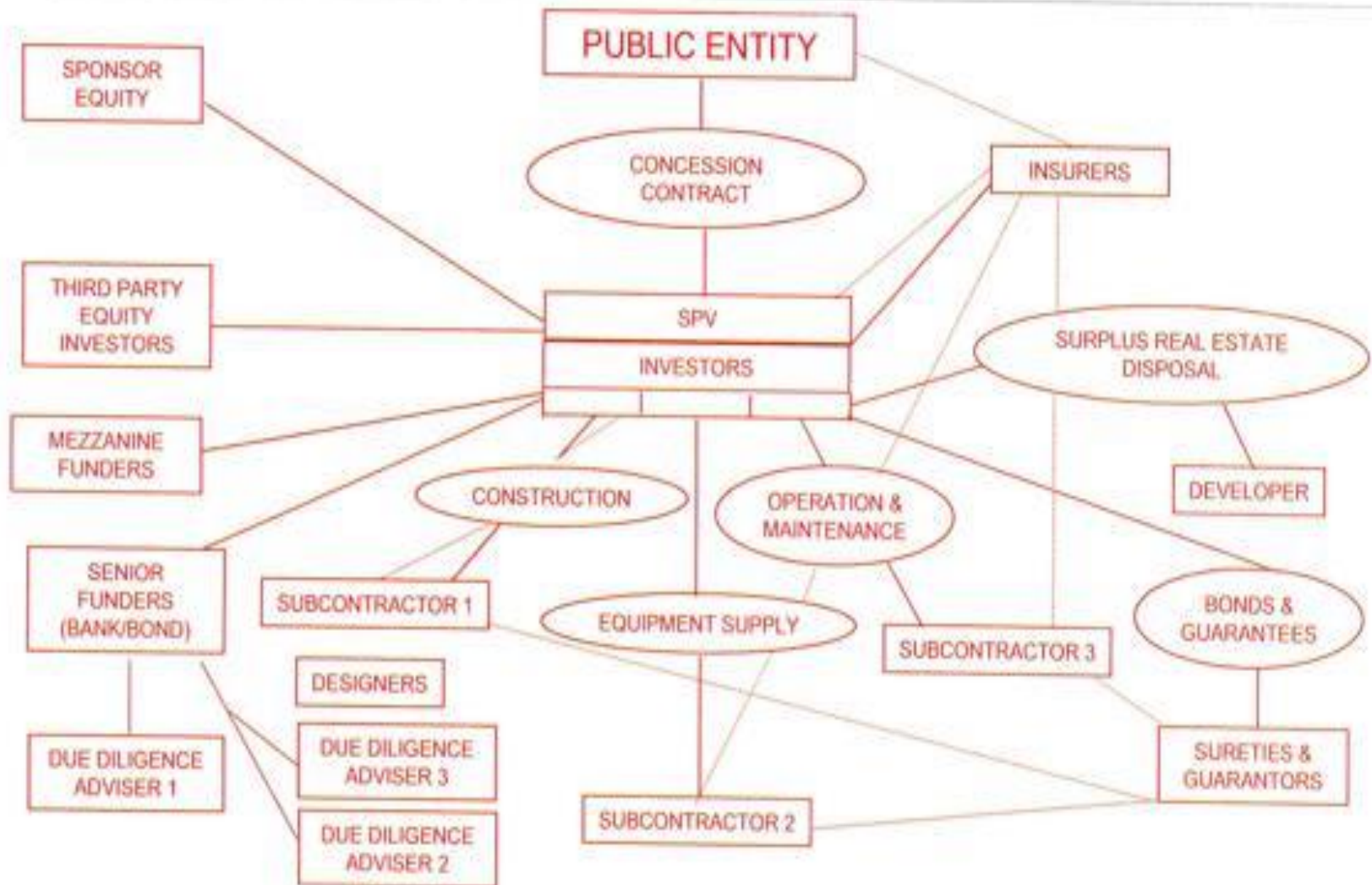
# Risk Likelihood and Significance

<b>LIKELIHOOD</b>	Certain	Low	Moderate	High	Extreme	Extreme
	Likely	Low	Moderate	High	High	Extreme
	Possible	Low	Moderate	Moderate	High	High
	Unlikely	Low	Low	Moderate	Moderate	Moderate
	Rare	Low	Low	Low	Low	Low
		Insignificant	Minor	Signifcant	Major	Catastrophic
		<b>Significance</b>				



# Typical PPP Structure

# PPP Contract Suite



# Returns

Rate of  
Return

Price Cap

Revenue  
Cap

Cash  
Needs

# Payments

User Charges

Usage  
Payments

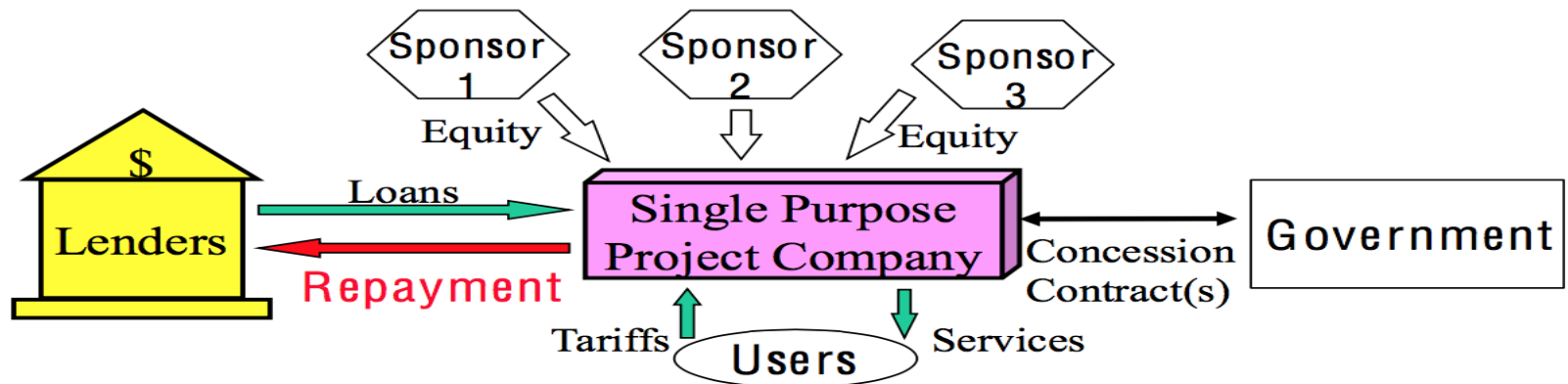
Affordability  
Payments

Service  
Performance  
Payments

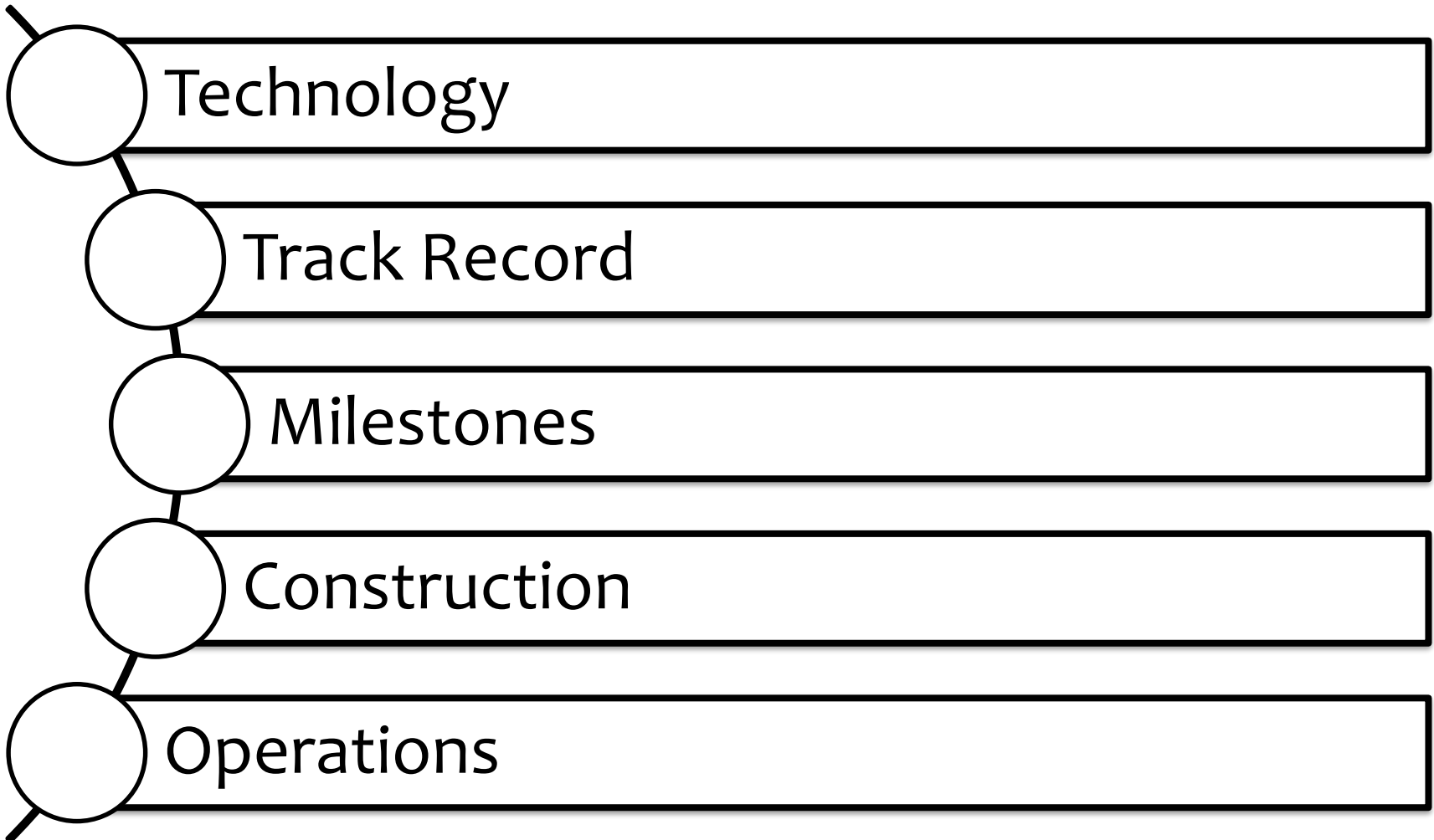
# Project Finance

## Limited-recourse “Project Finance”

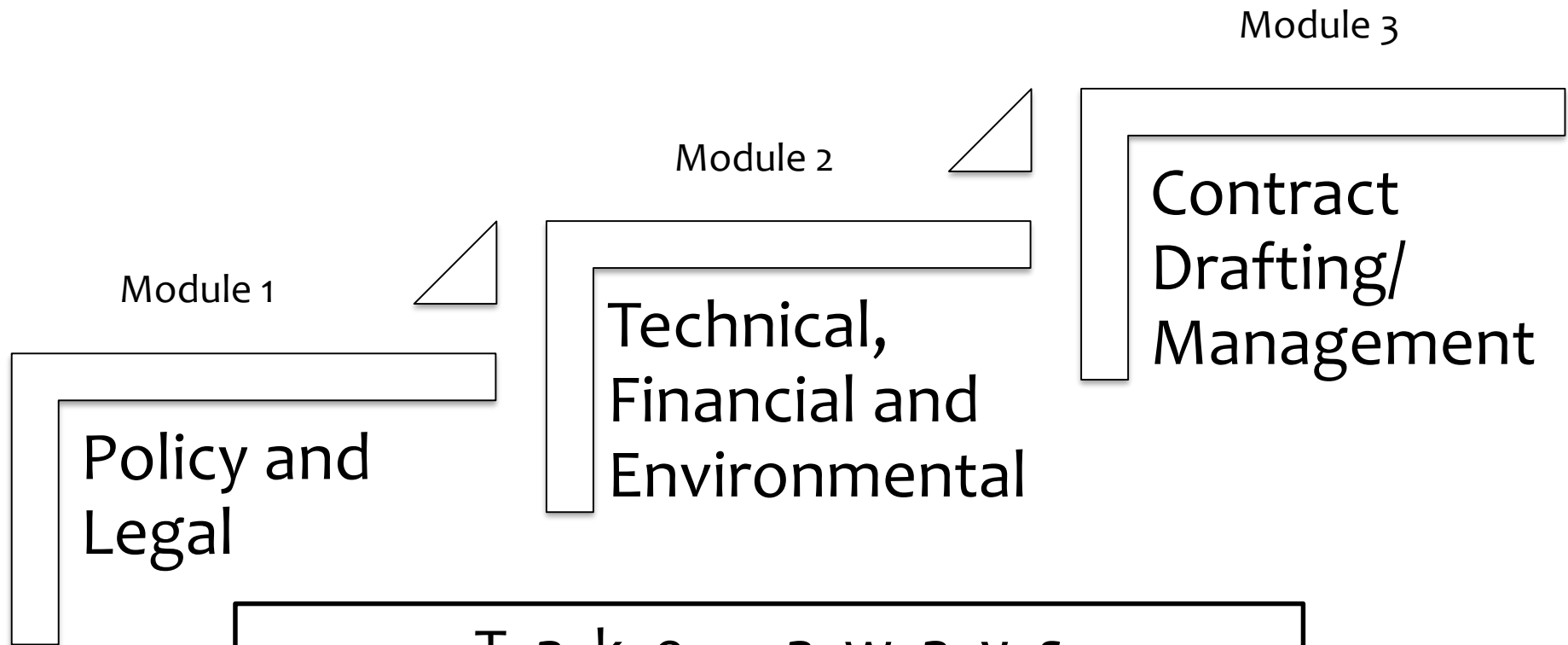
- A Team or Consortium of private firms establish a new Project Company to Build-Own-and Operate a specific infrastructure project. The new project company is capitalized with equity contributions from each of the sponsors
- The Project Company borrows funds from lenders. The lenders look only to the projected future revenue stream generated by the project and the Project Company’s assets to repay all loans.
- The host country government does not provide a financial guarantee to lenders, limited guarantees from sponsoring firms. “Off-Balance-Sheet” financing



# Technological Aspects



# Ladderized Training Program



- PPP Ordinance
- LGU PPP Project Term Sheet

- Draft Pre-FS
- Flowchart
- Approvals Chart

- Draft PPP Contract
- Draft Terms of Reference

*Till we meet  
again.*

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**THANK YOU.**

