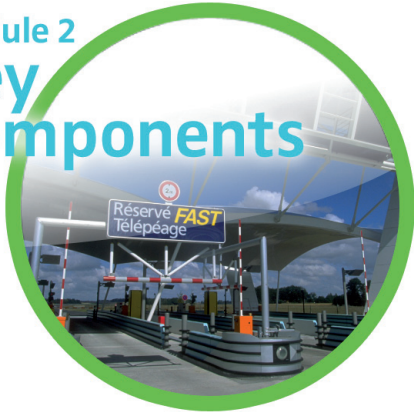


Module 2
Key Components



Concepts and characteristics of PPP projects

Each PPP project must be considered individually. Whilst experience, whether national or international, provides valid and useful reference for project development, each project must respond to its own context, objectives and dynamic.

Module 2: Project Components presents the principal characteristics of PPP projects and describes the process of tailoring the PPP project to its environment. The key components of PPP projects are presented under five main headings.

Scope explains the importance of packaging PPP projects in order to implement them successfully covering scope, autonomy and pooling. It also considers the potential influence of packaging on competition.

Risk describes the four steps needed to define risk sharing, one of the main issues when considering PPP: (1) risk identification reviews the most common risks in PPP projects, (2) risk assessment provides an overview of tools to evaluate the risks, (3) risk allocation gives the main principles to share risk between the public and private sector with a focus on the allocation of traffic risks, (4) risk mitigation explains the tools available to mitigate those risks.

Revenues covers revenue and payments to the private sector, also known as the process for cost recovery. PPP may require a variety of revenue sources comprising the public financial support that may be required for a successful PPP implementation as well as user charges from the conventional methods (toll booth, vignette etc) to the latest toll collection systems (electronic tolls, free flow, heavy vehicle charge system).

Finance describes the methods for capital mobilization, both from the public and private sectors and including the emergence of infrastructure funds. It describes financial structure and financial assessment principles, including the weighted average cost of capital (WACC). Financial modeling is explained with an overview of the main financial indicators used to assess PPP projects and introduction to the financial models provided in Module 6 Tools.

Public Accounting provides a description of the impact of PPP on the State budget and their accounting treatment. In particular the issue of on or off-budget accounting is discussed.