Financial Framework

Ultimately nearly all PPP devolve to money and financial aspects. We want a sound PPP policy to attract investors, but not just that. We want to attract as many financially strong and sound investors as possible in order to make the principles of competition work as well as possible.

The financial framework links and interacts with all other parts but can be described under the following headings. The Concession Agreement or PPP Contract will naturally include and set out all the financial rights, obligations, details and timescales etc. for the parties to the contract. These are usually set out in draft form in Standardized Provisions or model contract agreements already prepared to provide a comprehensive basis to assist potential PPP investors by providing a clear and transparent basis for payments (and support to investors if applicable).

In the initial estimation of the total revenue accruing to a service provider/concessionaire under PPP, there are several potential sources of revenue or income depending on the type of project and the likely financial performance of the project.

Sources of revenue and/or income to the concessionaire include:

- Revenue solely from user charges/tariffs which would be the case if the project is financially viable,
- Revenue from user charges with government support if the project is marginally viable and financial support is justified,
- Unitary/Annuity/Availability type payments wherein the Government contracts to pay the concessionaire for providing the infrastructure and related services either an agreed fixed amount each year of operation or an amount based on the future situation e.g. availability of a certain highway standard/capacity and/or future traffic levels. Such payments can either be linked with user charges or can be independent of them.