



# PPPs Risk Sharing: Public and Private Roles

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## Why PPPs?

PPPs combine the **different skills and resources** of various partners in **innovative ways** and allow for the **sharing of risks and responsibilities**.

This ensures governments benefit from the experience and expertise of the private sector, and allows them to focus instead on policy, planning and regulation by delegating administrative and day-to-day operations.





# Risk Management Cycle

- (i) **Risk identification**. The process of identifying all the risks relevant to the project;
- (ii) **Risk assessment**. Determining the likelihood of identified risks materializing and the magnitude of their consequences if they do materialize;
- (iii) **Risk allocation**. Allocating responsibility for dealing with the consequences of each risk to one of the parties to the contract, or agreeing to deal with the risk through a specified mechanism which may involve sharing the risk;
- (iv) **Risk mitigation**. Attempting to reduce the likelihood of the risk occurring and the degree of its consequences for the risk-taker; and
- (v) **Monitoring and review**. Monitoring and reviewing identified risks and new risks as the project develops and its environment changes, with new risks to be assessed, allocated, mitigated and monitored. **This process continues during the life of the contract.**



# Risk Identification - Main Project Risks

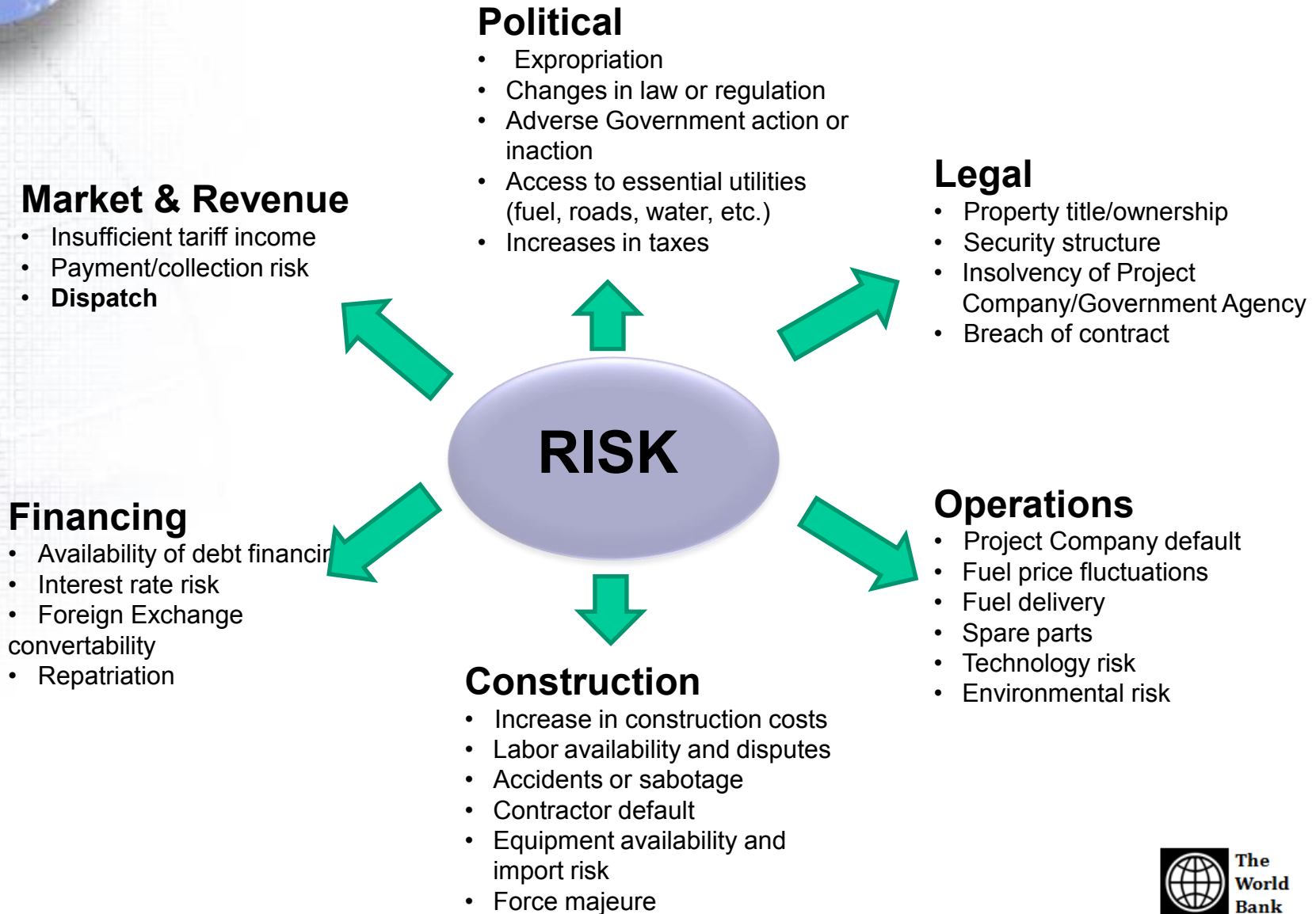
## Project Specific Risks

- site risk;
- design, construction and commissioning risk;
- operating risk;
- market (demand) risk;
- industrial relations risk;
- asset ownership risk.

## External Risks

- sponsor and financial risk;
- network / interface risk;
- government policy and legislative risk;
- force majeure risk;
- social risk.

# Risk Identification (Indicative)





## Risk Allocation - Core Principle

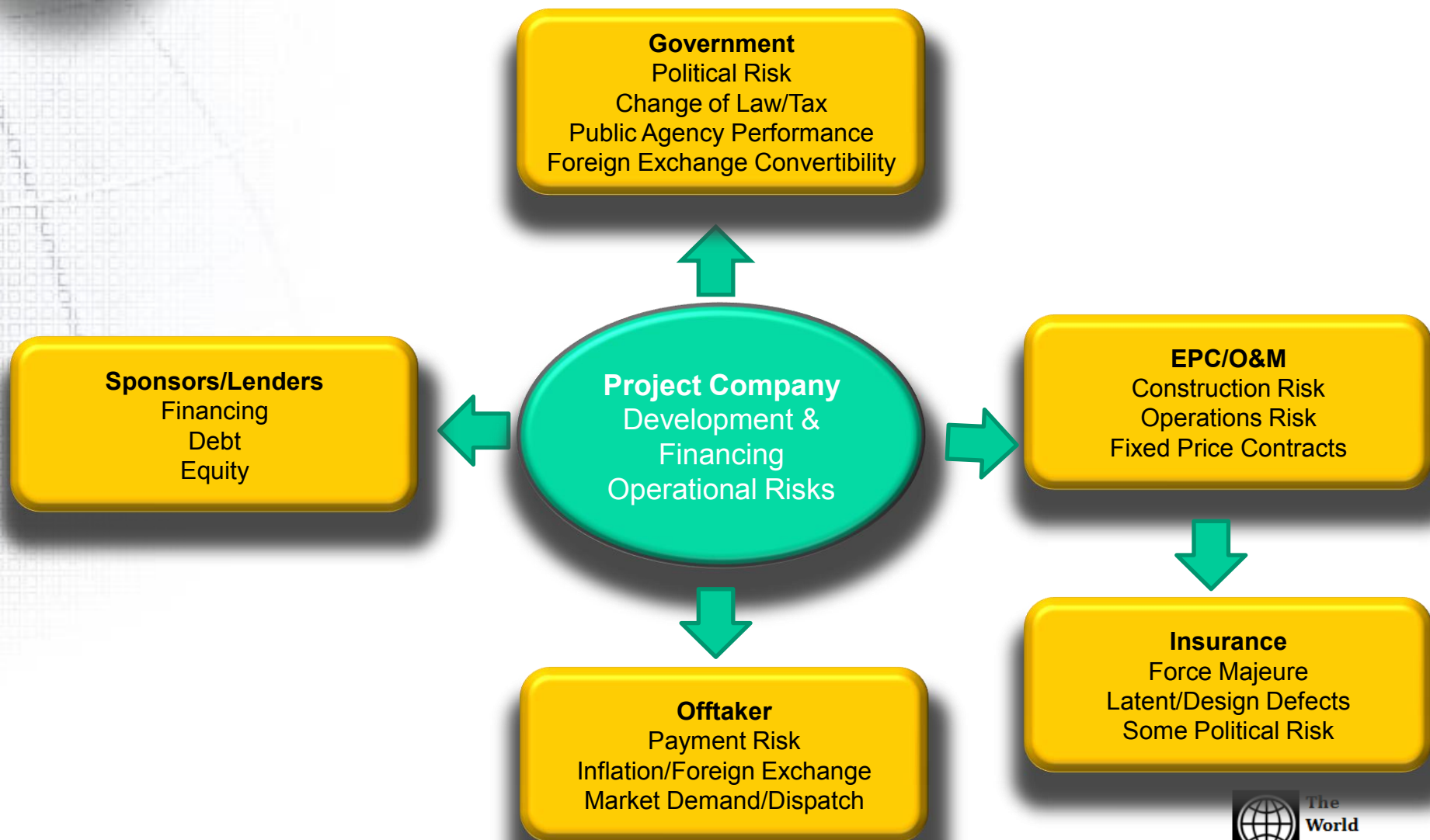
Allocating a risk optimally — that is, **to the party best able to control its occurrence and consequences** — reduces the likelihood of the risk eventuating by giving the party best able to control it an incentive to prevent its occurrence.



## Risk Allocation in PPPs

- Government pays for availability or usage, or combination, of a service.
- Government may consciously —“take back” or share some risks where:
  - Private sector charges a higher premium on risk than public sector comparator.
- Government generally takes on:
  - government policy and legislative risk;
  - network / interface risk;
  - some site / land risk.

# Indicative Risk Allocation for Power IPP





# Indicative Power PPP Contract Structure





# Key Risks in Renewable Energy

- Site Risk;
  - Reliability of fuel source  
(Wind, water, solar concentration)
- Design, construction and commissioning risk;
  - Risk and benefits of innovation and cutting-edge technology
- Network or Interface Risk;
- Market (Demand) Risk;
- Social Risk.

# PPP in Infrastructure Resource Center in Contracts, Laws and Regulations



The screenshot shows the website for the PPP in Infrastructure Resource Center. At the top, there are logos for The World Bank, PPIAF, IFC International Finance Corporation, and NTFPSI. The main title is "PPP in Infrastructure Resource Center" with a subtitle "for Contracts, Laws and Regulation". A search bar is located on the right. Below the title is a navigation menu with options: Home, PPP OVERVIEW, LEGISLATION AND REGULATION, AGREEMENTS, PPP BY SECTOR, FINANCING, and LIBRARY. The main content area features a large image of solar panels with the text "Clean Technology PPPs". To the right of the image is a "Highlights" section with a list of items: Cape Wind PPA, "What is PPIRC?" (video), Handshake - "Ports: Legal and Policy Issues", and Africa Electrification Initiative (AIE). Below the image is a horizontal menu with categories: About PPIRC, Energy & Power, Transportation, Clean Technology PPPs, Solid Waste, Telecom & ICT, and Water & Sanitation. The main text area is titled "A World Bank Resource for PPPs in Infrastructure" and contains two paragraphs of text. The first paragraph is titled "Financing or structuring public private partnerships in infrastructure?" and the second is titled "What are public private partnerships (PPPs)?". To the right of the text is a "Sign up for updates" form with an email input field and a "Subscribe" button. Below the text is a "Related PPP Resources" section with a list of links: PPP Laws by Country, Hiring Advisors - Sample Terms of Reference (TORs), PPP Checklists and Matrices, PPP Insights, Procurement and Standard PPP Bidding Documents, and Transparency, Good Governance and Anti-Corruption. At the bottom of the page is a "Latest Documents" section with a table header: Title, Sector, Region, Country, Document Type.

THE WORLD BANK PPIAF IFC International Finance Corporation NTFPSI

## PPP in Infrastructure Resource Center

for Contracts, Laws and Regulation

www.worldbank.org/ppp

PPP OVERVIEW LEGISLATION AND REGULATION AGREEMENTS PPP BY SECTOR FINANCING LIBRARY

### Clean Technology PPPs

#### Highlights

- Cape Wind PPA
- "What is PPIRC?" (video)
- Handshake - "Ports: Legal and Policy Issues"
- Africa Electrification Initiative (AIE)

About PPIRC Energy & Power Transportation Clean Technology PPPs Solid Waste Telecom & ICT Water & Sanitation

### A World Bank Resource for PPPs in Infrastructure

#### Financing or structuring public private partnerships in infrastructure?

The PPP in Infrastructure Resource Center for Contracts, Laws and Regulation (PPIRC) contains sample public-private partnership (PPP) agreements and concessions, checklists and sample clauses, terms of reference, risk matrices, standard bidding documents developed by government agencies and sample ppp and sector legislation and regulation. It is designed for government officials, project managers and lawyers involved in PPP infrastructure projects and will help you address contractual and legal issues related to infrastructure legal reform and PPP projects, with reference materials in English, French, Spanish, Portuguese, Arabic and more recently Mandarin Chinese, drawn from reform initiatives around the world.

#### What are public private partnerships (PPPs)?

There is no one widely accepted definition of Public Private Partnerships (PPP). Broadly, PPP refers to arrangements between the public and private sectors whereby part of the services or works that fall under the responsibilities of the public sector are provided by the private sector, with clear agreement on shared objectives for delivery of public infrastructure and/ or public services. [More on public private partnerships...](#)

#### Latest Documents

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