



***RISK MANAGEMENT IN CLEAN ENERGY PROJECTS WITH
PUBLIC PRIVATE PARTNERSHIP (PPP)***

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- **PPP : A brief introduction**

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- **Major problems and benefits**

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- **Emerging Financing Issues and Risk Management in the context of VFM**

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- **Stages in assessment of PFI contracts in terms of value-for-money and risk**

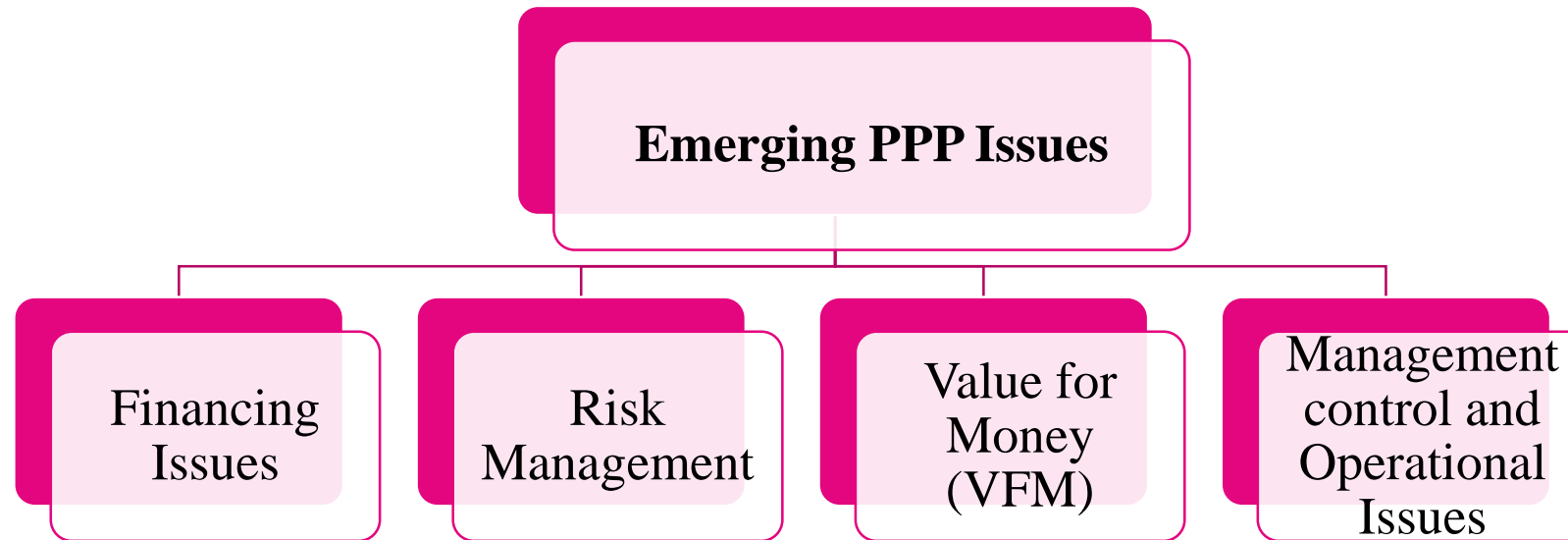
PPP : A Brief Introduction

- ❑ **Development of PPP**

- ❑ **Reasons- Under investment and Budget deficit**
- ❑ **Accounting Issues**
- ❑ **VFM- More efficient and effective arguably better control with contracts**

- ❑ **Requirements**
 - ❑ **Long term arrangements**
 - ❑ **Detailed contract**
 - ❑ **Annual payments**

PPP Issues



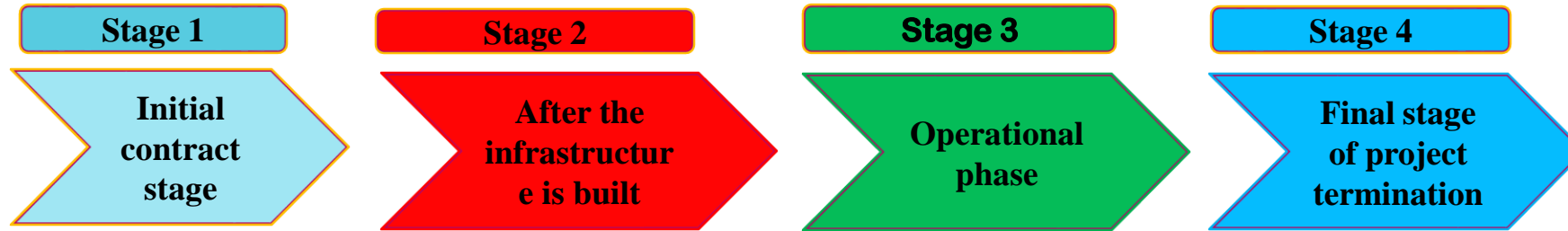
PFI: FINANCING ISSUES

- Projects lack flexibility?
- How would they price it into a contract?
- What additional risks would it bring?
- How might the public sector evaluate it?

- Is there a conflicting of interests when the lender is an equity capital and also the senior debt capital?

- How do you determine residual value in 30 years?
- Does it increase the risk of projects?
- Is risk reduced after a number of years?

OPERATIONAL ISSUES AT FOUR STAGES OF PPPS



- Lack of competitive bidding market
- Complexities in risk transfer
- Lack of risk disclosure
- Transferring risk through SPVs
- Inability of public sector to manage PFI risk

- Changes in the value of contract
- Refinancing and opportunistic gains
- Difficulty in estimating the value of contracts

- Role of contract and relationship issues
- Lack of attention to behavioral, social and political considerations
- Emerging Research findings:
 1. MCSs and operational issues
 2. Operational and strategic objectives
 3. Role of good communication and collaboration
 4. Role of trust practices

- None of the Turkish, UK projects reached this stage
- Australian projects and termination risk
- Role of uncertainties
- Development of flexible and trustful approaches

References

- ❑ Demirag, I., Khadaroo, I., Stapleton, P., & Stevenson, C. (2011), Risk and the financing of PPP: Perspectives from the financiers, *British Accounting Review*, 43 (4), 294-310, (December, 2011).
- ❑ Ahmad, S., Connolly, C., & Demirag, I. (2018), A study of the operationalization of management controls in United Kingdom Private Finance Initiative contracts, *Public Administration*, doi.org.10.1111/padm.12401, 26 March 2018,

THANK YOU & ANY QUESTIONS?

