

Short-Form Generic Risk Allocation Table for Toll Roads

##	CATEGORY	DESCRIPTION	CAUSES	MITIGATION	ALLOCATION
1.	Technical specifications risk	The possibility that individual technical characteristics of the motorway do not meet standards and specifications.	Law quality of works, non-compliance with construction standards	Independent construction quality control. Development of penalty deductions mechanism to include in the agreement with contractors.	Concessionaire
2.	Completion risks	The possibility that the completion of construction works may be delayed	Difficulties with rearrangement of utilities. Complications due to geological and hydrological conditions. <i>(see also Right-of-way risks and Regulatory risks).</i>	Estimation of losses that may be incurred in case of delayed introduction of the motorway. Penalty deductions.	Concessionaire, if the delays cannot be attributed to the Grantor.
3.	Cost over-run risk	The possibility that during the design and construction phase, the actual Project costs will exceed projected Project costs.	Mistakes in construction cost estimates. Increase in construction materials prices. Increased costs through the fault of contractors. Contingencies.	Fixed price contracts for supply of construction materials. Contract provisions for contingencies.	Concessionaire
4.	Design risk	The possibility of mistakes in project solutions.	Traffic forecast mistakes. Technical solutions mistakes.	Technical inspections and agreement of the project parameters between the Concessionaire and the Grantor. Independent Expert appointment to resolve disputes on expedited basis.	Concessionaire
5.	Environmental risk	The possibility of adverse impact on the environment: 1 – due to Concessionaire's activities during construction and operation of the project; 2 – due to activities of the Grantor and third party before the transfer.	Mistakes made at the design stage in estimating environmental restrictions. Violations during construction, maintenance and rehabilitation of the project. Discovery of latent sources of man-caused pollution during the construction.	Thorough due diligence by the bidders of the WHSD right-of-way conditions. Independent surveys of the Project Site. monitoring of environmental impact and remediation works.	In relation to (i), Concessionaire. In relation to (ii) Grantor

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6.	Exchange rate risk	The possibility of negative exchange rate fluctuations.	Increased construction cost in case of negative exchange rate fluctuations.	Hedging instruments. Index-linked adjustment of construction investment and operating maintenance costs.	Concessionaire
7.	Force Majeure risks	The possibility of the occurrence of certain unexpected events that are beyond the control of the Parties (natural disasters, civil riots)	Various natural and man-made causes.	Dedicated financial reserves. Insurance of natural disaster risks. Relief events. Indemnity of the Concessionaire from liability for the duration of the force majeure events.	Concessionaire, Grantor
8.	Inflation risk	The possibility that the actual inflation rate will exceed the projected inflation rate.	Adverse macroeconomic events	Toll-rate adjustment. Recurrent market analysis and adjustment of toll-rates to meet market conditions.	Grantor
9.	Insolvency risk	The possibility of the insolvency of the Concessionaire.	Increased debt liabilities under the Project. Law revenue of the Concessionaire	Insurance of project assets. Limitations on debt and funding commitments of the Concessionaire.	Concessionaire
10.	Insurance risk	The possibility that insurance services become inaccessible.		Self-insurance via dedicated monetary funds. Risk sharing between the Grantor and the Concessionaire.	Jointly the Grantor and the Concessionaire
11.	Loan interest rate risk	The possibility of increase of the interest rate at construction and operations stages.	Factors affecting the availability and cost of funds.	Hedging instruments. Fixed rate loans	Concessionaire
12.	Maintenance risk	The possibility that project maintenance and rehabilitation costs assets may vary from the projected maintenance and rehabilitation costs.	Unexpected depreciation of the pavement due to climate conditions, increased traffic including HGVs. Increase in prices for materials necessary for maintaining the project in required condition.	Penalty deductions and monitoring. Contracting operation of the motorway to a highly qualified contractor, who can provide financial guarantees to his commitments.	Concessionaire

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13.	Demand risks	The possibility that the demand for motorway may be less than projected.	Competing highways (decreased need for the project). Non-implementation of works to link the WHSD to the street and road network. Consumer opposition to operation of the motorway by the Concessionaire (outsourcing of the services) and to tolling. Inadequacy of actual toll rates to projected toll rates.	Government support to the Concessionaire	Jointly the Grantor and the Concessionaire
14.	Right-of-way risks	Delayed acquisition of the right-of-way and its total impossibility.	Erroneous data on town-planning conditions and restrictions. Discovery of archeological articles within the right of way of the Project.	Advance land acquisition. Government and Environmental expertise (analysis) of the project. Obtaining the necessary consents related to the alignment of the project.	The Grantor
15.	Political risks	The possibility of (i) Unforeseeable Conduct by the Grantor or by any other government authority that materially and adversely affects the expected return on Equity, debt service or otherwise results in increased costs to the Concessionaire, or (ii) expropriation or nationalisation of the assets of the Concessionaire.	Changes of law during construction and operation of the motorway: (1) – that adversely affect the financial results of the Concessionaire's activities; (2) – that render the Concession Agreement invalid.	Distinguish between general and discriminatory Unforeseeable Conduct. In relation to discriminatory Unforeseeable Conduct, special compensation. In relation to expropriating actions, termination and compensation.	In relation to (1) – Grantor. In relation to (2) – the parties settle the issue via negotiations or at court.
16.	Regulatory risk	The possibility that Consents required from other government authorities will not be obtained or, if obtained, can only be implemented at a greater cost than originally projected.	Relating to planning and environmental risks	A legal scan for all consents undertaken during the feasibility phase of the Project. Implementation by the Grantor of an inter governmental liaison process with the responsible government authorities before the land preparation phase. Due Diligence by Private Party to identify the Consents required for its operating requirements. Due Diligence by the Concessionaire to identify the Consents required for its operating requirements.	Jointly the Grantor and the Concessionaire

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17.	The risk that the Project Assets at termination or expiry of Concession Agreement will not be in the prescribed condition.	Risk of value loss on the transfer of the project or at termination of the Concession Agreement.	Insufficient maintenance of the motorway. Delayed overhaul and preventive maintenance. Carelessness of contractors.	Concessionaire maintains and rehabilitate the motorway and toll plazas. Government supervision of the condition of the assets.	Concessionaire
18.	Resource or input risk	The possibility of a failure or shortage in the supply of the inputs or resources required for the operation of the project.		Supply contracts for supply of total project requirements.	Concessionaire, unless the inputs are supplied by the Grantor.
19.	Tax rate change risk	The possibility that changes in applicable tax rates (income tax rate, VAT) or new taxes may decrease the anticipated return on equity.	Adverse political and macroeconomic changes.	If change arises from discriminatory Unforeseeable Conduct, then special compensation.	Concessionaire only and jointly Concessionaire and Grantor.
20.	Technology obsolescence risk	The possibility that (i) the technology inputs for the outsourced institutional function may fail to deliver the required output specifications, or (ii) technological improvements may render these technology inputs out-of-date.	The use of obsolete materials and equipment at construction and operation stages.	Obligation on Concessionaire to refresh technology as required from time to time to meet the output specifications. Penalty Deductions for failure to meet output specifications.	Concessionaire
21.	Utilities risk	Shortage of utilities (e.g. water, electricity, etc.), necessary for construction and/or operation of the project.	Failure of the utility companies to provide utility services.	Emergency back-up facilities.	Grantor