Table A1. Qualitative bankability criteria and remarks

S/N	Bankability Criterion	Remarks
D1	**Economic and political environment**	***Enabling framework***
D1.1	Economic environment	The economic environment is sound and stable. Meanwhile, the willingness of consumer to pay is high.
D1.2	Competition condition	The availability of PPP participants, such as sponsors and EPC contractors, is high enough. The bidding is competitive.
D1.3	Financial market	There is availability and capacity in the long-term debt markets and equity providers.
D1.4	Political environment	The host government has positive policies toward infrastructure development. Meanwhile, its commitments are believable.
D1.5	Public opinion	There is no widespread public opposition to the PPP project. The public opposition can prematurely end a concession.
D1.6	Tax policies	There is tax incentive policy for PPP projects. The tax regime applicable to the project is sufficiently stable.
D1.7	Currency issues	The risks about availability, convertibility and transferability of currency have been allocated to parties other than the project company or mitigated by some other means such as hedging.
D2	**Legal and regulatory environment**	***Enabling framework***
D2.1	Legal system	The legal system of the host country is stable. The legal framework for PPP projects is solid. Otherwise, protections from the host government, sponsors or multilateral investment guarantee are required from the lender's point of view.
D2.2	Regulatory framework	The regulatory framework is stable and transparent. There is a regulatory framework or law which is specific to PPP project. The government will not change its regulation hindering the development of PPP project.
D2.3	Enforceability	The legal decision or arbitration award must be enforceable either in the host country or abroad. The duration, cost and arbitration policy will affect the bankability of the project.
D2.4	Nationalization and expropriation	The lenders generally require protections provided to the project company or insurance arrangements for the project in the case of nationalization or expropriation.
D2.5	Procurement process	The project procurement is effective and transparent.
D2.6	Intervention right	The lenders expect that the intervention rights of the host government will not threaten the project's profitability and viability.
D3	**Project specificity**	***Good project***
D3.1	Project definition	The project is well defined, with a clear designation of the role of the private sector and project objectives.
D3.2	Feasibility studies	There are adequate feasibility studies.
D3.3	Capacity of the technology	The technology is capable and appropriate for the host country's market and systemic needs. The review from the project company's technical adviser or from an independent expert is provided. The technical analysis and financial analysis are within proper accuracy (+15% to -10% during the planning stage). PPP is not suitable for projects with rapid technological updating.
D3.4	Site acquisition and access	The site has already been prepared by the public sector. The private sector has the right to access the project.
D3.5	License, permits and authorizations	The sponsor ensures that the project has received all necessary approvals from the host government and any local authorities. The administrative system is stable and transparent enough for the private sector to obtain the local consent and license. There are protections for any changes in the licenses and permits required.
D3.6	Infrastructure issues	The local infrastructure is sufficient to meet the needs of the PPP project. Otherwise, the additional infrastructure should be provided by the project participants or the public sector.

D3.7	Environmental standards	The project can achieve the level of environmental standards applied by national and local authorities.
D3.8	Labor force	The available local labor force is enough for the project.
D3.9	Size of the project	The size of the project is suitable for PPP finance. Mega-projects are too complicated which should be avoided.
D4	**Project financial structure**	***Good project***
D4.1	Shareholders' credibility	The shareholders should have sufficient related experience, financial standing and technical ability to implement the project. It should have high commitment to the project in the form of equity investment, stand-by facilities or other sponsor supports.
D4.2	Public sector's reliability	The public sector is stable. It has the ability to make decisions, the right to give subsidies, manage the social and political impacts of the project.
D4.3	EPC contractor's credibility	The related experience, financial strength and technical ability of the EPC contractor will ensure the completion of the project on time and within budget. Potential conflicts exist when the EPC contractor is one of the shareholders of the project.
D4.4	Financial structure	The special purpose vehicle (SPV) is sufficiently capitalized. All equity investment up-front is preferred. The guarantees, letters of credit or other security that equity is to be provided progressively are provided. The distribution of revenues of the project must secure that the debt services are paid first.
4.5	Financial flexibility	The project structure should be reasonable and flexible, especially when the project is in question. This may require shareholders to provide additional fund for cost overruns, or the government to provide subsidies for catastrophic risk etc. Incentive mechanisms may need to change to ensure efficiency over time.
D5	**Third party risk allocation**	***Well structured & flexible contract***
D5.1	Insurance arrangement	The project must have a comprehensive insurance scheme with no gaps or overlapping coverage. The lenders are co-insured on every insurance policy. Any insurance payments should be made directly to the lenders or a party choosing by them. Arrangements for risks which most probably become uninsurable or the costs will be extremely high in the future are needed.
D5.2	Environmental and other legal/regulatory issues	It must ensure that the environmental risk is completely transferred away from the project company.
D6	**Contract arrangement**	***Well structured & flexible contract***
D6.1	Concession agreement	It must ensure that the grantor has the legal rights to issue the concession. The concession agreement must be reasonable showing the fare risk allocation between the public sector and the private sector.
D6.2	Concession period	The lender agrees to lengthen the tenor of the debt if there is a need for the grantor to compensate the project in the form of the extension of the concession period.
D6.3	Support agreement /guarantee	The host government or local state government gives a support agreement or a guarantee for the project, in particular for the guarantee of a certain amount of revenue.
D6.4	Termination provisions	When the project or contract is terminated, the compensation of outstanding debt must be precisely defined; it must provide the lenders for reasonable curing period.
D6.5	Construction contract	The EPC contract price and duration are most concerned. The bonding or provision of a letter of credit supporting the EPC contractor provides some security. Liquidated damages (LD) caused by the delay in delivery are specified. The amount of LD must be first used to reduce debt.
D6.6	O & M agreement	The O&M contractor remuneration should be linked to the performance with LD if performance targets are not met.
D6.7	Off-take purchase agreement	The creditworthiness of the off-taker is important. The guarantee of the performance of the off-taker from the government is preferred. There is mitigation for the default by the off-taker.

D6.8	Input suppler agreement	The guarantee of the input suppliers' performance is preferred since this will mitigate the flexible market for necessary input.
D6.9	Guarantee from multilateral investment agency	Risks of transfer restriction, expropriation, war and civil disturbance are guaranteed by multilateral investment agency.
D6.10	Direct Agreement	The practical control mechanisms of the project company are precisely defined in the Direct Agreement. Before the termination of the concession agreement, the lenders have the intervention right in the project.
D6.11	Catastrophic risk	Arrangements for catastrophic events, such as natural disaster and currency devaluation, are provided. There are relieves from the government for events outside the reasonable control of the project participants.
D6.12	Arbitration	Dispute resolution mechanism is precisely defined.