INFRA-FISCAL RADAR · WEEKLY

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Contingent doesn’t mean unlikely. It means undated.

A revenue guarantee, a termination clause, a compensation claim: the State signs them as if they were remote, and leaves them out of the payment schedule. Then traffic falls short, a court rules, a contract fails — and the contingent becomes **a line in next year’s budget.**

This week: revenue guarantees one country pays every year. Claims that tripled in five years, one of them now a court order. A fragile State capping its guarantees before its first PPP. A parliament voting the payments before the road is signed. And the research: **a government guarantee triples the hazard of contract distress.**

Austral Fiscal & Infrastructure Intelligence · drawn from public reporting, with the Austral research series referenced throughout.

TÜRKIYE · THE GUARANTEE THAT ALWAYS PAYS

The risk was transferred. The guarantee is paid every year.

Türkiye has signed **277 PPPs** since 1996, worth 6.7% of GDP in contract value. Their risks and rewards, the IMF's fiscal transparency update notes, are transferred to project companies outside government. Except one: minimum revenue guarantees, which "are frequently called, particularly for the transport sector".

0.2% **of GDP in demand-guarantee payments expected in 2026 — a contingent liability paid like a budget line**

There is no cap on total PPP exposure. Annual payments over the life of the contracts are not published, and guarantee exposure is not disclosed by sector or project. The IMF rates PPP disclosure "Basic, unchanged from 2015".

> **A guarantee that is called every year is a budget line. Budget it.** Publish the expected call project by project, cost it on the State's own traffic study, and cap the stock.
>
> Austral papers → ***The Covenant Sizes the Works*** · ***The Third-Party Guarantee Decision***

PORTUGAL · WHEN A CLAIM BECOMES A COURT ORDER

€2.9 billion of claims the budget doesn’t price. One just became a bill.

Portugal’s parliamentary budget office counts **€2,869m** of contingent liabilities from PPPs at end-2025: rebalancing, compensation and indemnity claims by private partners. It is the highest since the series began — €891m in 2020. The fiscal council notes the 2027 budget does not factor in the outcome of the negotiations under way.

€285.6m **court-ordered indemnity on the Algarve Litoral road subconcession, booked in the 2027 budget — 0.1% of GDP**

The budget office is careful: these are claims, not recognised charges. But their realisation, “in whole or in part, would weigh on the budget balance of future years”. One already has.

> **Price the claim, not just the contract.** An expected value for every open claim, updated every quarter and provisioned in the budget — before a court sets the number for you.
>
> Austral papers → ***The Renegotiation Triangle*** · ***The Recognition Rule***

SOMALIA · THE CEILING COMES FIRST

Cap the guarantees before you sign the first PPP.

Somalia is leaving debt relief behind and beginning to finance infrastructure “through debt and guarantees”. In the medium term it plans to issue guarantees or enter into PPPs to upgrade key infrastructure. Before signing any of them, its 2026 budget sets a limit.

0.5% **of GDP: the ceiling on demand guarantees in the 2026 budget — set before the first contract, not after the first call**

The World Bank’s Public Finance Review spells out why: these guarantees and PPPs “could generate significant fiscal costs if revenues or demand fall short and the guarantee is called”.

> **A ceiling is cheapest before the pipeline exists.** Set it in the budget law, count every guarantee against it at face value, and publish the headroom every year.
>
> Austral papers → ***The Pipeline Under the Ceiling*** · ***From Gatekeeper to Orchestrator***

CZECHIA · THE FIRM COMMITMENT, VOTED

Parliament votes the payments before the road is signed.

On 26 October the Czech government approved the D35 motorway PPP: two new sections built, financed, operated and maintained by a private consortium. The State starts paying for availability only once every new section is open — and pays less when the road falls short of the contract.

CZK 71.3bn **net present value of the availability payments — which the Chamber of Deputies must approve before signature**

Under the road act, the Chamber must consent to “the figures expressing the State’s financial obligations to the concessionaire” before the contract is signed. The commitment is firm, and it is counted where it is decided.

> **Make the firm commitment a vote, not a footnote.** Present value, payment profile and deductions regime go to the legislature before signature — and from there into the fiscal-risk statement.
>
> Austral papers → ***The Recognition Rule*** · ***The PPP Budget Nobody Publishes***

GLOBAL · THE CLAUSE THAT PREDICTS THE TROUBLE

A government guarantee triples the hazard of contract distress.

The guarantee is often what gets a PPP signed. An IMF economist's study of PPP contracts in developing economies finds it also predicts the trouble: when the government issues a guarantee, the hazard of contract distress — disputes, renegotiation, cancellation — "increases by a factor of 3".

×3 **the hazard of distress for a guaranteed PPP contract — worst where public investment management is weakest**

The earlier IMF working paper, on about **6,000 contracts in 113 emerging and developing economies** (1984–2015), pointed the same way. The risk is "most pronounced in developing countries at the bottom quintile of public investment management capacity".

> **A guarantee is not a sweetener. It is the riskiest clause in the contract.** Cost it on your own numbers, cap it, and strengthen appraisal before you offer it.
>
> Austral papers → ***The Covenant Sizes the Works*** · ***Stress-Testing PPP Portfolios***

Nose (2025), *Oxford Economic Papers* 77(3): 806–828 · IMF Working Paper WP/17/243 (2017)

THE THROUGH-LINE

A contingent liability is a payment nobody has dated. Date it.

Türkiye pays its revenue guarantees every year. Portugal's claims became a court order. Somalia capped its guarantees before the first contract; Czechia puts the payments to a vote before signature. And across developing economies, the guarantee is the clause that predicts distress. **Contingent liabilities arrive. The only choice is whether the budget expected them.**

VfM value for money	Cost every guarantee on the State's own traffic study, not the bidder's.
FARO PPP fiscal risk	Register guarantees and open claims with an expected call and a tail, under a published ceiling.
GFS accrual accounting	Move a guarantee into the budget the year it starts being paid — and say so.

Which of your guarantees is already being paid?

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