What is BOT *

by

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1- INTRODUCTION :

"BOT" describes a model or structure that uses private investment to undertake what has historically been public sector infrastructure development.
"**Project Finance**" is the cornerstone of the BOT approach. This means essentially that the lenders look only to the project's assets and revenue stream for repayment, rather than other sources of security such as government guarantees or the total assets of the project sponsors.

In a **BOT** project a private company is given a concession to build and operate a facility that would normally be undertaken by the government. It might be a power plant, airport, toll road, tunnel, water treatment facility or any other project. The private company is also responsible for financing and designing the project. At the end of the concession period the private company returns ownership of the project to the government, although this need not always be the case. The concession period is determined primarily by the length of time needed for the facility's revenue stream to pay off the sponsor's debt and provide a reasonable rate of return for their effort and risk.

The "**BOT**" acronym stands for "**B**uild, **O**perate and **T**ransfer", or "**B**uild, **O**wn and **T**ransfer" (the terms are used interchangeably), Other variants include:

BOOT (**B**uild, **O**wn, **O**perate and **T**ransfer),
BOO (**B**uild, **O**wn and **O**perate, i.e., without any obligation to **T**ransfer),
BRT or **BLT** (**B**uild, **R**ent or **L**ease and **T**ransfer),
BTO (**B**uild, **T**ransfer, **O**perate),
BT (**B**uild and **T**ransfer immediately, possibly subject to instalment payments of the purchase price),
MOT (**M**odernize, **O**wn/**O**perate, **T**ransfer),
DBFO (**D**esign, **B**uild, **F**inance and **O**perate),
DCMF (**D**esign, **C**onstruct, **M**anage and **F**inance).
For the purpose of this lecture the acronym **BOT** will be used to cover all these variations.

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Some commentators have written that the **BOT** concept has its historical roots in the "**Concession**" systems of the 19th and early 20th centuries. Others believe that **BOT** projects differ so significantly from the old concession approach. The old concessions normally entitled the private sector to virtually free use - some authors have said exploitation - of the project, with very little participation and control from the host governments.

In contrast, in a properly structured BOT project today, the host government will decide upon the need and scope for the project, will require that the design, performance and maintenance of the project is tailored to the objectives of the country, and will select the private project sponsors through an appropriate bidding or evaluation process in order to arrive at a price fair to both the host government and the sponsors.

Unlike the old concessions, modern BOT arrangements are designed and implemented as public/private partnerships, where private sector finance and efficiency is used to truly serve the public interest.

BOT projects offer significant potential for technology transfer and local capacity building, for helping to develop national capital markets and a variety of other benefits.

A properly negotiated and drafted BOT project agreement will limit the private sponsors to a reasonable rate of return and ensure that the project serves the host country's national interest, economic and otherwise.

Most BOT projects are first identified by the host government. Through a published request for proposals the host government will ask for bids to have a particular project delivered on a BOT basis.

It is also possible, however, that a particular project opportunity will first be identified by a private entrepreneur who will propose it to the host government. A number of successful BOT projects have been realized in this fashion.

Over the last decade many developing countries have begun to promote infrastructure projects on a BOT basis. Projects are financed on a limited recourse basis and built and operated as a private venture under a project agreement with the host government or one of its agencies.

At the end of the operation period, the project is to be transferred to the host government, usually at no or only nominal cost. A number of BOT projects have now been successfully completed and put into operation, and many others are on the way.

2- Financing Techniques and Legal Instruments

The BOT concept, it is worth noting at the outset, does **NOT** involve a new or novel mechanism for obtaining or structuring the financing of a project. It uses the well-established approach and legal instruments of the technique widely called "Project Finance". As seen by the lenders, a BOT project Involves a private sector borrower who seeks financing on a "limited re-course or non-recourse" basis. In theory, the lender in a non-recourse financing will look only to the project's assets and revenue stream for repayment rather than to additional sources of security, such as the total assets or "balance sheet" of the project sponsors.
In practice, almost all BOT projects are financed on a limited recourse, as opposed to a purely non-recourse financing basis.

Project finance techniques have been applied in the USA to the development of commercial real state and were further developed in the 1970's in the North Sea in connection with oil and gas projects. This financing technique is being used to numerous private infrastructure projects involving power plants. roads, railways, bridges, telecommunication facilities, water treatment plants as well as many other projects.

Infrastructure financing is different, of course, than financing an aircraft or a shopping centre, for example. In equipment or real estate financing, the lender's primary security is the capital value of the asset.
Toll roads or power plants, on the other hand, have uncertain capital value and a very limited resale market. The lender's primary security, therefore, is the structure of contracts supporting the project and, most importantly, the certainty of the revenue stream set forth in the project agreement.

Different types of infrastructure have different risk profiles. The revenue from a power plant project is relatively secure and predictable. The host government or public utility may enter a well-defined power purchase agreement with the project company for the output of the plant.
Contrast, however, the source of revenue from a power plant to that from a toll road. The revenue from a toll road is based upon the individual travelling decisions of tens of thousands of potential users. The terms of a project agreement for a toll road are based primarily upon travel forecasts by travel experts. Such forecasts are obviously less certain and secure than a well-drafted, long-term power purchase agreement with a credit-worthy utility.

Notwithstanding that different projects involve different risks, financial markets have become increasingly sophisticated in " engineering financing packages" to finance almost any type of reasonably predictable revenue stream.

3- ADVANTAGES & CHALLENGES OF THE "BOT" APPROACH

The BOT approach to financing infrastructure projects is a viable alternative in most countries to the more traditional approach using sovereign borrowings or budgetary resources. In contrast to full privatization, the government retains strategic control over the project which is transferred back to the public sector at the end of the concession period.

The BOT approach is attractive because it taps private sector financing, which would otherwise not be available for infrastructure projects. These additional sources of finance offer the option for the host government to accelerate the development of critical projects that would otherwise have to await the availability of scarce sovereign resources.
BOT funding obligations will not appear as direct liabilities in host government accounts, which in some cases may be of political importance or helpful in improving the country's credit rating.

The sponsors' commitment of substantial equity and their need to protect and to make a profit on their investment provides a strong incentive for them to develop, design, construct and operate the project as efficiently as possible over the operation period. Likewise, the fact that commercial lenders will be committing substantial sums on a limited recourse basis provides an additional assurance that the economic viability of the project will have been thoroughly analysed at the outset by knowledgeable financial experts. Mobilisation of private sector capital, initiative, know-how and discipline in the development and implementation of infrastructure projects is therefore a very positive feature of the BOT approach.

There are numerous other potential benefits to be derived from the BOT approach to infrastructure financing. They include :
(a) technology transfer,
(b) training of local personnel, and
(c) the development of national and regional capital markets and new financing instruments.

Although the returns that equity investors and lenders will require are usually higher than the interest and fees a host government would have to pay on sovereign borrowings, there are numerous potential offsetting savings for the host government. Lenders and sponsors will bear a substantially greater risk in exchange for the higher return.
More importantly, having the design, procurement, implementation and operation of the BOT project largely in the hands of the private sector should provide economies and efficiencies that will balance out or outweigh the higher financing costs.

Where comparable projects remain in the public sector (e.g., other power plants), having a competing private sector project may serve as a useful "benchmark" against which the host government can measure its public sector performance.

4- SUMMARY OF THE MAJOR POTENTIAL ADVANTAGES TO THE HOST GOVERNMENT OF USING THE BOT APPROACH FOR INFRASTRUCTURE DEVELOPMENTS

1 - Use of private sector financing to provide new sources of capital which reduces public borrowing and direct spending, and which may improve the host government's credit rating.

2 - Ability to accelerate the development of projects that would otherwise have to wait for, and compete for, scarce sovereign resources.

3 - Use of private sector capital, initiative and know-how to reduce project construction costs and schedules and to improve operating efficiency.

4 - Allocation of project risk and burden to the private sector that would otherwise have to be undertaken by the public sector. For example, the private sector is responsible for the operation, maintenance and output of the project for an extensive period, whereas otherwise the government would only receive protection for the normal construction and equipment warranty period.

5 - The involvement of private sponsors and experienced commercial lenders provides an in-depth review and additional assurance of project feasibility.

6 - Technology transfer, training of local personnel, and development of national capital markets are examples of other substantial benefits that can be derived from BOT projects.

7 - In contrast to full privatization, the government retains strategic control over the project which will then be transferred back to the public at the end of the contract period.

8 - The opportunity to establish a private benchmark to measure the efficiency of similar public sector projects and thereby offer opportunities for the enhancement of public management of infrastructure facilities.

5- CHALLENGES :

The BOT approach, of course, is not a panacea for the host government. BOT projects are complex from both a financial and legal point of view.
They require time to develop and negotiate.
They require committed host government involvement and support.
They require a suitable political and economic climate, political stability, a defined and stable legal and regulatory environment, availability of freely convertible currency, and other factors appropriate for foreign investment generally.

A critical challenge to developing countries is to identify the factors which make projects "financeable" in the private sector. This Conference aims at assisting the participants in identifying those factors, specifically as they relate to infrastructure projects.

BOT implies private sector financing of infrastructure projects. There is a common misconception that because the private sector is involved the 'public' nature of the project can be largely ignored. From the host government perspective, it is often assumed that the government has minimal involvement in BOT projects. This assumption is not well-founded, and governments, must necessarily lead as well as provide support in most projects.

Fortunately, with the benefit of the experience of the last decade, the basic structure needed to make a BOT project viable is now well understood. Standard solutions have been worked out for the problems which earlier seemed to present insuperable difficulties.

6- ROLE OF HOST GOVERNMENT:

Use of the BOT approach requires varying degrees of government support depending on the type, size or complexity of project and the host country's economic and regulatory conditions. The task of government in attracting private investment is easier for a project in the industrial, oil and gas, or mining sector. Goods, raw materials or services produced by an industrial project can be sold, usually into established markets, and often abroad or to foreign users for foreign currency. The challenge is greater in the case of infrastructure, where the revenue stream may depend entirely either on purchase agreements with the host government, as in the typical case of a power plant (contract based revenues), or upon the uncertainties of local consumer demand, as in the case of a toll road or urban transit scheme (market based revenues).

The absence of freely convertible currency will add further complication. Political and economic uncertainties that may exist in a particular developing country will starry raise additional obstacles to the BOT approach.

Theoretically, a major attraction of a BOT project is that it will be "privately" financed, without any financial commitment from the host government, and that government involvement will be minimal because it is a private sector project. In practice, however, host government direction and support - legislative, regulatory, administrative and sometiines even financial - will be essential in most developing countries.

First, the extent to which the host country's laws encourage foreign investment must be examined. The government may need to provide various types of support to the project, including special legislation or exemptions in the areas of taxation, labour law, immigration, customs, currency convertibility, profit repatriation and foreign investment protection.

Thus, the first subject for government review is the general legal and regulatory frame work which will guide the BOT project from start to finish.
The host government will next have to authorize the particular project at issue, a process which will often require special legislation and specific governmental approvals.
The host government will then select and administer a procurement process. The government, depending on the circumstances, may have to conduct a preliminary feasibility study to demonstrate the economic viability of the project to prospective bidders.
Most countries have found it essential to draft a clear request for proposals and to adopt a transparent, well-defined bid and selection process. Usually, the government will start the bidding process with a pre-qualification phase, defusing clearly the evaluation criteria for this phase, as well as for the main tender phase.

Often the host government remains the ultimate client or purchaser of a BOT project. The host government must, therefore, truly want the project and should, from the outset, appoint a focal point or a specific body for the BOT project who is invested with sufficient authority and political influence to be able to shepherd the project through the administrative, regulatory and legislative challenges which any such project will face.
These challenges may include possible opposition from some government authorities or agencies that would have been responsible for the project if it were not being done on a BOT, privately sponsored basis.
Successful approaches have ranged from appointing a high-level, intergovernmental committee to a project manager with clear-cut authority to co-ordinate all authorization procedures.

Challenges may also arise from public opposition to projects, for example, in cases where environmental and social impacts are questionable.
Once a project sponsor is selected, the host government or one of its agencies will enter into a concession or project agreement with the project company.
This agreement will detail the host government's expectations, as well as the rights and obligations of the project company.

It is critical that the government's financial, technical and legal representatives have the experience (or retain experienced advisors) to protect and enhance the national interest during the project development phase.
Private sector sponsors are entitled to a fair return on their investment and risk. Similarly, the host government is entitled to a project that is properly designed, constructed and maintained, all on terms and conditions that are fair.

Both parties must be flexible and prepared to accommodate their respective interests in a balanced way.

7-THE PROJECT COMPANY :

The private Project Company is the "concessionaire" of the BOT project, which rights and obligations are defined in the Concession or Project Agreement with the host government. Prior to the establishment of the Project Company, a consortium or some consortia of private sector sponsors (although public/private partnerships are also being seen) will be formed early in the BOT process to review the request for proposals, prepare a feasibility study and submit a bid.

The selected sponsor(s) will usually create a special purpose, limited liabwty company. known as the "project company" or the joint venture company. The project company will be capitalized with a limited equity contribution from each sponsor.
The project company will be the vehicle for borrowing the funds needed in addition to the equity contributions of the sponsors to finance the project. The project company is also the entity that will enter into the necessary contractual arrangements with the host government, the construction contractor, often a specialized operating company, equipment and raw material suppliers, and so on.

A sponsor consortium may include parties that are interested in entering into each one of these contracts, such as a major international engineering and construction firm, one or more major equipment suppliers, and a firm with expertise in operating and maintaining the particular type of project.
Such companies are often willing to take an equity risk in the project through the contribution of cash, manpower, time and effort, and /or a portion of the fees they

would normally earn on their contracts, in order to have the opportunity to be the principal contractor, supplier or operator for the project.

The project company may include other equity investors, such as an investment banking firm or merchant bank that acts as financial advisor to the project, an international lending institution, or other institutional or even public investors. In some special cases, an equity participation from the host goverrunent is also possible.

There are potential conflicts of interest between the sponsors as owners of the project company, on the one hand, and as suppliers of goods and services to the project company, on the other. However, these conflicts can be mitigated in practice by the presence of the other sponsors. The other shareholders will not want to see a particular shareholder obtain unduly favourable terms that would operate to the disadvantage of the overall project.

The bid selection process also serves as a brake on the possible tendency of the project company to agree to pay inflated prices under contracts with its shareholders. The presence of equity investors in the project company, who have no interest in any individual contract, or a minority equity participation in the project company by the host government, will also help to mitigate these potential conflicts of interest.

Finally, the loan underwriting process of the commercial lending institutions provides further assurance that the project economics have been thoroughly analyzed, that costs and expenses have been identified and will be controlled, that revenue and profit expectations are reasonable, and that financial management of the project will be properly handled.

It Is normally advisable to include among the sponsors or initial equity investors a strong, well connected and well respected private sector participant from the host country. Such a participant might be a civil works contractor or a strong local industrial, commercial or financial group. A local partner can help the sponsors better understand the local environment, better deal with the host goverrunent and better resolve local issues as they arise. A local partner can provide needed logistical support during the development stage of the project and play an important role in raising local equity, or debt financing if the local economy is sufficiently developed for this purpose. The local partner may also serve as at least one of the conduits for the transfer of technology and training from the project sponsors into the local economy.

8- THE PROJECT AGREEMENT :

The Project Agreement or Concession Agreement is at the heart of all BOT projects. It defines the rights and obligations of the project company and the host government for the development and operation of the project. This agreement gives the project sponsors the right and obligation to finance, construct and operate the project for a specified period. It allocates project risks in the first instance between the private sponsors and the government. The project agreement is at the center of the web of contractual arrangements which, taken together, define the BOT project.

Obligations and risks of the sponsors are further spelled out in the Construction, O&M and Supply Agreements. These agreements with the primary contractor, the operator and various suppliers of equipment, fuel and other goods and services to the project further allocate project risks and responsibility. It is essential that they be harmonized and follow the basic economics of the project.

9- PROJECT FINANCE :

As far as financing is concerned, the BOT approach is a special form of project finance to infrastructure development. This means that the rate of return of a BOT project must be sufficient
(a) to repay the lenders, and
(b) to reward the sponsors for committing their equity and know-how as well as assuming the risks involved in such projects.

The challenge of structuring the project finance is to establish the appropriate mix of debt, equity and mezzanine financing that, while operating the use of financial sources, also ensures a sound security base.
The project company will raise the necessary debt financing or lending for the project from private sector lenders and from export credit agencies and bilateral and multilateral financial institutions.
The lending is sometimes said to be on a non-recourse basis, because the lenders will not have any direct financial recourse to the sponsors who will own the project company or to a host government guaranty of the entire debt.

It would be more accurate, however, to speak of BOT project financing as being on a limited recourse basis. Recourse is available against the project company and its assets, including real estate, plant and equipment, the contractual rights, performance bonds, insurance, government guarantees and other commitments the project company has obtained.
The most important asset, on which the financing will be principally based, is normally the project company's contractual right to a revenue stream judged

sufficient to pay for the financing. In case of a power plant, this asset may be in the form of a separate long-term take or pay power purchase agreement. Or, it may be the right in a concession agreement with the host government to operate a toll facility for a number of years.
The latter asset is partly "market" based, because the revenues depend on future traffic and not on a firm revenue-producing contract. There could be cases where other "contractual assets" may be the foundation of the project; for example, a contract providing supplies of an essential commodity at below market prices - say of oil to a power station - might be the most important single "asset" for the project.

In either case, the lenders must be convinced that a sufficient revenue stream will be realized to ensure timely repayment of the debt.
Equity capital for BOT projects is basically provided by the sponsors, but also by institutional investors, local or international capital markets and specialized funds.

10- FINANCIAL REQUIREMENTS FOR A BOT PROJECT :

The financial viability of a BOT project must be clearly demonstrable to potential equity investors and lenders. Verification is usually required in the form of independent feasibility studies, ground and geological studies, demand studies, demographic projections and so forth.

The project must have a dependable source of revenue that **will** be sufficient
(a) to service principal and interest payments on the project debt over the term of the various loans, and
(b) (b) to provide a return on equity commensurate with whatever development and long term project risk the equity investors are being asked to take.
In the case of a **power plant**, the revenue will normally be **contract based**: that is, based on a long term off-take contract with a government power authority.
In the case of **roads, tunnels and bridges**, the revenue will normally be **market based** : that is, based on the tolls to be generated, where the traffic risk remains exclusively with the project company.

There is no reason, however, to think of either of these categories as inviolable. In both situations, a mixture of contract based and market based revenue is often seen. Thus, power off-take contracts often combine a minimum fixed capacity fee with a variable fee for electricity actually purchased. The capacity fee is paid to the project company merely for having the capacity available. This is a pure contract based fee. It guarantees the project a certain minimum revenue regardless of the amount of power actually produced. The variable fee, on the other hand, is often market driven, based on the kilowatt hours of electricity actually purchased because of customer demand. For this part of the fee, the project company would

ordinarily be taking a market risk and would normally expect to reap substantial rewards. Other options can be developed according to the specific country experience, regulatory frame-work and interest of the negotiating parties.

Similarly, revenues for toll roads, bridges and tunnels could be based partly on a government commitment to pay a minimum capacity fee or additional fees if a minimum level of traffic is not achieved. This approach would take some of the market risk out of a primarily market based project.
Long term contracts with prospective users (for example, the contracts with the French and UK national railroads in the case of the Channel Tunnel) can serve a similar function.

Since the lenders will be relying on the project to service their loans, they will insist that the total cost of the project be determined at the outset. Lenders as well as investors must have confidence that the project can actually be built and operated with the funds being committed.

BOT projects will transfer the construction risk to the project company and will therefore normally be designed and constructed on a fixed cost, turnkey basis. Proven technology will normally be required. Experimental or state-of-the-art technology would add to the risks of the project make limited recourse financing more difficult to obtain.

The less predictable the total costs, the more the lenders will insist on stand-by commitments from the sponsors or the host government.
The riskier the project is perceived to be by the lenders, the more recourse will have to be provided from other parties.
In summary, sponsors to be able to secure financing to BOT projects will need a very clear and detailed description of the concession scope and limits.

11- EQUITY INVESTMENT :

Most BOT projects have involved a combination of equity provided by the sponsors and debt provided by commercial banks, international financial institutions and bilateral government lenders.
The percentage of equity seems to fall most often within the range of 20 to 30 % of the total project cost, although the equity component in some projects has been outside this range.
The actual returns earned by equity investors in BOT projects are difficult to estimate. The reasonableness of the return obviously depends upon the degree of risk taken by the investor in the project and the additional benefits the project brings to the host government (such as timeliness, efficiencies and new technology).

The projected rate of return for the **base case** assumptions is often set forth in government requests for proposals and in projections disclosed in offering memoranda circulated by investment banking firms.
When the project performs at better than **base case**, the rate of return to the equity investors can improve substantially. This is an area in which a host government needs to be particularly vigilant so as not to "**pay**" too much for the project.

On the other hand, incentives can be structured to reward results and performance that exceed the **base case** on a basis that shares the benefit between the project company and the host government, without allowing the equity investors to earn unduly exorbitant, windfall profits.
In some cases, the length of the concession could vary with a maximum return, so as the length decreases if the revenues are above of the forecasted figures contemplated in the financial projections of the base case.

A successfully structured BOT project that achieves such benefit sharing will produce a "**win-win**" result fort both the host country and the sponsors.

12- SECURITY TO LENDERS :

Lenders to a BOT project will insist on a variety of security measures. These are collectively referred to as the **"security package"**.
These measures go far beyond a simple mortgage or deed of trust covering the project assets. The lenders recognize that if the project company defaults, there will be no ready market for a partly built toll road or a power plant that does not work.
Therefore, various security devices to protect the lenders are usually found in BOT projects. These are designed to ensure that the project remains financially viable and performs as intended, they are also in the overall interest of the host government.

13- RISK IDENTIFICATION AND MANAGEMENT :

Critical to the success of every BOT project is the identification, allocation and management of project risks.
Both lenders and equity investors will normally insist on some mechanism to protect themselves against inflation risk. This protection may be provided by price escalation clauses in the off-take agreement (in the case of power projects) or by provisions in the project agreement allowing the project company to increase tolls (in a toll road project). Such price escalation clauses are intended to take account

of increased costs of the project due to inflation. They may also be drafted with the intent of maintaining the purchasing power of the project's net income and equity in general.

A typical BOT infrastructure project which sells its output into the local economy, will receive its earnings in local currency. Yet the source of a substantial amount of the financing, both debt and equity, will usually be foreign.
Both lenders and equity investors will want firm assurance that they will be able to recoup their original investment, together with interest or dividends, in foreign currency at a reasonable exchange rate.
The host government, therefore, must be prepared to provide some mechanism to assure foreign investors and lenders that :

(a) they will be authorized to convert local currency earnings into foreign currency,
(b) there will be enough foreign currency available when the time comes for the host country or its banking system to make the conversion;
(c) that the rate will not be unduly unfavourable; and
(d) that it will be possible to remit the foreign currency abroad.

14- GOVERNMENT GUARANTEES AND SPECIAL AGREEMENTS :

Although host governments will not normally provide a direct sovereign guarantee for loans made to a BOT project company, they may be asked to provide sovereign guarantees, or similar assurances, for some aspects of the project.

For instance, if a government, owned corporation has contracted with the project company (as when a government utility enters into a long term off-take contract or undertakes the long term supply of fuel or energy to tile project), the government itself may be required to guarantee the utility's performance.

Similarly, the host government will usually be called upon to give certain guarantees on the availability of foreign exchange and exchange rate fluctuations, either directly to the project company, or indirectly to foreign export credit guarantee agencies.

Essential preconditions, such as access roads or transmission lines, or force majeure on clauses contemplating financing readjustments under clear situations may also require government guarantees.

The basic project agreement with the project company will normally contain numerous other obligations undertaken by the host government or agency involved.

15- ROLE OF OUTSIDE ADVISERS :

Host governments, equally as all other parties. will normally find it invaluable, depending on their experience, to retain technical, financial and legal advisers who are familiar with project finance structuring and the types of private sector arrangements involved in BOT projects.

The project sponsors will themselves have substantial technical expertise and will have experienced investment bankers and international legal counsel on their side. The addition of comparable advisers and counsel to the government team can :

- help the host government structure the initial BOT proposal in the most favourable way,
- can lend considerable credibility and creativity to the host government's position during the development phase and -
- can help ensure that the drafting of the complex contractual documents involved proceeds as efficiently as possible to the execution of definitive agreements.

The complexity of both the procedures and the documentation required to progress a BOT project to financial close should not be underestimated.
Few government offices will be sufficiently staffed to deal with the work required under the time pressures imposed without the temporary support which outside advisors and legal counsel, brought on specifically to implement a particular project, can provide.

Although the cost of employing such advisers may be considerable, the resulting benefits in bringing the project to a successful completion, allocating risks and responsibility appropriately, and otherwise ensuring that the host government's interests are fully protected will more than offset the additional cost.

16- COMPLEXITY OF THE BOT PROCESS :

The process of developing a BOT project may be complicated, time consuming, and from the point of view of the sponsors, very expensive.
Large projects can easily take several years before signature of the project agreement or closing of the financing.

During that period, the sponsors may spend considerable amount of resources in feasibility studies, professional fees to advisers and consultants, and other out-of-pocket expenses, to say nothing of the cost of their own management time. It is therefore critical that the host government does everything possible to ensure an

orderly, fair and efficient process from bid solicitation, selection, contracting, permitting, right through to project implementation.

Host governments, in other words, must understand the complexity of the process and be willing to provide the timely governmental support required for success. Fortunately, valuable experience has been gained over the last decade in a number of countries and by commercial banks, export credit agencies and multilateral financial institutions.

All have come to understand the BOT process better, and standard solutions to recurring problems have been developed.