

Finance

BOO, BOT, BOOT

As a result of credit constraints worldwide, countries have been looking for innovative new ways of financing projects. One set of such techniques is the "Build, Own, Operate" (BOO), "Build, Own, Transfer" (BOT), and "Build, Own, Operate, Transfer" (BOOT). These terms describe very similar transactions. The underlying approach involves a group of equity investors (including contractors and equipment suppliers) assuming the risk of design, construction, financing, completion, start-up and operation of a project.

Cash for repayment and of investment and loans necessary to construct the project and capitalise interest during construction and start-up, plus a margin for safety and profit, comes from the cash flow generated by providing the product or service over a number of years. This cash flow may be guaranteed by a government or user of the product or service under an unconditional "take-or-pay" contract or a conditional "take-and-pay" (take if delivered) contract.

The concept of BOO is the same as BOT and BOOT, except that in BOO it is recognised that the project facility will be owned and operated by the investors for most of its useful life, so that the "transfer" if and when it does occur will be of a facility with little contemplated continuing value.

Call

An option giving the holder the right, but not the obligation, to buy a specific quantity of an asset for a fixed price during a specific period.

Concessional financing Financing below generally accepted "market rates"

Consensus financing Financing provided according to the OECD Consensus Agreement. This Agreement sets out the minimum interest rates, grace periods and other financial elements of lending by Export Credit Agencies (or their agents) to borrowing countries.

Co-manager

A member of the management group of a securities offering other than the leading manager(s).

Cross-border loans

Cross-border loans consist of loans in which a bank in one country making a commercial loan to a borrower in a separate country. Also refer to a syndicate of banks from one or more countries loaning to a project or borrower in another country.

Drawdown period

The period during which the financing is available to be drawn.

Final maturity

The date on which the final repayment of principle is due.

Forward

A contract obligating one party to buy, and the other to sell, a specific asset for a fixed price at a future date.

Future

A forward contract traded on an exchange.