

consortium such as equipment suppliers and contractors who offer good financial strengths. The legal aspects of the project should also be outlined. The tax environment and its implications must also be ascertained and evaluated in terms of its potential impact on the project.

Promotion and Development Steps

- The technical competence of the players in the consortium should be unquestioned and contractors should be lined up at an early stage. The technical solution should reflect the special features of the bid.
- The consortia should demonstrate superior project management capability. Construction costs must be reasonably low.
- The joint venture or consortium method that contractors desire to use should be appropriate for the risk profile of the project and for the financial strength of the members of group. The structuring of the deal must address how the financial institutions are represented, what the independent engineer does and substitution provisions (i.e., the right to substitute other suppliers). As well, it is important to agree (at an early stage of the project) on an arbitrator for resolution of disputes that may occur in the course of the project.
- Exclusive negotiations with the host government may only occur after competitive bidding. During negotiations the consortium must demonstrate the ability to undertake risk and cost/benefit assessment quickly and to respond to the demands of the host government promptly. Governments should be willing to accept some project risks and provide some resources. At the same time, players often find it hard to justify bidding on major BOT projects involving multiple bidders. The smart developer therefore looks for opportunities that involve unsolicited projects (i.e., attempts to negotiate a sole source agreement). However, this strategy becomes difficult to put in place if there is significant Government financing of the project.

Implementation Steps

- Early formalizing of the project company and its key shareholders.
- Motivate contractors with penalties and bonuses for cost and time performance.
- Finalise project financing structure.