

Initial Planning and Evaluation Phase

- There should be a high need for the project in the host country. Also issues such as compliance with environmental standards should be reviewed at the outset.
- A high degree of political will to utilize the private sector to help finance, build and operate the project is important. Personal contacts in the host country particularly with relevant decision makers in the local government are quite important.
- For BOO projects the sales price of the product output (e.g., unit power cost, highway toll fees, etc.) must support the private sector returns, risks, etc. This is not recognised in many countries who expect privatised projects to compete at existing government subsidized rates. This is a serious constraint in many areas.
- The host country's legal system should also be sufficient to effect the deal. The ultimate security for the lender is the legal documentation which is designed to protect the lender from default. Consequently the legal system must provide for an understanding of contract law, a system of litigation to adjudicate contract disputes and lien laws for taking security interests.
- Government to government interactions should be handled at an early stage. A political champion both in the host country and in the home countries of key consortia players can help gain some leverage. Also, players in international consortia may provide cover from their ECA's.
- The proposed members of the consortium must have a credible track record and should be willing to enter a contract with firm price and completion terms and conditions. They should also be prepared for long project and development periods of high risk. A high degree of cooperation and flexibility is needed among members most of the time and this argues for working with players who know each other. The consortium should be led by a calculated risk taker. Finally, the host country will gain comfort if it can be shown that the project developer will stay with the project from "cradle to grave".
- The project should be considered as financable by experts who are familiar with limited-recourse deals. Likely operating criteria and output pricing schemes should be identified. If the deal is considered to be worthwhile, IFI involvement (if relevant) should be secured at an early date and advisors with close working relationships with these institutions may be helpful. Equity participation should be secured from credible members of the