

## FOREIGN CURRENCY REMITTANCE

For the equipment suppliers and contractors, the project's viability depends on the freedom to remit foreign currency. They need to import materials and procure offshore technical services. They must pay for home-country overhead costs, and remit at least some of the profit from the venture.

The host government can authorize such transfers, but there are many steps involved. There must be a specific framework for foreign exchange conversion, and the risk for exchange rate fluctuations must be fully assigned. The package should include specific rights for remitting different forms of earnings, including dividends and the proceeds of capital disposal. There should be a provision for converting local earnings to hard currency without penalizing domestic users.

Ideally, it would be nice if debt financing could be entirely in local currency to mitigate the risks of devaluation. But, in fact, this rarely occurs as much of the debt is brought in internationally in foreign currency. Alternatively, the host government can absorb the costs of exchange rate depreciation.

## FREEDOM TO IMPORT

Suppliers and contractors need to know whether they will be free to import materials and equipment. They must know about all duties and taxes as well as any other restrictions. This applies both to construction inputs and the spare parts and services that will be required for future maintenance.

## USE OF LOCAL LABOUR AND CONTRACTORS

The project will not be viable unless the project developer has the freedom to bring in expatriate technical personnel and contractors as required. The need to do this depends partly on the supply of local personnel and the skills they possess.

In straight civil engineering projects, local contractors can usually contribute substantially. They often know how to deal with local circumstances better than foreign contractors. However, in build-operate-transfer (BOT) projects, a large proportion of the equipment will likely be imported because the use of proven systems reduces risk. Therefore, a larger participation by foreign contractors and their employees will be required.