

A project developer has to structure relationships with shareholders, lenders, governments, contractors, equipment suppliers, insurers, plant operators, fuel suppliers and others. These relationships go beyond the formal contractual arrangements involved. All of the stakeholders must see themselves as partners in the project. Moreover, the relationships must address the needs of each player and present them with risks that they perceive as manageable and in keeping with the rewards.

## GOVERNMENT

One of the distinguishing features of a build-operate-transfer (BOT) infrastructure project is that agreements with the host government are always required. The most critical agreements are those which grant a concession to the project developer, and those that provide for a future transfer of ownership. In this context, concession means that the host government grants rights and privileges to the project developer that otherwise belong exclusively to the state. Clearly, such arrangements must be very explicit. The transfer of ownership typically occurs only after 10 to 30 years.

Many BOT projects never get off the ground because the project developers and the host government have differing needs and expectations. It is perfectly natural for project developers and governments to have many conflicting interests. The challenge for project developers is to create a BOT arrangement that can balance these differences.

## CONFLICTING OBJECTIVES IN BUILD-OPERATE-TRANSFER PROJECTS

Objectives of project developers	Objectives of host government
<ul style="list-style-type: none"> <li>■ to minimize operating costs</li> </ul>	<ul style="list-style-type: none"> <li>■ to ensure project assets are maintained to preserve the residual value of project assets</li> </ul>
<ul style="list-style-type: none"> <li>■ to maximize revenue</li> </ul>	<ul style="list-style-type: none"> <li>■ to control revenues by preventing excessive charges to consumers</li> </ul>
<ul style="list-style-type: none"> <li>■ to maintain positive cash flow</li> </ul>	<ul style="list-style-type: none"> <li>■ to pay only according to results</li> </ul>
<ul style="list-style-type: none"> <li>■ to achieve a stable legal environment</li> </ul>	<ul style="list-style-type: none"> <li>■ to require project developers to comply with all present and future laws and government policies</li> </ul>
<ul style="list-style-type: none"> <li>■ to enjoy the right to use project assets to maximize profit</li> </ul>	<ul style="list-style-type: none"> <li>■ to require project assets be used to maximize economic benefits to the host country</li> </ul>
<ul style="list-style-type: none"> <li>■ to transfer project risks to the host government</li> </ul>	<ul style="list-style-type: none"> <li>■ to transfer project risks to the joint venture companies</li> </ul>