https://doi.org/10.1142/S1609945102000217 | **Cited by:** 6 **(Source: Crossref)**

Abstract

Financial constraints over the traditional sources of funds, coupled with increasing demand for infrastructure have forced the governments of developing countries to seek Private Participation in Infrastructure (PPI) development. As such Project Finance (PF) modalities such as BOO/BOT and its variants are found to be the most commonly adopted ones for private Power Projects (PPs). However, a critical look into the economic impact of alternative financing mechanisms for infrastructure is still required, although much has been written on the evaluation of PPI. This paper examines broader economic implications originating from five basic channels associated with PF transactions in private PPs. To achieve this objective, an analytical framework with theoretical foundation is developed to review empirically evidence of BOO/BOT type PPs. While economic cost factors reflect characteristics of PF and have bearing on the direct parties to the transaction, economic benefits of PF for PPs seem largely attributable to the host country. Findings further reveal that domestic financing, institutional support and proper balancing of the implications of PF mechanisms could mitigate the negative impact on the price of private power on many consumers. Limitations in achieving sustainable private power generation are largely attributable to the absence of more effective reforms to facilitate PF transactions in host countries.

Keywords: BOO/BOT power projects · developing countries · economic implication · project finance · Asia