

Built-Own-Lease-Transfer (BOLT): “An Alternative Model to Subsidy Schemes in Public Private Partnership Projects”

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Abstract : The World Bank Institute (WBI) is undertaking a review of government interventions aimed at facilitating sustainable investment in public private partnerships (PPPs) in various under developed countries. The study presents best practice for applying financial model to make PPPs financially viable. The lessons presented here, if properly implemented, can help countries use limited funds to attract more private investment, get more infrastructure built and, as a result, achieve greater economic growth. The four countries Brazil, Colombia, Mexico, and India in total develop an average of nearly US\$50 billion in PPPs per year. There are a range of policies and institutional arrangements governments use to provide subsidies to PPPs. For example, some countries have created dedicated agencies, or ‘funds’, capitalized with money from the national budget to manage and allocate subsidies. Other countries have established well-defined policies for appropriating subsidies on an ad hoc basis through an annual budget process. In this context, subsidies are direct fiscal contributions or grants paid by the government to a project when revenues from user fees are insufficient to cover all capital and operating costs while still providing private investors with a reasonable rate of return. Without subsidies, some infrastructure projects that would provide economic or social gains, but are not financially viable, would go undeveloped. But the Financial model of BOLT (PPP) model described in this study suggests that it is most feasible option rather than going for subsidy schemes for making infrastructure projects financially viable. The major advantage for implementing this model is the government money is saved and can be used for other projects as well as the private investors are getting better rate of return than subsidized schemes.

Keywords : PPP, BOLT, subsidy schemes, financial model

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