

**THE BOT SYSTEM AND ITS DERIVATIVE CONTRACTS
AS A COMPREHENSIVE FINANCING INSTRUMENT FOR
INFRASTRUCTURE PROJECTS**

نظام البوت والعقود المشتقة عنه كصيغة من صيغ التمويل الكلي لمشاريع البنى التحتية

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ملخص:

تمحورت هذه الدراسة حول "عقد البوت" الذي يُعد أحد أهم الصيغ التعاقدية المعتمدة في مشاريع تشييد وتطوير البنى التحتية، حيث تم أولاً عرض أهم الركائز التي يستند عليها نظامه التعاقدية بما في ذلك أطراف المشروع، لاسيما منهنما شركة المشروع التي تتخذ شكل اتحاد مالي يجمع بين عدة شركات من القطاع الخاص، وكذا أهم المبادئ التي يقوم عليها كنظام التمويل الكلي للمشروع. وفي الأخير، تناولت الدراسة مختلف أنواع العقود التي تفرعت عن هذا النظام التعاقدية والتي عرفت بـ "مشتقات البوت". وخلصت الدراسة إلى أن نظام البوت ومشتقاته، باعتبارها عقوداً طويلة الأجل، تُحقق توازناً عقدياً بين المتطلبات المالية لاستكمال البنى التحتية وبين الاستغلال المادي لهذه البنى. كما أن أفرادها بمرحلة التملك المؤقت للمشروع يُعطي لشركات المشروع قدراً من الصلاحيات تسمح لها بالتصرف في المرفق بما يتماشى مع غايات المشروع، وهو ما يختصر عليها بعض الاجراءات الإدارية التي من شأنها عرقلة سير المشروع.

كلمات مفتاحية:

البوت، شركة المشروع، التمويل الكلي، عقد الامتياز، تحويل الملكية.

Abstract:

Various contractual frameworks have been adopted for infrastructure construction and development projects, the most notable of which is the BOT contract. This study presents the project stakeholders: the project granting authority and the project company, which is a financial consortium and the key principles of

this system, namely the principle of comprehensive project financing by the project company. It also discusses its derived contracts, known as "BOT derivatives". The study concludes that these long-term contracts achieve a contractual balance between the financial requirements for completing infrastructure and their material exploitation. Additionally, the temporary ownership phase allows the project companies to manage the facility in line with the project's objectives, thereby streamlining some administrative procedures that could impede the project's progress.

Keywords:

BOT, project Company, comprehensive financing, concession contract, transfer of ownership.

Introduction:

According to the Cambridge dictionary, an infrastructure is the basic system and services, such as transport and power supplies, that a country or organization uses in order to work effectively (Cambridge Dictionary). An Infrastructure could be defined as well as the set of equipment and systems designed to meet the basic service needs of the population, including roads, bridges, telephone towers, and power plants (العموش, 2022). These infrastructures are classified into various types (Torrise, 2009): **soft infrastructure**, which is the backbone of a nation's economy as it provides essential services to citizens, such as educational, health, and judicial infrastructure; **hard infrastructure**, which gives countries a modern and advanced character, such as highways, bridges, and all transportation-related facilities like airports and railways; **critical infrastructure**, which supports community building, such as residential and agricultural facilities, and finally, **IT infrastructure**, such as communication networks and servers.

The need to build and develop these various types of infrastructure has necessitated the involvement of the private sector in financing and managing them, particularly given the significant capital required for their construction, development, and operation. For instance, the construction of an international airport or a tram station may cost millions of dollars, a financial burden that most states cannot bear alone—not to mention the risks that may accompany the various stages of executing such a project. Additionally, the lack of competent and experienced staff to manage similar projects may hinder their success. This has led to the necessity of involving the private sector in the execution and management of infrastructure projects. Among the various legal frameworks adopted in this regard for contracting with the private sector, the most prominent is the **BOT (Build, Operate, Transfer) contract**, which has proven to be highly effective in many countries as a method of engaging the private sector in large-scale investment projects and as one of the financing systems

for projects alongside public-private partnerships in their various forms. Examples can be found in the United States, China, Saudi Arabia, France, and other countries (Kredieh, 1996).

The BOT system is a legal phenomenon that connects the public and private sectors. It is a literal translation of the English phrase **Build, Operate, Transfer**, representing the following stages: construction, operation, and transfer. Definitions assigned to it often rely on the stages it involves.

For example, the **United Nations Commission on International Trade Law (UNCITRAL)** stated that a project is implemented under a BOT contract when the contracting authority selects a private-sector partner to finance and construct the infrastructure or public facility, granting this partner the right to commercially exploit this facility and own it for a specific period, at the end of which ownership reverts to the contracting authority (UNCITRAL, 2020).

Legal definitions align with the aforementioned concepts. For instance, Dr. **Mohamed Walid Mansour** provides two definitions: the first describes BOT contracts as a form of project financing where a state grants an investor or a group of investors a concession to finance and execute a specific project, then operate and commercially exploit it for a specified period, after which the project is returned to the state (محمد وليد منصور). He categorizes it as an indirect method of managing industrial and commercial facilities.

Similarly, Dr. **Mohamed Sherif** defines the BOT as a **win-win-win** solution for governments, private sector firms, and the community at large. From the government's perspective, private sector participation offers off balance-sheet funding whilst bringing an added advantage of cost and resource efficiency to the project. From the private sector's perspective, BOT projects present great opportunities to expand market share and earn higher returns contracts as agreements where the government grants a concession to a private company (the project company), which undertakes to construct, operate, and manage a project during the concession period. Upon the expiration of this period, the ownership of the project reverts to the state without requiring payment or compensation (Mohamed, 2002).

The BOT contract, in this sense, emerged in 1984 in Turkey as an extreme application of concession contracts (T & Ozdogan, 1998). It was introduced by the Turkish Prime Minister Turgut Ozal, for the construction of large power plants and immediately entered in circulation as a term in the economic literature (Vassileva, 2020). Later, It has been adopted across various sectors for financing large-scale investment projects because it relieves states of the financial burden associated with project financing, transferring this responsibility entirely to the private sector, which

assumes the construction, operation, and subsequent transfer of ownership back to the public sector. However, some trace its origins to the late 18th century(تخنوني) .

The increasing use of this contractual framework has led to the emergence of new contractual forms closely resembling the original BOT model (Nicole, 2024). These new forms are referred to as **BOT derivatives**, as they are derived from it. This raises several questions about the components of the BOT contract and the boundaries distinguishing it as an original contract from its derivatives, particularly given the legal void surrounding such contracts in many countries, including Algeria, which has yet to adopt any legislation specific to BOT contracts or their derivatives, despite their use in various sectors such as water and energy.

The research problem thus arises and can be formulated as follows: What are the key fundamental components of the BOT contractual framework, and what are the distinctions between it as an original contract and its derivatives?

This main question branches into several sub-questions, including:

- Who are the parties to the BOT contract?
- What are the principles underpinning the BOT system that distinguish it from other large-scale project financing frameworks?
- What are the features of contracts derived from the BOT model?

The significance of this study lies first in highlighting the specificities of the BOT model regarding its contractual structure (its parties) and the principles underlying this contractual system, and second, in identifying the distinctions between it and its various derivatives, especially in the context of the legal void surrounding these contracts in many countries, including Algeria. This study may also help clarify the concept of the BOT system and reduce the conceptual confusion surrounding it, particularly when discussing contracts that link the public and private sectors.

This study adopts the descriptive-analytical method, defining BOT as a contractual system and identifying its key components, including the principles and the specificity of its contractual parties, particularly the private-sector party. It also employs the comparative method to analyze the main distinctions that make each derivative contract different from the original BOT framework.

The study is divided into two main sections: the first addresses the components of the BOT system, while the second explores the derivative contracts.

I.THE COMPONENTS OF THE BOT SYSTEM:

By analyzing the various definitions attributed to the BOT system, it can be stated that its components and characteristics do not lie merely in the stages it goes through—construction, operation, and transfer of ownership. Rather, they are more prominently reflected in two fundamental points: **The Parties Involved:** The nature and role of the parties change depending on the contractual phase and **The Principles Underlying It:** These principles distinguish the BOT system from other contractual frameworks that involve private sector participation in investment.

a. The Parties to BOT Contracts:

BOT contracts involve two main parties: the **public sector**, represented by the project-granting authority, and the **private sector**, represented by the project company, which often takes the form of a financial consortium.

a.1- The Authority: More precisely, it refers to the entity responsible for the facility that is the subject of the project. Sometimes it is referred to as the public sector or the government. In contractual terminology, it is known as the project-granting authority or the concession-granting administration, which enters into agreements with the investor or group of private-sector investors.

As for the validity of the contract, it is sufficient for this authority to possess **financial autonomy** or, more precisely, **legal personality**, with the necessity of having a legal provision that grants it the authority to conclude contracts related to the construction, management, and operation of the facility in question (الطراونة, 2014). For instance, in Algeria, entities such as the **wilaya** (province), **commune** (municipality), and public institutions such as The National Hydrocarbon Company (SONATRACH), The national airline company (Air Algérie), The National Electricity and Gas Company (SONELGAZ)...have the right to grant concessions have the right to grant concessions for the construction and operation of specific infrastructure. However, entities like the **daïra** (district) do not have this right due to their lack of full legal personality, as they do not enjoy financial autonomy.

Prior to signing the contract, this administration recruits a team consisting of engineers, accountants, legal professionals or lawyers, as well as environmental specialists to conduct a multidisciplinary study (Akbiyikli & D. Eaton). The aim of this study is to identify the main project needs, requirements, and suitable conditions for its implementation, particularly since it involves infrastructure and thus serves its citizens. The same administration also examines the various types of guarantees (legislative, financial, etc.) that can be offered to the private sector to encourage it to contract. Additionally, it assesses the environment, under which this contractual relationship will be established, especially considering that, in most cases, the private sector party in BOT contracts is a foreign entity.

This initial phase is not limited to identifying the project's needs but also plays a crucial role in ensuring the long-term stability of the contract. This is particularly

important given the nature of BOT contracts, which are long-term agreements tied to infrastructure projects. At this stage, the granting authorities can examine and establish potential legal and legislative guarantees for the operator. Additionally, they can seek to adapt the existing legal framework in a manner that provides further assurances to the operator, fostering a more stable and favorable environment for the project.

a.2- The Project Company as the Second Party in this Contractual Relationship:

Project Company is established by one or several private-sector companies that unite financially to gather as much capital as possible, particularly given the financial demands imposed by infrastructure projects. This financial union, known as a **consortium**, typically takes the form of a joint-stock company. It is the entity responsible for signing the concession agreement with the contracting authority or with any other party involved in the project, such as subcontractors or banks.

It is not required for this consortium to consist of companies from the same field of expertise. On the contrary, some consortia may include companies from diverse fields: one specializing in engineering, another in management and operation, and a third in supply chains (الطراونة، 2014، صفحة 20).

Moreover, the partners forming this consortium are not required to be local; in practice, project companies often involve foreign investors more than local ones. However, the proportion of national contributions may be subject to the laws of the host country, if such laws exist.

Once this company signs the concession agreement with the granting authority, it obtains the right to construct, operate, and exploit the facility or infrastructure in question for a relatively long-term period.

The company is obligated to fulfill its commitments in good faith and in accordance with the terms agreed upon in the concession contract. It may choose to execute its obligations directly or opt to subcontract part or the entire project to other contractors, provided this is done within the specified conditions and deadlines.

As for the funds required to commence construction or renovation activities, they are often secured through financial loans obtained by the project companies from investment banks, especially since the shareholders' contributions typically fall short of covering the substantial costs associated with infrastructure projects.

There are numerous examples that demonstrate the flexibility offered by BOT contracts, one of which is the case of the consortium GMR Mega wide Cebu Airport Corporation (GMCAC). This consortium secured a significant portion of the funding required for the expansion and renovation of the Mactan-Cebu Airport in the Philippines by obtaining loans amounting to ₱23 billion from six major Philippine banks (adb.org, 2015).

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This example highlights the remarkable adaptability of BOT contracts. One key advantage is that governments, or more specifically the granting authorities, are not required to provide the substantial amounts of capital needed to initiate such large-scale infrastructure projects. Instead, the financial burden is shifted to the private operators, who can secure funding through mechanisms such as loans or other financial instruments. This approach not only reduces immediate fiscal pressure on public budgets but also grants the private sector the flexibility to manage financing in a way that aligns with project requirements

b. The Principles Underpinning the BOT Contract:

The most prominent principles underpinning the BOT contract, which set it apart from other contractual frameworks for private-sector involvement in investment projects, are: **The Principle of Comprehensive Project Financing and The Principle of Risk Allocation.**

These two principles simultaneously constitute the primary contractual obligations of project companies. They are, in essence, the key distinctions between the BOT model and other frameworks for private-sector investment participation. However, limiting the discussion to these two principles does not diminish the significance of a third principle—the **principle of technology transfer**. This principle is shared by various modern frameworks for private-sector involvement, including BOT and Private Finance Initiatives (PFI).

b.1- The Principle of Comprehensive Project Financing:

One of the key features that distinguishes the BOT contract from public-private partnership (PPP) agreements in their various forms—particularly the Private Finance Initiative (PFI: Private Finance Initiative) model, which is based on an integrated financing policy—is its reliance on the principle of comprehensive project financing by the project company. This means that the project company assumes the burden of providing sufficient capital to cover the project's expenses, or at the very least, to initiate the project's implementation. This is done alongside providing adequate guarantees to secure financial loans that meet the project's requirements, enabling the state or public sector to focus on other projects.

On this basis, multiple companies often unite for this purpose, pooling their financial resources under what is referred to as the previously mentioned **financial consortium** or **consortium**.

The financing encompasses all assets necessary to cover the activities involved in the construction and design of the project, such as infrastructure, equipping it with the required machinery and devices for its operation, maintenance, and utilization.

It does not matter whether the assets allocated for financing come solely from the financial portfolio of the project company or are obtained through loans arranged between the Project Company and banks, whether domestic or international.

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Some experts argue that this comprehensive financing commitment contributes to improving the balance of payments, reducing the budget deficit, and sparing the state the burden of resorting to external borrowing. As a result, it relieves the state from bearing the substantial financial interests generated by foreign banks from lending operations.

The involvement of the private sector in the form of consortia is a notable aspect of financing under the BOT system. This structure significantly impacts the ability to secure loans, as each party within the consortium contributes guarantees to strengthen the financial credibility of the group. By pooling resources and leveraging collective guarantees, the consortium is better positioned to obtain loans needed to initiate work on the project.

Even though consortia often provide a sense of security to granting authorities—particularly in terms of securing the substantial funding needed to launch projects and ensuring their continuous implementation—they can also pose a significant risk. If a consortium dissolves for any reason, this can disrupt the project's progress and negatively impact the granting authority.

A notable example is the dissolution of the consortium responsible for the Bangkok Elevated Road and Train System (BERTS) in Thailand. The dispute arising from this dissolution was ultimately resolved by an arbitration committee, which, on November 8, 2008, ordered the State Railway of Thailand (SRT) and the Transport Ministry to pay compensation (Bangkokpost).

To mitigate such risks and ensure project continuity, governments or granting authorities must proactively safeguard themselves by including preventative measures in the original contract. These measures can include Performance Bonds, Step-In Rights, Parent Company Guarantees, Insurance Policies, and other financial and operational guarantees that protect the project's viability in case of unforeseen consortium challenges.

b.2- The Principle of Risk Allocation:

This principle is one of the key distinctions between BOT contracts and the Private Finance Initiative (PFI). While the latter relies on a risk-sharing principle, whereby each party to the contract assumes a share of the risks, thus creating contractual balance, BOT contracts place the full burden of risk solely on the project company.

Risk-sharing in PFI contracts is not merely based on proportionality (e.g. a 50/50 split) but also on the nature of the risks.

In BOT contracts, project companies assume a significant share of the risks involved in various phases of project implementation, ranging from financing and

construction to operation and maintenance. However, the allocation of these risks is not unilateral; it is meticulously negotiated between the contracting parties to ensure a balanced and effective distribution. The nature and type of the risk often determine which party is best equipped to manage or mitigate it.

Types of Risks (Cambridge center for risks studies, 2019):

- **Political Risks:** such as wars, armed conflicts, or changes in the political system—are typically borne by the granting authority. This is because such risks are generally beyond the control of the private sector and are better managed by the government, which has the authority and resources to address disruptions arising from political instability.

- **Legislative Risks:** Such as amendments to legislation that could affect the legal framework within which the project company operates.

- **Economic Risks:** Examples include depreciation of the national currency, instability of interest rates, and disruptions caused by unforeseen circumstances or force majeure events that destabilize the financial balance of the contract (Kredieh, 1996). These risks may not be adequately addressed through clauses like the hardship clause or the force majeure clause.

- **Other Risks:** These include risks related to the quality of services or the machinery used in service delivery.

Although, most of the risks are often shouldered by the private sector, which is responsible for ensuring the project's financial viability and operational efficiency.

II. DERIVATIVE CONTRACTS OF BOT:

Due to the effectiveness of the BOT model, its applications have expanded, and some variations have evolved from the original, resulting in new contracts referred to by some as "BOT derivatives" (الفرس). These derivatives may either: Involve ownership of the project throughout the duration of the concession contract, with ownership transferring to the public sector upon the expiry of this period; or Involve permanent ownership of the project by the project company, without the possibility of transferring its ownership to the public sector.

a. Derivative BOT Contracts Involving Project Ownership Transfer:

These are contractual frameworks derived from the BOT model that involve the phase where the project is owned by the project company, with an obligation to subsequently transfer ownership of the project back to the public sector. They include:

a.1- Build, Own, Operate & Transfer(B.O.O.T) Contracts: These contracts engage the private sector, represented by the project company, in the construction, ownership, and operation of infrastructure or facilities for the duration of the contract. Upon reaching the agreed expiration date, the project company transfers ownership of the infrastructure to the public sector.

This framework assumes that ownership of the facility or infrastructure in question is transferred to the public sector as soon as the contract term ends. This sets it apart from the BOT contract, where ownership during the concession period is not part of the arrangement. BOT contracts focus solely on the construction, operation, and subsequent transfer of ownership.

After constructing the project, the project company manages and operates it by providing services to the beneficiaries, collecting revenues in return. This enables the project company to cover financing and investment costs, maintain and operate the facility, and generate a profit margin (**Akbiyikli & D. Eaton**).

The ownership phase in this type of contract incentivizes the private sector to ensure high-quality construction, efficient operation, and proper maintenance to maximize revenue and achieve a return on investment, as it retains ownership and full control and liability for the infrastructure during the concession period.

The Ownership is indeed transferred to the public sector at the end of the contract term without compensation. However, a significant disadvantage could arise in cases where public sector entities lack the technical expertise or resources required to effectively manage and operate the facility after the handover.

a.2- Build, Lease & Transfer(B.L.T) Contracts: This contractual framework involves the project company undertaking the financing and construction of the infrastructure, followed by leasing it to the concession-granting authority for a specified period, as determined in the lease agreement (**wall street mojo**).

Through this leasing arrangement, the contracting administration receives a newly constructed and fully equipped facility that meets the standards agreed upon in the original concession contract, once construction is completed.

The leasing phase enables the project company to benefit from a steady revenue stream during the concession period.

This approach proves particularly advantageous, as the readiness and operational efficiency of the leased facility often result in higher profitability compared to what might have been achieved if the public sector had handled the project's construction and operation independently.

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At the end of the concession period, ownership of the infrastructure is transferred back to the contracting administration. This final phase marks the completion of the contract, ensuring that the public sector ultimately regains control of the asset without requiring additional compensation to the project company.

A key distinction between B.L.T and BOT contracts lies in the inclusion of the leasing phase.

One of the notable disadvantages of B.L.T contracts lies in the reduced control that the granting authority has over the leased infrastructure during the leasing phase. Since the project company maintains temporary ownership

a.3- Modernize, Own, Operate & Transfer (M.O.O.T) Contracts: This contractual framework focuses on modernization, ownership, operation, and transfer. Unlike BOT contracts, M.O.O.T contracts do not require the project company to construct new infrastructure. Instead, the private sector is tasked with upgrading and modernizing existing facilities to meet the standards established in the agreement. Once modernization is complete, the project company assumes ownership and operates the facility, generating revenue through service delivery to beneficiaries throughout the concession period.

The benefits of M.O.O.T contracts are multifaceted. By leveraging modern technology, these agreements enable the efficient transformation of outdated infrastructure, reducing both technical and financial risks associated with modernization. Additionally, M.O.O.T contracts promote the reuse of obsolete resources, optimizing costs and minimizing environmental impact—a particularly valuable approach for infrastructure with historical or strategic significance.

A key distinction between M.O.O.T and BOT contracts lies in the scope of the project company's obligations. M.O.O.T contracts focus solely on upgrading pre-existing facilities. This allows governments to address infrastructure challenges requiring specialized technical expertise or technological enhancements without undertaking the financial burden of constructing entirely new facilities.

Countries often resort to this type of contract to upgrade infrastructure requiring specialized technical enhancements, allowing it to keep up with various technological advancements (المبروك،BOT عقود التشييد والاستغلال والتسليم، دراسة تحليلية-وتكييفها القانوني، 2018). These modernization efforts may also include a commitment to **training staff** as part of the project's scope.

b. Derivative BOT Contracts Not Involving Ownership Transfer:

These are contractual frameworks derived from the BOT model, where the project company retains permanent ownership of the project without the possibility of transferring it back to the public sector, or more precisely, to the project-granting authority. In this regard, these contracts closely resemble privatization.

To safeguard their interests, states often protect themselves in such contracts by retaining a certain percentage of ownership in the project, which is typically represented by the land on which the project is established (المبروك، عقود التشييد والاستغلال، 2018). دراسة تحليلية-وتكييفها القانوني BOT والتسليم

These frameworks include the following types :

b.1- Build, Operate & Own (B.O.O) Contracts:

This type of contractual framework revolves around the philosophy of allowing the project company to **build** the project (i.e., the infrastructure), **own** it, and **operate** it for the duration of the concession period, which is often renewable. Unlike other models, the project company is not obligated to return the project to the state at the end of the concession term.

However, the company is required to provide the government with a percentage of the revenues generated from operating the facility or infrastructure in question.

In this framework, the project company assumes significant risks related to ensuring the marketability of the service or product and determining its price. However, in return, the company is granted the authority to enhance its assets, improve operational efficiency, and implement necessary upgrades and expansions (اسماعيل)

b.2- D.B.F.O Contracts: Design, Build, Finance & Operate :

This type of contract involves the project company taking responsibility for **designing** the project, **constructing** it, arranging the necessary **financing**, and then **operating** it. However, ownership of the project is not transferred back to the public sector upon the expiration of the contract. Instead, the project company is obligated to allocate a portion of the revenues generated from operating the project to the public sector.

Under this framework, the public sector (or concession-granting authority) prepares the designs and technical specifications required for the project's execution and presents them to the project company. The company is then responsible for constructing the project according to the agreed design and operating it as per the terms outlined in the contract (تايه، 2017)، without transferring ownership to the public sector.

Countries often resort to this type of contract for projects that naturally require specialized designs, such as bridges, ports, and airports (المبروك, عقود التشييد والاستغلال والتسليم BOT والقانوني دراسة تحليلية-وتكييفها القانوني BOT والتسليم, 2018). The project company bears the burden of materializing the agreed-upon design and arranging the necessary financing to cover the project's expenses. However, it recovers these costs, along with substantial profits, through the operation of the project.

The primary distinction between this contractual model and BOT lies in the nature of the project. D.B.F.O contracts are typically employed for projects that either require **specialized designs** or are limited to construction tasks, whereas BOT focuses on construction, operation, and ownership transfer.

b.3- R.O.O Contracts: Rehabilitate, Own, and Operate:

This type of contract entails the rehabilitation or renovation of existing infrastructure, ownership, and operation. Under this arrangement, the project company commits, through a concession agreement, to rehabilitate and refurbish a pre-existing facility, then owns and operates it without transferring its ownership back to the public sector. Instead, the public sector receives revenues generated by the project company as compensation for the transfer of the project's ownership and operation. This aspect gives this contractual model a resemblance to privatization.

Governments often use this type of contract in cases where the existing infrastructure is in poor condition—so much so that it can no longer be considered functional or capable of delivering adequate services to beneficiaries. This is the main distinction between the R.O.O model and the M.O.O.T model. In the latter, the project company is responsible for upgrading existing infrastructure, whereas in R.O.O contracts, the company is tasked with **saving or rescuing** the infrastructure.

The specific obligations of the project company depend on the condition of the infrastructure. These could include building renovations, procuring new machinery and equipment, and more (المبروك, عقود التشييد والاستغلال والتسليم BOT والقانوني دراسة تحليلية-وتكييفها القانوني BOT والتسليم, 2018).

Unlike BOT contracts, R.O.O contracts imply permanent ownership of the project by the project company. However, the company is required to pay the state a financial share of the revenues generated from operating the facility.

It should be noted that there are other derivative contracts stemming from the BOT model, but it is not feasible to cover all of them within a single research paper.

Conclusion: In conclusion we can say that BOT contracts are among the most significant modern contractual frameworks. With their philosophy of involving the private sector, they relieve governments of two major burdens:

1.Financing Burden: BOT contracts serve as financial tools by allowing the private sector to fully fund contracted projects, enabling governments to focus on other initiatives.

2.Risk Burden: They shift risks associated with projects to the private sector during all stages of implementation, thus simplifying matters for public administrations.

BOT contracts serve as a middle ground between **public-private partnership (PPP) contracts**—specifically Private Finance Initiatives (PFI), which split funding and risks between the public and private sectors—and **privatization contracts**, which fully transfer ownership of the facility to the private sector.

Key Findings of This Study:

1.BOT contracts and their derivatives have significantly contributed to improving the economies of many countries. This has been achieved through two key policies:

- *Technology transfer.*
- *Comprehensive financing of projects*, which alleviates many challenges for governments.

2.BOT contracts have demonstrated remarkable efficiency compared to their derivatives in various countries, such as Turkey, France, and Egypt.

3.The temporary ownership phase featured in BOT contracts and some of their derivatives grants project companies a level of authority that allows them to manage facilities in alignment with the project's goals. This minimizes bureaucratic procedures that could otherwise hinder progress.

4.The temporary ownership phase in BOT contracts and some derivatives does not strip the state of its sovereignty or infringe upon it.

5.Since BOT contracts and their derivatives are long-term agreements, they create a contractual balance between the progress of project construction and operation and the financial requirements to recover revenues generated from operation.

Recommendations:

1.Enact clear and explicit legal provisions governing BOT contracts to establish a robust legal framework that ensures a conducive legislative environment for project companies, free from obstacles—especially in countries like Algeria, where there is a legal void on this matter.

2.Similarly, develop clear legal provisions addressing the various derivatives of BOT contracts. This would prevent conceptual confusion and

facilitate the selection of the most appropriate contractual framework for each project.

3. Define the technical requirements for each project individually, to ensure the identification of the most suitable contractual framework for its realization.

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