

The Role of Accounting Information in Evaluating Infrastructure Projects Applied by the B.O.T System

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Governments are striving to satisfy the needs and to please the different desires of their societies. However, these governments, especially those of developing countries, including Iraq, face a scarcity of sources of funding and lack of enough liquidity that make them unable to complete the infrastructure projects (also called essential structures), expansion or the establishment of projects in the first place. This exposes the economies of these countries to future risks that are specific to their economic development. In order to achieve this, governments have given many benefits, incentives and tax exemptions to attract and encourage private sources of financing (the private sector) to play this key role in advancing the economic and social development of these countries. Since infrastructure projects require a lot of money to spend that their investments are lasting over long periods of time, this means that the greatest burden will be on the investor (private sector) who will build these projects where she\he must carry out a series of studies to determine the validity of this investment project, to make sure that the project will be able to cover all financial expenses. Therefore, any failure or error in the various feasibility studies phases will affect the B.O.T project evaluation phase and may lead to misleading results. The integrity of the foundations and assumptions on which the evaluation phase will be prepared, as well as the validity of accounting information and the integrity of the estimated cash flows of the project, will lead to a sound investment decision made by the private sector.

Keywords: Accounting Information, Evaluating Infrastructure Projects Applied by the B.O.T System

Introduction

Giving a priority to the integrated feasibility studies of infrastructure projects applied by the B.O.T system to determine the commercial and national validity, determining the advantages that the investment project applied by the B.O.T in feasibility studies, indicates the obstacles that this system can face in its various stages of feasibility studies; it also specifies the obstacles that can be faced by this system in its various stages of feasibility studies, which will lead this project to achieve its desired objectives and eliminate the obstacles it may face in the future.

Therefore, accounting and non-accounting information is the basis at the various stages of B.O.T infrastructure projects, both from the private sector and by the concession state. Accounting and non-accounting information is the passage by which we present a figure on the cost of each phase of feasibility studies, as well as the knowledge of both cash outflows as well as inflows, and the impact of each of these stages on these flows, so that the investor (private sector) can form an overview of the investment environment and so does the privilege-donor country, so that both of them be able to overcome the difficulties in the implementation process. It is also important to note that the nature of these studies varies according to the nature and type of the proposed project.

The stages of the feasibility studies also require balancing and coordinating different technological methods to exploit certain materials from the local environment in order to reach the lowest possible investment cost for the project, as well as the lowest cost of products or service delivery with the greatest economic return from that project. The importance of this return varies according to the economic and social plans of the state or according to the environmental conditions and the surrounding market and its controls in the countries that support the different market systems.

Therefore, this research aims to show the role of accounting information via studying the feasibility and importance of the infrastructure projects that are applied using the B.O.T. system, as the study of the economics of these various investments of available projects aims to determine the feasibility/infeasibility of these projects. To achieve this goal, it requires working on various studies that cover all aspects of the project, for the purpose of evaluating the project and making the right investment decision either by accepting it or rejecting it, by the private sector or by the concession state.

Research methodology

Research Problem

The problem of the research lies in the stating and analysis of the importance of the B.O.T system in the current circumstances in developing countries in general, and particularly in Iraq, because of the economic problems they face when they are trying to construct infrastructure projects to serve their societies. This is due to the inability to provide enough liquidity or economic resources. There is a scarcity of these governments to set up these projects, which requires attention to all the factors affecting the activation of the B.O.T system in these countries. Perhaps the most important of these factors that should be taken care of and which may have a strong impact on the effectiveness of the B.O.T system, is the attention to accounting information when studying the feasibility of these projects in these countries, since this requires the activation of the accounting system.

Research Goal

The research aims to indicate the role of accounting information in studying the feasibility of infrastructure projects applied by the B.O.T system in its different stages and dimensions in general and its importance for the private investor – private sector - in order to determine investment expenditures, related to each stage. This study aims to help in how to make the right and appropriate investment decision, down to the stage of evaluating these projects. This is to be achieved by using different evaluation methods in order to reach to the investment project that comes with the highest profitability for selection and implementation, after the trade-off between these projects and their order upwards or downwards, in light of the current investment climate and its impact on the stages of feasibility studies in preparation for the transition to the next phase; this phase analyses the problems of profitability with the investor and provide that investor with accounting and non-accounting information; this then helps her/him to study each stage of the feasibility studies, in terms of preparing and processing accounting information on cash flows, in line with the investor's point of view and its suitability for the national economy, with the aim of determining the basis of trade-offs and choosing between projects based on commercial profitability and national profitability.

The Importance of Research

The importance of research here is to study any investment project applied with a well-defined B.O.T system to produce products or provide services of certain specifications using commodity, service supplies and human energies, as well as provide the cost of production and revenue sales or services, and cash flows entering (receipts), cash outflows (payments)

and the amount of return on capital invested in this project either by the investor (private sector) or by the concession state.

The study of the role of accounting information in determining the investment expenditures of infrastructure projects applied by the B.O.T system is in order to identify these expenses and methods of accounting. The most important considerations to be taken into account when planning investment expenditures at the level of the unit of the project, and the impact of investment expenditures in making rational decisions in light of the investment climate and the economic plan of the state, is the main objective of preparing feasibility studies applied by the B.O.T system.

Research Hypothesis

The main objective of preparing feasibility studies for projects applied by B.O.T system is to provide accounting information that benefits the private sector in rationalising its investment decisions and helps it to make these decisions clearly and accurately, so the accounting information on which the decision-maker bases her/his decision, must have a set of criteria and characteristics related to the quality of accounting information. The system also helps to raise the development rate in the host countries of investment projects due to its role in building or completing their infrastructure. Therefore, accounting information can play a key role in shaping fiscal and economic policies and activating the development process in developing countries, such as Iraq.

Definition of the B.O.T System and the Most Important Positive and Negative Aspects and the Surrounding Risks

The last era of the twentieth century has witnessed a new trend on the part of most governments of countries, especially developing countries, and that trend is to give the private sector the opportunity to participate in the construction of infrastructure projects, after these projects are the exclusive domain of these governments; this is given the circumstances faced by these governments from the scarcity of sources of funding or the lack of sufficient liquidity to complete these projects. This new trend has not only been extended to developing countries but has extended to include the major industrialised countries of all degrees of progress, development and sophistication. One of the most important forms of participation of the private sector in the establishment of these projects, is the participation of contracts system B.O.T, which is an abbreviation for Build-Operate-Transfer i.e., construction - operation - transfer of ownership; this means the commitment of the government, one of the ministries or one of the administrative entities to a company - national, foreign or joint company - whether from the public or private sector in accordance with certain procedures: by establishing public facilities that meet the needs of the beneficiary public such as

construction of roads, bridges, transportation, lighting, ports and communications, and others at the expense of this company - the project company; this is at its own expense and then this company manages it and performs a service to the public of the beneficiaries during the specified period, as well as in accordance with the agreed conditions and under the supervision and monitoring of the administrative authority. Then the ownership of the facility or project is transferred to the contracted state or entity in a good condition, is viable and operating at the end of the concession term (Atman, 2009,61).

Therefore the B.O.T. system is modern in name, old in concept. In light of the trend of the free economy system and the open market and encouraging the private sector and attracting investments, the system B.O.T. emerged; the urgent need for its re-emergence in Iraq is to achieve a balance between the transfer of the risks of establishing and managing economic project service, based mainly on the state's natural or public resources to the private sector and between providing service to the members of the community at the appropriate price, without controlling and exploiting the owner of the project.

In order to achieve this, governments have given many benefits, incentives, facilitations and tax exemptions to attract and encourage private sources of financing (the private sector) to play this key role in advancing the economic and social development of these countries. Since infrastructure projects require large amounts of money to be spent over long periods of time, the amounts spent are difficult to recover immediately without incurring heavy losses, because they are risky and long-term decisions. This means that the greatest burden will be on the investor (the private sector) who will build these projects, where she\he must carry out a series of studies to determine the validity of this investment project in terms of the extent granted to her\him, to ensure that the project will be able to cover all financial expenses, including debt servicing through realised profits; in addition to this is to identify all the financial gaps that the host government has to intervene to cover, and it also needs to know the difference between the expected rate of return from the project and the alternative rate of return that can be obtained from other investments.

Build-Operate-Transfer (B.O.T) System Definition

Build-Operate-Transfer of ownership B.O.T. system is a possible alternative to financing infrastructure projects in most countries of the world, especially developing countries, including Iraq, instead of using the scarce economic resources of the state or borrowing from abroad to finance these projects; these reduce direct government spending on the one hand, and accelerate the establishment of economic development projects on the other. Moreover, the governments of these countries benefit from the experience of the private sector in the establishment of these projects and then manage them for a while before they are transferred to the state. In this context, multiple definitions for the B.O.T system have been coined.

The United Nations Industrial Development Organisation (UNIDO) (Austral Guide, 2006:21) has defined it as a form of project financing under which some government grants one of the private financial unions - Consortium – that is called the project company, a concession of public facility for constructing, operating and management for a number of years. The project company then recovers the construction costs and the profits are made from operating and commercialisation of the project, and at the end of the concession period its ownership is transferred to the government again.

One researcher (NEPECON,2011:13) defines it as a private sector entity obtaining a government concession for the purpose of establishing an infrastructure project or infrastructure facility (roads, bridges, schools, airports, dams, etc.) This entity, the private sector, should provide the necessary funding for the construction of the project from its resources and the project takes a form of self-financing, both from its own resources, namely its capital and reserves, and its undistributed profits, or through borrowing from abroad. Under this concession, the government grants the right to exploit a particular facility and a public benefit (called the right of use) in the form of a project for a period of time. This privilege gives right of use to a private financial union (the entity that created and manages the project and carries the name of the project).

One of the writers (Abdul Majid, 2007:23) defined it as a contract under which the state grants a person the right to establish, develop or modernise an economic public utility and finance it at her\his own expense. This facility is owned or leased by herself\himself or by third parties in return for the gains of operating the facility for the duration of the contract and this person is obliged to return the assets of the project to the state or any of the moral persons at the end of the contract period under the terms and conditions set forth in the B.O.T contract and the decision issued about it.

At the same time, others (Noah, 2007:12) have defined it as an organising whereby the state grants a license to build, develop, upgrade and finance an economic public utility at her\his\its own expense, own or lease the assets of this facility and operate it by herself\himself or through a third party. The operating return for the duration of the use of this facility goes to the investor. He/she is then obliged to return all the assets of the project to the state or any of its relevant bodies at the end of the license period with the conditions specified in the license agreement and the decision to grant it.

Properties of the Projects Implemented Using the B.O.T System

In its current form, the B.O.T system is one of the innovative financing methods for financing infrastructure projects necessary to speed up economic development processes, without relying on the funding from the state budget. Infrastructure projects are new type of projects

for the private sector that differ from other investment projects that the private sector used to invest in, and which are characterised by a range of characteristics (BASUNDHARA,2008: 24). These characteristics include:

1. The large volume of investments required, and therefore the inability of the investor to finance many of these projects. This makes the investors form a financial union (Consortium) that is made up of the private sector, banks, and financial institutions to finance such projects.
2. The large number of consumers of the services provided by these projects, and the diversity of their income levels.
3. Some of the services provided by these projects are necessary for the consumer such as electricity, roads, water and others, which creates pressure on these projects.
4. The need for state intervention in some cases to ensure the continuation of these projects.
5. These activities, although old, need to be developed in their use, but considering current technological development considerations in developing countries in general and in Iraq in particular, these countries need foreign expertise, whether in construction, design or management.
6. The diversity of risks that these projects are subject to, and their multiplicity, where loans to them vary from long, medium, short-term loans or direct contributions or shares for the purpose of trading, as well as interest on loans at fixed or variable interest.

Hence, the B.O.T system is an important source of financing for modern-day infrastructure projects, which is based on the idea of financing the project by ensuring payment from the savings achieved during the concession period.

Importance of the B.O.T System, Its Areas and Its Success Factors

The importance of using the B.O.T system in the construction of infrastructure projects is due to the necessity of the governments of these countries in general and Iraq in particular, because of the difficulties they face in establishing infrastructure projects necessary to serve their communities; this is due to the inability to provide sufficient liquidity or scarcity of the economic resources to set up these projects. This requires attention to all the factors that affect the activation of the B.O.T system in these countries. Perhaps the most important of these factors that should be taken care of and which may has a strong impact on the effectiveness of the B.O.T system, is the attention to accounting information when studying the feasibility of these projects in these countries and this matter requires the activation of the accounting system.

Importance of the B.O.T System

The importance of the B.O.T system for developing countries and Iraq becomes evident since it works to increase the capacity of the economy in which it is located; thus it increases its ability to attract both domestic and foreign investments to manage the work of existing projects and help them to develop, improve and vastly expand, or to set up many companies, factories, and farms that cannot be built without the provision of infrastructure projects that have been set up through the private self-financing B.O.T. system. So, the scientific view of these projects shows that they do not derive their importance only from the present situation or present need, but they are becoming increasingly important in what is connected and related to the probable future possibilities. The importance of using the B.O.T system to set up infrastructure projects and can be explained by the following points (Sebastiaan,1999:20):

1. Enabling the state to provide various basic and essential services, necessary or indispensable, which could not be provided or established with limited government resources, particularly in Iraq.
2. Helping the state to channel its public resources to strategic sectors that the private sector is unable to implement, especially after the decline in the economic surplus that the state was receiving as a result of the economic transformation.
3. Establishment of these projects in accordance with this system works to curb the economic recession, helps to reduce unemployment, provides new jobs directly or indirectly that are resulting from these projects, and increases the purchasing power, savings, and investment in the country.
4. Establishment of these projects increases the employment and operational capacity of the national economy, eliminates a large part of unemployment, and increases the added value of the gross national product, as well as domestic income.
5. The host government can ease the pressure of borrowing, because direct funding from the special budget of the state will not be necessary, as the private sector sources will provide the necessary financing for the construction and development of the infrastructure; this is provided that the project is allowed to be exploited for a sufficient period of time to recover what the investor has spent during the period of use, in addition to achieving an appropriate return because of the risks and burdens it carries during this period (Nasrallah, 2009:81).
6. Financing through the private sector in general allows the transfer of financial, industrial and other government risks to the private sector, which leads the private sector to reserve from these risks and to make sure that projects are successful and thus reduce the waste and work to raise the efficiency of investment in these projects. (Metri, 2005: 62).
7. The government can take advantage of the private sector's advantages in the management and operation of these projects, thus giving the best model that guides government projects, and can then measure the performance of them, working to provide a kind of

- development, improvement and preparation, and create the motivation for these projects to guide and emulate. (Al-Dhafiri and Abdeslam, 2006: 19).
8. Increasing the participation of the private sector in the management of infrastructure projects allows for increased reliance on the management system, and quick follow-up, leading to the activation of capabilities and the employment of abilities, and upgrading skills, and gaining experience quickly and easily. It turns out that managers in the private sector are more careful and efficient in the management of major projects, and the speed of implementation and cost economy are the things that the private sector is most keen on, and thus eliminates all forms of extravagance, waste or idleness. (Prasanna,2005:25).
 9. Increasing investment that is financed from an outside source, the private sector, will provide influential attractions for the development of these investments in terms of improving the environment, investment climate, developing investment awareness, increasing the sense of returns and benefits of investment, increasing knowledge of the benefits of using these self-funded projects, and convince international investors about the importance of transferring their investments or a large part of them to this important investment sector.
 10. One way to encourage the private sector and foreign investment is to contribute to development and reduce the need for external borrowing.
 11. The government's possibility of using the output and performance of this system is to improve its image and internal and external performance and provide a positive local and global public impression; it also makes the projects' investment features that increase the operational efficiency of the national economy as a whole, and provides an integrated operational environment that increases the added value, increases the interdependence among the projects and works to improve the function and mission of each project. (Nasrallah, 2009: 90).

The Role of Accounting Information in the Feasibility Study of Infrastructure Projects Applied by the B.O.T. System

Stating the role of accounting information in the feasibility study of infrastructure projects applied by the B.O.T system in its different stages and dimensions in general and its importance to the private investor, the private sector, is in order to determine the investment expenditures related to each stage of this study to help her\him make the right and appropriate investment decision to the stage of evaluating these projects.

The Role of Accounting Information in Determining the Investment Expenses of B.O.T. System Infrastructure Projects

The main objective of preparing feasibility studies for projects that are applied by the B.O.T system is to provide accounting information that benefits the private sector in rationalising its

investment decisions; it also helps to make them clear and accurate so the accounting information on which the investment is based, helps the decision-maker enjoy a set of criteria and characteristics related to the quality of accounting information.

It can be said that the concept of the quality of accounting information varies according to the views and objectives of the producers or users of accounting information. While the information producer focuses on accuracy as a measure of quality, the information user focuses on utility, effectiveness and forecasting as a measure of this quality while not neglecting the cost of quality (Jajawi, 2008: 76). Hence, the concept of the quality of accounting information can be determined by studying and analysing the general standards for its measurement, and these are:

- Accuracy: The quality of accounting information is measured by the accuracy of this information, i.e. the degree of representation of the information for data and events related to the past, present and future.
- Utility: The quality of accounting information is determined by the benefit derived from it. This benefit is represented by two elements: the validity and ease of use of the information.
- Effectiveness: To reflect the extent to which the information achieves the objective of the enterprise or the decision-maker through the use of specific resources.
- Predictability: Predicting means the means by which past and present information can be used to predict future events and outcomes, as these predictions are used in planning and decision-making.
- Efficiency: It is intended to achieve the objectives of the establishment with the least possible use of resources.

It should be noted that the quality characteristics of the accounting information identified by the FASB study, are those that govern the process of preparing and providing the accounting information necessary to meet the needs of the different communities who are benefiting from this information to assist them in the process of forecasting and planning related to cash flows of the investment decisions; this also helps them to study the feasibility of various investment projects to trade and choose between the investment alternatives available to them so that they can choose the best. (Shirazi,1990: 66)

From the above it can be said that the characteristics of the quality of accounting information play a vital role for the various investment decision-makers, especially for the B.O.T system, both for the private sector or the state that grants the concession. This is because of the many risks surrounding it due to the long period of establishment and operating of these projects and exposing them to future risks; this information gives future decisions to investment decision-makers and is an indicator through which they can make the right decision.

For the investor (private sector) who is coming to implement projects with the B.O.T system, she/he faces circumstances and risk situations in which she/he needs objectivity, transparency and confidence in accounting information related to these projects in order to be able to make a rational investment decision. This means that the more measures of the quality of accounting information are available, the greater the value of the information and its ability to represent reality, predict the future and reduce the degree of risk, which will ultimately lead to rational investment decision-making. This requires the investor to estimate cash outflows (investment expenditures) and cash inflows (income) in order to make the right investment decision.

The Question Now is what the Investment Expenditures are, and what are the Most Important Items?

A. Definition of Investment Expenses

It is noticeable that the infrastructure projects applied by the B.O.T system relate to the expected investment spending decisions that result in a significant expenditure for the private sector at the time of the decision, which entails a financial burden that is not easy to modify or refer to if it turns out that these decisions are unsafe after they are implemented. These decisions govern the cost structure of the facility for a long period of time and therefore sufficient caution must be exercised when planning these potential or expected future investment expenditures, that are extending over long periods. Therefore, it is necessary to take into account the problem of the change in the purchasing power of money at the time of making these decisions (Bashbashi, 2004: 102)

The safety and integrity of the planning of investment expenditures depends on the accuracy of the availability of sources of accounting information that help to provide accounting information and tabulation of the elements of investment expenditures, as the elements will be planned and have future effects on the investment project.

The investment expenses have been defined by one of the academics (Jajawi, 2008:111) as those including initial outflows covering more than one financial period to be intended to establish a new project, to expand the total capacity of the facility, replace or swap and renovate outdated or consumed capital assets, or to improve and develop sales or business methods of the establishment.

Some writers (Jajawi, 2008: 102) consider that investment expenditures are the initial expenses required by setting up investment projects for the purpose of obtaining final cash flows.

This means that the investment expenditures of the investment project applied by the B.O.T system are elements of outflows that need to be spent in the future for its establishment and composition from the moment of thinking about the project until it is completed, the necessary experiments are carried out to operate it, and the project becomes operational as planned.

The investment decision is also judged by the evaluation methods that determine the basis for the trade-off between one project and another, as well as the personality and experience of the decision-maker.

To achieve all of the above, it requires the availability of appropriate accounting information, which has a high degree of accuracy and confidence; this means that this information plays a vital role among the various investment decision-makers because of its ability to read the future and give it indicators and indications that can help in formulating the right decision at the right time. (Bakhit, 2008: 30)

Due to the difficulty of predicting future events in the long term, because of the existence of a wide range of individual and overlapping factors affecting the investment decision-making process, reaching a successful investment decision is one of the most difficult and complex administrative processes in the establishments; therefore decision-making related to investment projects can be categorised according to the form of investment spending. Hence, decisions can take one of the following classifications: (Nandakuma et al, 2010:300)

1. Decisions to set investment priorities for projects.
2. Decisions to accept or reject investment projects.
3. Decisions to invest the mutual benefits of investment projects.
4. Decisions to expand investment projects.
5. Investment decisions for replacement, capital replacement, technological development and improving the operating economics of investment projects.
6. Investment decisions to increase the production capacity of investment projects.
7. Investment decisions to set up additional sections or to set up new branches.
- 8- Investment decisions in other areas: Investment decisions for projects in the political and military fields have been classified, such as studying the feasibility of the decision to sever relations with another country politically or establish economic cooperation with a particular country or entering a war, as all these decisions result in costs and returns, directly and indirectly. This requires the use of feasibility studies as a scientific method before making an investment decision.

Hence, it can be said that investment decisions of different classifications are the planning of cash outflows at the beginning of the life of the project, and the expected future cash inflows the light of the economic resources available both to the investor and to the state.

Therefore, the importance of accounting information, its accuracy and speed of timing are evident when planning and choosing between different investment alternatives, as it provides the decision-maker in charge of the planning process with detailed information on the movement of cash flows between the various activities in the proposed project; in this way, the planner can avoid bottlenecks when cash is flowing in and out of the proposed project. In order for planning to be effective, it must be based on sound estimates that determine the size and direction of cash flows that result from the implementation of a particular investment plan, so that an accounting system is required to provide accounting information in a timely and appropriate manner for the project, and to be of high accuracy and detail. (Liang,2006:43)

Therefore, this represents an important pillar of the accounting evaluation of infrastructure projects applied by the B.O.T system so that the concepts of the elements are stabilised, analysed and processed in accordance with these concepts in all stages of the life of the project from the moment of its proposal, then the decision to implement it, then its establishment and its readiness to work according to what it was planned for.

In fact, the process of calculating investment expenditures for any investment project is a difficult process for the interlocking, diversity and multiplicity of expenditures, and this requires the accounting of the elements of investment expenditures for each investment project with precision, attention and care. The investment expenditures are one of the fundamental concrete variables that should be taken into account when determining the economic value of the investment project.

B. Most Important Items of Investment Expenses for Investment Projects Applied by the B.O.T. System

It has two main elements:

1. Investment costs: The costs that are intended to set up and equip the project until it becomes ready to start operating. Therefore, the elements of investment costs are those that are spent during the period from the moment the idea of the project appears and the preparation of its own studies, until operational experiments. It includes a variety of costs to equip the project and to start production, namely (Abu Saleh, 2001: 88):

- Cash outflows expected to be spent in exchange for the construction of fixed assets such as building expenses, locating them and obtaining machinery and equipment.
- As for the land, the private sector will not bear the cost, as it is obtained from the concession state free of charge during the concession period and then it is owned by the state again.
- Deferred revenue expenses, which are the total costs to be conducted by the project, from the beginning of the project as an idea to the beginning of operation except fixed assets, and the minimum working capital.
2. Operating costs: Includes both variable costs and the costs required for production, adjustment costs, salaries and wages, and fixed costs for production.

It is worth mentioning that the process of making the right investment decision by the investor, the private sector, in the establishment of infrastructure projects applied by the system of B.O.T., is based on the validity of accounting information that is related to all types of investment expenses mentioned above. If these costs are estimated, the feasibility study makers will be able to suggest the appropriate financing structure for the project, which would increase the effectiveness of the planning process.

The researcher believes that accounting information helps in planning the proper cash flow of these projects, as proper planning leads to better use of cash and allows to keep less capital credit without affecting the financial stability of the project, as it allows the investment of capital in assets that achieve the bigger return. Proper planning also helps to make sound investment decisions, as the investment planning process requires a full analysis of all the elements affecting the movement of project cash flows. It also helps to develop a program to pay long-term commitments, to provide funds for future growth, as well as to plan the cash flow of the proposed project, improve the return on investment, and also help to obtain the necessary information on the possibility of a deficit or a cash surplus, its amount and the time at which such events may happen; this is so that the necessary measures can be taken in time to provide the required funds in case of a deficit is predicted, or attempt to invest excess funds in the event of a surplus.

Relationship of Accounting Information to the Feasibility Study of the Stages of Infrastructure Projects Applied by the B.O.T. System and Its Importance

The feasibility study shows the stages of infrastructure projects applied by the well-defined B.O.T system to produce products or provide services of certain specifications using commodity and service supplies and human energies, as well as estimate the cost of production, revenue sales or services, cash inflows (Receipts) and cash outflows (payments), and the amount of return on capital invested in this project, either by the investor (private sector) or by the concession state.

The stages of feasibility studies require balancing and coordinating different technological methods to exploit a particular material or materials from the local environment in order to reach the lowest possible investment cost for the project, as well as the lowest cost of products or service delivery with the greatest economic return from this project. The importance of this return varies according to the economic and social plans of the state or according to the environmental conditions and the surrounding market and its controls in the countries supporting the different market systems.

Consequently, accounting and non-accounting information is the basis at the various stages of B.O.T infrastructure projects, both from the private sector and by the concession state. Using this information, it is possible to figure out the cost of each stage of the feasibility studies, as well as acquiring knowledge of both cash outflows as well as cash inflows, and the impact of each of these stages on these flows, so that the investor (private sector) can form an overview of the investment environment; also, the investor can find about the state which grants this privilege, so that both of them can overcome the difficulties in the implementation process; the nature of these studies varies according to the nature and type of the proposed project (Ghanem, 2009: 188).

The researcher believes that the feasibility studies play an essential and vital role in the investment decision-making process for projects applied by the B.O.T system, from the point of view of the private sector or the concession state, which means that both parties should give adequate attention and interest to these studies, especially under the circumstances in most countries of the world, in general, and developing countries, including Iraq, in particular. Since the decision to accept or reject infrastructure projects means choosing between the economic alternatives available in accordance with the state's economic development plan, and the resulting sacrifices and expenditure of money and huge outflows, it may be difficult to refer or transfer such spending or investment in another project without incurring heavy losses.

Conclusions and Recommendations

Conclusions

1. B.O.T projects are modern in the world of economy in general and in Iraq in particular; their lack of clarity among many accountants, economists and lawyers, is reflected in the emergence of problems when they are applied in the fields of accounting, law and regulatory aspects. This prompts them to avoid them and not to go into such kinds of projects.
2. The projects implemented by the B.O.T system are aimed at expanding the investment base, especially with regard to infrastructure projects, where governments resort to this

type of investment, especially in developing countries, including Iraq, when they face difficulties in completing the remaining infrastructure.

3. Accounting information plays an important role when studying the infrastructure projects applied by the B.O.T system, especially in light of the economic problems faced by developing countries, including Iraq, as a result of their inability to finance their development projects and seeking to improve their development conditions to achieve high rates of economic development.
4. The infrastructure projects implemented by the B.O.T system are a vital pillar for the economic development of the host country, which requires the need to prepare feasibility studies due to their role in providing the decision-maker with investment information and accounting information.
5. B.O.T.'s infrastructure projects need to have a sound and integrated accounting system that effectively contributes to facilitating the evaluation process, as its presence facilitates the process of preparing the required data and accounting information on revenues and expenses with a comprehensive and accurate accounting of all the effects of the project and its exact estimation.
6. The accounting information helps The Project Company of B.O.T to participate in the construction of infrastructure projects needed by the national economy, by providing all the information that helps it to develop and increase the industrial and economic capabilities and introduce modernisation in all sectors and areas to achieve a qualitative breakthrough that helps developing countries, including Iraq, to catch up with developed countries.
7. Availability of accounting and non-accounting information from various sources will help the project company to carry out its own feasibility studies, where the projects implemented by the B.O.T system are characterised by a special nature that distinguishes each project from the other; nevertheless, the governments of countries resort to taking the projects implemented as a reference in preparing feasibility studies, due to the scarcity of projects implemented in this system, in an attempt to avoid the obstacles and risks to these projects, which requires the need to study the projects proposed to be implemented in this way in light of the economic, financial and technical dimensions.
8. The importance of infrastructure projects applied by the B.O.T system lies in their ability to provide high-yielding technological, economic, financial and social benefits. This is done by creating new jobs, training workers in modern technology, attracting foreign exchange and developing the local capital market.
9. B.O.T. projects help the state to continue to build new economic facilities and direct additional resources to social services without causing a deficit in the state budget provided that the accounting information is available. This helps both the concession government and private sector to evaluate these projects in terms of commercial or national profitability so that this system can continue to be implemented.

Recommendations

Considering the researcher's findings, the researcher recommends:

1. The need to rely on accounting information when financing projects with the B.O.T system in order to reach the necessary financing through investments and external financial flows, and reject the investor's recourse to sources of internal financing; this is because investor's use of national finance does not add any real returns to the national capital. Also, the reliance on internal financing of these projects has the risks of venture national capital and its displacement abroad in case the investor is not serious and lacks care for the success of the project.
2. Not to look at the B.O.T system as an easy way for the governments of developing countries, including Iraq, to resort to it for financing, and to work successfully for all the problems of development. Excessive use of this system may have bad economic and political consequences for the state if these projects fail. The B.O.T. system should not be limited to development, but also using a combination of B.O.T. and government finance or financing through soft or low-interest loans.
3. The state does not give up its primary task of supervising the progress of projects applied by the B.O.T system and subjecting these projects to its supervision and accounting, financial and administrative directives to ensure the proper functioning of these projects, and in the interest of the higher interest of the state.
4. The need for the availability of accounting and non-accounting information, which helps the state to modify the contracts concluded for the B.O.T system in anticipation of changing circumstances and financial, economic, political and other variable factors; this is after concluding the contract and confirming the right of the state to this amendment, with compensation of the committed party, in this case according to specific basis and ratios to take into account the financial balance of the contract.
5. There is a necessity to use accounting and non-accounting information that is used in feasibility studies of the projects in question, which is to be accomplished by using the B.O.T system in accounting, financial and technical terms, and scrutinising the feasibility studies. This is because these projects are linked to the public interest and they provide public services for economic and industrial production that affects the country's economies.
6. The government should not resort to direct agreement with the private investor on the establishment of infrastructure projects under the B.O.T system, but it is better to do so by opening the door to competition through tenders and public announcements.
7. The necessity to take into account the experiences of other countries applied to the B.O.T system as a guide when negotiating these projects as well as to use the accounting and non-accounting information available to analyse the reasons for the success and failure of the experiments in other countries to benefit from them at the national level.



8. Inflation rates should be considered when evaluating investment projects applied by the B.O.T system so that the treatment of the numbers that make up the cash flows in both parts is uniform to reflect the effects of inflation or not.

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