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The Role of International Development Institutions in International Project Financing: IBRD, IFC and Co-Financing Techniques

The most interesting and complex of the legal questions concerning international project financing generally concern questions of security, structuring, dispute resolution and country risk.[1] A frequently overlooked though basic question, however, at least with regard to most developing countries, is where the money comes from. The answer is a complex one, but to a considerable extent the money comes from public multilateral financial institutions. Although they are by no means the only sources of such financing, the World Bank and its affiliated institutions alone provide over $13 billion in loans and credits for international project financing in the past year.[2]

The financial institutions which provide this type of financing, can generally be divided into four categories: First, there is the World Bank group, that is, the International Bank for Reconstruction and Development (usually referred to as the World Bank), the International Development Association (the bank's soft loan window) and the International Finance Corporation (which makes loans and equity investments in the private sec-

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[1]For an unusually precise discussion of these and related issues, *see* G. DELAUME, LEGAL ASPECTS OF INTERNATIONAL LENDING AND ECONOMIC DEVELOPMENT FINANCING (1967). See also Silkenat, *Eurodollar Borrowings by Developing States: Terms and Negotiating Problems*, 20 HARV. INT'L L.J. 89 (1979). Some of these issues are also discussed in a less technical fashion in A. SAMPSON, THE MONEY LENDERS: BANKERS AND A WORLD IN TURMOIL (1981). *See also* Silkenat, *Book Review*, 14 L. & POLICY IN INT'L BUS. 271 (1982).

[2]*See* THE WORLD BANK ANNUAL REPORT 1982 at 10. This amount actually substantially underestimates the impact of World Bank institutions on the development process. The bank's role as catalyst is substantially greater. For an examination of the various economic elements involved in public multilateral financings, *see* R. MIKESELL, PUBLIC INTERNATIONAL LENDING FOR DEVELOPMENT (1966).

tor).[3] A second grouping is composed of the regional development banks, such as the Asian Development Bank in Manila, the Inter-American Development Bank in Washington and the African Development Bank in the Ivory Coast.[4] Third, there are a variety of country-oriented development institutions, similar to AID and Eximbank, which provide project financing with regard to goods supplied from a particular country.[5] Finally, there are the privately owned development institutions such as PICA, in Asia, and the ADELA Group, in Latin America. All of these institutions of course work with private commercial and investment banks in providing, or arranging for, loan funding for development projects. This article will give particular attention to the project financing activities of the World Bank and IFC, and to their co-financing arrangements with commercial banks.

The World Bank and its sister institution, the International Monetary Fund,[6] were formed at the Bretton Woods Conference in 1944.[7] The bank came into existence primarily for the purpose of helping reconstruct portions of Europe and Asia that had been destroyed during World War II.[8] It fairly quickly evolved, however, into a development institution where the emphasis has been on providing project financing for developing member countries. Such financing is generally made available for credit-worthy projects in the form of medium- and long-term loans when borrowing

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[3]*See generally* E. MASON & R. ASHER, THE WORLD BANK SINCE BRETTON WOODS (1973); WORLD BANK, IDA IN RETROSPECT: THE FIRST TWO DECADES OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION (1982); and J. BAKER, THE INTERNATIONAL FINANCE CORPORATION (1968). *See also* J. LEWIS & I. KAPUR, THE WORLD BANK GROUP, MULTILATERAL AID AND THE 1970's (1973); L. PEARSON, PARTNERS IN DEVELOPMENT (1969); THE INDEPENDENT COMMISSION ON INTERNATIONAL DEVELOPMENT ISSUES, NORTH-SOUTH: A PROGRAM FOR SURVIVAL (1980); and U.S. DEPARTMENT OF THE TREASURY, UNITED STATES PARTICIPATION IN THE MULTILATERAL DEVELOPMENT BANKS IN THE 1980's (1982).

[4]*See* J. SYZ, INTERNATIONAL DEVELOPMENT BANKS (1974) and S. RUBIN (ed.) FOREIGN DEVELOPMENT LENDING—LEGAL ASPECTS (1971) at 94 to 180.

[5]*See* Hornbostel, *Financing Exports: Government and Multinational Programs*, 11 LAW. OF THE AMERICAS 285 (1979); and Hoskins, *United States Technical Assistance for Legal Modernization*, 56 A.B.A. J. 1160 (1970). *See also* Lipman, *Overseas Private Investment Corporation: Current Authority and Programs*, 5 INT'L J. INT'L L. & COM. REG. 337 (1980).

[6]The most perceptive articles on the legal aspects of the International Monetary Fund have generally been those written by its former General Counsel, Sir Joseph Gold. *See, e.g.*, Gold, *Political Bodies in the International Monetary Fund*, 11 J. INT'L L. & ECON. 237 (1977); and Gold, *Weighted Voting Power: Some Limits and Some Problems*, 68 AM. J. INT'L L. 687 (1974).

[7]To some extent the system of monetary stability and support that was created at Bretton Woods has been challenged by a call for a "New International Economic Order." *See* Lillich, *Economic Coercion and the "New International Economic Order": A Second Look at First Impressions*, 16 VA. J. INT'L L. 233 (1976); and Brower & Tepe, *The Charter of Economic Rights and Duties of States: A Reflection or Rejection of International Law?*, 9 INT'L LAW. 295 (1975).

[8]Of the purposes of the bank, the first to be listed is: "To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries." Article I(i) of the ARTICLES OF AGREEMENT OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT [hereinafter cited as the BANK'S ARTICLES].

countries or companies are otherwise unable to obtain loans from private sources on reasonable terms.

The World Bank gets its funds from two principal sources: subscriptions to its capital stock from 140 some-odd member countries, and borrowings by the bank on international capital markets. With regard to subscribed capital (which at the end of the fiscal year 1982 stood at $43 billion),[9] only less than 10 percent of such amount is actually paid-in to the bank. The remainder is on call but there has never been a call on subscribed capital. The funds that the World Bank uses for lending to member countries is obtained from the sale of its own bonds or notes to private investors and, to a lesser extent, governmental entities. Such borrowings during the past twelve months have amounted to the equivalent of $8.5 billion in various currencies including Swiss francs, Deutsche marks, Japanese yen, pounds, sterling and U.S. dollars.[10] In the United States, World Bank bonds are rated AAA and are accorded the same general treatment as U.S. government and state and local bonds under the securities laws and are available for investment by the complete range of institutional investors. The bank has recently decided to issue short-term notes to complement its medium- and long-term borrowings.[11] The funds for the International Development Association are raised separately from member countries.[12]

With minor exceptions, the bank's lending activities are required to be for specific projects of "reconstruction and development."[13] This is intended to make sure that the money is used for productive purposes: roads, farming, energy and similar activities. The bank's loans typically cover the foreign exchange component of a particular project and have generally been in amounts ranging from as little as $2.5 million up to amounts in excess of $500 million.[14]

World Bank loans are made to governments of member countries or to public or private organizations with the guarantee of the member country in whose territory the project to be financed is located.[15] Such member countries currently include almost all nations other than the Soviet Union and certain of its aligned countries.[16] Although loans can be made by the

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[9] For the purposes of its own financial statements, the bank since 1978 has expressed the value of its capital stock in terms of special drawing rights (SDRs) on the basis of United States dollars as computed by the International Monetary Fund ($1.09224 per SDR on June 30, 1982). *See* THE WORLD BANK ANNUAL REPORT 1982 at 156-57.

[10] THE WORLD BANK ANNUAL REPORT 1982 at 53. On the World Bank's borrowing policies, *see also When Rotberg Speaks*, J. OF COMMERCE, July 19, 1982, at 4a, col. 1.

[11] Winston, *New Borrowing, Lending Policies—And What They Mean*, THE BANK'S WORLD, vol. 1, no. 7, July 1982, at 2.

[12] *See* n.18 *infra*.

[13] *See* n.8 *supra*.

[14] For a list on the projects financed by the World Bank in fiscal year 1982, *see* THE WORLD BANK ANNUAL REPORT 1982 at 97-117.

[15] The guarantee element for loans not made directly to member countries, is required by article III, § 4(i) of the BANK'S ARTICLES.

[16] For a discussion of the proposed membership of the Soviet Union in the bank at the time of the Bretton Woods Conference, *see* E. MASON & R. ASHER, THE WORLD BANK SINCE

World Bank to any member country, for over twenty-five years the focus has been almost exclusively on the less developed countries.

Recently there has been a major change in the terms under which World Bank loans will be made. The bank has essentially moved from fixed rate loans to a modified system of floating rate loans.[17] Effective July 1, 1982, all new loans are to bear an interest rate, until January 1, 1983, of 11.43 percent representing the bank's cost of funds over the past year, plus a fifty basis point "spread." On January 1, and each six months thereafter, a new rate will be set for such loans based on the bank's cost of funds for the preceding six months period. Since the bank borrows funds in a number of currencies, most with rates substantially below that of the U.S. dollar, the bank's lending rates will, it is hoped, remain at a comparatively low level. Until July of 1982, the bank had lent at fixed rates only. The most recently available rate for fixed-rate financing prior to this change had been 11.6 percent.

As mentioned previously, World Bank loans are normally medium- or long-term. Typically there is a grace period of four or five years after which repayments of principal are made in approximately equal semi-annual installments over the life of the loan. The grace period is usually tied to the time at which the project will begin producing an economic return. Similarly, the amortization period is loosely tied to the estimated useful life of the project.

Since World Bank loans are disbursed in connection with the actual purchase of specific equipment, interest on loans from the bank is charged only on that part of the loan which is actually disbursed. A commitment charge of 3/4 of 1 percent is made, however, on the undisbursed portion of the loan. This amount accrues from a date sixty days after the date of the loan agreement.

Some attention should be paid to the "soft" loans that the World Bank makes. These come in the form of credits from the International Development Association and are typically repayable over fifty years with no interest charges and an annual service fee of 3/4 percent on the disbursed portion of the credit and 1/2 percent of the undisbursed portion. These credits are made only to the poorest developing countries, but are for projects that still meet all of the evaluation criteria of projects considered for normal World Bank loans—that is, that they are economically and technically viable and that they will produce an adequate rate of return to the country on the investment made.[18]

BRETTON WOODS (1973) at 29. In recent years a number of countries usually associated with the Soviet Union have at least considered applying for membership in the IMF and the bank.

[17] *World Bank Plans Variable Interest*, N.Y. Times, July 4, 1982, at 6, col. 1.

[18] IDA's positive impact on the development process in Third World countries is discussed in some depth in WORLD BANK, IDA IN RETROSPECT: THE FIRST TWO DECADES OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION (1982). *See also* CLAUSEN, ADDRESS TO THE BOARD OF GOVERNORS OF SEPTEMBER 1982, at 16-23. The funding of IDA has been the source of considerable controversy in recent years. The principal issues have been, first, the effect of

Projects to be financed by World Bank loans or IDA credits are identified in a number of different ways. The most common method is for the country involved to make a proposal directly to the bank staff. Often, however, the projects are brought to the bank's attention by the United Nations, by investment banks or by World Bank missions to a particular country. Once a possible project is identified, an appraisal team will be sent by the bank to examine the technical, financial and legal aspects of the transaction and to see whether the proposed project will provide a net economic and productive benefit to the country involved.

After the appraisal is completed, the details of the project are negotiated and draft loan and guarantee documentation is prepared by the bank. Such documentation is in many ways similar to that involved in private loan transactions. The bank's loan agreement, which is the principal document involved, also contains certain conditions of effectiveness, generally relating to government authorizations, that will need to be achieved before the bank is obligated to disburse any funds. Such loan agreements are typically subject to international law and arbitration in the event of disputes. Bank loans are also normally unsecured, although a negative pledge is usually included, and such loans are made in a basket of currencies at the choice of the bank. Upon execution, the loan and guarantee agreements are registered with the United Nations and published in the *U.N. Treaty Series*.

One element of the World Bank's lending arrangements that deserves some attention is the procurement process.[19] Most private lenders do not involve themselves in the actual purchase of equipment involved in the projects they finance. The bank does—it does this because it is required by its Articles of Agreement to make sure that its loans are used with "due attention to considerations of economy and efficiency."[20] In practice this means that, with certain exceptions, the bank will insist on international competitive bidding as a means of ensuring the integrity of the procurement process and to avoid discrimination among bidders or their country of origin.

Among the items that it is necessary to keep in mind with regard to the procurement process in bank-financed projects are: first, that funds can only be paid to firms in countries that are members of the World Bank (plus Switzerland); second, that bank procurement policy, by agreement, supercedes domestic law with regard to purchases of foreign goods; and, third, that local tariffs are not taken into consideration in evaluating com-

delays in payment by member countries with regard to current commitments, and second, the amount of funding that would be required for future years. For a brief summary of these issues, *see Wild Pitch in Toronto*, Wall St. J. September 13, 1982, at 30, col. 1; Lubar, *Reaganizing the Third World*, FORTUNE, November 16, 1981, at 80; and *A Bank for All Seasons*, THE ECONOMIST, September 4, 1982, at 75.

[19] *See* Sassoon, *Monitoring the Procurement Process*, 2 FINANCE AND DEVELOPMENT 12 (1975).

[20] BANK'S ARTICLES, art. III, § 5(b). This section also states that loans are to be made "without regard to political or other noneconomic influences or considerations."

peting bids. Although the competitive bidding process is on occasion a complicating factor in some transactions, on balance it has proven to be the only realistic way of ensuring that scarce funding resources are not wasted or diverted from the projects for which they were intended.

The funding of private sector enterprises and projects within the World Bank group is the responsibility of the International Finance Corporation.[21] IFC was formed in 1956 and has approximately the same country membership as the World Bank. It is a separate legal entity, however, and as a practical matter has a separate staff, except for its president, A.W. Clausen, who holds the same position in the bank.

While the World Bank is required to lend only to governments or with regard to projects which are covered by government guarantees, IFC is prohibited from accepting such guarantees or from lending directly to governments.[22] IFC's orientation is entirely toward the private sector. This explains, in part, why IFC's projects are structured so strictly along commercial lines. Another distinguishing feature is that IFC, almost alone among similar public institutions, can and does make equity as well as loan investments.[23] IFC also acts as underwriter in the sale of debt and equity instruments, and frequently provides capital markets advice and assistance to public and private banking institutions in developing countries. Essentially, IFC acts as an investment banking firm in developing countries—that is, as a catalyst in putting together private sector projects and financings.

Since it operates in the private sector, IFC's appraisal and project identification procedures are much less complex than the bank's. Although considerable care is taken with regard to eventual disbursement of IFC loans and subscriptions, there is no requirement of competitive bidding.

To date IFC's operations have been on a more modest scale than the bank's. Typical investments have been in the range of $15 million to $30 million, although several of the more recent loans have been for considerably larger amounts (including a mining project in Latin America where it is proposed that IFC provide loan financing of approximately $450 million). IFC's investments also usually involve some, even if minor, element of local ownership and are made to help finance productive projects where

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[21]*See* Bayless, *Merchant Banker to the Third World*, INSTITUTIONAL INVESTOR, September 1982 at 213; and Silkenat, *Public International Law Report: Activities of the International Finance Corporation*, 18 INTERNATIONAL PRACTITIONER'S NOTEBOOK 11 (1982).

[22]Article III, § 1 of the ARTICLES OF AGREEMENT OF THE INTERNATIONAL FINANCE CORPORATION [hereinafter cited as IFC's ARTICLES] provides that: "The Corporation may make investment of its funds in productive private enterprises in the territories of its members. The existence of a government or of the public interest in such an enterprise shall not necessarily preclude the Corporation from making an investment therein."

[23]IFC was originally prohibited by its *Articles of Agreements* from making equity investments. This provision (article III, § 2 of IFC ARTICLES) was revised in 1961 so that the Corporation "may make investments of its funds in such form or forms as it may deem appropriate in the circumstances."

adequate financing is not otherwise available on reasonable terms.[24] IFC's current portfolio of some 340 projects[25] includes investments in energy, agribusiness, finance, tourism and utilities, as well as in a wide variety of light and heavy industries.[26]

IFC loans are provided on a fixed rate, long-term basis and are available in a number of different currencies at the choice of the borrower. Interest rates are set on the basis of the cost of funds to IFC, the currency involved and the particular circumstances of the project in question. Such interest rates are meant to approximate existing market rates. Borrowers are allowed the right to prepay IFC loans at any time without prepayment penalty.

IFC's equity investments are usually limited to no more than 20 percent of the equity of a corporation. As a matter of policy, IFC does not participate in the management of the companies in which it invests and typically will only vote its share for quorum purposes. Only in development finance corporations will IFC normally accept a position on the board of directors of one of its companies.

IFC's loans and equity subscriptions are usually made through an investment agreement which contains the relevant disbursement and repayment arrangements for a particular project. On loan transactions there will typically be a grace period of 2 to 4 years and a commitment fee for IFC of 1 percent on the undisbursed portion of the loan, beginning to accrue thirty days after approval of the investment by IFC's board of directors.

One of the most important elements of IFC's operations, and increasingly so of the World Bank and other multilateral institutions, is the use of co-financings or participations by private banks in the loans being made. This idea has received a considerable amount of attention from the press[27] and, given the interest of private banks and the growing need for loan financing in developing countries, it would be useful to sketch-out what is involved.

For the World Bank, co-financing has traditionally referred to any arrangement whereby funds from the bank are associated with funds provided by other sources outside the borrowing country in the financing of a particular project.[28] Typically this has meant that private banks will, at the behest of the World Bank, negotiate a separate or parallel loan agreement with a borrower at the same time the bank is negotiating with such bor-

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[24]As a result of this structure (article III, § 3(i) of IFC's ARTICLES), IFC is not generally considered to be in direct competition with normal commercial banks.

[25]INTERNATIONAL FINANCE CORPORATION ANNUAL REPORT 1982 at 23.

[26]For a summary of IFC's projects and investments in fiscal year 1982, *see* INTERNATIONAL FINANCE CORPORATION ANNUAL REPORT 1982 at 27-42.

[27]*See, e.g.*, *The Multilateral Development Banks: A U.S. Viewpoint*, ECONOMIC IMPACT, vol. 4 of 1982, at 36; Lukasiewicy, *Commercial Bank Involvement is Pushed in Co-finance Deals*, THE GLOBE AND MAIL (Toronto), September 6, 1982, at R11; and *Selling Africa to the Bankers*, AFRICA NOW, September 1982, at 66.

[28]For a broad brush analysis of the World Bank's co-financing arrangements during the past decade, *see* WORLD BANK, CO-FINANCING-WORLD BANK CO-FINANCING WITH PRIVATE FINANCIAL INSTITUTIONS (1980).

rower. With the consent of the borrower, the bank will provide the private lending institutions with detailed financial and technical information on the project and country involved. This is important because this is economic data that would generally not otherwise be available to private lenders or which would be available only at significant expense. Because of the World Bank's involvement, the private institutions are typically able to reduce the cost to the borrower of the loan package that is made available. The respective loan agreements are linked by optional cross-default clauses and various cross-reference provisions. In the bank's most recent fiscal year such co-financing by private banks totalled approximately $3.25 billion.[29]

IFC's participation arrangements operate somewhat differently. In this case the entire loan is made in the name of IFC and a portion of the loan is then set aside, without recourse to IFC, for funding by private banking institutions pursuant to a participation agreement with IFC. The portion which is "participated-out" is usually made on a floating rate basis tied to six-month LIBOR and can be called by the participating banks under certain conditions. In almost all cases such participating banks are involved throughout the negotiation of the transaction and have a hand in shaping the terms being required of the borrower. Since IFC is exempt from withholding taxes in member countries and since all of the loan (both fixed rate portion and floating rate portion) is in IFC's name, this benefit is passed along to the participating private banks and eventually to the borrower. Over the years more than 240 commercial banks around the world have participated in IFC loans.

In both the IFC and World Bank situations the participating lending institutions see some element of protection against arbitrary government action because of the involvement of the bank or IFC. A developing country may be willing to treat one private bank or group of banks unfairly, but it is generally thought that borrowing countries cannot afford to act unfairly with regard to transactions in which the World Bank or IFC is directly involved. On the other hand developing countries also see the bank and IFC as moderating influences on the private lenders and sponsors that are involved in any one transaction.

The different approaches of the bank and IFC to co-financing have both been successful, but both need to be expanded to bring in additional project funding for developing countries. At present the bank, in particular, is considering ways to increase the participation of private financial institutions in the projects it finances. The central element of the variety of schemes under consideration is that the bank would participate directly in the separate loan being made to a borrowing country by private banks. Such participation by the World Bank would decrease, in the eyes of private lenders, the risks associated with lending to certain developing states. To the borrower

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[29]THE WORLD BANK ANNUAL REPORT 1982 at 14. In addition, official aid agencies from industralized countries and OPEC nations provide another $2.1 billion in co-financing arrangements for World Bank and IDA projects. *Id.* at 12.

such participation would have the advantage of increasing the availability of funds generally by increasing the number of private banks willing to lend to them.

Among the variations being considered by the bank on this theme are:

1. World Bank participation in the later maturities of a private bank loan, with an option to sell such participation, after a set period, to the participating private banks;
2. pro-rata participation by the bank in all maturities of a commercial loan; and
3. use of a World Bank guarantee authority in lieu of direct funding.

The best guess is that all of these options will be offered to participating banks and that a combination of such approaches will be used by the World Bank over the next few years until a judgment is made as to which approach works best in practice.

One new proposal[30] that has been put forward recently by Jonathan Colby of the First Boston Corporation is that a privately managed pool of funds from multilateral banks and private financial institutions be created for investment in a broad cross-section of private enterprise projects in the more developed countries in the Third World. The most important element of the pool would be its private sector orientation, both in terms of management and investments, and its flexibility. This is a proposal that ought to be considered as a means of mobilizing additional capital on reasonable terms to create productive private enterprise projects in developing countries.

Another proposal that has recently been put forward by French representatives concerns the reduced funding that may be available in the next few years for IDA credits. It can fairly be said that the proposal was put forward as an answer to the current American cutbacks in this area. The idea here would be to create a special fund for those countries willing to contribute capital for development projects in the least developed countries in the world. The kicker, at least for U.S. interests, is that the money lent by this special fund could only be spent by the borrowing countries for goods and services received from countries which contributed to the fund. Given the considerable share that U.S. firms have received over the years under procurement contracts in normal World Bank loans, the current American approach may not be the most effective way for the U.S. to proceed in terms of furthering American economic interests.

Finally, in terms of gaining a practical perspective on how a particular financing by a multilateral development bank would operate, it would be useful to walk through at least one project sponsored and funded by one of these institutions. This will give some of the flavor of how these transactions are put together. Because of the private, rather than public, nature of this financing, certain facts may be glossed over in this example, but it should be possible to get a realistic picture.

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[30] *See Mr. Co-Finance Gets into Stride*, ASIAN FINANCE, June 15, 1982, 36-40.

In July 1980, shortly after Rhodesia became Zimbabwe, a large coal company in Zimbabwe and the new government in Salisbury approached IFC about assisting in the financing of a $191 million open-cast coal mining project. Since this was the only coal and coke producer in the country and was a major source of Zimbabwe's electrical power, the project had considerable importance to the country. Since it was likely to be the first major external loan to the private sector in Zimbabwe in a long time, it was also likely to be a good barometer of whether capital was going to be available to assist private enterprise in this new country.

A project appraisal term from IFC visited Zimbabwe in September of 1980 and prepared an evaluation report on the financial and technical aspects of the transaction. A financial plan for the project was developed and commitments were made for the purchase of the necessary equipment. Draft loan documentation was then prepared in October. These documents included an investment agreement concerning the proposed IFC loan and a project funds agreement which obligated the largest shareholder of the coal company to provide sufficient funding to complete the project if the financial plan proved inadequate.

In this transaction IFC undertook to make a loan of $38 million with $20 million of such amount for its own account at fixed rates for ten years. The remaining $18 million was to be provided by private bank participation in the form of a floating rate loan tied to LIBOR. Such participants were to be brought into the transaction by IFC and were also to take part in a parallel Eximbank loan of $43 million which was to be guaranteed by the government of Zimbabwe. The participants brought into the transaction included private banks in England, the U.S., France, Luxembourg and Holland and the State Bank of India.

From initial contact with the borrower to execution of the relevant loan agreements the transaction took six months and four trips to Zimbabwe by IFC staff. Among other details in this transaction it was necessary to seek amendment of the usury law in Zimbabwe to bring the rate above the percentage limit that had existed previously for external loans. Since Rhodesia had been almost totally excluded from normal international capital markets for fifteen years or so, it had not occurred to anyone that this might be a problem with regard to Eurodollar loans in Zimbabwe.

In closing, it should be made clear that the role of the international lawyer in the project financing part of the development process is an increasingly important one—as counsel to a borrowing company or country in Africa, Asia or Latin America; as counsel to a public international institution or a private banking participant; or as counsel for an equipment supplier or subcontractor. This is an area of both law and finance where the risks are high and the issues are complicated, but where imagination, persistence, and occasionally a little nerve can bring about tremendous changes for the better: not just peace, stability and economic growth for the peoples of the developing world but for the rest of us as well.