PREFACE TO THE THIRD EDITION

The project finance industry has undergone many changes and challenges since the first edition of this book was written in 1997. During this time, there has been an amazing growth in project finance among multilateral and bilateral agencies, governments, financial institutions, rating agencies, and development companies. The financing of infrastructure projects in developing countries was in its infancy in 1997 and since then has experienced many great successes and a few failures.

Project finance is now a recognized course offering at business and law schools throughout the world. As seen in the Select Bibliography to this edition, the scholarly research is expanding, as are general books about project finance.

This third edition is a complete update of the first and second editions, including all of the major developments in project finance over the past decade. It is my hope that this book will continue to be useful as a college course book for students sufficiently curious to wonder what project finance is about, a training tool for those thrown into the world of project finance, a research tool for those needing a project finance treatise, and a structuring and drafting tool for those involved in transactions, including project finance counsel, lenders, government agencies, project sponsors, and equity investors.

The basic organizational structure of the earlier editions is retained. This book is organized into ten parts:

Part I, a comprehensive introduction to the financing concept called "project finance";

Part II, risk identification, allocation, and mitigation, including transnational and commercial risks;

Part III, project finance structures;

Part IV, technical, political, and economic feasibility of a project;

Part V, project finance documentation;

Part VI, credit enhancement;

Part VII, sources of, and techniques for, debt and equity financing;

Part VIII, collateral security;

Part IX, project sponsor and investor agreements; and

Part X, special topics in project finance.

The book concludes with a glossary, a select bibliography, and a checklist of issues to consider in negotiating project contracts.

Project finance continues to be a complex area. In addition to knowledge of international law, project finance requires competence in promotion and protection of investments, property law, security interests, intellectual property, governmental contracts, private contracts, tax law, accounting rules and practice, environmental laws, consumer protection, insolvency law, anti-corruption, and securities laws. Although this book cannot provide a complete discussion of these areas, I have nonetheless introduced the subjects and provided some of the important issues that may require additional thought and research.

I am indebted to a great many people in connection with this work. First, to John Berger of Cambridge University Press, my gratitude for believing in the concept for this book and for patiently guiding it through three editions. Also, my thanks to Katie Greczylo of Aptara, Inc. and Andre Barnett for their excellent editing skills and keeping me on schedule.

I wish to thank my colleagues in the project finance community who reviewed or otherwise helped with this work and, in particular, to my clients and friends with whom I have been involved in transactions; you have each taught me a great deal.

I thank most of all my wife, Margo, who encouraged me in writing this third edition.

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