

BOOK REVIEWS

PROJECT FINANCING by Peter K. Nevitt (5th ed., Euromoney Publications, PLC 1989); PROJECT FINANCE YEARBOOK 1991/1992 (Stephen Syrett ed., Francesca Carnevale consulting ed., Euromoney Publications, PLC 1991).

Reviewed by *Raymond J. Batla, Jr.**

This pair of books provides the beginner in project finance with a comprehensive overview of the subject as it developed during the 1980s (the basic volume) and an insightful critique of where it is headed in the 1990s (the *Yearbook*). The material provided throughout is useful to the experienced practitioner as a checklist, even though the intention is to serve the less experienced practitioner.

The basic volume contains the broadest coverage of the subject this reviewer has discovered. In thirty-two chapters, Peter Nevitt provides a compendium of concepts and structures that can be applied to the analysis of any project financing. The author consistently puts these concepts and structures in perspective, pointing to the changes in commercial banking during the 1980s and the development of new financial instruments. However, he includes the somber note that increasingly rigid capital restraints in the commercial banking sector will force more professional tailoring of all lending, including project financing, during the coming decade.

Clearly, the basic volume benefits immensely from being the fifth edition. In his comprehensive overview, Nevitt notes virtually all of the reasons for project failure, as well as providing the principles underlying success. After providing the lender's perspective upon various types of risk and a summary of the process involved in bringing financial entities and advisors into the process, the author focuses upon the sources of equity and debt and the most common instruments used in project financing during the 1980s (fifty-nine are covered). The structural differences and utility of each are succinctly explained before the author turns to an overview of leasing, industrial revenue bonds, commercial paper, interest rate swaps, and the use of back-up credit facilities.

The book's strength, apart from its comprehensiveness, is the treatment of guarantees—essential to any successful project financing today. All types of guarantees are covered, including limited guarantees, indirect guarantees, contingent guarantees, implied guarantees, and deficiency guarantees, but the discussion of indirect guarantees is perhaps the most useful for the beginner. Nevitt has provided a volume that should be on the shelf of every practitioner involved in the field.

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Whereas Nevitt's basic treatment of project finance provides an overview of the tools of the trade, the *Yearbook*, which includes the work of twenty-six practitioners, deals more directly with trends, focusing upon the creation of financial structures that are workable in key growth markets for project finance in Central and Eastern Europe and Asia. These structures necessarily require a greater involvement by governmental and multilateral institutions, as governments seek to place additional risks with the private sector in areas that have traditionally been state-owned or supported, such as public infrastructure and transport. The trend toward privatization calls for negotiation and implementation of more customized financial packages. These packages, moreover, must increasingly be sensitive to political factors. Advisors must now be more sensitive to cultural and multilateral concerns than ever before. The *Yearbook* does an excellent job of focusing upon these trends. The author's use of case studies in the area of infrastructure projects is particularly useful and could have been employed to a greater degree throughout the book. The *Yearbook* is an insightful companion to the basic volume; however, it serves less well standing alone.