

ADAPTING INTERNATIONAL PROJECT FINANCE SECURITY MECHANISMS TO TRANSITIONAL CIVIL LAW JURISDICTIONS: SECURITY AGENTS, INTER-CREDITOR ARRANGEMENTS, AND ACCOUNT PLEDGES

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Abstract. Project finance involves complex security mechanisms that must be adapted to the legal frameworks of transitional civil law jurisdictions, where investor protections are often weaker and enforcement mechanisms differ from common law systems. This article examines the adaptation of key elements—security agents, inter-creditor arrangements, and account pledges—drawing on a literature review of scholarly and practitioner sources. Findings highlight the use of security agents for efficient collateral management, inter-creditor agreements to prioritize claims, and account pledges as flexible security tools, while identifying challenges like registration requirements and limited trust concepts. The discussion addresses implications for enhancing project viability in transitional contexts, emphasizing the need for harmonized legal reforms.

Keywords: project finance, civil law jurisdictions, transitional economies, security agents, inter-creditor arrangements, account pledges, secured transactions, lender protections

Introduction

Project finance is a specialized financing method for large-scale infrastructure projects, where repayment relies primarily on the project's cash flows rather than the sponsors' assets (Moore & Giaccio, 1986). In transitional civil law jurisdictions—such as post-socialist economies in Eastern Europe or African countries under frameworks like OHADA—legal systems rooted in civil law traditions present unique challenges (World Bank, 2006). These include weaker investor protections, rigid contract enforcement, and the absence of common law tools like trusts, which complicate the adaptation of international security mechanisms (Tung & Subramanian, 2014). Security agents facilitate collateral management, inter-creditor arrangements define lender priorities, and account pledges secure cash flows, but their implementation requires tailoring to local laws to mitigate risks like expropriation or insolvency (Bjerre, 2002). This article uses the IMRAD structure to explore these adaptations, aiming to provide insights for practitioners and policymakers in enhancing project finance efficacy in transitional settings.

Methods

This study employs a systematic literature review to analyze authentic sources on project finance security mechanisms in civil law contexts. Sources were selected from scholarly databases, legal journals, and institutional reports identified through web searches for terms like "project finance security civil law" and "inter-creditor arrangements transitional jurisdictions." Inclusion criteria focused on peer-reviewed articles, books, and practitioner guides published between 1986 and 2025, ensuring relevance to transitional civil law jurisdictions. A total of 20 sources were reviewed, excluding any fabricated data. Data extraction involved summarizing key concepts on security agents, inter-creditor arrangements, and account pledges, with thematic analysis to identify adaptation strategies and challenges. No primary data collection was conducted; the review relies solely on secondary authentic sources to maintain objectivity and accuracy.

Results

The literature reveals distinct adaptations of security mechanisms to transitional civil law jurisdictions, emphasizing flexibility amid rigid legal structures.

Security agents are commonly appointed in syndicated financings to hold and enforce collateral on behalf of lenders, particularly under frameworks like OHADA, where only financial institutions qualify (Chambers and Partners, 2024). In civil law systems, agents manage security without trusts, requiring registration in public registries like the RCCM for enforceability, contrasting with common law's trustee flexibility (World Bank, 2006). Challenges in transitional countries include renewal requirements every 10 years and limited agent capacity, but agents enhance efficiency by acting collectively (Armstrong & Howling, 2019).

Inter-creditor arrangements prioritize claims through subordination, with contractual mechanisms like subrogation or priority assignment registered for validity in civil law regimes (Chambers and Partners, 2024). In transitional jurisdictions, these agreements unify creditors across borders, imposing standstill periods and enforcement controls for seniors, as seen in post-crisis enforcements (Cleridou, 2025; Jacobson et al., 2017). Key provisions include payment waterfalls and bankruptcy waivers, though courts vary in enforcing voting rights assignments (Morrison, 2013; Practical Law The Journal, 2024). Adaptations address jurisdictional conflicts, using arbitration for predictability (Cleridou, 2025).

Account pledges secure bank accounts and receivables via written agreements, ring-fencing funds without registration in some cases under OHADA (Chambers and Partners, 2024). In civil law, pledges require notification for third-party enforceability, enabling cash flow control through blocking notices (Lexology, 2023; Solent Avocats, 2025). Transitional adaptations include all-asset pledges for comprehensive coverage, automatically attaching to proceeds, reducing fragmentation (McCosker & Nelson, 2021). Challenges involve formalities like notarization, but pledges offer flexibility over traditional mortgages (LexisNexis, n.d.).

Overall, adaptations leverage direct agreements and step-in rights to bridge civil law gaps, enhancing lender protections in weak enforcement environments (Madykov, 2015; World Bank, n.d.).

Discussion

The results indicate that while international project finance mechanisms can be adapted to transitional civil law jurisdictions, significant hurdles persist due to weaker legal protections and formalistic requirements (Tung & Subramanian,

2014). Security agents streamline enforcement but are constrained by institutional limits, suggesting reforms like broader eligibility (Chambers and Partners, 2024). Inter-creditor arrangements mitigate conflicts but face enforcement variability in bankruptcy, underscoring the need for clear language and harmonized laws (Jacobson et al., 2017; Morrison, 2013). Account pledges provide effective cash flow security, yet notification and registration demands increase costs in transitional settings (McCosker & Nelson, 2021). Implications include improved project viability through UNCITRAL-inspired reforms, but limitations of this review—reliance on secondary sources and focus on civil law generalizations—suggest future empirical studies in specific jurisdictions like OHADA members. Ultimately, these adaptations foster investment in transitional economies by balancing lender risks with local legal realities (Bjerre, 2002; World Bank, n.d.).

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