

Volume 28, Issue 2**Research Announcement****The Role of Lender behavior in International Project Finance**

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A sovereign borrower seeks to raise funds internationally to finance a fixed-size project, which no single lender can finance alone. Lenders cannot lend more than their endowments, which are private information. A coordination failure arises therefore, some socially desirable projects may not be financed, even if ex post feasible. There are multiple equilibria, and a conflict exists between lenders about which equilibrium to coordinate on. When endowments are volatile, some lenders prefer an equilibrium in which the project is financed with probability $p < 1$, even if ex post feasible. The government eliminates such equilibria by offering a sufficiently high return, only if endowment volatility is small.

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