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OPERATIONAL AND FINANCIAL ASPECTS OF A.I.D. EXPERIENCE WITH ICI'S

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OPERATIONAL AND FINANCIAL ASPECTS OF A.I.D. EXPERIENCE WITH ICI's

by Donald H. McClelland
with contributions by Robert Berg, Harold Folk and Tom Johnson

I Introduction

This paper deals with only selected topics from those that are of interest. The basis of selection has been those topics on which evaluation of past performance appears to yield at least some lessons for future activities. Some interesting subjects, such as the structure of management and selection of personnel and the capital structure of the ICI's, are omitted entirely. Most reporting Missions found their arrangements on personnel and capital structure satisfactory, but no generalizations emerged which would point the way to improve practices. Some other topics, such as the use of PL-480 currencies, were omitted because they do not have general applicability. Each of the topics that is dealt with touches on possible means of effecting improvements as well as the experience suggesting what those improvements might be. In addition to A.I.D. material, including the field reports, some information has been drawn from the documentation of other reviews. These include:

Problems and Practices of Development Banks, Shirley Boskey, IBRD, (1959) reporting on a World Bank Conference in 1958.

Development Finance Companies, ed. William Diamond, IBRD, (1968) reporting on a World Bank Conference in 1965.

Documentation for Asian Development Bank meeting in Manila, July 14-17, 1969.

The issues dealt with in these meetings were from the point of view of the ICI's rather than that of the lending agencies, but there is considerable overlap.

II Security vs Developmental Aspects of ICI Operations

This subject has already been considered in some of its broader aspects in the paper above. The treatment here will consider the two specific aspects of high collateral requirements and a frequent over-emphasis on shorter-term loans and the more general subject of development orientation of ICI operations.

In general the security requirements appear to have been adequately met. None of the reporting Missions reported losses on the ICI lending operations. The number of loans that have had to be written off, or where it appears likely that they will have to be written off, is relatively small. In only four cases, all in financially less developed countries, were there indications of a possibly serious potential problem; although the number may be larger, it is not clear from the record to what degree refinancingand extensions may have glossed over the problem.

This good repayment record to date raises the question, as one Mission puts it, of whether the record may not be "too good". One aspect of this is the frequently high collateral requirements and "conservative" practices of many of the ICI's. Although A.I.D. encourages attention to security, ICI requirements often go beyond this. Collateral requirements of 100% are reported by many of the Missions and requirements of 150% to 200% are by no means unusual. Sometimes the collateral requirements may be a secondary consideration, i.e., the basic decision may be made on other grounds and then the highest obtainable collateral required. But is is reported that in many cases these requirements tend to favor the well-established business at the expense of entrepreneurs with good ideas but relatively little capital, smaller businesses with a very promising growth potential, or labor intensive industries with a working capital requirement that is large relative to fixed assets. This implied criticism is not to suggest that projects which are unsound from a financial point of view should be supported merely because they are in a priority sector. But, as one Mission puts it, the effect of these requirements may be "to provide too much of a safeguard in cases where loan applicants have unusually good cash flows." A growing emphasis on the prospects of the project relative to the emphasis on collateral and technical assistance in such appraisal banking, which is new in many of the LDC's, should help to at least partially resolve the conflict between security and developmental objectives.

Another area in which security considerations appear frequently to have been overemphasized is the length of the loan to sub-borrowers. Several Missions report a tendency of their ICI's to concentrate their loans toward the short end of the agreed scale, i.e., 2 or 3 years, where a quick, relatively assured return is expected. (It has been reported that in some of the Central American cases there have even been loans for less than the agreed time period. While compliance is generally beyond the scope of this review, and there is some question of whether the shorter-term loans were primarily from the ICIs own funds, the report does point up the importance of the problem.) Since a main rationale of establishing industrial ICI's, as against other forms of aid, is to fill a gap in the credit structure by making medium and long-term loans, undue concentration on short-term loans is almost certain to be at the expense of developmental objectives. Provisions in the loan agreement itself should be considered where this is a problem.

Of greater importance than these specific elements is a real development orientation on the part of the ICI. This is neither easily defined nor readily achieved. But it should not be ignored. In addition to the use of economic sector criteria, this implies an emphasis on appraisal banking in which the chief concentration is on the ability of the entrepreneur and the prospects of the project rather than on high collateral or quick repayments. The conflict here between security considerations and developmental considerations need not necessarily be a great one if appraisal banking is effectively carried out. If the ICI is competent and careful in its selection, and particularly if the ICI is willing and able to provide necessary technical assistance to the borrower, the prospects of repayment here also can be good. This is not to say, of course, that there are not some inherent risks in embarking on relatively new or untried areas, but that is what developmental banking is all about. A real developmental orientation on the part of ICI's will also call for, in many country situations, efforts in the direction of feasibility studies and other kinds of project development as well as assuring that needed assistance in both the managerial and technical aspects of the project is available, although not necessarily from the ICI itself.

There is certainly no simple formula for achieving a developmental orientation in an ICI. Appropriate technical assistance might help in some cases. Persuasion, despite its obvious limitations, is likely to remain a major tool. This would appear to be clearly the case with respect to collateral requirements. Some chipping away at this problem may be possible by setting some kind of an upper ceiling or by requiring the equivalent of only a reasonable down payment on certain standard items of equipment. But basically the decision must be the banks'. This is essentially a case-by-case financial judgment and, unless we are prepared to interpose detailed A.I.D. judgments for those of the ICIs -- which is clearly inappropriate -- we must accept the fact that the setting of collateral requirements will be largely beyond our direct control. The role of persuasion with a greater emphasis on the prospective cash flow of the project as against the collateral supplied by the borrower seems the only feasible general approach in such cases. In the more specific cases of length of loans, there would appear to be some room for covering this within the agreement itself. For example, if the agreed range for loans by the ICI is from two to ten years, the agreement might well provide that only a certain percentage of loans could be at the two or three year level, or that an agreed percentage must be for, say, five years.

For some aspects of encouraging a more developmental orientation, more direct inducements are available. For example, where feasibility studies appear to be an important function -- and if, as would often be the case, such studies are not likely to pay for themselves -- A.I.D. could provide assistance. (A fee for this service should also help to defray the costs.) This might be either in the form of grant assistance to carry out the feasibility studies or, probably more appropriately in most cases, by requiring in the loan agreement that such studies be undertaken and adjusting the interest rate in the loan to the ICI downward to cover the extra costs. A similar approach will often be possible for technical assistance. A number of A.I.D. loans to ICI's, particularly in Latin America, have included funds in the loan itself to be used for this purpose. There is no inherent reason why this technique could not be extended, within reasonable limits, to providing certain kinds of technical assistance to the sub-borrower as well.

III. Improved Financial and Business Practices by Sub-Borrowers

The evaluation of ICI performance to date indicates that they have made an important contribution in this field, although it also suggests that there is room for still further efforts in this regard.

The ICI affects its clients even before business firms become ICIs' clients. In setting standards and requirements for acceptable loan applications the ICI's can force industrial firms to adopt more sophisticated economic and managerial practices. For example, Credito Somalo requires full feasibility studies of all loans over $50,000. Some ICI's such as Ethiopia's EIC have access to government planning agencies which can conduct economic feasibility studies for the Bank whether the ICI or its client performs the initial feasibility study. In the vast majority of cases the ICI requires the potential borrower to submit detailed information on the feasibility of proposed projects.

The accounting and auditing requirements placed by ICI's on their sub-borrowers, which are in part a reflection of the requirements placed by A.I.D. on the ICI's, have certainly served to improve financial practices. In at least one case, A.I.D. and the ICI have helped to establish a local CPA capability. Although the practice of keeping two or even three sets of books is doubtless still widely prevalent, there is reason to believe that they are better books. For smaller borrowers, whose accounting is likely to be haphazard or non-existent, the requirement of developing some kind of cash-flow analysis prior to the loan and of keeping more complete and accurate records thereafter has improved practices appreciably. Audit requirements, along with direct investigation by the ICI's, have provided additional pressures and incentives.

The Turkish Mission reports that "the TSKB has taken an active role in ... improvement in accounting and management practices ... While it is difficult to quantify the value of this assistance ... TSKB has made a very important contribution in this area." India reports that: "In most instances the ICI's discuss problems with borrowers and advise them of the various gaps that need further probing. Many borrowers have claimed that some of the suggestions made by these institutions have improved their projects and increased their profitability." However, it is further noted that "the actual advice provided has been poor in comparison to the general assistance which could have been given. The general assistance apparently has been limited because it has not been regarded as nearly as important as financial assistance."

While it is difficult to quantify the effects, it appears that there have been very substantial accomplishments but that still greater efforts by ICI's would pay sizeable dividends.

IV. A.I.D.'s Role in ICI Operations

This section considers selected aspects of how A.I.D. can help strengthen ICI's in their operations through assistance in methods of project selection -- including review of sub-loans --, possible changes in the role of AID/W, and various forms of technical assistance.

One important aspect of A.I.D.'s activity in actual ICI operations is formal review of sub-projects above some minimum size. This cut-off point generally varies between \$50,000 and \$500,000. In part this variation depends on the degree of financial sophistication of the country and the size of the loan (reflecting in part the size of the economy), and in part on the general practice of raising the cut-off point as the experience and performance of the individual ICI improves. Some of the variation appears to be on an ad hoc or random basis.

One problem associated with A.I.D. review of sub-projects is the delays that this is likely to entail. Such delays were noted most forcefully in the reports of the two African Missions which must submit certain sub-projects to AID/Washington for approval. Although this is doubtless a case for careful review of major sub-projects since the ICI is not strong, such review entails some important costs. The delays reported by these Missions suggest the question of whether Mission review of sub-projects may not have a similar result elsewhere. Another possible problem with the review of sub-loans is that, if we assume this responsibility, we may not be staffed to perform it adequately. Closely related to this question is the question of possible displacement of higher priority uses for limited staff time.

There is no detailed guidance or instruction on the criteria to be employed in A.I.D. review of ICI sub-projects. This seems appropriate because of the wide variation in individual country situations. The Manual Order on ICI's suggests that, since the ICI is obligated to repay its loan from A.I.D., the general presumption should be that detailed review by A.I.D. is not called for. The emphasis, rather, should be on assuring that the bank itself has explicitly considered the key issues and that the "broad economic desirability and overall technical feasibility" are also established.

The strongest case made for a more active Mission role in the review of ICI sub-projects was made by the Philippine Mission. Here the concern appeared to be at least as much with a greater Mission role in the formulation of general policies and approaches as with the appropriateness of certain individual sub-projects. This raises the question of whether a project-by-project Mission review can effectively achieve this objective. Some observers have noted that the sub-project review function is more important as a channel for maintaining communications between the Mission and the ICI than it is with respect to Mission decisions or recommendations on specific sub-projects. If this is in fact the case, it suggests that alternative means may be more efficient in achieving these objectives.

An alternative means of maintaining close working relations, or of systematizing the Mission review process, would be to develop criteria against which sub-projects were to be measured and appropriate reporting and review processes to determine whether in fact these criteria had been met. These might well be included in the loan agreement. Reporting requirements are already extensive in a majority of cases. The development of various criteria on an equally detailed basis would probably be neither appropriate nor practicable. But joint work on criteria for project selection and related questions may well be a more effective approach to policy formulation than just a project-by-project approach.

Here, as elsewhere, the ultimate effectiveness, or at least the ultimate sanction, is the leverage implicit in whether or not additional loans are to be made to the institutions. If the ICI and the Missions are, despite their differences, in general working together toward common objectives, the need for detailed review in a formal sense of individual subprojects should ordinarily be minimal. Where there is not this basic agreement, there is a real question of whether additional aid for the ICI is desirable in any case.

One specific area in which some form of Mission review may be appropriate is in the so-called "conflict of interest" cases. A number of ICI's, particularly in the smaller countries in the private sector, necessarily draw heavily on the business community for their equity capital and their Board of Directors. This has been particularly true in such relatively small countries as those of Central America and Ecuador. To prohibit loans from the ICI to such equity holders or Board members would make it extremely difficult to establish the ICI in the first place. On the other hand, there is an obvious danger that abuse may arise from the ICI being used too extensively for the benefit of its own stockholders. While setting specific limits in the loan agreement may help, some formal Mission review against clearly defined criteria may be appropriate in this kind of case. Although the review may not have to be a very detailed one, its mere existence is likely to prevent abuses that might otherwise take place.

One of the lessons of this review has been some apparent lack of coordination in the role of AID/Washington with respect to ICI's. This function in Washington is seriously fragmented. In developing the material in Washington for this review, it quickly became apparent that there was no single office, or no single kind of office, with an overall concern. Loans to ICI's are essentially capital projects, but they also involve important elements of technical assistance, raise general economic questions, and are of considerable interest to the private enterprise offices. The same dispersion of interest is present at the Agency-wide staff-office level. Moreover, there are enough special characteristics of ICI's, as contrasted with other kinds of capital assistance, to suggest the desirability of some specialization in dealing with ICI loans. If it is decided that A.I.D. is to continue to play a major role in lending to ICI's, there appears to be a strong case for a greater focus of expertise in this area. A small staff concerned with bringing together the different strands of A.I.D.'s relations to ICI's should permit much more effective operations in this field. (The IBRD has a whole division concerned with this range of problems.) Even a single individual so charged would appear to be helpful.

Technical assistance to the ICI's is another important aspect of A.I.D.'s role in their operations. (The broader, but closely related, question of technical assistance to sub-borrowers has already been covered in another paper.) Ten of the field reports indicate considerable activity in this area, A.I.D. often requires and finances technical assistance to the ICI's. In some cases (ICP in Pakistan and LDB in Liberia) A.I.D. has provided technical assistance without providing development loan assistance. However, in most of the cases where technical assistance is provided, it is done as a prelude to or as part of a development loan package. In LA it has sometimes been stipulated that part of the A.I.D. loan will be used to finance required technical assistance services. In Africa, technical assistance was provided during the establishment phase of the African ICI's. However, only one African ICI, Credito Somalo, is now receiving A.I.D.-financed technical assistance associated with an A.I.D. loan.

The form of technical assistance differs in practice. In some cases

(BIDI in the Ivory Coast) an A.I.D.-financed contractor provided feasibility studies or, as in Ghana, Opex financing was used. In the Somalia Republic, a personal service contract financed by A.I.D. was used. In LA, where technical assistance is often linked to development loans, the ICI has a great deal of latitude in choosing the source and form of assistance as long as it meets the functional requirements desired in the loan agreement, e.g., hiring an economist or an agricultural expert or CPA's. In NESA less A.I.D. technical assistance services have been provided. Exceptions are: the sophisticated and very successful technical assistance services to ICP in Pakistan; a short-term A.I.D.-financed contract provided technical services to a sub-borrower of TSKB Turkey; and the long-term technical assistance efforts A.I.D. has given Nepal's ICI. Assistance to ICI's has not been uniformly successful; in at least two cases advisors did not carry out their functions with very great success.

A.I.D.'s future role in this field is likely to be somewhat different from the past. A major part of past requirements for technical assistance to ICI's has been connected with their initial stages. For example, the Turkey Mission notes that it would have been highly desirable to have had a larger technical assistance component as the Turkish development bank was getting organized, but that at this stage neither the need for nor the receptivity to outside technical assistance is very great. However, as noted at a number of points above, appropriate technical assistance may be much more effective than exhortation in effecting such changes as more emphasis on appraisal banking and a reduced need for reviewing sub-projects. Also, the role of development banks is changing. This is due in part to the fact that the easiest sub-loans are made first, and increasing complexity and sophistication is subsequently required. There are also likely to be some further changes of the kind suggested by this Review. If the ICI's are to increase their development orientation, concentrate more on particular sectors that may in some cases be more difficult, increased their lending to smaller industries, etc., there are likely to be continuing requirements for specialized technical assistance to help them in this process. A.I.D. should be preparing itself to provide such technical assistance at the same time that it is using its efforts to change to some degree the direction of ICI operrations. Obtaining the necessary personnel for this kind of assistance to ICI's has proved to be difficult, and it has even been suggested that we may want in some cases to encourage the recruitment of Europeans.

V **The Pipeline "Problem"**

The word problem is in quotes above because it is evidently a somewhat less serious problem, and of a somewhat different nature, than many people have supposed. The rate of disbursement, and the pipeline, is one area in which it has been possible to make a detailed quantitative evaluation.

A major finding is that the normal time required for disbursement of loans to ICI's is several years; in this regard they should be considered to be more like physical construction projects than the program loans. Under all but exceptionally favorable circumstances, it has taken at least four to five years for substantially complete disbursement of loans to ICI's. A period of a year or more is frequently required, after the loan has been authorized, for negotiation of the loan and the meeting of conditions precedent. Another period averaging about a year and a half is required before substantial disbursements begin; this is required to cover approval of sub-loans, placing orders, delivery time, and processing for final payment; delivery time alone is often as much as a year. Thus, the general pattern is for relatively low disbursement, rarely as much as 10%, in the first year after the loan agreement is signed. Substantial disbursements generally begin in the second year after the loan becomes operative, but the largest amounts of disbursement are normally in the third and fourth years. Substantial disbursements even in the fifth year are more common than not. The analysis indicates that this pattern is a norm, not just an average. The data were classified in a number of different ways: by region, by public and private institution, by time period, etc. Although there were some regional variations, and the private ICI's generally had a more rapid disbursement rate than the public ICI's, the pattern noted above was fairly closely approximated in nearly all classifications. The clear conclusion is that loans to ICI's normally take several years under a wide variety of circumstances and we should think of them, and plan for them, in these terms. The fact that a large proportion of authorized loans to ICI's will, at any given point in time, be in the pipeline should be considered normal and not a problem. [illegible] do appear to be, however, some general possibilities for a moderate shortening of the pipeline.

There are, of course, pipeline problems on specific ICI loans. Of the 61 loans that A.I.D. has made, there was a delay of three years or more between authorization of the loan and the first disbursement in ten cases. But such cases were encountered in all regions (except the Far East) and in differing kinds of ICI's. This suggests that this pipeline problem is not susceptible to general solution, but must be dealt with on a case-by-case basis.

The undisbursed portion of ICI loans as of April 30 of this year was more than $110 million, i.e., about a third of total loans that had been made to ICI's. Of this total, however, two-thirds is in loans that have been approved only within the last two years, on which almost no disbursement would normally be expected. The problem area with respect to pipeline is thus shown to be a relatively limited one.

This evaluation of disbursement experience suggests important operational conclusions.

By now we have enough experience to have a good general idea of what is a realistic expectation in terms of time for using ICI loans. This should lead to a more realistic setting of terminal dates for the loan than has sometimes been true in the past. We should also be prepared to defend the relatively long time required against critics of the pipeline. Several Missions have made the point that we should not press too hard for more rapid disbursements because it may lead to hurried or ill-considered loans. Final disbursement dates do serve a useful function -- many activities need the discipline of a deadline -- but they should be realistic.

A more general conclusion is that serious consideration should be given to making smaller and more frequent loans to ICI's. A period of two years' requirements might be appropriate. With our growing experience, it should be possible, except for new ICIs, to estimate these requirements with acceptable accuracy. But it should be clear that the two year requirements relates to the period of actual commitment by the ICI and is exclusive of the year or so that often elapses between the time the loan agreement is signed and the time the funds actually become available to the ICI for commitment. It should also be exclusive of the period averaging about a year between the time that the ICI has committed most of its funds and the time that actual disbursements are substantially complete. Thus, if a subsequent loan is planned, it should be initiated well in advance of the time when the first loan is fully committed.

Making loans to cover shorter periods of requirements would necessitate more careful time phasing and a greater demand on staff time. But, in addition to shortening the pipeline and moving A.I.D.'s limited funds more rapidly, it would also provide more frequent opportunities for meaningful negotiations with ICIs in those cases where we wished to press for changes in their policies and practices.

(If it should be decided that smaller, more frequent loans are not worth the additional effort that would be required, it would be appropriate to change the existing Manual Order which calls for covering 18-24 months requirements. This policy has not been very effectively implemented in practice, apparently in part because of lack of sufficient experience in estimating how rapidly funds will be committed, and because of lack of clear differentiation among the various steps in the cycle as discussed above.)

VI Some Open Questions: Tied Procurement, Maintenance of Value, Control of Roll-Overs, and Local Cost Financing

The evidence of the evaluation is not sufficient to permit any very firm conclusions on these subjects. However, our experience may provide some helpful hints, even though they fall far short of indicating any very clear directions.

On tied procurement, the responding Missions tend to view this as a fact of life which is not apt to change, and no proposals for change are made here. Several Missions note, however, the additional time required for using ICI funds because of the complications of tied procurement and frequently longer delivery times. This factor should, of course, be taken into account in planning for the timing of loans to ICI's.

The general requirement of tied procurement, which has its rationale in balance-of-payments considerations, calls attention to one of the indirect objectives of ICI loans -- to promote markets for the export of U.S. capital goods. While the field reports do not deal with this, the evaluation does call to attention the question of how important this should be in our overall policy on ICIs.

Several of the Missions have worked out plans for helping their ICI's deal with the complexities of required procurement in the U.S. The Africa Bureau has tried in Ethiopia and in the Ivory Coast to assist the ICI's and their sub-borrowers to utilize U.S. procurement in an easy and efficient way. The two banks have been encouraged to establish a catalogue of U.S.-manufactured items needed by loan applicants. A.I.D. assists the ICI's by having published in Commerce Business Daily requests for catalogues and price information. Once these are accumulated in the ICI, the bank can counsel the sub-borrower on the interested U.S. suppliers for the borrower's project. Similar systems have been worked out in Korea and in Ecuador, and may have useful applicability elsewhere.

There is variation from country to country in the treatment of the maintenance of value (MOV) requirement between the ICI's and the sub-borrowers. Sub-borrowers of the MIB in Korea and COFISA in Costa Rica carry the MOV burden. In Guatemala, the MOV is not legally permissable and so a reserve fund has been set up in order to prevent the collapse of the ICI if a major currency change were to take place. The limited reporting on maintenance of value does not provide a basis for any general conclusions, although in no case is it reported to have been a serious problem as yet. In general, it would seem reasonable to follow the Korean pattern of placing the exchange risk on the sub-borrower. The rationale is that if there is inflation resulting in devaluation, the prices and profits of the producer would rise more or less correspondingly and that the real burden of that repayment would not be increased. It should be recognized of course that, while this would be roughly true on an average, individual cases of hardship might well arise. In any case there does not appear to be any basis for more formal guidance with respect to MOV clauses.

On the question of A.I.D.'s influence in the use of ICI funds after the initial sub-loans have been repaid to the ICI, the so-called roll overs, A.I.D. has generally foregone any control. The first use of funds in the form of dollar purchases is subject to the agreed control, but the subsequent uses of the repayments of local currency are up to the ICI itself.

Since the repayments are in local currency, this helps to meet the problem noted below of local currency available for ICI lending. There is also a question of whether A.I.D. would wish to have some control over this type of lending.

The scope of the roll over problem, if it is considered a problem, depends to a very considerable extent on the time period of the A.I.D. loan to the ICI and the average length of loan the ICI makes to its sub-borrowers. On the former, there is wide variation. The terms of A.I.D. loans to ICI's vary from 5 to 40 years. Most of them are within a narrower range, of course, but there is considerable variation from region-to region. Most loans are for either 10 or 15 years in East Asia and NESA. All of the African loans to ICI's are for either 15 or 20 years. In the case of Latin America, most of the cases fall within 20 to 25 years.

Given the general pattern already established, it would probably be difficult for A.I.D. to try to obtain control over the use of roll over funds. However, to the extent that this is considered to be a problem, there is an approach available in terms of making the period of the loans to the ICI's somewhat shorter. In addition, if the average length of the loan from the ICI to the sub-borrower is lengthened, which will be desirable for other reasons as well in many cases, this would increase the degree of A.I.D. control over the total use of funds during the life of A.I.D. loans to the ICI.

On local currency funding, only a limited amount has been permitted from the proceeds of A.I.D. dollar loans to ICI's. In a number of cases substantial local currency funding has been made available from the proceeds of PL 480 sales. These appear to have made a very substantial contribution to achieving ICI objectives, but their availability is limited to a relatively small number of countries. It also seems appropriate to make local currency loans to ICI's a claimant for the proceeds of program loans, although this should obviously be judged in the light of competing demands.

The need for local currency financing, along with the need for working capital, is reported by some Missions to be a rather acute one. This is likely to be even more true if substantial efforts are made to extend ICI loans to more small borrowers. Limitations in A.I.D. policy on using dollars for covering local costs stems partly from the rationale that host countries should be in a better position to meet their own needs in this area than in the case of foreign exchange. This limitation also provides a stronger incentive for the mobilization of local capital both for the ICI itself and for complementary investment in the sub-projects. In addition, there are operational reasons such as the ability to apply tied procurement provisions more directly. However, there may well be an important case, in some instances, for increasing local cost financing. Although no Mission which has mentioned this problem has endeavored to make a detailed case, it may well be an area meriting further investigation.