



How to Do Business with the African Development Bank

A Primer for U.S. Businesses

Learn the Procurement Process
Identify Opportunities
Access Financing



Advocacy Center

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Background

The African Development Bank (AfDB) is a multilateral financial institution created to promote sustainable economic growth in order to reduce poverty in Africa. Established in 1963 by a group of five African nations, the bank has grown to incorporate all 53 African Regional Member Countries (RMCs) and 24 Non-Regional Members, including the United States. The AfDB continues to open local offices across the continent, providing the bank with a distinct advantage in understanding its member countries and their challenges. Since 1964, the bank has funded more than \$54 billion (U.S.) in projects across the continent.

AfDB Structure

The African Development Bank Group consists of three lending entities: the African Development Bank, which lends at market rates; the African Development Fund, the bank's concessional arm; and the Nigerian Trust Fund. The majority of the bank's grants and loans are disbursed through the public-sector window of the bank in line with the development priorities outlined in each RMC's Country Strategy Paper. AfDB also has a private-sector window that plays an important role in stimulating economic growth and development in Africa through the development of private infrastructure projects and public-private partnerships. The AfDB also hosts the Secretariats for the Infrastructure Consortium for Africa and the African Water Facility, and a support unit for the New Partnership for Africa's Development. Information about the bank's structure and key contacts can be found on its

Web site, www.afdb.org, under "About Us."

AfDB Sectors

The AfDB finances projects in infrastructure, agriculture, health, education, public utilities, transport, telecommunications, industry, and the private sector.

The AfDB does not finance military equipment; raw or manufactured tobacco; nuclear reactors, parts, or radioactive matter; pearls, precious stones, or metals; or any environmentally hazardous product.

The AfDB and U.S. Firms

Each year, the bank approves loans and grants of between \$2 and \$4 billion. Project funding generates hundreds of contracts each year for a wide range of goods and services, including numerous consulting contracts, and export opportunities range from a few thousand to several million dollars. However, U.S. companies currently are awarded only a small fraction of the contracts.



The AfDB and the U.S. Department of Commerce

The Omnibus Trade Bill of 1988 mandates that Department of Commerce staff be located within the U.S. offices of all multilateral development banks. The U.S. Commercial Service's Trade Advocacy Center manages the Department of Commerce representation at the bank. This representative provides support and assistance to U.S. firms in three primary areas:

- **Market Information and Outreach:** Information for U.S. firms on business opportunities created by AfDB projects and advice on how to access them.
- **Business Facilitation Services:** Tailored assistance to U.S. companies, including in-depth one-on-one counseling, strategic planning, information-gathering for specific needs, contact and meeting planning, and promotional (marketing) support for qualified firms.
- **Advocacy:** Support to U.S. firms that have problems with AfDB projects, including guidance on bank procedures, assistance with payment issues, and direct and indirect advocacy with regard to specific problems or procurement issues.

How to Do Business with the AfDB

Although the opportunities for U.S. firms are broad in sector, number, and size, taking advantage of these opportunities can be difficult and confusing for newcomers. Companies that learn how the AfDB operates and apply this knowledge can successfully win business funded by the bank. This publication is designed to help guide U.S. firms toward success.

It is important to understand how the AfDB works and what it does. The AfDB's Web site, www.afdb.org, provides information on approved loans and procurement opportunities. It also provides information on the bank's country-specific development strategies, regional socioeconomic data, press releases, a calendar of bank-sponsored events, and other useful information.

Learn How the AfDB Works

Roles of Borrowing/Non-Borrowing Countries:

Only firms from both borrowing countries (the 53 African RMCs) and nonborrowing member countries (such as France, Italy, and the United States) are eligible to compete for contracts (and/or formulate proposals) for AfDB-funded projects.

Borrowing countries have ministries or agencies called "executing agencies" that implement projects. These agencies have the following roles:

- To originate public-sector projects for presentation to AfDB

headquarters, with the final decision on loan approval to be made by the AfDB board of executive directors.

- To make key decisions throughout the project cycle, including planning the project and conducting all aspects of the procurement process.

Borrowing countries are also expected to provide a portion of the cost of the entire project, sometimes in the form of human capital.

Roles of AfDB Staff:

- Bank staff is responsible for monitoring projects to ensure that bank guidelines and policies, including procurement policies, are followed.
- Each department assigns specific project team leaders as primary points of contact for each project.
- In general, AfDB staff is responsible for the preparation of the project for approval by the AfDB's board of executive directors, while staff located in borrowing countries is responsible for the supervision of projects that are being implemented.


The Project Cycle:

The project cycle at the AfDB begins with the identification of potential projects to meet development needs in the 53 borrowing countries and ends with post-implementation evaluation, a process that takes years.

- In the **identification** phase, broad issues and parameters of a project, such as project cost and executing agency, are identified.
- During the **preparation** phase, details of the project are further developed. This work tends to be done by the executing agency, with the assistance of AfDB staff at headquarters.
- Once the AfDB board of executive directors approves the loan, the project goes into the execution, or **implementation**, phase. The borrowing country is responsible for execution of the project, including all procurement. Therefore, in most cases, firms bidding on or participating in AfDB-funded projects will be working most closely with the borrower, not the AfDB itself.

There are potential business opportunities for U.S. companies during each phase, and it is important for firms to start business development and marketing activities in the early project development phase. U.S. firms should develop and follow a strategy regarding the project cycle. For example:

- Small companies may wish to focus on trying to get business during the project preparation cycle, which offers smaller contracts.
- Larger firms may choose between doing project preparation and project implementation work (doing preparation work may preclude a firm from working during the execution phase).

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- Some firms may choose not to do project development work, but focus instead on marketing their solutions to a government with the aim of having their products or services incorporated into the executing agency's project plans.

Identify Projects with Potential Opportunities

In most cases, it is not possible for U.S. firms to propose a project to the AfDB for funding (private sector projects are the exception). Rather, firms need to identify projects that are either under development or have been approved and that may need their products and services.

- **Project and Procurement Notices** are published on the bank's Web site at www.afdb.org. These notices provide information for businesses seeking procurement opportunities stemming from AfDB-financed projects. Firms can sign up for projects and procurement alerts through the AfDB Web site. Information on approved projects, including project description and status, the names of the executing agency and AfDB team leader, financial data, and project documents, is also available on the Web site under "Procurement." Pipeline projects are listed in the *ADB Business Bulletin*, also available on the Web site.
- **Press releases**, describing all approved AfDB loans and other bank-related events, are posted on the Web site and are available by subscription.
- **U.N. Development Business**, published by the United Nations, lists loans and technical cooperation projects funded by the AfDB. It is available in both electronic and print formats. The printed version is available twice a month, while the electronic version is continuously updated and has search capabilities. A subscription fee is charged for both versions. For more information on this document, go to www.devbusiness.com.

Identify Specific Tenders

Investigate Leads:

Once firms have identified projects with potential opportunities, the next step is to investigate leads on specific tenders, or requests for expressions of interest. While tenders above certain amounts are publicly advertised, in most cases the response time is only 30 days. Therefore, it is important for firms to obtain as much information as possible about these opportunities *before* they are officially announced. As with researching projects, there is no single best way to obtain this information. The main sources of information are project documents and key AfDB and executing agency staff.



Read Project Documents:

Once a project is approved by the board, a "Project Appraisal Report" is posted on the Web site. This document provides detailed country and project information, including project timeline, financing, and contact information.

Network for Critical Information:

Personal relationships are key to doing business in many countries, and developing business in Africa is no exception. Firms interested in winning AfDB-funded contracts need to network with all the stakeholders involved to get critical information about when and how tenders are announced. In most cases, this information will not be written in any document or be posted on the Web site—it will only be available through personal discussions. "Stakeholders" usually refers to the executing agency and AfDB staff in country and/or at the bank's headquarters (depending on the stage of the project). Other borrowing government agencies may be involved as well. U.S. Commercial Service staff at the AfDB and U.S. embassies in borrowing countries can also help U.S. companies track projects.

Work with Partners from the Borrowing Country:

U.S. businesses can maximize their chances of receiving a contract award by working jointly with a business representative from the borrowing country. Most of the planning and implementation work for a project is done locally and tender documents often require firms to demonstrate experience in and knowledge of the borrowing country. A local representative can help you with marketing to the client, obtaining business information, understanding the client's needs, and providing better service to the client.

The U.S. Commercial Service can assist U.S. businesses with identifying a representative through its International Partner Search program, the Gold Key Matching Service, or other customized programs. For more information on these services, contact the nearest U.S. Export Assistance Center in your area at www.export.gov/eac.

Local AfDB Country Offices can also provide some suggestions on potential local partners. Contact information can be found on the AfDB's Web site under "Contact."

Learn the Language:

Though both English and French are official languages of the bank, U.S. firms looking for AfDB business should be prepared to work in both of these languages, as well as Arabic, Portuguese, and other local languages.



Learn the Procurement Rules

Companies or individuals bidding on AfDB-funded projects have both rights and responsibilities for participation, and it is important for U.S. firms to understand these when bidding. Two documents are essential for U.S. firms interested in bidding on AfDB opportunities: *Rules of Procedures for the Use of Consultants* and *Rules of Procedures for the Procurement of Goods and Works*. These sources outline the rules and procedures that borrowing agencies are required to use when procuring goods and services. They can be obtained on the bank's Web site under "Consultants."

When firms know the rules, they understand they are responsible for alerting the borrowing country to problems with the specifications or bidding procedures, informing the AfDB, and contacting the U.S. executive director's office with concerns about the bid packages. U.S. firms are encouraged to report any discrepancies they find when reviewing loan and bidding documents.

The AfDB has published a set of standardized bidding documents that are available online. These documents can help a U.S. company prepare for bid requirements. All procurement-related documents are available on the AfDB's Web site under "Consultants."

Consultants

There are two types of AfDB consultancy projects: consultancies for the bank itself and consultancies for AfDB-funded development projects across the continent.

AfDB consultancy assignments can be funded from the following sources:

- AfDB's own budget (for example, projects for the bank itself);
- The borrowing country's project budget, which will come from a range of other sources as well as the bank; or
- Consulting services for the AfDB project, funded by technical cooperation (TC) funds.

Most consultancy projects are funded from TC funds. Using TC funds, donor countries provide money for consultancy work linked with a specific project. This can include consultancy at any stage of the project cycle, and can also be tied to the hiring of consultants from a specific country.

There are three types of selection methods:

- For consultancy assignments estimated to cost **less than 5,000 units of account, or UA** (approximately \$7,000 U.S.), consultants can be selected through direct negotiations without preparing a shortlist.
- For contracts valued between **5,000 UA and 1 million UA**

(approximately \$7,000–\$1.4 million U.S.) the AfDB invites Expressions of Interest (EOIs) and the bank or the borrowing country draws up a shortlist of consultants from which to select the winner. The shortlist normally must contain between five to seven consulting firms or individuals, with no more than two consultants from the same country.

- For contracts with a value of **over 1 million UA** (approximately \$1.4 million U.S.), AfDB also uses the Expression of Interest (EOI) and shortlisting procedure. However, the shortlisting procedure will be prepared in two separate stages, the first being prequalification. The bank (or the client) will ask each firm to provide a more comprehensive proposal and will prepare the shortlist by including the best qualified firms.
- Contracts with a value of **less than 350,000 UA** (approximately \$490,000 U.S.) may limit advertisement to only one national newspaper. Contracts with a value of over 350,000 UA must advertise in *Development Business*, published by the United Nations.

Unless the contract value is over 1 million UA, AfDB consultancy opportunities have very short deadlines once the request for EOIs is published. The deadline will vary depending on the complexity of the project.


Small Contracts:

Procedures for procurement under small contracts may vary greatly from the standard AfDB guidelines. In some cases, the borrowing country's government procurement laws will be used as long as they are not in conflict with AfDB procurement rules. Usually, this requires the publication of a request for proposal (RFP) in a local newspaper. For these small procurements, especially for consulting contracts, networking is even more important as there may not be any public announcements of upcoming tenders. It is important to talk with stakeholders to determine their procurement needs, express interest in being a supplier, and ask about procurement plans and timelines. Although information on small contracts may be more difficult to find, sometimes it is easier to access these opportunities due to less competition and fewer procurement rules.

Summary Advice to Prospective Bidders

Procurement is a complicated subject, well beyond the scope of this document. However, firms that follow these tips are the most successful:

- Meet and develop relationships with borrowers long before tenders are announced.
- Obtain critical information through networking.
- Use local representation.
- Learn the procurement rules.

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- Identify problems with specifications immediately and alert borrowers, the AfDB, and the U.S. executive director's office.
 - Obtain tender documents as soon as possible and follow bidding requirements to the letter.
 - Keep in mind that for goods procurement, the lowest evaluated bidder (that is technically compliant) will win the contract. Offering more than is asked for at a higher price is not usually a winning strategy.

The Private Sector and the AfDB

In addition to the public-sector lending described above, the AfDB's private-sector window (OPSM) lends money for various private-sector projects. U.S. firms may be eligible to receive funding for their investments in Africa.

Private-sector projects are generally brought to the bank by the borrower or a joint venture. A company with a project in mind is advised to write a thorough and complete business plan, which is submitted to the private-sector department as a first step in applying for bank funds. The proposal should include a description of the project and the main parties to the transaction. It is important to note that the responsibility for project preparation rests with the borrower, not the bank, although the AfDB works closely with the borrower to ensure that the proposal meets the bank's standards. Thus, after becoming familiar with AfDB criteria and mandates, and after preparing a preliminary draft, it is advisable to consult with the bank staff. Guidance on information to include in private-sector proposals can be found on the AfDB's Web site under "Topics/Private Sector Operations." For best results, companies should include the U.S. Commercial Liaison Office on business plan submission and other important correspondence with the bank.

Risk Management

The AfDB provides access to competitive funding for U.S. firms seeking contracts and concessions in developing countries and emerging markets. The ability of the Advocacy Center's office at the AfDB to help clients work with export credit agencies and multilateral institutions, and to provide guidance on matters related to risk mitigation, structuring large projects, securing government-backed loans, guarantees and insurance, is critical to our mission.

The AfDB also offers specific risk management products, on a cost pass-through basis, to clients. These products include interest rate swaps, currency swaps, commodity/index swaps, and interest rate caps and collars. The bank also offers partial credit guarantees and partial risk guarantees. Information on risk management products and guarantees can be found on the Bank's Web site under "Finance."



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