

How to Do Business with the Inter-American Development Bank

A Primer for U.S. Businesses

Learn the Procurement Process Identify Opportunities
Access Financing



Advocacy Center

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Background

The Inter-American Development Bank (IDB) is a multilateral financial institution created to help accelerate the economic growth and social development of its 26 borrowing Latin American and Caribbean countries. Twenty-one non-borrowing nations, including the United States, are also members of the IDB. Unlike in the other development banks, in the IDB the borrowing nations own the majority of the shares, and many of the IDB's activities are borrower-driven. The presence of IDB offices in each of the borrowing countries provides the institution with a distinct advantage in understanding its member countries and their challenges.

IDB Structure

The Bank mostly provides public sector loans through its three operational departments: Southern Cone—Region 1; Mexico/Central America—Region 2; and Andean/Caribbean—Region 3. In addition, the Bank has a Private Sector Department (PRI) that is responsible for the development of private infrastructure projects. The IDB group also includes the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF), which promote private sector investment in the region. A more detailed description of these three entities is found below.

IDB Sectors

The sectors in which the IDB finances projects include agriculture, industry, education, health, information technology and communications, water and sanitation, transportation, environment, modernization of the state, social investment, and urban development.

IDB Lending and U.S. Firms

The IDB lends \$6-8 billion annually. Overall funding for each year generates hundreds of contracts for U.S. companies to provide a wide range of goods, equipment, services, and expertise. Export opportunities for U.S. firms vary from a few thousand dollars to several million dollars.

IDB and the U.S. Department of Commerce

The U.S. Commercial Service Section, U.S. Department of Commerce, is an integral part of the U.S. Executive Director's Office at the IDB. The Omnibus Trade Bill of 1988 mandates that Department of Commerce staff be located within the U.S. offices of all development banks.

The U.S. Commercial Service's Advocacy Center manages the Department of Commerce representatives to the IDB. These representatives provide support and assistance to U.S. firms in three primary areas:

- **Information:** Information for U.S. firms about the opportunities created by IDB projects and how to access these opportunities.
- Business Facilitation Services: Includes 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 IDB projects, including guidance on the protest process, assistance with payment issues, and direct and indirect advocacy with regard to specific problems or procurement issues.

How to Do Business with the IDB

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 are successful at doing business with the IDB take the time and effort to learn and network. This publication is designed to help guide U.S. firms toward success. The following section relates to the IDB's public sector lending program only. Information on the IDB's private sector programs follows later in this document.

Get Acquainted with the IDB

It is important to understand how the IDB works and what it does. The IDB web site, www.iadb.org, provides information on loans under consideration, approved loans, and procurement opportunities. It also provides country strategies, socioeconomic data on the region, press services, a calendar of Bank-sponsored events, and other useful information.

Learn How the IDB Works

Roles of Borrowing/Non-Borrowing Countries:

Borrowing countries (26 Latin American and Caribbean nations) are expected to provide a portion of the cost of the entire project, sometimes in the form of human capital. In addition, only firms from member countries, both borrowing and non-borrowing (such as the United States, Canada, and Japan), are eligible to compete for contracts (and/or may formulate proposals) for IDB-funded projects.

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

- To originate projects for presentation to IDB headquarters, with the final decision on loan approval to be made by the IDB Board of Executive Directors.
- To make key decisions throughout the project cycle, including planning the project and conducting all aspects of the procurement process.

Roles of IDB Staff:

- The IDB supervises the projects to ensure that its guidelines and policies, including procurement policies, are followed.
- Each department assigns specific project team leaders as primary points of contact for each project.
- Sectoral divisions of each regional department have technical experts in areas such as environment, energy, transportation, modernization of the state, technology, etc.
- In general, the IDB staff in Washington, D.C., is responsible for the preparation of the project for approval by the IDB Board of Executve Directors, while the IDB staff located in borrowing countries is responsible for the supervision of projects that are being implemented.

The Project Cycle:

The project cycle at the IDB begins with the identification of potential financing during the IDB programming missions to its 26 borrowing countries and ends with evaluation of a project after implementation, a process that lasts years.

- In the *identification* phase, broad issues and parameters of a project, such as project cost and executing agency, are identified.
- During the *preparation* stage, details of the project are further developed. This work tends to be done by the executing agency, with the assistance of IDB staff at Headquarters.
- Once the IDB's 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 doing business with IDB-funded projects will be working most closely with the borrower, not the IDB itself.

There are potential business opportunities for U.S companies during each phase, and sometimes 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).
- 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 IDB for funding (private sector projects are the exception). Rather, firms need to identify projects that are either under development or have been approved that may need their products and services.

- Project and Procurement Notices are published on the IDB Web site at www.iadb.org/procurement. These notices provide information for businesses seeking procurement opportunities stemming from IDB-financed projects. One can sign up for project and procurement alerts through this Web site (see "RSS"). Information on the Bank's entire portfolio of projects, including project description and status, the names of the executing agency and IDB team leader, financial data, and project documents, is located at www.iadb.org/projects. Both pipeline and approved projects are included; contract award and procurement notice information for approved projects can also be found there.
- The Public Information Center (PIC) Web site, www.iadb.org/exr/pic, contains documents generated by the Bank for projects in the pipeline and those being implemented. The PIC provides documents related to all phases of project design and implementation. Many of these documents are free of charge. The PIC may be contacted by e-mail at pic@iadb.org, or by phone at (202) 623-2096. These documents are also available through the IDB's 26 Country Offices in Latin America and the Caribbean.
- Press releases, describing all new IDB loans, are distributed to the media in the member countries and posted on the Web site.
- UN Development Business, published by the United Nations, carries in every other issue the IDB's Monthly Operational Summary, listing loan and technical cooperation projects under development. It is available both in 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.

 The Commercial Section within the U.S. Executive Director's Office at the IDB can help U.S. firms find business opportunities, through direct consultation.

Identify Specific Tenders: Read Project Documents, Track Projects, Network, and Strategize

Investigate Leads:

Once firms have identified projects with potential opportunities, the next step is to investigate leads on specific tenders, or requests for proposals (RFPs). 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 way to obtain this information. The main sources of information are project documents and key IDB and executing agency staff.

Project Documents:

The IDB Web site offers listings of two main categories of documents: those related to projects that have been proposed (and are thus in preparation) and those reflecting approved financing (see www.iadb.org/projects and click onto "status"). The sequence of proposed project documents generally begins with a *Project Profile I*, which is written during the identification stage. Once the potential social and environmental impacts of projects have been identified, a *Profile II*, written during the preparation stage, is prepared and supercedes the Profile I.

Once a project is approved for implementation, project documents are available on the Web site under "Approved Projects." Paper copies of project documents, except Environmental Impact Assessments, may be ordered through the Public Information Center (PIC): (202) 623–2096, e-mail: pic@iadb.org). These project documents contain critical information, including broad budgets and procurement plans.

Network for Critical Information Tenders:

Personal relationships are key to doing business in many countries, and developing business in Latin America and the Caribbean region is no exception. Firms interested in winning IDB-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 posted on the Web site—it will

only be available through personal discussions. "Stakeholders" usually refers to the executing agency and IDB staff in country and/or in Washington, D.C. (depending on the stage of project). Other borrowing government agencies may be involved as well. U.S. Commercial Service staff at the IDB and U.S. embassies in borrowing countries can also help companies track projects.

The IDB's *Business Seminars* offer excellent opportunities to network with IDB Headquarters staff. These seminars focus on a particular sector such as health, education, environment, energy, water and sanitation, urban development, and modernization of the state. The seminars are held at IDB headquarters in Washington, D.C., and occasionally at locations around the country. Information on the Business Seminars can be found on the IDB Web site at www.iadb.org/events or by contacting the IDB's Office of External Relations (EXR) at (202) 623–1546, fax (202) 623–1403, or e-mail: business@iadb.org.

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. This is because most of the planning and implementation work for a project is done locally. 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.

The IDB Country Offices can also provide some suggestions on potential local partners. Contact information can be found at www.iadb.org/countries.

Learn the Language:

Spanish is the "lingua franca" at the IDB and in most of the borrowing countries. Firms looking for IDB business need to be prepared to work in Spanish, although in some countries English, Portuguese, or French is required.

Learn the Procurement Rules

Bidders in IDB-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 IDB opportunities: *Policies for the Selection and Contracting of Consultants* and *Policies for the Procurement of Works and Goods Financed by the IDB.* These sources outline the rules and procedures that borrowing agen-

cies are required to use when procuring goods and services and can be obtained on the IDB Web site at www.iadb.org/procurement.

When firms know the rules, they understand that they are responsible for alerting the borrowing country to problems with the specifications or bidding procedures, informing the IDB, 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 IDB has published a set of standardized bidding documents that are available online. Although not yet required for all IDB-funded projects, these standard documents can help a U.S. company prepare for the requirements of a bid. All of the procurement-related documents are available on the IDB Web site at www.iadb.org/procurement.

These guidelines are used in all procurements over the designated thresholds, which generally are \$200,000 for consulting services, \$250,000 for goods, and \$3,000,000 for civil works, but vary by project and country.

A very good way to learn about procurement policies and procedures at the IDB is through its yearly procurement workshops held in Washington, D.C. Information on these workshops can be found on the IDB Web site at www.iadb.org/events.

Tenders are announced in local publications and the *United Nations Development Business* publication, described earlier.

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 relations with borrowers long before tenders are announced.
- Obtain critical information through networking.
- Use local representation.
- Learn the procurement rules.
- Train local representatives on IDB procurement rules.
- Identify problems with specifications immediately and alert borrowers, the IDB and the U.S. Executive Director's Office.
- Follow bidding documents to the letter.
- Comply fully with all requirements.
- Protest when necessary.
- Be a reliable supplier.

Small Contracts:

Procedures for procurement under small contracts may vary greatly from the IDB guidelines. In some cases the borrowing country's government procurement laws will be used as long as they are not in conflict with the IDB's 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 to respond to. It is important to talk to 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.

The Private Sector and the IDB

In addition to the public sector lending described above, the bulk of its financing, the IDB lends money to various private sector projects. U.S. firms in many cases may be eligible to receive funding for their investments in Latin America. Three units in the IDB Group primarily operate the private sector programs:

Multilateral Investment Fund (MIF):

The MIF supports pilot projects for institutional, legal, and regulatory reform; labor training; and small business and micro-enterprise development. The MIF also funds projects managed by Latin American or Caribbean governments or non-governmental organizations that promote a healthy, functioning private sector. For more specific details visit www.iadb.org/mif.

Inter-American Investment Corporation (IIC):

The IIC invests debt and equity in small to medium-sized Latin American and Caribbean firms, both directly and indirectly, through funds or bankand government-managed credit lines. The IIC finances up to 25 percent of a total project's cost. Detailed information on the IIC can be found at www.iadb.org/iic.

IDB Private Sector Department (PRI):

The PRI finances private sector infrastructure projects without government guarantees. The projects are in such sectors as energy, transportation, sanitation, communications, and the development of local capital markets. It can finance up to 25 percent of the total project cost. Although the projects themselves must be in a Latin American or Caribbean country, there is no restriction on the national origin of the project sponsors. For more information visit www.iadb.org/pri.

Important Contact Information

- The IDB's Web site address is www.iadb.org.
- The IDB's Public Information Center can be reached at pic@iadb.org or (202) 623-2096.
- For information on the IDB Business Seminar Series that includes the procurement workshop, visit www.iadb.org/biz or call (202) 623-1546.
- The IDB Bookstore, for procurement guidelines and other publications, can be accessed through www.iadb.org/exr/pub, by e-mail at idb-books@iadb.org or by phone at (877)-PUBS-IDB.
- Development Business, a bi-monthly United Nations publication, can be ordered from:

Development Business

P.O. Box 5850 Grand Central Station New York, NY 10163-5850

Tel: (212) 963-8524 Fax: (212) 963-1318

E-Mail: dbsubscribe@un.org.

• For U.S. export assistance with IDB-sponsored projects, contact:

U.S. Commercial Service Section

U.S. Executive Director's Office Inter-American Development Bank 1300 New York Avenue, N.W. Mail Stop E 0249 Washington, D.C. 20577

Tel: (202) 623-1179 or 3821/22/42 Fax: (202) 623-2039

E-Mail: iadb.banks@mail.doc.gov

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Tel: (202) 482-3896 Fax: (202) 482-3508 Web site: www.export.gov/advocacy

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