



How to Do Business with the Inter-American Development Bank

A Primer for U.S. Businesses

Learn the Procurement Process
Identify Opportunities
Access Financing



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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.



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 Executive 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.

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-

stars 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 bank- and 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

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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

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

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