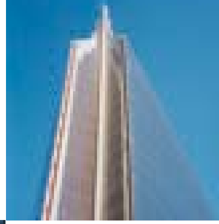
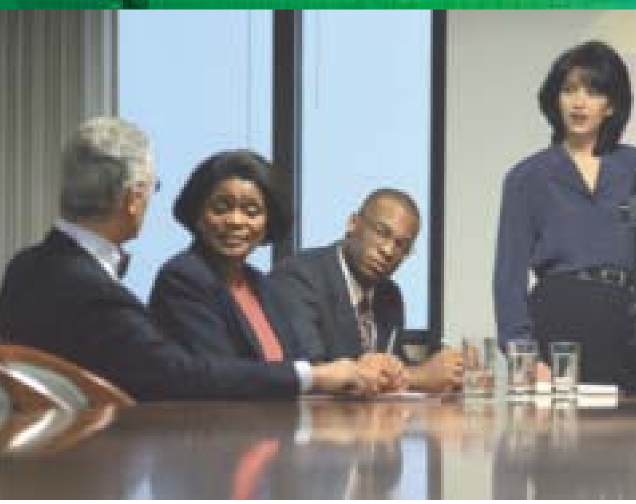



Financing Business Opportunities in

Africa

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TUNISIA
MOROCCO
ALGERIA
LIBYA
EGYPT
Western Sahara
MAURITANIA
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NIGER
CHAD
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ERITREA
CAPE VERDE
SENEGAL
GAMBIA
GUINEA-BISSAU
GUINEA
BURKINA FASO
DJIBOUTI
NIGERIA
ETHIOPIA
SIERRA LEONE
GHANA
TOGO
BENIN
CÔTE D'IVOIRE
LIBERIA
CENTRAL AFRICAN REPUBLIC
CAMEROON
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SÃO TOMÉ PRÍNCIPE
GABON
CONGO
DEMOCRATIC REBUBLIC OF CONGO
UGANDA
KENYA
SOMALIA
RWANDA
BURUNDI
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TANZANIA
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COMOROS
ANGOLA
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MALAWI
MOZAMBIQUE
MADAGASCAR
MAURITIUS
Réunion (France)
NAMIBIA
ZIMBABWE
BOTSWANA
SWAZILAND
LESOTHO
SOUTH AFRICA

Financing Business Opportunities in

Africa

MINISTRY FOR FOREIGN AFFAIRS OF FINLAND
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FOREWORD

Africa has always offered both great opportunities and great challenges to companies who choose to either invest in it or do business with it. This was discovered as early as in 1324, when Mansa Musa, King of Mali (1312-1337), who had accumulated immense wealth from Sahel gold caravans, performed a hajj to Mecca. En route he stopped in Egypt, carrying with him such an amount of gold that it caused the first well-known mass inflation in world history. Ever since, travelers and traders alike have been impressed with the richness and flourishing trade opportunities of Africa.

Despite this potential, trade between Finland and Africa has remained at a relatively low level, constituting 1.2% of the total amount of our foreign trade. Investments have also stagnated at a low level. One reason for this lack of business is the shortage of knowledge about financing possibilities for operations in Africa. Therefore, we at the Ministry for Foreign Affairs together with Finpro decided to publish a guide where key financing possibilities are introduced. We have been delighted with the interest shown in the original version of this guidebook published in 2002, and therefore we decided to update, improve and expand it.

Another reason for publishing this guide is the development and changes that have been taking place on the African continent. Our world is changing and Africa is no exception. Notwithstanding the many difficult challenges, not least caused by several prolonged conflicts, Africa is still facing, there has also been positive development in terms of stability, democracy and multi-party politics, as well as transition towards market economy in many formerly authoritarian states. Two of the long-term recipients of Finnish development aid in Africa - Egypt and Namibia - have reached a transitional status. They now belong to the group of middle-income countries, which calls for new forms of partnerships. Therefore an increasing emphasis on business partnerships and contacts is needed.

We would also like to support companies to better exploit financing possibilities in their internationalization. In Africa, bilateral and multilateral financiers are stepping up their efforts to alleviate poverty and improve the living conditions in the region. Hence, Finpro has started financial advisory services for Africa based in Johannesburg and is working closely with the representations of the Ministry for Foreign Affairs of Finland in Africa to support companies.

In addition to basic information about various international, regional and Finnish funds, banks and instruments, examples of Finnish companies who have used these instruments and services are included in this guide. Contact information for all the institutions covered can be found at the end of the guide. Our Embassies and Finpro Finland Trade Centers are a good source of assistance when doing business in African countries.

This guide is also available on the Internet at www.finpro.fi/pas.

Aapo Pölhö
Ministry for Foreign Affairs

Pentti Kotiranta
Finpro, Project Advisory Services

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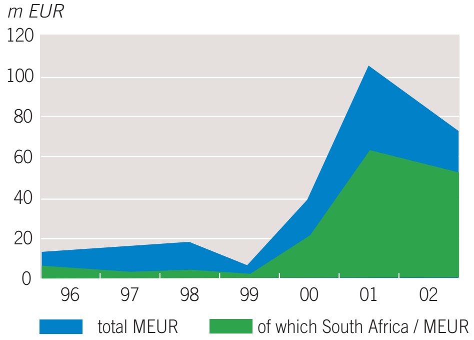
INTRODUCTION

Most bilateral and multilateral financiers are paying special attention to Africa and would like to increase the share of Africa in their portfolios and programs. The overall goal of the development cooperation in Africa is poverty reduction and fulfillment of Millenium Development Goals. Besides procurement, trade and investments to the region is strongly encouraged. Prioritized industry sectors vary from country to country, but generally energy, infrastructure, water and sanitation, health, education, agriculture, transportation, information and communication technologies, rural development and environment receive the bulk of financing. Privatization and private sector development are cross-cutting issues targeted in most programs.

In addition to financing sources, there are also several regional development organizations, processes and programs supporting development in Africa – among them the Southern African Development Community (SADC), African Union as well as the New Partnership for Africa's Development (NEPAD). For instance, NEPAD is a comprehensive sustainable development initiative in which several international development financial organizations are participating. The objective of NEPAD is to infuse new energy, establish solid partnerships and create a strong basis for the alleviation of poverty and the economic development of the continent.

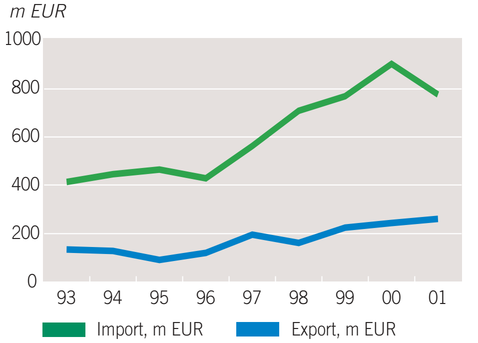
As can be seen in the diagram below, the lion's share of Finnish direct investments to Africa has traditionally been directed to South Africa. In general, both trade and investment activities have been on a relatively high level between the countries in northern Africa and the rest of the world, but for Finland this is so far not the case.

Finnish Direct Investment to Africa, 1996-2003



Source: Bank of Finland

Trade Between Finland and Africa, 1993-2003



Source: Customs Department

This guide is divided into two parts. The first chapter outlines the opportunities for winning deals in publicly tendered projects financed by development institutions. The main financiers introduced are the World Bank Group, the African Development Bank, the European Union, the United Nations, the Nordic Finance Group, and the Ministry for Foreign Affairs (Finnish development cooperation). The second part of the guide focuses on finance for private sector projects. In this section Finnish companies can also find opportunities to finance their own projects in Africa.

The aim has not been to compile an exhaustive listing of financiers; therefore, information has been included to the extent that it has been considered relevant for Finnish business in Africa.

Finpro's Project Advisory Services (PAS) unit has been responsible for the preparation of this guide. The Ministry for Foreign Affairs of Finland has financed the guide and has also contributed to its content. The guide was written by Ms. Anna Erkkilä at Finpro's PAS unit. In addition, Finpro's PAS units in Brussels, Helsinki, South Africa and Washington have significantly contributed to this guide. The work is based on interviews with key people in the respective financial institutions and organizations as well as on information from publications and institutions' Internet pages. Interviews were conducted in Washington, Brussels, Tunis and Finland between May and July 2004.

Development Financed Public-Sector Projects: Procurement Opportunities

1

1 DEVELOPMENT FINANCED PUBLIC-SECTOR PROJECTS: PROCUREMENT OPPORTUNITIES

DEVELOPMENT FINANCED PUBLIC-SECTOR PROJECTS: AN OVERVIEW

Procurement (sales) opportunities are available through multilateral development banks, bilateral development agencies, European Union, United Nations agencies and other international and non-governmental organizations (NGOs).

By taking part in public tenders organized by government agencies in Africa, Finnish companies can grow their business through:

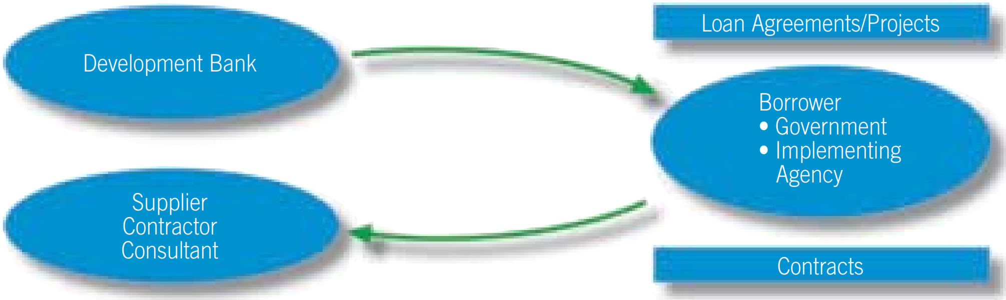
- Consulting and engineering services including project preparation (financial and technical studies, socio-economic and environmental analysis), monitoring and implementation and evaluation;
- Equipment supplies for projects, e.g. in transport, water and sanitation, power, forest, ICT, health and education projects;
- Works in infrastructure and environmental projects.

The instruments and services provided by international financiers and agencies differ, but generally they provide grants, loans, credits, guarantees and technical assistance to governments, government agencies or private institutions. The overall objective of the agencies is to assist the recipient countries in their economic and social development. Finnish companies, institutions, NGOs and individuals from member and recipient countries can compete for these procurement opportunities, and offer their goods, works and services.

The diagram below shows the connection between financier, borrower and contracting party in a project financed by a development financing institution. The financier and borrower jointly identify projects and negotiate a financing agreement. Then the borrower implements the project and hires suppliers, contractors and consultants to carry out the activities.

For Finnish companies seeking procurement opportunities in Africa, the most relevant development banks and international organizations are the World Bank Group, European Union, the African Development Bank Group, the United Nations and UN agencies, the Nordic Finance Group and the Finnish Development Cooperation organizations including the Finnish Ministry for Foreign Affairs.

Structure of Development Bank Public Sector Lending



Procurement guidelines and procedures are often different when tendering for goods, works, and services versus tendering for consulting and technical assistance assignments. For each financier outlined below, it is important to carefully prepare bids according to the instructions provided in their respective procurement guidelines. Links to relevant websites are provided at the end of each section.

Particularly with development banks, local authorities in the borrowing country are responsible for the procurement process. Therefore, Finnish companies and organizations should be in direct contact with the executing agency specified in the procurement notices. Companies actively pursuing business opportunities should visit the relevant banks and project personnel, and especially the project implementation units and field offices in the recipient countries, to increase the possibility of winning contracts. Basic contact information is given in each section that follows. A vital factor for success is to develop contacts with the local authorities in good time before the publication of the procurement notice.

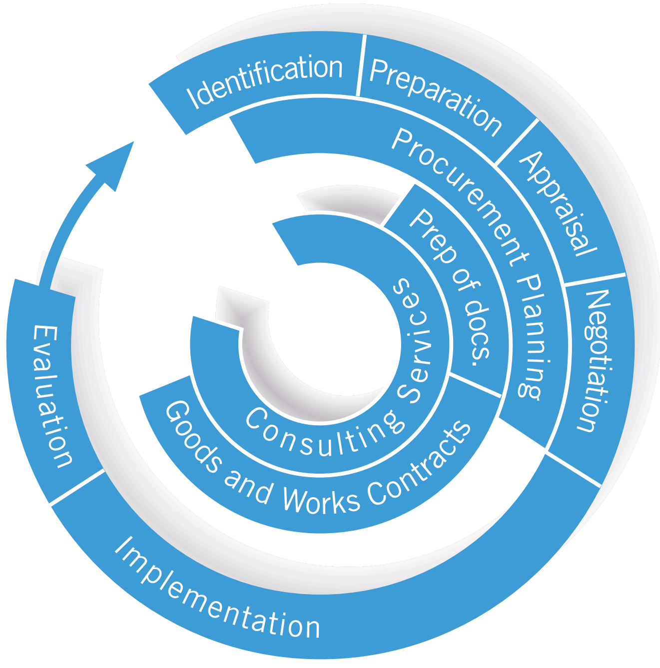
Finnish companies can also take up procurement opportunities in the form of sub-contracting, where the primary contractor should be contacted directly for potential equipment supply and works needs. Sub-contracting is also useful for gaining experience and references from a geographical region that is new to the company or organization. This will improve the chances of winning primary contracts in the future.

Finpro's Project Advisory Services (PAS) unit supports Finnish companies and organizations by identifying business opportunities and by developing specific marketing strategies to pursue these opportunities. The PAS South Africa office in Johannesburg is particularly focused on business opportunities from the African Development Bank but also other financiers, and the PAS offices in Helsinki, Brussels, and Washington follow opportunities from the Nordic Finance Group, the EU, the World Bank Group, and the UN. The PAS project database (www.finpro.fi/projectdatabase) also offers a tailor-made solution for Finnish companies and organizations to receive alerts for tenders released by these finance institutions.

Preparing documents for bidding and the length of project stages differ among banks and agencies, and will be described in more detail hereafter. However, the project cycle for procurement opportunities is in general the same as the one illustrated for the World Bank on the next page. Action at the early stages of the project cycle -identifying relevant projects, deciding on an operational strategy (subcontractor, partner, lead contractor) and marketing directly to the buyer - maximizes the possibilities for winning contracts.

World Bank Project Cycle

- Identification
- Preparation
- Appraisal
- Negotiation
- Implementation
- Evaluation

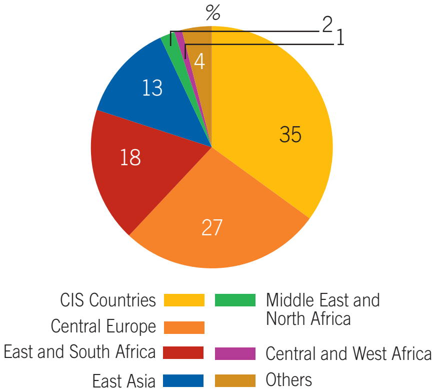


In addition to project preparatory work, the World Bank conducts studies on development issues at the theme, country and sector level. These studies are commonly referred to as Economic and Sector Work (ESW). Many agencies prepare medium- term country-level strategies for the agencies' operations in a country. For example, in the World Bank Group these are called Country Assistance Strategies (CAS) and in the African Development Bank Country Strategy Papers (CSP). These usually support the implementation of the countries' own national development strategies or poverty reduction strategies (PRSP). All these documents are used as background papers in project preparation and are useful for Finnish companies in identifying potential business opportunities.

A project in one of the first three stages illustrated above is referred to as being in the "Pipeline". The borrowing country is responsible for project preparation, which can last many years. This includes identifying the types and amounts of equipment, goods, civil works and services that will be purchased. The next stage, appraisal, assesses the feasibility of the proposed project and makes recommendations on the finalization of the project plan. It is usually the sole responsibility of the financing institution. The appraisal lasts typically from 3 to 6 months. At this stage, consultants are in a key position regarding the future specifications for the goods to be procured.

Procurement Contracts Won by Finnish Companies by Region, 2000 - 2002

Total 300 mEUR



Source: Finpro

During loan negotiations the development bank and borrowing country will agree on the terms of the loan supporting the project. Typically, negotiations last many months. During implementation, the borrowing country, not the financier, is responsible for implementing the project. The development bank monitors project implementation to ensure that procurement is conducted according to its guidelines. This stage can last a number of years. After the project has been completed, the development bank conducts an evaluation of the project, in which the project's outcome is measured against its original objectives.

The Corruption Challenge

Corruption is a serious governance challenge in many societies. Corruption threatens economic growth and social development, consolidation of democracy and people's morality. Misuse of public resources leads to economic inefficiency and promotes socio-economic inequalities. Corruption also distorts competition and negatively affects the business climate. Inadequate wages, lack of transparency in administrative regulations and procedures, weaknesses and deficiencies in administrative cultures and inadequate democratic institutions are some of the main causes for corruption.

Nevertheless, corruption is no longer a taboo and many African governments have realized that creating a transparent and enabling environment to attract foreign investment is crucial to economic growth and development.

The New Partnership for Africa's Development (NEPAD), Poverty Reduction Strategy Papers and guidelines are important initiatives that address corruption as part of reform strategies on the continent.

Also most financiers have strict anti-corruption guidelines. Companies caught in improper business activities generally face severe consequences; at least they are excluded from any future procurement by the agency.

Further informationon corruption and bribery can be obtained through the OECD anti-corruption site:

http:// www.oecd.org --> Topics --> Corruption

The Finnish Chamber of Commerce (Keskuskauppakamari) has published useful guidelines for the business community in countering corruption. These are available at www.keskuskauppakamari.fi.

Preventing Corruption: A Handbook of Anti-Corruption Techniques for Use in International Development Cooperation is available at global.finland.fi and contains information on the nature of corruption and its consequences for development, measures against corruption including legislative, judicial and administrative means of preventing corruption and intervening when it is discovered.

Transparency International is a leading non-governmental organization specializing in corruption issues. The Corruption Perception Index ranks countries in terms of prevalence of corruption. Further information is available at www.transparency.org

FINANCIER SPECIFIC PROCUREMENT OPPORTUNITIES

World Bank:	Public-sector lending Grants Trust Funds		
EU:	Development cooperation Economic cooperation Public sector lending (EIB)	AfDB:	Public-sector lending Technical Assistance projects
UN:	UNCSD UN Business Directory	NDF: MFA:	Public-sector lending Development Aid

The World Bank Group

The overriding goal of the World Bank Group's work in Africa is to eradicate poverty. This can be achieved in many ways, e.g. by improvement of the investment climate, modernization of infrastructure networks and SME support.

- Some 40,000 contracts are awarded each year to private companies for World Bank-financed projects
- The World Bank offers Finnish companies business opportunities in sales of consultancy and engineering services as well as in equipment supplies and works for IBRD/IDA-financed projects in Africa. Most contracts are won through an international competitive bidding process

The World Bank Group's funding operations are divided and coordinated among five institutions: The International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Court for the Solution of Investment Disputes (ICSID). In practice, the IBRD and the IDA are one entity, commonly know as the World Bank, with the same staff and the same procurement rules. For the Finnish companies working in Africa, the most relevant institutions of the World Bank Group are the IBRD, IDA, IFC and MIGA.

Procurement Procedures

Finnish companies are eligible to apply for procurement contracts for the supply of goods, works, and consultants under World Bank-financed loans. There is one set of rules for the procurement of goods, works and services, and another set of rules for the procurement of consultants.

Procurement of services supports the International Bank for Reconstruction and Development (IBRD) and the International Development Agency (IDA) investment projects. Globally IBRD (loans) and IDA (credits) investment projects have an annual lending commitment of

USD 10–15 billion. Each project can involve many separate contracts and business opportunities for Finnish suppliers, contractors and consultants. The IDA is the main instrument of the Bank in Africa. 90 % of the World Bank assistance consists of IDA credits and only 10 % of IBRD loans.

The Bank's role is to ensure that the borrower conducts the procurement process according to its procurement rules. The World Bank, however, is not responsible for the actual procurement. Finnish companies and organizations should therefore be directly in contact with the project implementation unit (PIU).

Main Industry Sectors

The most important sectors regarding Africa are water and sanitation, infrastructure and health care specifically HIV/AIDS. Private-sector development is a general priority throughout all sectors.

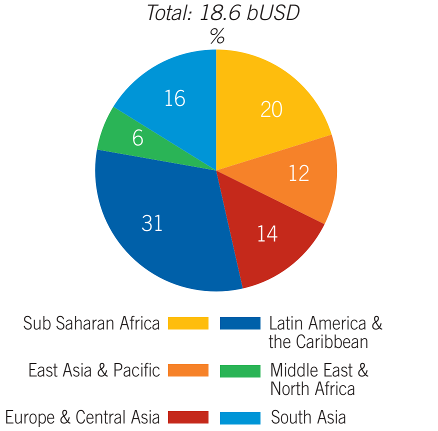
Information and communication technology (ICT) is involved in all sectors. Out of the 300 projects annually going on in Africa, 70-80% have an ICT aspect. The main sectors where ICT is needed are infrastructure, health care, education and agriculture.

Regarding the energy sector, the Bank currently has activities in 20 African countries. The focus areas are improving utilities, expanding access, regional integration and biomass energy. Hydropower is seen as having huge untapped potential in Africa. In general, the Bank does not support projects in countries where the government is not seriously considering privatization of the energy sector.

Procurement of Goods and Works by Borrowers

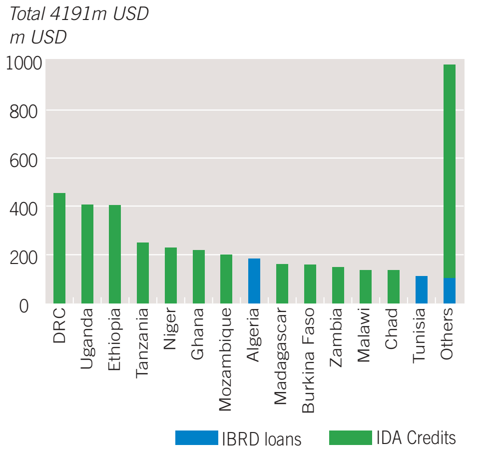
The responsibility for the implementation of the project, and therefore for the award and administration of contracts under the project, rests with the country (and the PIU) that is borrowing from the World Bank. International Competitive Bidding (ICB) is generally used for the procurement of goods and works. Finnish suppliers and contractors are eligible to bid through ICB.

World Bank Lending Commitments by Region in FY 2003



Source: World Bank

Approved IBRD Loans and IDA Credits in Africa in FY 2003



Source: World Bank

For the procuremenf of goods and works, the government or implementing agency that is borrowing from the World Bank will issue a General Procurement Notice (GPN) in UN Development Business and in at least one national newspaper of the borrowing country. UN Development Business is a subscription based service, which provides information on business opportunities generated through the World Bank, regional development banks, and other development agencies. An other subscriber service is DGMarket, which is a global online marketplace providing information on government and private funded tenders. The GPN contains information about the borrowing country, the amount and purpose of the loan, the scope of procurement under ICB and the name and address of the PIU. If known, the scheduled date for availability of pre-qualification or bidding documents will also be indicated.

Finnish companies that are interested in a GPN should express interest directly to the executing agency. If interest has been expressed, the executing agency will then contact the interested party once the Specific Procurement Notice (SPN) has been released. SPNs are also published in UN Development Business and in major local newspapers. If Finnish companies meet the specified criteria (pre-qualification), they will be allowed to bid and the relevant bidding documents will be sent to the companies.

The main exception to general ICB methods is two-stage bidding, such as in the case of turnkey contracts or contracts for large plants or works of a specialized nature. In the first stage, unpriced technical proposals on the basis of a conceptual design or of performance specifications are invited, subject to technical as well as commercial clarifications and adjustments. Priced bids and final technical proposals are submitted in the second stage. These procedures are also appropriate in the procurement of equipment that is subject to rapid technological advances, such as major computer and communications systems.

Contracts are awarded to the lowest evaluated bidder based on the evaluation criteria presented in the bidding documents. However, a successful bid does not necessarily have to be the lowest in price: Finnish companies should outline other significant factors such as performance, availability of after-sale services and spare parts, training, maintenance and operating costs that would justify a more expensive bid.

Other forms of bidding for the procurement of goods and works can also apply, but are not as commonly used. The given procedure is stated in the bidding documents and Finnish companies should pay close attention to which competition procedures they need to follow.

The loan agreement between the World Bank and the borrowing country may also contain domestic preferences for goods manufactured in the borrowing country or for works performed by contractors from the borrowing country. The domestic preference for goods is applied by adding a flat rate of 15% to non-domestic bids. The World Bank procurement rules require that domestic preference for goods can only be applied when material and components from within the borrowing country account for more than 30% of the price of the product offered. Domestic preference is also applied for works, but only in the poorest World Bank member countries – in this case the preference given to domestic contractors is 7.5%. The conditions for domestic preference will always be stated in the bidding documents.

Procurement of Consulting Services by Borrowers

A government that is borrowing from the World Bank, and more specifically the government's PIU, is responsible for procurement of consultants for a project. Usually a system of Quality and Cost-Based Selection (QCBS) is used, where companies are shortlisted and selected on the basis of the quality of the proposal and on the cost of the services. In cases where a project is complex or highly specialized, a Quality-Based Selection (QBS) process is used. Here, selection is based only on the quality of the proposal.

The PIU will initially prepare Terms of Reference for the project. A list of expected consulting assignments will be included in the General Procurement Notice and Finnish companies should submit their Expressions of Interest (EOIs) directly to the PIU. Specific assignments will then be advertised in national newspapers and contracts that are expected to cost more than USD 200,000 will also be advertised in UN Development Business. Copies of these specific consulting assignments will be sent to companies that have sent an EOI in response to the General Procurement Notice.

For QCBS, a group of three to six companies will be shortlisted by the implementing agency. A Request for Proposal (RFP) will then be sent to these shortlisted companies, including the proposed contract for the assignment. Companies will have 1-3 months to prepare their proposals, depending on the assignment. The proposals will be evaluated according to quality and cost factors, which companies submit in two separate envelopes. Quality is evaluated according to several given criteria. Once the quality has been evaluated, and only if a company has met the minimum qualifying mark, the proposed cost will also be evaluated on a grade scale. The combined quality and cost evaluation will determine which company wins the contract award. In this combined evaluation, the cost factor will generally weigh 10-20% of the total score obtained.

In cases where the QCBS process does not apply, there are other methods for the procurement of consultants. For highly specialized assignments, the implementing agency will select a company based on quality criteria only through the QBS method. Here, Finnish companies follow the same initial stages as they would for QCBS, and the financial proposal is to be negotiated thereafter between the selected company and the implementing agency.

Although QCBS and QBS are the most frequently used methods for the procurement of consultants, other circumstances with different selection processes can also apply. Such processes include selection under a fixed budget, least-cost selection, selection based on consultants' qualifications, single source selection, commercial practices and selection of particular types of consultants. The precise selection process is defined in the implementing agency's RFP and Finnish companies should have a clear understanding of the given competition process.

Trust Funds

Trust funds are separate from the World Bank's own resources. They are financial and administrative arrangements with an external donor providing grant financing to high-priority development needs, such as technical assistance, advisory services, debt relief, post-conflict transition and co-financing. Many donor countries, including Finland, the private sector and foundations make trust funds available to the Bank for specific and agreed purposes. The Bank also provides some of its own grant resources for selected trust funds. In addition, a limited number of grants are available through the Bank, either funded directly or managed through partnerships.

Some of the most relevant Africa-specific Trust Fund programs under World Bank administration include Africa Water Resource Management, Global Environment Facility Trust Fund, PROFOR Forest Program, Prototype Carbon Fund and Special Program for Africa. In addition, the World Bank has a Consultant Trust Fund program (CTF), which is a group of 99 country-specific or sector-specific tied grants, funded by 20 participating donor countries. The CTF program's resources complement the Bank's own budget, financing consultants (individuals or firms) who are hired to carry out operational work on behalf of the Bank. This work can be directly in support of Bank activities in client countries or indirectly in support of Bank products of clear benefit to client countries. The procurement of consultants for projects financed by CTF resources is subject to the World Bank guidelines for procurement of consultants.

The term "tied grants" means that CTF resources can only be used to finance consultants who are nationals of the donor country. The Bank has decided to determinate tied Consultancy Trust Funds by June 30, 2007. From FY 2005 on Finland will no longer have a tied Finnish CTF. Tied CTFs will be replaced by untied multi-donor trust funds. This means that consultancy assignments will be competitive. They will be advertised in the UN Development Business and DG market. The consultants will be selected according to the Bank guidelines. Pooled funds will open up new opportunities for the Finnish consultants, since until now the lack of funds earmarked for Finland has hindered the use of Finnish consultants.

For more information on the main World Bank Trust Fund programs:
http://www.worldbank.org/cfp/tf/programs.htm

Pipeline and Strategies

In addition to pursuing procurement opportunities from spesifictenders Finnish companies can also get a good idea of forthcoming procurement opportunities by reading supporting documents, such as World Bank country and project development assessments and project documents. These give more information regarding the general regional or sectoral strategies of the Bank and give more insight into the direction of the project pipeline. All these documents are available on World Bank webpage http://www.worldbank.org

- Country Assistance Strategies (CAS) are written by the Bank and the borrowing country in cooperation with each other. They describe the state of the economy, industry and society in the borrowing country, in line with the Bank's 4- to 5-year development strategy for the country. CASs provide the first indication of the Bank's future activities and are available at http://www.worldbank.org/cas.

- Monthly Operational Summaries (MOS) describe the objectives and status of all the projects being considered for financing by the World Bank. MOSs track the development of projects from identification to loan or credit approval.

- Project Information Documents (PIDs) outline a project's objectives, components, financing and implementation schedule. PIDs are revised and further details are given as project preparation proceeds.

- Project Appraisal Documents (PADs) are step-by-step blueprints of how and under what conditions a project will be implemented. PADs are the most comprehensive sources of information on Bank projects and include the first indication of what goods and services will be procured and under which procurement guidelines.

Approaching the World Bank

Finnish companies and organizations can follow World Bank procurement opportunities and pipeline information through services provided by Finpro Project Advisory Services and can receive support in developing consulting and marketing strategies once business opportunities have been identified. The Finpro PAS office in Washington can also help Finnish companies set up meetings with relevant contacts at the World Bank and provide strategy analyses for given projects or sector-specific interests.

For pursuing goods and/or works contracts for World Bank projects executed by an implementing agency in the borrowing country, a visit to the headquarters is also valuable for establishing contact with the relevant project specialists. Companies should nonetheless bear in mind that Bank officers have little influence in the selection process for projects and direct contact with the executing agency is therefore often more effective.

However, visiting the World Bank headquarters in Washington is useful for a Finnish company interested in consultancy opportunities funded directly by the Bank. Project specialists based at the headquarters are divided into:

- Task Managers who assume a managerial/supervisory role in developing and implementing projects on behalf of the Bank. Task Managers will be more motivated to meet with you if you can offer new expertise and technologies, enhance the effectiveness of their projects or address problems with specific project elements. Contact information on Task Managers can be found on project pipeline lists.

- Country Officers who communicate with borrowers and strategically watch over the Bank's lending portfolio in a specific country. These officers can provide companies with an overview of the Bank's country assistance strategy and its development objectives in a specific country.

- Sectoral Technical Specialists who support Task Managers through regional technical departments. These specialists provide advice for Task Managers on technical elements of their projects and often help Task Managers interpret Bank guidelines.

Planning a visit to the borrowing country is essential for consulting and engineering firms, as well as for exporters of goods. At local level, it is advisable to find a reliable local partner or agent to ease the process of providing services to a foreign country. Partnering with a local firm can help reduce costs while bringing in local expertise. The World Bank database of contract awards is a good place to find potential partners with reliable references from previous projects. Databases of firms interested in World Bank projects are also provided by some of the procurement notice subscription services.

Subcontracting with firms that have been awarded prime contracts also provides an opportunity to participate in projects funded by the World Bank-funded projects. Subcontracts are not governed by World Bank procurement regulations. In this case, interested companies and organizations should contact prime contractors directly.

Finland and the World Bank

Finland participates in the Private Sector Liaison Officers' Network, a joint initiative of the European offices of the World Bank, the IFC and MIGA to strengthen the relationship between the World Bank Group and the private sector in Europe. Mr. Tero Lausala from Finpro PAS is the Private Sector Liaison (PSLO) for Finland.

Further information

For current World Bank Group Procurement Guidelines:
http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/PROCUREMENT/0,,pagePK:84271~theSitePK:84266,00.html

For information on General Procurement Notices, Specific Procurement Notices, Espressions of interest and pre-qualifications, see Dg Market: http://www.dgmarket.com/

For UN Development Business: http://www.devbusiness.com/

For Contratct Awards:
http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,menuPK:51565~pagePK:95864~piPK:95915~theSitePK:40941,00.html

For Consultancy Database DACON:
http://tenders.dgmarket.com/dacon/

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African Development Bank

- The African Development Bank offers Finnish companies business opportunities in sales of consultancy and engineering services as well as equipment supplies and works for projects financed by the bank in Africa.
- The African Development Bank Group is a multinational development bank supported by 77 nations from Africa, Asia and Europe, as well as North and South America (see list of member countries).
- The Bank Group comprises three institutions: the African Development Bank (AfDB), the African Development Fund (AfDF) and the Nigerian Trust Fund (NTF).
- The Bank is also a good source of information regarding investment opportunities in the region.

Regional Member Countries Eligible for AfDB Resources Only:
Algeria, Botswana, Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Seychelles, South Africa, Swaziland, Tunisia

Regional Member Countries Eligible for AfDF Resources Only:
Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Congo Democratic Republic, Côte d'Ivoire, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Zambia

Regional Member Countries Eligible for a Combination of AfDB and AfDF Resources:
Nigeria, Zimbabwe

Non-Regional Member Countries:
Argentina, Australia, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Korea, Kuwait, the Netherlands, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, the United Kingdom, the United States

The African Development Bank (AfDB), established in 1966, is a regional multilateral development bank, engaged in promoting the economic development and social progress of its regional member countries in Africa for poverty alleviation. The AfDB's principal functions are to offer loans and equity investments for the economic and social advancement of its regional members, to provide technical assistance for the preparations and execution of development projects and programs, to promote investment of public and private capital for development purposes, and to respond to requests for assistance in coordinating development policies and plans. In its operations, the AfDB gives special attention to national and multinational projects and programs that promote regional integration.

Established in 1972, the African Development Fund (AfDF) offers concessional loans (so-called soft loans) to low-income regional member countries. The Fund provides interest-free loans repayable over 50 years, including a 10-year grace period for projects. It also makes available grants for technical assistance, mainly for feasibility studies and institutional capacity building.

The Nigeria Trust Fund was established in 1976 to assist regional member countries whose economic and social conditions and prospects require financing on non-conventional terms. It lends at a 2-4 % interest rate with a repayment period of 25 years, including a grace period of 5 years.

Purpose of financing

The Bank actively pursues co-financing activities with bilateral and multilateral institutions. The AfDB has placed growing emphasis on promoting private enterprises and helping them to undertake environmentally, technically, financially and economically viable projects. The main planning documents for the AfDB's operations are the Country Strategy Papers (CSPs), which evaluate the countries' macroeconomic situations and define the AfDB's lending policy.

Activities

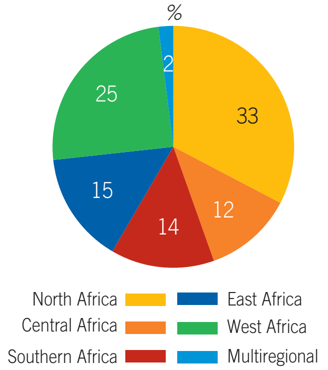
Total lending and grant operations for the Bank Group in 2003 totaled about USD 2.6 billion. The share of non-concessional loans was 1.1 billion. The share of the African Development Fund (AfDF) increased over 56% from the year 2002 reaching USD 1.5 billion in 2003. Grants accounted for 17% of total approvals. Nigeria Trust Fund operations also increased significantly to USD 33.5 million from USD 13.5 million in the previous year.

In addition to its own lending and grant operations, the Bank Group also mobilizes resources from member countries. In 2003, the financing from the regional member countries increased significantly.

The Bank also participates in co-financing activities in the form of credit lines together with Development Bank of Southern Africa, Nordic Development Bank and Nordic Development Fund.

Cumulative AfDB Group Loan and Grant Approvals by Region, 1967-2002

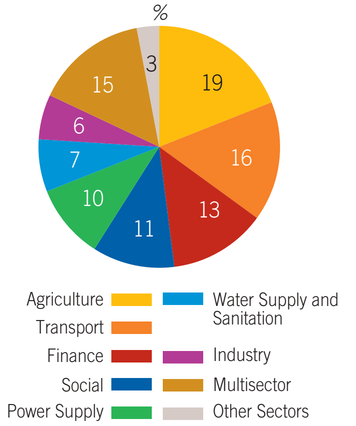
Total: 45 bUSD



Source: AfDB

Cumulative AfDB Group Loan and Grant Approvals by Sector, 1967-2002

Total: 45 bUSD



Source: AfDB

Sectors financed

AfDB aims to provide quality assistance to African countries in their poverty reduction efforts. The Bank is focusing on four development areas: agriculture and rural development, health and education, regional integration and infrastructure as well as Private Sector Development. In 2002, the largest sectors in Bank operations were finance, social sector, agriculture and rural development.

Special initiatives

The Bank's support to NEPAD (New Partnership for Africa's Development) continues to focus on regional infrastructure as well as banking and financial standards. AfDB has established a NEPAD Unit within its organizational structure to provide more focus and effective assistance.

The Rural Water Supply and Sanitation Initiative (RWSSI) launched in 2002 aims to accelerate access to sustainable water supply and sanitation in rural regions by increasing coverage from the present 47% to 66% in 2010 and to 80% by 2015. The initiative will operate under the broad framework of NEPAD and the Africa Water Vision. Implementation of the Water Initiative started in five pilot countries and is envisaged to be extended to many other African countries. In addition to RWSSI, the Bank took part in preparations for the African Water Facility (AWF), which the African Water Ministers' Council requested the Bank Group to host.

The Post-Conflict Initiative aims at enabling countries emerging from conflict to re-engage the international financial community by helping them to clear their arrears with the Group.

The AfDB has decided to decentralize its activities. The Bank will establish 25 field offices by the end of 2006. So far, there are field offices established in Egypt, Ethiopia, Gabon and Nigeria, and National Program Offices in Cameroon, Chad, Mozambique, Rwanda and São Tomé and Príncipe. However, not all these offices are yet fully operational, but the aim is to delegate authority to the field.

Harmonization and coordination is taking place in the form of strengthening and deepening the collaboration with other development partners both on a multilateral and bilateral level. One main area of cooperation involves the harmonization of procurement rules.

Procurement practices

The AfDB requires that the procurement process for goods and works, which is the responsibility of the borrowing country, should be conducted through International Competitive Bidding (ICB). National Competitive Bidding (NCB) is applied when bids outside the borrowing country are unlikely, and non-regional bidders can participate through their local representatives. The Invitations for Bids provide the bid evaluation criteria and qualification requirements for potential bidders. The Invitations for Bids are published in the subscription based webpage http://www.devbusiness.com as well as on Finpro's Project Database (www.finpro.fi/projectdatabase). The recruitment of consultants is often carried out through a limited competition, which is based on a shortlist of five to seven potential consultants drawn up by the borrower. Only contractors, suppliers and consultants from member countries are eligible to participate. Occasionally, the AfDB grants privileges to regional firms. It is extremely important to be actively in contact with the sector ministries and other local authorities, since they are responsible for procurement.

The borrower is responsible for the entire procurement process. This includes advertising and issuing the bidding, evaluation and the selection of the contractor as well as administering and supervising the contract execution. However, the Bank is required to approve or comment on each stage of the selection process to ensure transparency. The Bank is not a party to the contract, but has the right to imposition of sanctions in case of fraud and corruption.

In order to win contracts in the bidding process, the company must be able to demonstrate technical, financial and human resource strengths in specific fields. It must also establish a proven track record, establish linkages with firms and agencies in Africa and develop a well thought-out business plan for Africa. Senior management of the company must be involved in the project in question.

DACON is a consultant database listing companies offering consultancy services. It is very valuable for a Finnish company to be listed in this database, as it is not only used for the Bank procurement, but local authorities often ask for advice from the Bank when shortlisting companies. AfDB is currently reconstructing Dacon to make registration and up-dating of the information smoother for the consultancy companies.

Trust Funds

Finnish Consultancy Trust Fund

Finland has a bilateral untied trust fund in AfDB. Funds of EUR 650,000 will be paid during 2004-2005 to be used for consulting, feasibility studies, research and seminars. Assignments conducted earlier have been on gender analysis in specific African countries.

Nordic Good Governance Trust Fund

Norway, Sweden, Finland and Denmark have established an untied fund for AfDB and AfDF use in order to promote good governance. Funds of USD 1 million per donor country per year during the period 2002-2004 are to be used for anti-corruption activities, support for sound banking and public-sector reform.

More information on the AfDB Group: www.afdb.org

Registration for the Dagon can be done at:
http://www.afdb.org/opportunities/dacon_forms.htm

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EU External Aid Programs

For Finnish companies, EU programs mainly provide opportunities to sell services, works and supplies in publicly tendered projects in Africa.

- The EU project management has been de-concentrated to the delegations of the EC.
- Accordingly the responsibility of the local authorities in programs has also increased.

EU external assistance is provided through the EU external aid programs and instruments. African countries are divided into two different regions. In the Mediterranean context, this is the MEDA program. ACP countries (African, Caribbean and Pacific) get financing through European Development Fund (EDF) and also partly through the budget of the European Commission. Focal sectors in EU-Africa relations include infrastructure, water and sanitation, education, health, rural development, information and communication technologies and services, transport, energy, environment, natural resources and private sector support.

The EuropeAid Co-operation office implements the external aid programs of the European Commission. The office is responsible for all phases of the project cycle (identification, preparation, appraisal, implementation, monitoring and evaluation of projects and programs) to ensure the achievement of the program objectives established by the Directorates-General for External Relations and Development and approved by the Commission and the EU Member States.

The Country Strategy Papers (CSPs) provide a strategic framework for bilateral cooperation. They set out EU cooperation objectives, policy responses and priority fields of cooperation based on a thorough" assessment of each partner country's policy agenda and political and socio-economic situation. The National Indicative Programs (NIPs) attached to the Country Strategy Papers set out the EU response in more detail, highlighting program objectives, expected results and conditionalities in the priority fields of cooperation for two to three year periods.

In the regional level there are Regional Strategy Papers (RPS) and Regional Indicative Programs (RIP) respectively.

Financial and Technical Cooperation

Financial and technical cooperation programs are the primary source for Finnish companies to find procurement opportunities in services, supplies and works. These programs are established by the Commission's Directorate-General for External Relations and Development and approved by the Commission and the EU Member States and the MED or EDF Committees, respectively.

Procurement

EC external assistance has been going through a process of de-concentration, which aims to strengthen project management at the delegations of the European Commission. Thus the network of the delegations working across Africa is of growing importance in identifying opportunities together with local authorities. Finnish companies should be active in the recipient countries. Finnish companies interested in these procurement opportunities can obtain further information from Finpro's PAS units in Helsinki, Brussels and South Africa.

Services, supplies and works contracts are awarded after a tendering process on the basis of projects identified by the EU in conjunction with the beneficiary countries. The contracts are open on equal terms to all natural and legal persons of the EU member states and the countries and territories covered by the Cotonou Agreement for ACP, and the Barcelona Declaration for the MED region. The other possibility to participate in programs is through calls for proposals. The publication of calls for proposals in regional projects. will indicate the relevant funding priorities of the EU, eligibility criteria and many other conditions for the awarding of a grant.

Contract award procedures include the open procedure, the restricted procedure and the simplified procedure. The open procedure involves an open invitation to participate in competitive tendering. The procurement notice is published in the Official Journal of the European Communities and on EuropeAid's website. Under the restricted procedure, the number of potential tenderers is limited (5-7) and it is based on a short-list of candidates. In the simplified procedure, the Contracting Authority invites tenders from candidates of its choice. During the selection procedure, the eligibility of the tenderers is verified and their economic, financial and technical capabilities are examined. The reform of EU external aid implementation has devolved power from the Commission to the local actors, thus aiming at a more participatory approach to development. In practice, this higlights the importance of local partners.

The Euro-Mediterranean Partnership, MEDA

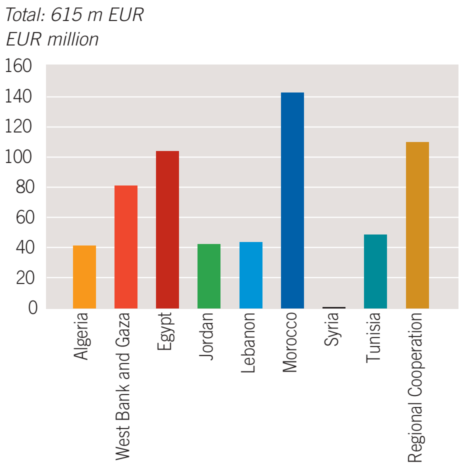
The MEDA program is the financial instrument of the Euro-Mediterranean Partnership for the financing of projects both in the Middle East and North Africa. The MEDA beneficiaries in Africa are Algeria, Tunisia, Morocco and Egypt. Altogether, the MEDA II program has a budget of EUR 5.35 billion to finance its 10 Partner Countries over the 2000-2006 period. The value of MEDA commitments in 2003 was EUR 614.7 million, including both bilateral and regional cooperation.

The objectives of the cooperation are defined in the Barcelona Declaration and they include the creation of a common Euro-Mediterranean area of peace and stability, establishing a free trade area by 2010, and developing human resources and promoting understanding among the peoples in the region. The Program offers technical and financial support measures to accompany the reform of economic and social structures of the Mediterranean partners.

The program's financing volume for the Mediterranean region consists mainly of grants from MEDA and loans from the European Investment Bank. About 90% of the budgetary resources allocated to MEDA are channeled bilaterally. The remaining 10% of the resources are devoted to regional activities for which all the partners are eligible. In recent years, the financial commitments of the MEDA program have been targeted at four main types of operation:

- Support for structural adjustment: 15% of total commitments;
- Support for economic transition and private-sector development: 30% of total;

MEDA II Commitments in 2003



Source: EC

- Development projects (mainly education, health, the environment, rural development): 41% of total;
- Regional projects: 14% of total (including 2% technical assistance)

Most MEDA projects consist of technical assistance which provides opportunities for Finnish consulting companies, while other organizations can benefit also from cooperation opportunities with regional organizations and institutions. Detailed information on tendering procedures can be found in the EuropeAid web pages (Practical guide to Contract Procedures).

Most of the MEDA financing is targeted at sectoral programs and financing will not be available for small-scale or isolated projects outside the program priorities. The Commission is also determined to reduce the time taken to get MEDA projects operational by targeting them better, financing only mature projects and limiting the frequent practice of extending project periods. Financing will also be more strictly linked to the progress achieved in implementing the Association Agreements.

The beneficiaries of support measures include the member countries of the Euro-Mediterranean Partnership and also local authorities, regional organizations, public agencies, local or traditional communities, organizations supporting business, private operators, cooperatives, mutual societies, associations, foundations and non-governmental organizations.

In bilateral cooperation, the Euro-Mediterranean Partnership is based on the signing of a bilateral Association Agreement with each Mediterranean partner. The overall objective is to establish the Euro-Mediterranean free trade area in 2010. MEDA commitments for bilateral cooperation in 2003 totaled EUR 595 million, of which EUR 413 to the four North African partners. The National Indicative Programs (NIP) for 2005-2006 envisage commitments of EUR 1008 million (EUR 768 million to North Africa).

As for regional cooperation, the Regional Indicative Program (RIP) 2002-2004 addresses priorities identified in the Regional Strategy Paper (RSP) and lists the programs to be launched under MEDA Regional Cooperation. These priorities include encouraging bilateral operations and enhancing economic and social development. The purpose of the regional program is to work towards trade liberalization and convergence of regulatory frameworks in the fields of competition policy, public procurement, intellectual and industrial property, and standardization. MEDA commitments for regional cooperation in 2003 totaled EUR 32 million. The regional indicative program for 2005-2006 envisages commitments of EUR 215 million.

The Mediterranean Environmental Technical Assistance Program, METAP, provides grant finance for feasibility studies also encompassing project design and management in the environmental protection sector. METAP was established jointly in 1990 by the WB, the EU, the UNDP and the EIB.

For further information on the MEDA Program:
http://europa.eu.int/comm/external_relations/euromed/meda.htm

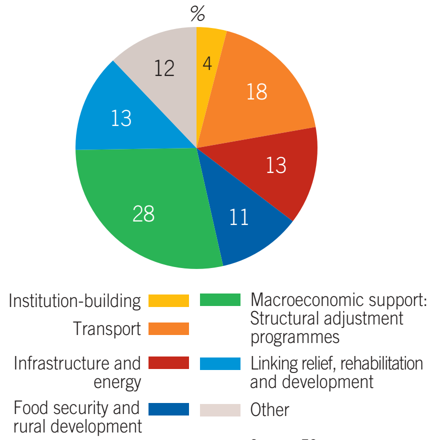
For more information on EuropeAid tenders and grants:
http://europa.eu.int/comm/europeaid/index_en.htm
http://europa.eu.int/comm/europeaid/projects/index_en.htm

European Development Fund, EDF

The Cotonou Agreement between the European Union and 77 African-Caribbean-Pacific (ACP) countries was signed on 23 June 2000. It replaces all former Lomé Convention agreements, and covers a period of 20 years. The Cotonou Agreement sets out the framework for cooperation between the European Union and the ACP states, defining a perspective that combines politics, trade and development. Economic Partnership Agreements (EPAs) for the ACP countries are under preparation. The agreements will be finalized by 2007. Key areas of cooperation are poverty alleviation, establishing a new framework for trade cooperation, reforming financial cooperation, stressing the comprehensive political dimension, and using participatory approaches to ensure the involvement of the civil society.

EDF Commitments in Africa by Sector in 2003

Total: 1898 mEUR



Source: EC

The European Development Fund (EDF) is the main instrument for Community aid for development cooperation with Africa-Caribbean-Pacific (ACP) countries and aims to facilitate investment opportunities and to develop the private sector in the region.

In addition to the EDF, the ACP countries are also financed from the European Commission's budget. The Commission's financing is directed to promoting human rights, food aid, and environmental and reconstruction projects. The projects funded are mainly pilot projects.

Although a member of the ACP countries, operations in South Africa are financed from the budget of the European Commission, and not from the EDF funds. EC support will be mobilized largely under the South African development policies. Poverty reduction is targeted by focusing on water and sanitation, health and housing and the stimulation of local economic development. In private-sector development, the focus will be on the improvement of internal and external competitiveness. SMEs, in particular, will be targeted. Consolidation of democracy is reinforced through increased awareness of human rights and improved law enforcement mechanisms.

The ACP financing is channeled through the 8th and now 9th EDF spanning for 2001-2007. Finnish companies are eligible to participate in projects that are funded by the 9th EDF, totaling EUR 13.5 billion. In the year 2003, EDF commitments in Africa totaled EUR 1.8 billion. The division per sector is shown in the chart above. EDF also covers the financing of the Center for the Development of Enterprise (CDE), the ProInvest program and the Investment Facility managed by EIB.

For more information on EU-ACP cooperation
http://europa.eu.int/comm/development/index_en.htm

For more information on EuropeAid tenders and grants
http://europa.eu.int/comm/europeaid/index_en.htm

For more information on procurement procedures:
http://europa.eu.int/comm/europeaid/tender/gestion/index_en.htm

CASE: CAPACITY BUILDING PROGRAM FOR DEVELOPMENT PLANNING

Helsinki Consulting Group, consisting of 10 operational companies, is one of the leading Finnish consulting companies serving both public- and private-sector clients. It provides services for institutional capacity building and human resources development worldwide, mainly in education, management, social and health services and environment and natural resources development. The main owners of the group are the University of Helsinki, the National Board of Education and seven Finnish higher education institutions and financial institutions.

Since its establishment in 1988, the Group has provided support services in more than 100 countries worldwide. The main clients are the Ministry for Foreign Affairs of Finland, the European Commission, the World Bank and the Asian Development Bank. In 2003, the volume of the operations was EUR 27 million.

The Capacity Building Program for Development Planning in Namibia is an example of an initiative brought about by the new focus on increasing coordination in the management of national and international development resources. The project is financed by the European Development Fund (EDF) with a contribution from the Government of Namibia. Helsinki Consulting Group will implement the program over a period of 2 years (2003-2005), after which there is an option for a further 2-year extension.

The overall objective of the Program is to increase the effectiveness of national development planning and management as a means of contributing to the reduction of poverty in Namibia. The project is working with the National Planning Commission Secretariat (NPCS), which is responsible for coordinating and planning national development of the country. The specific objective of the program is to strengthen NPCS capacity to carry out core functions to guide national development, especially in the fields of policy development, monitoring and adjustment and active management of Government and donor development resources.

The project started on 1st August with the arrival of the two long-term advisors. The project is working through a series of Work Programs, attempting to institutionalize capacity gains and increasingly influence strategic concerns. All work is based on a participatory approach. Emphasis has been and will be placed upon learning by doing, and hence the specific issues to be addressed are based on a shared vision and growing local appreciation of capacity gaps relative to the performance of the core functions.

Success in the tendering process was the result of several issues. First of all, HCG has a long experience of working in Namibia. We have previously been implementing projects related to aid coordination. In addition, we managed to find the best possible team for the project, and this we believe was the key factor in winning the tender competition.

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Envelopes A and B of the 9th EDF

EDF financing is divided in to two categories, so called envelopes. Envelope A provides funding for macroeconomic support, sector policies, and projects and programs in support to the focal and non-focal areas of Community Assistance. Envelope B covers unforeseen needs, such as emergency assistance, contributions to internationally agreed debt-relief initiatives and export earnings support. EUR 9.8 billion are reserved for programmable aid.

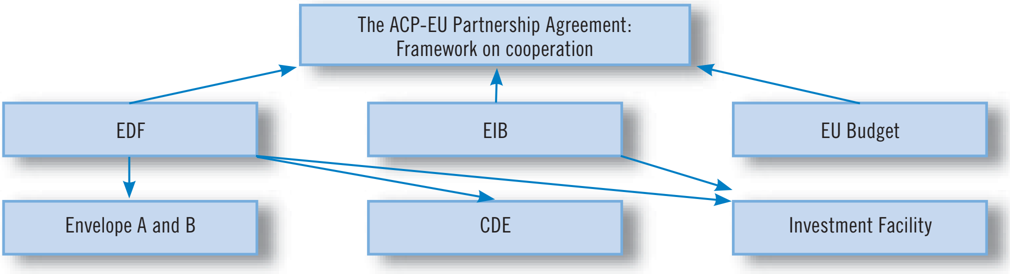
Centre for the Development of Enterprises, CDE

Economic cooperation is a key element of ACP-EU cooperation for private sector development. The focus is on supporting structural adjustment programs and economic reforms, encouraging the development of a competitive private sector, and debt alleviation. The Commission provides technical assistance in most ACP countries in order to help them manage EDF and other donor funds.

Supervised by the EuropeAid Cooperation Office, the CDE is an establishment promoting the creation and diversification of private-sector companies, agencies and financial institutions in ACP countries. Besides being an administrative office, CDE also has its own budget of EUR 6 million for interventions. CDE funding is available for the identification of projects and potential partners, financial and legal structuring of projects and project start-ups and development. The beneficiaries are companies or organizations from an ACP member country or EU member state, acting either individually or jointly, wishing to undertake an industrial project in an ACP country. CDE contributions can be up to two-thirds of total cost per project and year.

For more information about CDE and its projects: http://www.cde.int/page.asp?id=666

Funding in ACP Countries According to the 9 th EDF:



ProInvest

A specific management unit within the CDE implements the ProInvest program, which has been launched for promoting investment and technology transfer in ACP countries with preference for regional and sectoral approaches. Funding of EUR 110 million over a period of 7 years is targeted at institutional reinforcement, which aims to create the necessary infrastructure to facilitate cooperation between enterprises and investments.

Examples of a project eligible for funding are a regional study for potential investments or a partnership mission scouting for projects. Preferences for projects include those with a regional or sectoral approach. The division of responsibilities with EIB is such that ProInvest will finance the pre-identifying of the projects and EIB is responsible for investment facilitation.

Being planned to act as a pilot for ProInvest, the European SADC Investment Promotion Program (ESIPP) covers only Southern African Development Community (SADC) countries. However, the ESIPP program is not operational yet, where as ProInvest already is. ESIPP should function exactly the same way as ProInvest, but cover also South Africa. There are also programs focusing on development of the agricultural sector under preparation. Transfer of technology is high on the agenda in these programs and could thus have potential for Finnish agricultural technology and food technology companies.

For more information about ProInvest:
http://www.cde.int/page.asp?id=698&langue=EN

Investment Facility

The funds for the Investment Facility (EUR 2.2 billion for 2003-2008) come from the EDF, but the Facility is managed by the European Investment Bank. It ties in with the instruments provided for Africa under the 9th EDF. Project financing is approved in the IF Committee, where the European Union member states are represented. This Investment Facility promotes foreign direct investment (FDI) and development of the local financial sector. The facility is also focused on the expansion of the local private sector, including SMEs, especially in the fields of manufacturing, transport, power, telecommunications and water supply.

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CASE: STAKES IN LESOTHO – AN EXCITING SUCCESS STORY?

According to its mission, STAKES, the National Research and Development Centre for Welfare and Health, promotes health and well-being on an equitable basis for all. International Development Collaboration (IDC) at STAKES is a self-financing unit, operating under the auspices of the parent organization. The unit participates in international development programs and communicates information produced in the context of international collaboration.

During the summer of 2001, we were asked to tender for the Lesotho Health Sector Reform program. The project comprised two separate components, monitoring and evaluation and supporting decentralization of the wide framework of the Health Reform, intended to complement the efforts of other donors, e.g. the World Bank and the African Development Bank.

Having no prior experience of EDF projects, we received some good practical advice from Finpro and decided to carry out a fact-finding and marketing mission to Lesotho, a country from which we had no previous experience. The more we studied the more we became excited about this small and remote country, with less than 2 million people, located inside the Republic of South Africa. The country is a demanding place to work in, and one of the poorest countries in the world. Lesotho would be a window to the wider area of Southern Africa. We also learned that Lesotho is severely affected by the HIV/AIDS crisis. Accordingly, by supporting the health sector reform, we would almost automatically be involved in the fight against the HIV pandemic and its consequences. This expertise and understanding would become useful in other parts of Africa and also in the neighboring areas of Finland.

We also had some luck, as we read in the newspapers that the Finnish Ambassador in South Africa was also being nominated as the Ambassador to Lesotho. Accordingly, the Embassy of Finland in South Africa provided support by informing a number of the relevant Lesotho authorities of our mission, an act which made the opening of some doors obviously easier. Also, during the very first day of our stay in Maseru, we unexpectedly met with Mr. Harri Holkeri, then the President of the United Nations General Assembly. He invited us to a reception organized the same evening to honor his visit. This resulted in us gaining access to the vice-president of the Parliament of Lesotho.

We had the opportunity to present ourselves to some key individuals within the Ministry of Health and Social Welfare in Lesotho. Their attitude was very kind and supportive, and they provided us with all the relevant information that we sought. The Ministry arranged visits to some district health facilities and we held discussions with the representatives of the EU and of Ireland, the main donor country in Lesotho. We also met with some representatives of the Christian Health Association of Lesotho (CHAL), the powerful association of churches in Lesotho, which has a long history of working in the health sector.

As for the project, we decided to propose a comprehensive approach instead of two separate, individual components. We also made it clear that our approach, based on the STAKES principles, included a comprehensive and long-term vision beyond a single project. The overall objective of the project is to contribute towards an affordable health care and social welfare system, providing quality services on the basis of universal coverage, social justice and equity. Towards this end, we proposed two long-term technical advisors (LTAs) as requested and a pool of short-term experts, covering the sector more widely than expected. Both of the LTAs, a Finn and a Tanzanian, had long experience in Africa.

When the implementation started in 2002, it became obvious very quickly that the proposed plan was suffering from incorrect assumptions. The monitoring and evaluation component was built on the belief that correct baseline data existed, but this was not the case. The decentralization component had originally been based on the assumption that the District Health Package would exist and spearhead the reform, but this was not the case either. The implementation approach had to be altered and this affected the work load and resulted in operational costs for development work.

The inception period was needed for revising the project strategy and plans. The following operational year, 2003–2004, was used for preparing, e.g., the strategic plan for decentralization and the necessary training and strengthening of the Health Information System. The piloting of the plans was budgeted for the last year of the project 2004–2005. However, in May 2004, EU Headquarters informed us that no new funds could be used, due to the fact that "somebody in Brussels has forgotten to circulate the approval letter for new term funds in the Member States". This harmful interim period is expected to last at least until August 2004. All the planned activities had to be postponed, and this could mean at least partial cancellation of planned practical activities, if optional innovative solutions cannot be found.

Collaboration with authorities and colleagues in Lesotho has been constructive and encouraging. The original visions and strategies have proved correct and STAKES networks have been used for additional activities. Concrete ideas for development of institutional research and development activities exist – it remains to be seen whether we will be able to realize future collaboration on a long-term basis.

The prevailing situation again shows that if sustainability is aspired to, this kind of support projects should be seen as long-term processes instead of small fragments. In such difficult conditions as in Lesotho, only long-term visions, patience and consistent, comprehensive efforts can produce real development. Other approaches do not necessarily bring benefits to those who, in reality, need support and improvement of their living conditions the most.

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European Investment Bank

The European Investment Bank (EIB) is a not-for-profit bank owned by the member states of the EU. The bank provides loans and financing for projects within the EU and over 150 other countries. The EIB supports investments in all key sectors of the economy including production, transport, telecommunications, power generation and transmission infrastructure. Special emphasis is given to water projects and improvement or protection of the environment. In the future, the EIB aims to be more active on human capital and in the social sector. Privatization, SME development and sound banking are generally priorities of the Bank. In Africa, the EIB has been mainly lending to banks.

ACP (African, Caribbean and Pacific) countries have a special relationship with the European Union through the Cotonou Agreement signed in June 2000. The Cotonou Agreement mandates the EIB to provide reimbursable aid to projects, alongside grant aid from the European Commission. The EIB operates in 77 ACP countries. Financing in South Africa is provided under a separate bilateral agreement. EIB lending in the Mediterranean Partner Countries is provided under the Facility for Euro-Mediterranean Investment and Partnership (FEMIP).

The EIB supports viable public- and private-sector projects in infrastructure, manufacturing, agro-industry, mining and services. Special emphasis is given to the improvement or protection of the environment. EIB loans are project-oriented and linked to the financing of the fixed-asset components of an investment. Therefore, the EIB instruments available to Finnish companies will be described in more detail in chapter 2.

EIB is interested in operating in all African countries where good, feasible projects are suggested. Certain amounts are committed to ACP and MED regions, but the final realized amount and division by country depends on demand and successful applications. EIB financing operations are tied to the guidelines of the EU's external policies.

For public-sector projects, Finnish companies can find the invitation to tender in the Official Journal of the European Communities. The EIB requires that promoters (i.e. private or public companies, commercial banks and public authorities) cover all aspects of implementing an EIB project, and especially all aspects involved in the procurement process. Appropriate procurement procedures covering national or international invitations to tender, or enquiries among suppliers, are agreed between the EIB and the project promoter, taking into account the nature and scale of the project.

Promoters are encouraged to apply International Competitive Bidding (ICB) procedures as often as possible. If operations are financed from the EIB's own resources, the EIB generally requires that tenders be invited on as wide a basis as possible for goods, works and services. If operations are financed from risk capital, tendering is open to countries of the EU and member countries of the Agreement or Convention concerned.

As a general rule, the EIB does not allow preference to be given to local suppliers. This is different from the World Bank approach, where local presence has a strong impact on the selection procedure.

In most cases, the promoters receiving EIB funding are ACP companies or institutions, sometimes in partnership with European interests. EIB funding is not tied to purchases of goods or equipment from specific suppliers or countries. Bidding procedures are required on a "best for the project" approach and are mainly on the basis of open tendering or consultation.

The Bank usually finances large-scale projects. However, in Africa, the EIB is funding smaller projects as it normally does in other regions. In fact, about 25% of funding in the past 5 years has gone to small- and medium-scale investments. The reason for this is the lack of bankable large project proposals. Projects financed by the EIB must contribute to the EU's external partnership and development assistance policies and promote a mutual interest for both the country in which the investment is implemented and the EU. Partnership and development assistance policies are outlined in more detail above.

Examples of projects funded by the EIB in 2003:
- Renewal and upgrading of airport and aeronautical equipment in various African regions to improve air traffic safety (EUR 63 million).
- Rehabilitation of water and sanitation facilities in Tanzania (EUR 35 million).
- Kansanshi copper mine in Zambia (EUR 34 million).
- Bel Ombre hotel complex in Mauritius in an operation combining a loan from own resources, a subordinated loan and an equity participation to create a made-to-measure financing package for a tourism sector project. (EUR 12.2 million)

For more information on EIB: http://www.eib.org

For more information on EIB procurement opportunities:
http://www.eib.org/publications/publication.asp?publ=44

Contact:

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UN Procurement

Procurement Procedures for Goods and Services

The website "Doing Business with the UN System of Organizations" http://unbiz.un.int outlines procurement procedures, services, EOIs, (Expression of Interest), recent tenders, contract awards and other relevant procurement information according to UN organizations and other financiers.

Financiers and organizations covered by "Doing Business with the UN System of Organizations", with links directly to their procurement pages are:

FAO	IMF	UNESCO	UNRWA
IAEA	IMO	UNFPA	WFP
IAPSO	UN	UNHCR	WHO
IFAD	UNDB	UNICEF	WIPO
ILO	UNDP	UNOPS	World Bank

This is a good starting point for getting acquainted with the UN System and the available procurement opportunities. It is a recent attempt by the UN to simplify the complex and differing needs in goods and services required by the UN's variety of organizational entities. Each organization is responsible for its own procurement requirements, but there are many similarities in the procurement process throughout the system. Procurement practices are being harmonized between organizations, along with World Bank guidelines. This centralized portal provides in-depth procurement information on the major UN agencies.

For Finnish companies interested in procurement opportunities through the UN, two of the most relevant sites for registering business interest and for viewing current activities are the UN Procurement Division (UNPD) and the UN Common Supply Database (UNCSD). Companies and organizations are encouraged to register with the vendor rosters of these divisions and to be active in promoting their services to the relevant UN departments and agencies.

The United Nations Procurement Division

The United Nations Procurement Division procures mandatory commodities through competitive solicitations from qualified vendors registered in the vendor roster of the Procurement Division. Depending on the complexity of a requirement and the value of the commodity to be procured, the solicitation is issued as a Request for Proposal (RFP), as an Invitation to Bid (ITB) or as a Request for Quotation (RFQ).

- RFPs are issued when the requirements are not specific and price may be only one of other considerations in award of the Contract. They are formal requests to submit a proposal with an estimated procurement value of over USD 25,000. Price is one of several factors comprising the evaluation criteria, with an award made to the bidder whose bid substantially conforms to requirements in the solicitation documents and is evaluated to be of lowest cost to the UN.

- ITBs are issued when the requirement is specific and evaluation of offers is based on price and other price-related factors. They are formal invitations to submit a bid, with requirements that are clearly defined, and with an estimated procurement value of over USD 25,000. Normally, price is the sole determinant in making an award, and where all technical criteria are met, an award is made to the lowest bidder.

- RFQs are issued for low-value procurement with a specific requirement. They are informal invitations to submit a quotation, usually associated with requirement having an estimated procurement value of under USD 25,000. An award is made to the technically acceptable offer with the lowest price.

The Procurement Division posts information on future requirements (i.e. leading to a RFP), recent ITBs and RFPs on its website.

Only vendors who are registered with the Procurement Division will be invited to participate in procurement opportunities. Information regarding registration is available on the Vendor Registration website. Procurement officers are listed in the contacts information on the Procurement website, and interested vendors should contact them directly for further information on procurement action.

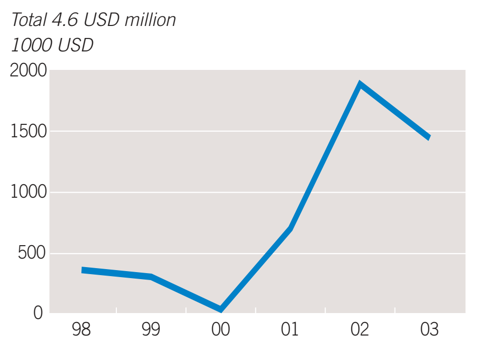
There are currently 26 approved Finnish suppliers on the UN Vendor Roster.

The United Nations Common Supply Database

The United Nations Common Supply Database is a registry of suppliers available to all UN and World Bank procurement personnel and is the main supplier database for 13 organizations in the UN network.

The United Nations Common Supply Database (UNCD) acts as a single window for Finnish companies to register with the UN system. Given the complexity of the system, the database is an efficient way to introduce specific goods and services to many UN organizations, countries and regions. The database facilitates the exchange of supplier information within the UN system as information is made available to all UN organizations, and it acts as an important procurement tool to shortlist suppliers for competitive bidding.

UN Procurement from Finland, 1998-2003



However, even though the UNCSD (United Nations Common Supply Database) is open to all procurement staff some organizations do have their own supplier database. Therefore it is important that potential suppliers also register with UN agencies that do not directly support the UNCSD. Information regarding such terms is available on the websites of such agencies.

Registering with the UNCSD does not guarantee that the company or organization will win contracts with the UN. As in any other business initiatives, Finnish companies should be active in marketing their supplies directly to UN organizations. To understand the different procurement needs of UN organizations, Finnish companies should read the UN General Business Guide. This presents UN organizations according to purchase of specific goods or services. The guide also describes the procurement needs, procedures and contact details for all UN organizations. The Inter-Agency Procurement Service Office (IAPSO) has also produced a booklet with practical tips on how to do business with the UN.

The UN Business Directory Online

The UN Business Directory Online is another useful source for Finnish companies interested in UN procurement opportunities. Interested companies and organizations can use this directory to advertise their products and services and can locate potential business partners across 19 sectors. Accessing the directory is free of charge. Listing a company or organization in the business directory comes at a minimal cost, according to the number of categories to be listed under. Currently, there are six Finnish companies advertised in the business directory.

Field Procurement

In addition to international procurement action, UN field offices are authorized to undertake local and required procurement action, which includes a wide range of requirements. For purchases within the authority of field offices, Finnish companies can establish separate contact with field offices to inquire about registration in their local databases.

Further Information

For accessing "Doing Business with the UN System of Organizations":
http://unbiz.un.int

To register on the UN Common Supply Database:
http://www.uncsd.org

For the Business Directory Online:
http://www.devbusiness.com/directory.cfm

Contact:

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Finpro PAS Helsinki
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Nordic Finance Group

- The Nordic Finance Group consists of four multilateral financial institutions owned by the five Nordic countries and located in the same building in Helsinki: NIB, NDF, Nopef and NEFCO.
- Finnish companies can participate in NDF- and NIB- financed project tenders as consultants, equipment suppliers or contractors.

The Nordic Finance Group consists of the Nordic Investment Bank (NIB), the Nordic Development Fund (NDF), the Nordic Environment Finance Corporation (NEFCO) and the Nordic Project Fund (Nopef). Nopef will be presented in the next chapter, "Private-Sector Project, Trade and Investment Finance". NEFCO, the Nordic Environment Finance Corporation, is not active in Africa

Nordic Investment Bank

NIB activities in Africa are focused on Botswana, Egypt, Mauritius, Morocco, Namibia, South Africa and Tunisia. As a multilateral financial institution, the NIB may also grant loans under co-financing arrangements with other multilateral development financial institutions. The NIB has signed memorandums of understanding with all the above countries covering financing to both the public as well as the private sector. Some of the main activities include infrastructure, environmental projects, mining, telecommunications and energy.

The NIB is present in South Africa both through direct loans and through Loan Programs, i.e. loans to South African financial institutions – the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation of South Africa (IDC), Rand Merchant Bank (RMB), Infrastructure Finance Corporation (INCA) and Nedbank Limited. In some sub-Saharan African countries that are not considered creditworthy, and where NIB is not directly active, NIB is only present through the Loan Programs with the above-mentioned financial institutions. A practical example of NIB cooperation is given in Chapter 2.

The project promoter, i.e. the agency that implements NIB-financed project, is entirely responsible for project implementation, including all aspects of the procurement process. These range from drafting the tender specifications to awarding and administering the contracts.

The Bank's only role is to verify that the conditions attached to its financing operation are met and that the proceeds of any loan by the Bank are responsibly used for the project for which the loan was granted. Whenever appropriate, the NIB will recommend the use of competitive bidding procedures to promoters of private-sector projects, especially for major contracts.
The tendering documents related to the procurement opportunities for goods, works or services describe the rights and obligations of the project promoters. Projects co-financed by the NIB, in close cooperation with major multilateral financial institutions, are normally subject to the procurement rules of the latter.

The NIB's private sector international lending operations are based on Project Investment Loans (PIL), which will be discussed in more detail in the next chapter.

For more information about NIB Procurement principles:
http://www.nib.int/lending/procurement.html

For more information on NIB activities in Africa:
Jörgen Ilsøe
Fabianinkatu 34
P.O. Box 249
00171 Helsinki
Tel: + 358 9 18001
Fax: + 358 9 622 1504
Internet: http://www.nib.int

Nordic Development Fund

The Nordic Development Fund, NDF, is a multilateral development financing institution that grants very long-term credits on concessional terms to low-income countries. The credits are granted for high-priority projects, which promote social and economic development in the Fund's partner countries.

The NDF's lending strategy is governed by the principles of the Nordic countries' international development cooperation with particular focus on poverty reduction and commitment to the Millennium Development Goals. Currently, the NDF has 12 partner countries in Africa – Benin, Burkina Faso, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Rwanda, Senegal, Tanzania, Uganda and Zambia. Approximately 50% of the NDF's annual sovereign lending is allocated to Africa.

NDF credits for public-sector projects are offered through parallel co-financing with a lead agency, for example another multilateral financial institution or a Nordic bilateral development agency. The IDA of the World Bank group is the NDF's dominant partner in activities in Africa. Cooperation has also been initiated with the African Development Bank. The Finnish partner for the NDF's project financing is the Ministry for Foreign Affairs.

The credit period for credits with a government guarantee is 40 years, including a 10-year grace period. The credits are interest free, but a service charge of 0.75% per annum is collected on outstanding amounts. A commitment charge of 0.5% per annum is also collected on any undisbursed balance 1 year after the credit agreement has been signed.

A project must have a Nordic interest in order to be eligible for NDF financing. As a general rule, Nordic procurement should be applied in competition. When assisting in procurement for projects, the NDF pays increasing attention to the possibilities of including deliveries from enterprises in the host country.

Procurement and contract negotiations are the responsibilities of the borrower but a "no objection" is required by NDF at certain phases of the procurement process. The NDF may also, if requested by the borrower to do so, assist the borrower in identifying potential bidders in the Nordic countries. On its Internet-pages for "Supply Opportunities" and "Tender Notices", NDF regularly gives information on opportunities to participate in bidding for the supply of goods, works and services to projects. These documents are also distributed to Finnish companies by Finpro's PAS unit.

The NDF maintains a directory of eligible companies interested in participating in NDF-financed projects. Suppliers interested in participating in tenders for contracts are encouraged to submit an Expression of Interest to the Project's Executing Agency, with a copy to the NDF. Relevant contact details can be found in the NDF Supply Opportunities under "Project List".

For a complete list of supply opportunities, awarded contracts and more information on how to apply for registration to the NDF: http://www.ndf.fi

Contact:

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00171 Helsinki, Finland
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Fax: +358 9 622 1491
Email: info@ndf.fi

Finnish Development Cooperation

The Government of Finland adopted a new Government Resolution on Development Policy in early 2004. The new Development Policy reaffirms Finland's commitment to the UN Millennium Declaration, its values and the Millennium Development Goals (MDGs). Development policy refers to coherent activity in all sectors of international cooperation and national policy that have an impact on the status of developing countries, including security, human rights, trade, environment, agriculture and forestry, education, health and social development, immigration and information society policies. Finland aims at increased coherence at different levels of cooperation: Finland's support to the multilateral organizations, in the EU context, as well as in Finland's national and bilateral policies.

The main goal of Finland's development policy is to contribute to the eradication of extreme poverty from the world. The multidimensional nature of poverty problems requires a comprehensive and coherent solution. The activities to help to achieve this goal include prevention of environmental threats, promotion of equality, human rights, democracy and good governance, as well as increasing global security and economic interaction, which have all been goals of Finland's development cooperation since the 1990s.

The Poverty Reduction Strategies of the partner countries will guide Finland's involvement at country level. The main responsibility for poverty reduction thus rests on the developing countries themselves, while industrialized countries are committed to supporting this process by development cooperation, trade and private-sector investments. To improve the efficiency, effectiveness and impact of development cooperation, Finland will concentrate the development cooperation on fewer countries and on fewer but larger entities. Program-based aid will be increased, which will increase the need to work for the harmonization of donor procedures. New instruments to promote private-sector participation in development as well as partnerships between the public and private sectors are actively being developed. The aim is to contribute where value can be added.

The Government has committed itself to increasing Finland's ODA disbursements (Official Development Assistance) to 0.44% of GNI by 2007. The aim is to reach the 0.7% target by 2010. The proportion of funding to the poorest countries will be increased, which means that funds to cooperation with Sub-Saharan Africa will increase. Of the eight long-term partner countries, five are Sub-Saharan African countries, namely Ethiopia, Kenya, Mozambique, Zambia and Tanzania. In long-term partner countries, Finland will focus its support on three sectors and annual disbursements will increase so that a minimum level of EUR 10 million will be achieved in each country. In 2003, Mozambique and Tanzania were the largest recipients of Finland's development cooperation funds and they will continue to be the main recipients for the coming years. Finland's bilateral development assistance by region in 2003 can be seen in the diagram below.

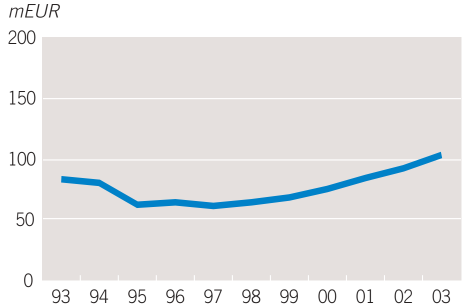
In Egypt and Namibia, by 2007, the emphasis will be gradually shifted from development cooperation to more diversified cooperation and interaction. South Africa belongs to the group of partner countries where Finland is engaged in development cooperation for a limited period until 2010. With Egypt, Namibia and South Africa new means and methods of cooperation include promotion of private sector participation, institutional cooperation and various exchange programs. The large intergovernmental projects will be relinquished, but grant aid can still be provided in the form of local cooperation funds to act as a catalyst for cooperation between institutions and for the participation of the private sector.

Finland is also involved in regional cooperation primarily through the EU and intergovernmental regional institutions. Finland supports regional cooperation in the Horn of Africa, in East Africa and in Southern Africa. Continent-wide cooperation is undertaken in the framework of African Union and NEPAD (New Partnership for Africa's Development).

The Department for Africa and the Middle East within the Ministry for Foreign Affairs is responsible for planning and implementation of the development policy and cooperation in Africa and in the Middle East. Development cooperation is based on agreements between Fin-

Finnish Official Bilateral Development Assistance in Africa, 1993-2003

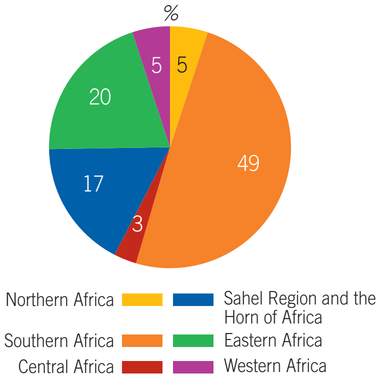
Total: 846 m EUR



Source: MFA

Finnish Official Bilateral Development Assistance to Africa by Region in 2003

Total: 91 m EUR



Source: MFA

land and its partner countries. The Ministry contracts outside resources such as private companies, public institutions, associations and individuals for planning and supporting the implementation of development cooperation projects.

The department undertakes procurement related to bilateral projects and programs in the region according to the Ministry's procurement guidelines. In cases of budget support or other joint financing arrangements with other donors, procurement procedures are agreed separately between the parties. Regarding local procurements and program support, procurements are usually carried out according to the partner country's procurement rules. Transparency in the budget process and sufficient financial management capacity in the partner country are prerequisites for program cooperation.

Companies do not need to be registered in order to express interest in tender notices from the Finnish Ministry for Foreign Affairs, although pre-qualification procedures are sometimes used. According to the Manual for Procurement of Services within the International Development Cooperation, there are three procurement procedures: open procedure for the biggest contracts, restricted procedures for selected cases and direct assignment in special cases. For service and supply contracts above EUR 200 000, the open procurement procedure is used, whereby an invitation to tender is always published. Procurement announcements and tendering documents are published on the Ministry's website, and large-scale tendering is also published in major Finnish newspapers.

Procurements are conducted on the principles of transparency and competition and in accordance with Finland's national legislation and international standards. The Department for Development Policy advises and monitors the quality of procurement within the Ministry.

For more information on the new Government Resolution on Development Policy:
http://global.finland.fi/english/publications/pdf/dev_policy2004.pdf

For procurement announcements and tendering documents:
http://global.finland.fi/english/procurement

For procurement policy and guidelines and notices:
http://global.finland.fi/english/procurement

Contact:

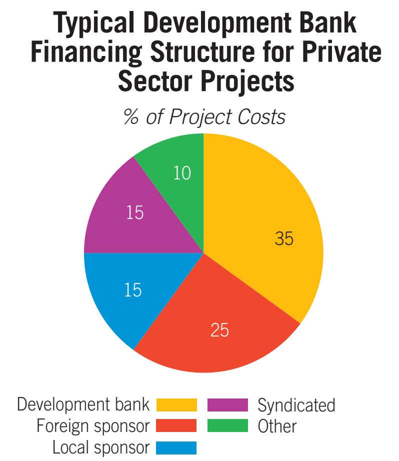
Ministry for Foreign Affairs of Finland
Development Policy Information Unit
Tel: +358 9 160 56370
Fax: +358 9 160 56375
keoinfo@formin.fi

Private-Sector Project, Trade and Investment Finance

2

2 PRIVATE-SECTOR PROJECT, TRADE AND INVESTMENT FINANCE

PROJECT, TRADE AND INVESTMENT FINANCE: AN OVERVIEW



Finnish companies can use multilateral development banks, Finnish financial organizations and commercial banks to meet their project, trade and investment finance needs in Africa. Finnish companies can also benefit from using these financiers to mitigate the political risks involved in doing business in Africa. Finnish companies can also find financing from these banks and institutions for projects that would not otherwise be able to receive financing on reasonable terms.

The instruments available for Finnish companies include loans, syndicated loans, guarantees, mezzanine finance and, in some cases, equity finance. A typical financing structure for a project involving a development bank is presented in the diagram above. Generally, a multilateral development bank will offer approximately one-third of the total financing required (among banks, the figure usually varies between 30 and 50%) and the rest is covered by the foreign and local sponsors, in conjunction with a syndicated loan and other possible forms of financing.

The structure of traditional corporate finance involving a development bank is presented in the diagram below, where debt financing from a multilateral development bank and other co-financing banks is coupled with equity financing from the foreign and local sponsors and other minority equity partners.

Finpro's Project Advisory Services (PAS) unit supports Finnish companies in project, trade and investment finance opportunities by mapping out potential financing partners and recommending possible financing structures.

MULTILATERAL DEVELOPMENT BANKS

Forms of private-sector financing:

IFC:	Loans for IFC's own account Equity Finance Quasi-Equity Finance Syndicated Loans Risk Management Products Credit Lines Guarantees Intermediary Finance	AfDB: EIB: NIB: Nopef:	Equity finance Loans Guarantees Global loans Direct loans Project Investment Loans Feasibility studies support
MIGA:	Investment guarantees against non-commercial risks Investment guarantees	Finnvera:	Export Credits Guarantees
Finnfund:	Investment loans Mezzanine finance Equity finance	Commercial Banks:	Trade and project finance

International Finance Corporation

- The IFC is a potential financier for Finnish companies' industrial investments in Africa (debt, equity and other financial instruments).
- MIGA can insure non-commercial risks associated with Finnish companies' projects in Africa.
- Information resources managed by the World Bank Group can help identify opportunities through market research and investment analysis tools.

The International Finance Corporation (IFC) is the private-sector arm of the World Bank Group. It promotes sustainable private-sector investment in developing countries as a means of reducing poverty and supporting economic development worldwide.

The IFC operates on a commercial basis. It invests exclusively in for-profit projects and charges market rates for its products and services, which cover three broad areas:

IFC products and services supporting investments:

- Financial products: The IFC's traditional and dominant activity is to finance private-sector projects in developing countries. The IFC provides loans, equity finance and quasi-equity. It also offers financial risk management products and intermediary finance.
- Advisory services: The IFC provides advice and technical assistance to private businesses and governments in developing countries. These services cover a broad spectrum including advice on privatization, business-related public policy and industry-specific issues.
- Resource mobilization: The IFC helps companies in developing countries tap into international capital markets. The cornerstone of the mobilization effort is the loan participation program, which arranges syndicated loans from banks. The IFC also mobilizes financing from international financial institutions through investment funds, underwriting, securitization, and private placement.

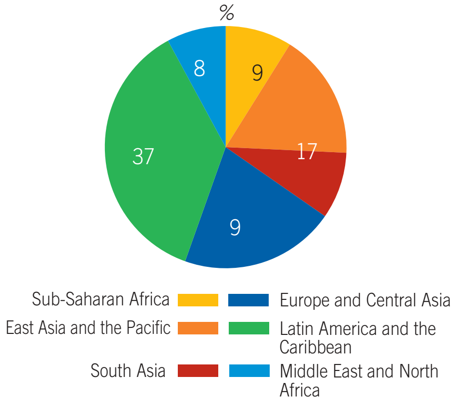
The IFC's Added Value

For Finnish companies, the IFC can complement private capital flows and invest in projects that meet its criteria. These are usually projects that are otherwise unable to receive sound financing or technical expertise from other sources on reasonable terms.

The IFC is also beneficial to Finnish companies from a technical and a political perspective, in addition to the financial services that it provides. The IFC has long-standing experience in how to do business in Africa and can act as a link to its extensive network of government contacts in developing countries. Because of World Bank Group regional division, Africa is divided into two regions: Sub-Saharan Africa forming its own region, and North Africa which together with the Middle East comprise the MENA region.

IFC Global Investment Portfolio by Region, as of June 2003

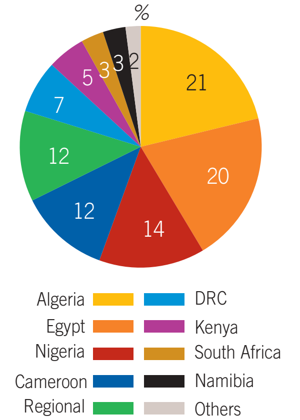
Total 16,8 b USD



Source: IFC

IFC Commitments in Africa by Country in FY 2003

Total 282 m USD



Source: IFC

Sub-Saharan Africa

In FY 2003, the IFC committed itself to 21 projects in 13 countries in the Sub-Saharan Africa region for a total amount of USD 167 million, including USD 26 million mobilized from banks participating in IFC loans. At the end of the financial year, the IFC's total committed portfolio for the region was about USD 1.7 billion. The IFC is hoping to increase its African share, which currently comprises 10% of its annual commitments. The IFC needs different kinds of instruments in order to be relevant in Africa, as the average size of an investment is substantially smaller than in other regions.

The IFC launched a new strategic approach to promoting private investment in Africa in 2003. The strategy involves:

- Expanding capacity building, access to information, and provision of finance to smaller businesses.
- Addressing constraints on investment.
- Playing a more proactive role in developing new investment projects.

The IFC and the World Bank have joint SME projects to support sustainable development of smaller businesses in Sub-Saharan Africa. Over a 3- to 4-year period this multi-country project will combine the resources of the IDA, the IFC, the African Project Development Facility (see below) and other partners to focus on access to capital, technical assistance and capacity building, and an improved environment for business.

Examples of IFC-supported investments in the Sub-Saharan region:

- Democratic Republic of Congo: Provided a second round of financing for the expansion of the leading cellular telephone operator.
- Angola: Investment in a new microfinance bank. This represents the IFC's first post-war investment in the country.
- Kenya: Helped Kenya Airways to enlarge its fleet. The IFC also assisted in its privatization in 1995.
- Tanzania: Advised on the privatization of Air Tanzania and completing the sale successfully.

As some of these examples show, the IFC focuses on post-conflict countries. IFC is also willing to finance projects with an environmental impact in order to guarantee that such projects are properly carried out. The IFC is trying to raise awareness of environmental standards. The Kalahari Diamonds Ltd. Project is an example of this is in Botswana, where the IFC developed safeguards that will help ensure that exploration in sensitive areas is conducted in a socially and environmentally responsible manner. The IFC is also targeting AIDS in the form of small grants, technical assistance and mobilization of funds from the World Bank.

Chad-Cameroon Pipeline

The Chad-Cameroon Petroleum Development and Pipeline Project involves construction of a 1070 km pipeline to transport crude oil from three fields in southwestern Chad to a floating facility 11km off the Cameroon coast. The pipeline was completed and "first oil" was achieved in July 2003, several months ahead of schedule. Revenues began to accrue in late 2003.

IFC's investment consists of a USD 100 million loan for its own account and a USD 100 million loan syndicated to over 15 commercial banks. Other World Bank Group support includes IDA loans to the governments (USD 39.5 million to Chad, USD 53.4 million to Cameroon) to support their equity contributions to the project companies, as well as IDA funding of over USD 40 million for a capacity building program for the governments.

The project is a pioneering and collaborative effort between IFC and the World Bank to demonstrate that large scale crude oil projects, when designed to ensure transparency and effective environmental and social mitigation, can significantly improve prospects for sustainable long term development.

Since the project's sponsors began operations locally, over USD 740 million in procurement has gone to support local contractors in such activities as truck transportation, civil works, vehicle maintenance, and food catering. In Chad, where revenues will substantially boost government earnings, major civil works programs are expected in coming years. IFC is helping to ensure that Chadian businesses are well-positioned to benefit from contracting opportunities.

For more information on the Chad-Cameroon Petroleum Development and Pipeline Project, please contact Africainfo@worldbank.org or Tel: +1 202 473 4467.

The African Project Development Facility (APDF) focuses on three broad strategic pillars, implemented through varying technical and financial means:

- To create an attractive and feasible business-enabling environment
- To provide improved access to capital
- To develop business services

Priority is given to projects with potential to develop self-sustaining enterprises, generate employment, increase skills and stimulate export earnings. The APDF is targeted towards local African companies, so Finnish companies can only benefit indirectly. Finnish companies can offer consulting and training services to the APDF. Also, sector analysis conducted by the APDF can be of interest to companies considering investments in the region.

North Africa

Support for SMEs is a key pillar of the IFC's strategy in the Middle East and North Africa. In FY 2003, IFC commitments in the MENA region totaled USD 279 million, including 17 new investments. At the end of the financial year, the IFC's total committed portfolio for the region was about USD 2.2 billion. However, it should be remembered that these figures include also the Middle East. Egypt was the largest market, and a wide range of industry sectors from power plants to tourism was financed.

North Africa Enterprise Development (NAED) was launched in Algeria, Egypt and Morocco during the FY 2003. The facility will work with banks, business associations, business schools and other intermediaries to help provide a framework to support local SMEs. The budget of USD 20 million over 5 years is targeted at capacity building in the region.

NAED's main activities include:

- Improving SME access to finance
- Access to business services
- Supply-chain management
- Business-enabling environment

SME Department

The IFC committed a total of USD 458 million towards SME investment projects in FY 2003. The IFC's SME Department aims to generate job creation and economic growth in developing countries through regional development facilities.

Ninety-four per cent of the IFC's commitments in SME investment projects go towards financial markets. The remainder is divided between efforts towards foreign direct investment, and technical assistance and capacity building.

Approaching the IFC

When applying for IFC financing, Finnish companies should either contact Finpro's PAS unit or the IFC directly. There are no standard application forms. The Investment Proposal should include information about management, technical feasibility, governance and the timetable of the project. A detailed description of the proposal's requirements is given on the IFC website "Preparing and Submitting an Investment Proposal".

The proposal can be submitted to an IFC industry-sector department or to an IFC regional department at the IFC headquarters in Washington, DC. The proposal can also be submitted to the IFC field office that is closest to the location of the proposed project, where most of the regional experts are located. After this initial contact and a preliminary review, the IFC may proceed by requesting a detailed feasibility study or business plan to determine whether or not to appraise the project.

Government Cooperation

Projects eligible for IFC financing must be operated on a commercial basis, but the IFC may also provide finance for a company with a limited amount of government ownership. Although the IFC works closely with governments in developing countries, the Corporation does not accept government guarantees for its financing.

Pricing and Financing Ceilings

The IFC only undertakes projects that have participation by investors and lenders from the private sector. For new projects, the maximum is 25% of the total estimated project costs, or, in exceptional cases, up to 35% in small projects. For expansion projects, the IFC may provide up to 50% of the project cost, provided its investments do not exceed 25% of the total capitalization of the project company. Hence, most of the funding and management of the project rest with the private sector.

To ensure profitable returns, the IFC prices its financial input and other services according to the market and risks are fully shared with project associates.

For more information on IFC: http://www.ifc.org

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CASE: WÄRTSILÄ'S KIPEVU II – LOW-COST ENERGY IN KENYA

The Wärtsilä Corporation is a major provider of solutions for decentralized power generation and for supporting services. The company delivers multi-fuel power plant solutions from 1 MW to 300 MW and deliveries include turnkey construction, development and financial services, and long-term maintenance and operation. Wärtsilä delivers power plants around the world.

Kipevu II, a 74 MW Power Master Plant, consists of seven Wärtsilä 38 generating sets. Wärtsilä began construction immediately after all the finances were put in place in August 2000, and commercial operation was started on 4 September 2001, exactly on schedule. Today the Kipevu II project is Kenya Power and Lightning Co. Ltd's lowest-cost energy producer.

The Kipevu II project started in 1996 when the Government of Kenya issued an international tender for a power generating station in Mombasa known as Kipevu II. Wärtsilä Development & Financial Services, Inc. (WDFS) submitted a proposal in response to the tender. The contract for developing the Kipevu II project was awarded to WDFS in 1997 and the Power Purchase Agreement (PPA) and Payment Security Agreement (PSA) were signed in late 1998. WDFS selected Industrial Promotion Services (IPS) of Nairobi as its local partner early in the development process. After signing the Power Purchase Agreement and Payment Security Agreement, PPA and the PSA, WDFS and IPS teamed up with the Commonwealth Development Corporation (CDC) of the UK and the Cinergy Corporation of the US to complete the development and financing of the project.

In keeping with its view of private-sector development, the Government of Kenya did not agree to guarantee the obligations of Kenya Power and Lightning Co. Ltd. (KPLC) despite heavy pressure from WDFS and the financing community. This made it a challenge to obtain financing that at times seemed insurmountable. The usual sources of finance for IPP projects, commercial banks, were simply not available without direct government support and eventually help was sought from the multilateral agencies. Among those that expressed interest were the International Finance Corporation (IFC), the Commonwealth Development Corporation and the Deutsche Investitions und Entwicklungsgesellschaft mfH (DEG). During 1999, an agreement was reached with this group of financial institutions to act as parallel lenders for the project and provide limited recourse finance. In addition, the IFC provided additional financing through its “B” loan program. Syndication of this financing was arranged by WDFS and included the following institutions: The Netherlands Development Finance Company, Merita Bank, Leonia Bank and WD Power Fund. Also, some subordinated debt was obtained through the IFC’s “C” loan program and DEG.

Owing to the lack of government guarantees, WDFS developed a unique security structure (the PSA) in which the revenues from a “revenue circle” in the Mombasa coastal area flow through a set of accounts dedicated to servicing KPLC’s obligations under the PPA the Power Purchase Agreement and Payment Security Agreement. This arrangement is further backed by letters of credit and direct agreements between the lenders and KPLC and, for certain limited circumstances, the Government of Kenya. As one can imagine, this security structure represented unfamiliar territory to all the parties concerned and was very difficult to negotiate. Eventually, terms satisfactory to the lenders were agreed; the loan agreement was signed in June 2000 and disbursement commenced in August 2000.

In addition to the debt, the equity holders invested in equity in the special-purpose company that owns the project, Tsavo Power Company, to achieve the total project cost with a debt/equity ratio of 75:25. The equity holders are CDC (30%), WDFS (15.1%), a joint venture between Cinergy and IPS (49.9%) and the IFC (5%).

The project has been a success story for all the partners: Tsavo, KPLC and Wärtsilä. Today the Kipevu II project is KPLC’s lowest-cost energy producer among all their geothermal projects. Wärtsilä showed their capabilities in total energy concepts by developing an IPP project without government guarantees in the most cost-effective way for the investors with KPLC as the off-taker.

Some aspects of working with the IFC on a transaction are “normal” for any lender, and some aspects are unique and more demanding. All in all, once the financing for Kipevu finally closed, it was recognized that Wärtsilä had a superior transaction on its hands and everybody was pleased, but it was a long time coming and resource demanding.

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Multilateral Investment Guarantee Agency

The World Bank Group's Multilateral Investment Guarantee Agency (MIGA) provides investment guarantees against certain non-commercial risks for investments in developing countries. Coverage is against transfer restriction, expropriation, breach of contract as well as war and civil disturbance. Political risk is currently covered in all except three African countries.

Finnish investors may choose any combination of the four types of coverage. Equity investments can be covered up to 90%, and debt up to 95%. Coverage is typically available for up to 15 years and in some cases for up to 20 years. MIGA may insure up to USD 200 million, and if necessary more can be arranged through syndication of insurance. MIGA has issued guarantees of under USD 1 million and as high as USD 115 million in Africa.

Pricing is determined on the basis of both country and project risk, with the effective price varying, depending on the type of investment and industry sector. The investor has the option to cancel a policy after 3 years, but MIGA is not allowed to cancel the coverage.

As a MIGA member country, Finland is eligible for coverage for new cross-border investments in any developing member country. A company is eligible for coverage if it is either incorporated, and has its principal place of business in a member country, or if it is majority-owned by nationals of member countries. A state-owned company is eligible for coverage if it operates on a commercial basis. New investment contributions include the expansion, modernization or financial restructuring of existing projects and acquisitions that involve the privatization of state-owned enterprises. Other investments may be eligible and are considered on a case-by-case basis.

The types of foreign investment that can be covered include equity and shareholder loans and shareholder loan guarantees, if the loans have a minimum maturity of 3 years. Other forms of investment, such as technical assistance and management contracts, and franchising and licensing agreements, may also be eligible for coverage.

Finnish companies seeking MIGA coverage should submit a confidential preliminary application before the investment has been finally committed. An application form may be submitted electronically. No fee is charged for a preliminary application. Once investment and financing plans are established, applicants submit a definitive application along with any relevant project documentation. A fee of USD 10, 000 is charged for the definitive application. A further fee will be charged if environmental analysis is needed, but this will be discussed in advance. The processing of the application can take from 3 months up to 3 years, depending on the project, company and country.

MIGA also offers dispute mediation services to smooth possible impediments to investment. This helps the governments and investors to solve their differences, and ultimately improve the country's investment climate.

In 2003, MIGA's portfolio for Africa was around 20% of the projects supported, totaling circa USD 1 billion. Activities in Africa are growing remarkably. There has been massive growth especially in the infrastructure sector. Regarding the financial sector, MIGA has only covered bank-to-bank operations in Africa.

In the future, development impact will be given more value. This means for instance, that projects in very difficult countries, such as countries in conflict or post-conflict situations, can be supported. MIGA is also developing a process to benefit small investors. Positive environmental impact is favored. Thus MIGA would be more likely to guarantee investment, if it is related to, e.g., products such as hospital equipment.

For more information about investment guarantees:
http://www.miga.org/screens/services/guarant/guarant.htm

Examples of projects that MIGA has guaranteed in Africa:

- A guarantee of USD 1.4 million was issued to Geosurvey International, LLC of the United States of America for its USD 1.5 million equity investment in East Africa Geosurvey Limited of Kenya. The guarantee is for a period of 15 years and provides coverage against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

- Mauritius Telecom Ltd. of Mauritius received a guarantee for USD 910,612 to provide coverage for its equity investment of USD 1.01 million in Africell S.A. (Africell) in the Republic of Burundi. The guarantee is for a period of 10 years and provides coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.

- In Algeria MIGA has provided USD 50 million in reinsurance to the Compañía Española de Seguros de Crédito a la Exportación (CESCE), the Spanish export credit agency, for its USD 144 million guarantee to the Compañía Española de Petróleos S.A. (CEPSA) of Spain. CESCE's insurance covers CEPSA's USD 240 million investment in a Production Sharing Contract (PSC) with Sonatrach of Algeria in Rhourde Yacoub Block 406A Oil fields. MIGA's reinsurance provides coverage against the risks of expropriation, breach of contract, and war and civil disturbance.

MIGA also provides other services related to investments in Africa, including tools for investment marketing and investment promotion.

Technical Assistance

MIGA works to equip investment promotion intermediaries with the latest knowledge, tools and techniques to strengthen their capacity to attract and retain foreign direct investment. MIGA provides practical operational assistance to promotion intermediaries and a range of investment information services to assist Finnish companies and organizations interested in the developing world.

MIGA's work emphasizes the transfer of best practice in FDI promotion. Its on-line information services support and have an effect on capacity-building efforts by linking investors directly to relevant information on investment opportunities and business operating conditions in developing countries. Finpro is also active in identifying such opportunities and conducting market or sector specific analyses for Finnish companies.

MIGA provides a broad range of technical assistance to investment promotion intermediaries, tailored specifically to the clients' needs. To complement the expertise of its investment promotion advisers and to enhance service delivery, MIGA has developed a wide range of support tools for investment promotion.

Core services and products are focused on three areas: capacity building, information dissemination and investment facilitation.

For more information about MIGA's technical assistance services: http://www.miga.org/

Investment Information Services

MIGA operates a suite of investment information services focusing on developing countries and economies in transition which are designed to provide investors with the data and analysis required to support their locational decision-making and inform them of concrete investment opportunities such as privatization projects. These services include:

The Investment Promotion Network and PrivatizationLink

Established in 1995, the Investment Promotion Network (IPAnet) is an international investment-specific portal web site providing free access to online foreign investment and privatization resources.

IPAnet provides an extensive searchable database of documents that includes research on economies and product markets, investment-related laws and treaties, as well as specific investment opportunities. MIGA's document database contains over 13 000 FDI or privatization resources cataloged by country, sector and topic. The sources of information include the World Bank Group units, investment promotion agencies and privatization agencies and private sector organizations with an interest in the developing regions. The IPAnet business directories provide contact information on over 30 000 organizations and individuals involved in foreign investment. The online services also provide links to other investment highlights and data.

A subsidiary specialist web site, PrivatizationLink, highlights news on privatization tenders in developing countries and links directly to the government authority responsible for the tender or to the transaction advisor.

For more information about IPAnet and PrivatizationLink:
http://www.ipanet.net or http://www.privatizationlink.com

FDI Xchange

FDI Xchange adds a technology component to MIGA's existing suite of Web sites allowing corporate investors, advisors and financial institutions to customize the information resources they wish to receive. The e-mail delivery services then pushes periodic e-mail updates containing specific information to their desktops at the interval of their choosing. Members complete an online profile of their information interests by country, topic, sector, type and size of investment. Newly entered investment information and opportunities posted to the IPAnet and PrivatizationLink Web sites are matched against members' profiles and summaries of relevant information resources are delivered via e-mail. As of July 2004, there are 6, 200 users of this service.

For more information about FDI Xchange: http://www.fdixchange.com/

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African Development Bank

Private sector development is a strategic objective and priority of the AfDB. The Bank aims at inducing private sector growth in regional member countries in a number of ways including:

- Catalyzing inflow of financial resources through direct investment and financing activities
- Supporting specific improvements to the policy/regulatory enabling environment for the private sector
- Improving the physical and financial infrastructure to enhance private sector enterprises productivity and competitiveness
- Supporting the strengthening of human capital, in terms of technical assistance, transfer of skills, know-how and technology

Within the Bank, the activities are conducted in collaboration by public sector and private sector windows. In the area of lending, the private sector window is responsible for all direct lending operations not requiring sovereign guarantees, while public sector departments lend, through governments, to public entities requiring guarantees provided by those governments. In addition, the Bank offers a wide range of technical assistance and advisory services.

The Financial Instruments offered to private companies include:

- Loans
- Equity and quasi equity investments
- Guarantees
- Lines of Credit
- Loan Syndications
- Underwriting

To be eligible for the Bank's private sector assistance an enterprise should be privately owned and managed, and it must be located and incorporated in a regional member country of the Bank, although it may be locally or foreign owned. An enterprise partially or totally owned by the government may also be eligible for the Bank's private sector window assistance provided that it satisfies the criteria of operational autonomy and managerial freedom, and is run on a commercial basis. Sovereign guarantees are not required.

AfDB private-sector operations reached USD 305 million in 2002. The total amount of AfDB assistance to any project will not principally exceed 33% of the total cost of the project. The AfDB's total investment in any project should not normally exceed USD 15 million. However, this limit may be exceeded on a case-by-case basis to allow the AfDB to play a meaningful role in large projects. The equity investments will not normally exceed 25% of the share capital of the enterprise and will not be lower than USD 150,000. Periodic reports on the progress of the project and on the condition of the enterprise are required.

Sectors financed

The AfDB funds projects where the aim is to establish, expand, diversify and modernize productive facilities in various sectors including energy, manufacturing, transportation, infrastructure, extractive industries, banking and finance, tourism and other service industries, provided that the investment is beneficial to the economy of the host country. Export-oriented enterprises that have access to local raw materials are given preference. The Groups's intervention is nowadays normally restricted to two to three sectors in a given country, while in some cases it is limited to only one.

For more information on AfDB: http://www.afdb.org

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Islamic Development Bank

The Islamic Development Bank (IDB) is an international financial institution. The purpose of the Bank is to foster economic development and social progress in member countries and Muslim communities worldwide based on the principles of shari'ah, i.e. Islamic Law. The principles of shari'ah that govern Islamic banking include prohibition of interest (riba) in all financial transactions (in debts, sales, and particularly in forward currency exchange). Also, entitlement to return is subject to liability for loss and vice versa. Currently, the IDB has 55 member countries in Africa, Asia, Europe and Latin America. The basic condition for membership is that the prospective member country should be a member of the Organization of the Islamic Conference, pay its contribution to the capital of the Bank, and be willing to accept such terms and conditions as may be decided upon by the IDB Board of Governors. The main shareholders of the IDB are Saudi Arabia, Kuwait, Libya, Turkey, the United Arab Emirates, Iran and Egypt. The IDB has a regional office in Rabat, Morocco.

In line with its overall objectives of fostering economic development and social progress, the Bank finances productive projects and programs in both the public and private sectors in member countries. It invests in economic and social infrastructure projects, provides technical assistance to member countries and assists in the promotion of foreign trade, especially capital goods. The Bank also assists Muslim communities in non-member countries and undertakes shari'ah-based research studies in Islamic economics and banking through special funds established for this purpose.

The functions of the Bank are to participate in equity capital and grant loans for productive projects and enterprises besides providing financial assistance to member countries in other forms for economic and social development. The Bank is also required to establish and operate special funds for specific purposes including a fund for assistance to Muslim communities in non-member countries, in addition to setting up trust funds.

The IDB co-finances projects in member countries with international and regional development financing institutions and with the Coordination Group (Arab Fund for Economic and Social Development, Saudi Fund for Development, Kuwait Fund for Arab Economic Development, OPEC Fund for International Development, Abu Dhabi Fund for Development, Arab Bank for Economic Development in Africa). The IDB also co-finances projects with other multinational institutions as well as regional specialized organizations.

The financing instruments and services provided by the IDB include loans, leasing, installment sales, equity participation, profit sharing and lines of financing. Istina'a is a mode for trade and project financing for the promotion of trade in capital goods and the enhancement of production capacity. The IDB also provides technical assistance in the form of grants or loans for project-related tasks. Technical Assistance financing is mainly given for the preparation of feasibility studies in the least developed member countries.

The general policy of the IDB is to procure goods and services through International Competitive Bidding (ICB) and it follows short-listing procedures in selecting consultants. However, preference is given to firms in member countries. Based on specific criteria, such preference can be up to 15% of the amount of the lowest bid in favor of local contractors if the procurement is confined to IDB member countries. Further information on approved projects can be found in the IDB-published Operation Bulletin.

Of the IDB's Cooperation Group, Finnish companies have carried out projects financed by the Kuwait Fund. The Kuwait Fund for Arab Economic Development (KFAED) is an autonomous public body having an independent legal identity. The Fund focuses on financing agriculture, irrigation, transport, communications, energy, industry, and the water and sewage sectors.

The Kuwait fund operates in 49 countries in Africa. During its 40 years of existence, the Fund's paid-up capital since its foundation amounts to KD 2,000 million (appr. EUR 7 23 million). Total loan disbursement amounts to KD 3,077 million (appr. EUR 1112 million). No commitment fee is charged on Kuwait Fund loans while the service charge on loans is low. In financing projects, the KFAED generally takes account of the importance of training local personnel. Where needed, the KFAED provides technical assistance grants to countries for carrying out feasibility studies and for the preparation of projects. Eligible projects must conform to shari'ah.

For more information on the IDB: http://www.isdb.org
For more information on the Kuwait Fund: http://www.kuwait-fund.org

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Regional Financial Institutions

- Regional development banks (e.g. DBSA and BOAD) can benefit Finnish companies in the form of financial and technical support channeled to their local partners. Some of the banks also provide useful information on local markets.
- ATI offers political and credit risk insurance

African Trade Insurance Agency, ATI

The initial group of participating countries: Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia.

The African Trade Insurance Agency (ATI) is an African-wide institution supported by the World Bank, and its objective is to facilitate access to, and improve the terms of trade finance for imports into and exports from African member countries. The ATI is located in Nairobi, Kenya, and is open for membership to all African states. It acts as an agent for private insurers, facilitating and administering the issuance of insurance policies and its operations are based on commercial considerations only.

The ATI reduces the risk for investors wanting to move capital into Africa by offering insurance for political risk and credit risk. Insurance, including co-insurance and reinsurance, guarantees, and other financial instruments and services are issued for purposes of trade, investments and other productive activities in Africa. Credit insurance covers the insolvency of buyers in trade transactions. It is not, however, a payment guarantee, corporate finance without recourse or an overdraft guarantee.

ATI provides guarantees only to transactions that support productive activities in the member country. This could mean activities that help increase the volume of goods and services result in employment or contribute to member countries welfare. For imported goods, this covers products that are directly exported from a member country or have benefited from added value work in the second member country.

There is no minimum amount of transaction to be insured. The maximum amount of insurance varies from country to country. The insured percentage can be 100% of the amount of the transaction. The time period is normally 5 years plus 1 year pre-shipment for Import and 1 year for Exports Facility. Premium rates will range from 0.4% flat rate to a maximum of 2.5%, depending on the length of the credit. A minimum premium rate of USD 500 will be charged for transactions under the Imports Facility and of USD 250 for transactions covered under the Exports Facility.

For further information: http://www.ati-aca.com/

Central African States Development Bank– BDEAC

African member countries: Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon.

Banque de Developpement des Etats de l'Afrique Centrale, BDEAC was founded in 1975. It provides loans for economic development.

The BDEAC promotes the economic and social development of its Member States by financing of multinational projects and projects of economic integration.
Fields of intervention are as follows:

- Productive sector including modernization, conversion and privatization
- Infrastructure
- Rural development
- Economic integration within the community

For further information: http://www.bdeac.org/

West African Development Bank – BOAD

Member countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.

The West African Development Bank (BOAD) is the common development finance institution of the West African Monetary Union (UMOA) These countries form a large trading block to enhance the commercial competitiveness of the sub-region. Founded in 1973, BOAD is a public international institution with a mandate to promote a balanced development of its member states and to achieve economic integration within West Africa. This is achieved through the financing of priority development projects. Poverty alleviation, regional integration and private-sector development are the priority objectives. Finnish companies can benefit from the activities of BOAD in the form of development actions concerning both a member state and a non-member state such as Finland.

BOAD promotes private-sector development by building partnerships for regional development in West Africa. BOAD has made a study on sector competitiveness. This study will provide local and foreign investors with detailed information on different economic sectors to help them make informed investment choices and define the strategic sectors for development. For economic operators, BOAD offers services in connection with the arrangement of financing for productive investment projects or for the mobilization of funds and the syndication of financing.

In 2002, BOAD contributed EUR 34.3 million mainly to projects dealing with the transformation of local resources, economic infrastructures and the promotion of SMEs through national financial institutions (NFI). BOAD finances almost all sectors of activity, i.e. processing of local products, expansion of the industrial network, modernization of the production tools, improvement of services, competitiveness of infrastructure and the regionalization of a number of activities.

Focus sectors of BOAD are industry, transport, mining, agriculture, fishery, livestock, forestry, communication, energy, building, tourism, hotel industry and service industries.

The bank intervenes in the following forms:

- Medium and long-term loans for the refinancing of national and regional projects
- Backings and guarantee; equity investment in the capital of enterprises or NFIs
- Financing of projects, feasibility or engineering studies
- Financing of the transfer of the ownership of goods and services production and distribution facilities to UEMOA nationals
- Assistance to small and medium-scale enterprises (SMEs) through lines of credit or refinancing framework agreements to NFIs
- Easing of the terms of borrowing through interest subsidization for projects within the non-market sector.

BOAD's operations are divided into market and non-market sectors. The market sector covers all production investments and profit-making or commercial operations. These include, inter alia, private-sector projects, industrial and commercial enterprises and NFIs. The non-market sector is intended for development support activities. These are mainly public-sector operations on rural development, infrastructures, projects promoted by water supply, electricity and telecommunications companies, agencies or corporations.

Privatization is an important aspect of private-sector development. BOAD has paid particular attention to the privatization of the water, electricity and telecommunications sector. The role of BOAD covers also adaptation of private-sector approach procedures, strengthening of technical assistance for improving the private-sector environment. BOAD has a product for the guarantee of corporate bond issuance as well as an arrangement, financing, resource mobilization and syndication unit.

For further information: http://www.boad.org

Development Bank of Southern Africa, DBSA

Member countries: Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

The Development Bank of Southern Africa (DBSA) aims to provide a full package of support to development initiatives within South Africa and in the SADC, in the realization that infrastructure delivery has broader socio-economic and cross-border implications and impacts. The Bank is centrally concerned with promoting the economic integration of the SADC economies, enabling individual economies to use internal resources more effectively and the region to become more competitive in the global economy.

The DBSA was established in 1983. It acts as a lender, advisor and partner. The DBSA offers direct investments through loans and equity. Its role is to support key and leading economic growth sectors. It focuses on public- and private-sector projects that enhance regional integration. The DBSA forms strategic partnerships and mobilizes resources. The DBSA offers credit lines together with NIB and NDF as well as the African Development Bank (AfDB). The DBSA offers specialist and policy services.

Energy, water and sanitation together with infrastructure were largest sectors in the activities of the DBSA in 2002.

The DBSA has established the Development Fund to address sustainable capacity building at municipal level, and to support municipalities in enhancing service delivery and local economic development. The Development Fund is a leading catalyst for capacity building, maximizing the impact of development finance in South Africa. Expertise covers consulting and advisory services for institutional and human capacity building to ensure that basic services are delivered to disadvantaged communities. Development facilitation offers ongoing technical support and sharing of knowledge to ensure that clients gain the necessary experience to manage the functions and processes of service delivery.

The DBSA's financing role entails the provision of a range of financial products to private- and public-sector organizations. The DBSA will only consider a financing role if its financial products are essential to effectively finance a project. The bank's financing role will be determined primarily by the need to play a catalytic role in leveraging private-sector investment for infrastructure.

The financial instruments that the bank can make available include:

- Loan finance
- Equity investments
- Guarantees
- Refinancing commitments
- Preparation assistance loans to public-sector clients
- Senior debt with maturities up 10 years
- Subordinated debt
- Lines of credit to local development finance institutions
- Co-financing
- Collaboration with other Development Financing Institutions

The precise terms for providing these products are specified for each unique project.

The DBSA makes its technical assistance available largely to public-sector clients. The Bank concentrates its support on those stages of the process and those issues that are pivotal to structuring the project in favor of the best interests of consumers and taxpayers. The DBSA's role is not intended to be all-inclusive. Where private-sector organizations are better placed to provide services to clients, the DBSA will assist clients in securing appropriate professional support.

Potential areas of support include:

- Advice on the options for financing and structuring projects.
- Assistance in preparing the terms of reference for consultants to be engaged by clients and mobilizing grant fund for the appointment of legal, financial and other advisors.
- The facilitation of labor and consumer involvement in project design, evaluation and operation.
- The preparation of documentation for inviting bids from the private sector.
- Assistance in pre-bid discussions with the private sector.
- Assistance in evaluating bid submissions.
- Assistance in conducting negotiations with the private sector.

The primary aim of technical assistance is to unblock institutional constraints to future development funding at program level in areas of policy capacity and environmental sustainability. Technical assistance can also be used to facilitate private-sector participation and donor contributions to development programs. Technical assistance can take three forms: grants, technical expertise and the mobilization of alternative or complementary resources. The DBSA also provides Preparation Assistance, which is a loan to assist clients in designing and planning a project for appraisal by the DBSA.

For more information: http://www.dbsa.org

East African Development Bank, EADB

Member countries: Kenya, Tanzania and Uganda

The EADB provides financial assistance for promotion of development of the Member States. Priority sectors are industry and mining, tourism, agriculture, energy, transport and telecommunications. The EADB supplements the activities of the national development of the Member States through joint financing operations, technical assistance and the use of such agencies as channels for financing specific projects.

The EADB provides medium-term loans, short-term/working capital loans, asset lease finance and makes equity investment. The EADB offers credit lines in cooperation with the NDF and the AfDB. Equity investment is selective and the EADB shareholding will normally not exceed 25% of the authorized share capital of the project.

The EADB charges a competitive lending rate based on the cost of capital in East Africa and the average cost of its borrowings. The EADB charges mandatory commission of 1% on the loan amount and a commitment fee of 1% on the undrawn loan balance effective 60 days from the date of signing the Loan Agreement. Legal fees and bank charges are borne by the client. Short-term working capital loans carry a commission of 2% of the loan amount. Medium and long-term loans, including loan guarantee, carry a maximum term of 15 years. A grace period of 1 to 2 years is normally granted for project preparation and implementation. Short-term working capital loans are repayable within a maximum period of 24 months.

More information: www.eadb.com

THE EUROPEAN INVESTMENT BANK

In 2003-2008, the EIB is expected to channel EUR 3.9 billion to ACP projects, which promote the private sector, or to public-sector projects if they are operated on a private-sector footing. Out of this EUR 1.7 billion will be lent from the EIB's own resources and EUR 2.2 billion comes from the Investment Facility funded by EU Member States and administered by the EIB. In 1999-2003 energy has been the largest industry sector in EIB activities, communications following as second. The four Northern African countries (MED region) have been the largest target countries for EIB financing.

As mentioned above, EIB lending in the Mediterranean Partner Countries is provided under the FEMIP. Through the FEMIP, the Bank focuses particularly on developing the private sector and financing socio-economic development infrastructure. This is done through support for foreign direct investment or joint ventures resulting from cooperation between MPC promoters or through SME financing.

Investments are encouraged in countries where the economy is growing and the government is stable. Countries where investments are too risky are the ones with high corruption or financial disaster as well as in very poor countries.

Particular emphasis is given to investment projects that comply with one or more of the following criteria:

- Subsidiaries of European companies
- Joint ventures bringing together European and local firms
- Private enterprises holding concessions to invest in and run public services
- Transfer of European technology
- Enhancement of the EU cooperation agreements.

Benefits of EIB financing include:

- Long maturities
- Low cost (AAA rating)
- Political risk sharing
- Catalyst for other funding
- Market-responsive financial instruments.

EIB loans are project oriented and linked to the financing of the fixed-asset components of an investment.

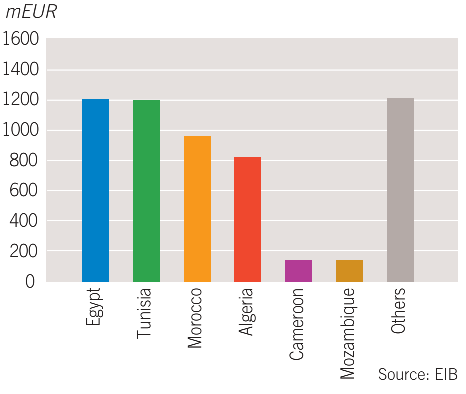
Finnish companies seeking the EIB's support for investment opportunities in Africa would generally be met by two potential financial instruments: global loans and direct loans.

Global loans (indirect loans) are credit lines made available to banks or financial institutions, which on-lend the proceeds for small or medium-scale investment projects that meet the Bank's criteria. To complement EIB financing, the intermediary also advances funds in support of the projects concerned.

Global loans finance new capital investment projects worth up to EUR 25 million, undertaken by SMEs or, in the case of small infrastructure projects, by local authorities. Local authorities or firms with fewer than 500 employees and having fixed assets of up to EUR 75 million can benefit from these global loans. A maximum of EUR 12.5 million and up to 50% of the investment costs are covered by the loans, with maturities between 5 and 12 years, or 15 years

EIB Financing in Africa by Country, 1999-2003

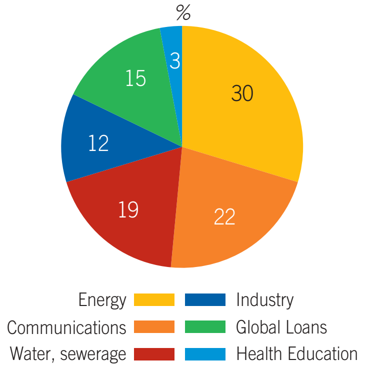
Total 5 683 mEUR



Source: EIB

EIB Lending in Africa by Sector, 1999-2003

Total 5 683 m EUR



Source: EIB

in exceptional cases. Interest rates are to be agreed with the intermediary bank, which makes the financing decision in accordance with criteria determined with the EIB. Finally, disbursement and loan management also take place through the intermediary bank.

The normal procedure for local financial sector support is that the Bank provides credit (global loans) to commercial banks or development finance institutions which then on-lend small amounts to their own clients, on their own credit judgment and according to criteria agreed with the EIB. The Bank also provides credit lines or other financial support to micro-finance institutions and leasing companies.

Loan applications should be made directly to one of the intermediary banks and financing institutions, which operate at national, regional or local level. Finnish intermediary banks or financial organizations working in cooperation with the EIB are Finnvera, Municipality Finance and OKO Bank.

Promoters in both the public and private sectors, including banks, are eligible for direct loans. The EIB will finance a maximum of 50% of the total project cost. Loan terms can range from up to 12 years, in the industrial sector, to 20 years or more for infrastructure projects. Projects should involve a capital investment of EUR 25 million or more.

Repayment normally occurs semi-annually or annually, but grace periods for capital repayment may be obtained for the construction phase of the project. Bullet loans are also possible. Generally, processing, commitment or any other fees are not charged.

Companies and other organizations may contact the EIB directly without any particular formalities. The EIB does not require its borrowers to complete set forms or questionnaires. Documentation guidelines are available on the EIB website.

If the organization wants to submit a specific project, borrowers are expected to provide as detailed information as possible to permit the technical, economic, financial, environmental and legal appraisal of projects. During appraisal of a project, the EIB keeps in close contact with the project promoter to obtain any additional information and to discuss the main problems likely to arise before and after commissioning of the project.

For more information about the EIB: http://www.eib.org
For the types of project eligible for EIB financing:
http://www.eib.org/projects/dynamic.asp?cat=54

For a list of projects that EIB is involved with in the ACP and the Mediterranean region:
http://www.eib.org/projects/loans/regions/

Contact:

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NORDIC FINANCE GROUP

- For Finnish companies, the NIB is a partner in financing investment projects and project exports in Africa
- Nopef can provide financing support for feasibility studies for Finnish companies' projects in Africa

Nordic Investment Bank

The core of the NIB's international lending operations consists of project investment loans (PILs). These are long-term loans for projects in creditworthy emerging markets in Asia, the Middle East, Central and Eastern Europe and Latin America, as well as Africa.
The PIL loans can be utilized to finance all types of project costs, including local costs. The NIB's loans are a complementary source of funds. Sovereign PILs can cover up to 50% of the cost of a project, whereas the private-sector PILs may normally not exceed 25% of the cost of a project. The lending limit for PILs currently corresponds to EUR 4 billion.

Sovereign PILs are long-term loans, with maturities of up to 20 years, and with grace periods of 3 to 5 years, depending on the project implementation and the estimated cash flow. Private-sector PILs can have maturities of up to 15 years including a grace period related to the project's cash flow.

PILs are normally granted to governments, or against a government guarantee, for high-priority projects of mutual interest, but the NIB can also grant loans or guarantees for investments to the private sector and to companies outside the Nordic region. Examples of such investments are corporate acquisitions, modernizations and greenfield projects. These private-sector projects, primarily in the infrastructure sector, should enjoy high priority in the host country and provide proof of overall viability.

The use of proceeds of NIB loans is untied. The loans can thus be used to finance any project costs, including local infrastructure, working capital, operating expenses, interest during construction, supplies of goods and services, and training.

NIB loans are made at both fixed and floating rates of interest at the borrower's behest. Interest rates are determined on the basis of the borrower's choice of currency and the NIB's borrowing costs. The margins for the private sector also reflect the project risk. NIB loans carry a commitment fee to be charged on the undisbursed portion of its loan commitments, and in certain cases an arrangement fee.

PILs usually supplement loans from commercial banks, export credit agencies and other financial institutions, to provide complete financing from the Nordic region for large-scale projects. As a multilateral finance institution, the NIB may also grant loans under co-financing arrangements with other multilateral development finance institutions. The NIB has signed memorandums of understanding with, for example, the African Development Bank and the World Bank. Projects have also been co-financed with the European Investment Bank.

For more information on NIB activities in Africa:

Jörgen Ilsøe	Tel: + 358 9 18001
Fabianinkatu 34	Fax: + 358 9 622 1504
P.O. Box 249	Internet: http://www.nib.int
00171 Helsinki	

Financing Modality

The Nordic Investment Bank (NIB) has signed Loan Programs with five South African financial institutions, whereby funds from NIB will be utilized to finance selected investment projects of mutual interest in the Republic of South Africa or in the other African countries. The selection of projects will be made by the financial institutions in consultation with NIB, and they will present projects that are considered suitable for financing under their respective Loan Program to NIB for final approval.

The financial institutions in question and their sphere of operation are as follows:

- *The Development Bank of Southern Africa (DBSA)*
  Financing of projects in South Africa or in other SADC countries. A special joint financing facility with the Nordic Development Fund (NDF) is available for financing of public infrastructure projects via utilities, municipalities or their agents in mainly low-income communities.
- *The Industrial Development Corporation of South Africa (IDC)*
  Financing projects primarily within the private sector in South Africa or in other African countries.
- *Nedbank Limited (Nedbank)*
  Financing of projects primarily within the private sector in South Africa or in other African countries.
- *The Rand Merchant Bank (RMB)*
  Financing of projects primarily within the private sector in South Africa or in other African countries.
- *The Infrastructure Finance Corporation (INCA)*
  Financing of projects in South Africa within the private sector and to municipalities.

Lending Terms

The terms and conditions of on-lending to the beneficiaries will be determined by the respective financial institutions according to their evaluation and established lending policies for projects. On-lending of the proceeds under a Loan Program will normally be 3 to 10 years. For larger industries, the financial institutions may consider on-lending the proceeds of a Loan Program in the currency in which it is made available. The loan period and repayment structure will be based on the evaluation of the project and its cash-flow needs. The financial institutions may also require securities for individual loans.

Use of Proceeds

The proceeds from NIB may be used to finance any project costs, including the supplies of goods or services (foreign or local), working capital, operating expenses, and interest during construction. The amount to be allocated under a Loan Program to a specific project shall reflect the mutual interest.

The proceeds under a Loan Program should thus be considered as a complement to, for instance, export credit facilities or other financial sources available to the financial institutions, and the beneficiaries of the respective project.

The procurement shall be based on the procurement rules of the financial institutions.

Project Appraisal and Supervision
The economic, financial and technical viability of each project as well as the capability of the beneficiaries of the loans shall be established through an adequate appraisal. The financial institutions will be responsible for carrying out the appraisals and for supervising the implementation of the projects. NIB will regularly review the execution of projects.

Both NIB and the financial institutions may be approached regarding eligible projects. Applications for financing under the investment program should be directed by the local beneficiary to the financial institutions, details of which appear below.

Contacts:

Development Bank of Southern Africa (DBSA)
Republic of South Africa
Tel: + 27 11 313 39 11
Fax : + 27 11 313 30 86
Contact Person: Mr Hanri Van Loggerenberg, Relations Manager; Treasury
Industrial Development Corporation of South Africa (IDC)
Republic of South Africa
Tel: + 27 11 269 3000
Fax : + 27 11 269 3230
Contact Person: Ms Bharti Harie, Head: Corporate Funding
Nedbank Limited
Nedbank Capital, Financial Engineering,
Republic of South Africa
Tel: +27 11 295 8108
Fax: +27 11 294 8108
Contact Person: Mr. Kevin Barrett, Senior Manager
Rand Merchant Bank (RMB)
Republic of South Africa
Tel: +27 11 282 8000
Fax : +27 11 282 8329
Contact Person: Ms. Marlene Hesketh, Head, Business Development
Infrastructure Finance Corporation Ltd. (INCA)
Republic of South Africa
Tel: +27 11 202 2219
Fax: +27 11 202 2231
Contact Person: Mr. Johan Kruger, Managing Director

Nordic Development Fund

The NDF supports private-sector development in cooperation with Nordic companies, with Nordic, regional, or international development institutions and with local partners. In Africa, private-sector projects have been supported in Ghana, Mozambique, Namibia, South Africa, Tanzania, Uganda and Zimbabwe. NDF activities in the private sector in Africa also include participation in regional investment funds, the Africa Infrastructure Fund and Aureos Southern Africa Fund. Furthermore, NDF has extended credit lines to the Development Bank of Southern Africa and to the East African Development Bank. Financing within the private sector is oriented towards the following main areas:

- Participation in joint ventures through extension of subordinated loans with equity features. Priority is given to infrastructure projects with private sponsors in cooperation with the public sector, including privatizations.
- Credit lines to sub-regional and national development banks for on-lending with focus on support to small and medium-sized enterprises (SMEs).
- Participation as a shareholder in venture capital funds extending financing to promote private (SMEs) and financial sector development.

Examples of private-sector projects financed in cooperation with the NDF
(loans with equity features):

Mozambique:	Maputo Port Privatization and Rehabilitation Project Lead agency: Swedfund Activity: Port privatization/operations NDF investment: EUR 1.8 million Year: 2003
Namibia:	Seaflower Whitefish Corporation Ltd Lead agency: New Business Venture Fund (Iceland) Activity: Fisheries NDF investment: EUR 0.9 million Year: 1999
Uganda:	MTN (Uganda) Ltd Lead agency: Swedfund Activity: Telecommunications NDF investment: EUR 1.8 million Year: 2000

Contact:

Nordic Development Fund
Carin Wall
Fabianinkatu 34
00171 Helsinki, Finland

Phone: +358 9 1800451
Fax: +358 9 622 1491
Email: info@ndf.fi
http://www.ndf.fi

CASE: INDUFOR WITH NDF IN MOZAMBIQUE

Indufor is a consulting company specializing in forestry, forest industries and environmental management. The company is owned by the Savcor Group and staff members. Since 1980, more than 500 assignments have been carried out in over 100 countries.

Indufor has a strong track record in Mozambique, with several larger and smaller assignments for various clients. In 2003, the Ministry for Agriculture and Rural Development (MADER) of Mozambique invited tenders for the Technical Assistance (TA) for an NDF-financed soft loan project, Forestry Entrepreneurship and Joint Forest Management, and Indufor's tender won. After the contract negotiations with MADER, the mobilization of the project staff started in early 2004.

The TA contract includes advisory services and training in small and medium-sized forest sector enterprise (harvesting, transport, sawmilling, parquet production, various non-timber forest products, plantations, etc.) development, including such topics as forest management, product markets and marketing, production technology, financing, business planning and quality management.

This 4-year project has a total budget of EUR 7.4 million of which Indufor's TA contract is EUR 3.4 million (including both consulting fees and various reimbursable costs). EUR 3.3 million will be channeled as loans to Mozambican forest sector companies through a local financial intermediary. The remaining balance is administered by MADER's Forestry Department for various operational and investment costs.

The TA contract allowed a 20% advance payment against a bank guarantee. The advance payment is gradually set off against quarterly invoices on fees and reimbursable costs. Indufor submits its quarterly invoices to the client (MADER) which reviews them, forwards a copy with a clearance to the Mozambican Central Bank which in turn sends a request for payment to NDF (Helsinki) which then pays Indufor.

There have been some delays in getting the invoices processed in Mozambique for bureaucratic reasons, but the advance payment is cushioning the slow cash flow. Indufor has had a very good experience with NDF which is not very bureaucratic, easy to contact, and efficient in finding solutions to various minor problems that are always encountered in complex project environments.

Contact information:

Jyrki Salmi
Tel: +358-9-6840 110
E-mail: jyrki.salmi@indufor.fi

Nordic Project Fund

Nordic Project Fund (Nopef) grants favorable loans and grants to Nordic companies for carrying out feasibility studies on internationalization projects or on project export deals. The projects must be outside the EU and EFTA countries.

Eligible applicants are companies operating in the Nordic countries. The applicant is the company that will also carry out the project. For project export, it is the main contractor, i.e. a manufacturer or system integrator capable of giving the necessary guarantees. For internationalization, it is one of the main owners in the new venture. Loans are given to commercial projects only, thus excluding those where different development support organizations are involved.

Nopef has not financed many projects in Africa during the past few years. The reason for this is mainly due to a lack of requests for loans and grants. Nopef mainly supports SMEs, which seldom have resources for African operations. Nopef is very aware of the demanding conditions in the region. The industrial sector with the most potential in Africa has been infrastructure, especially energy and telecommunications. Suppliers establishing production in the target country are actively encouraged. Also, development projects, where a local service unit is needed as part of a pilot project would be considered. In cases of product alterations, the feasibility study can cover the need for the modifications, but not the technical part itself.

There are no restrictions on size or field of business, but the company must have experience in the same field of business as the project. The company should also have sufficient resources for the particular size of the project in terms of expertise, economics and personnel.

In internationalization projects, the loan is 40% of acceptable pre-investment expenses. The loan can later be converted to a grant, providing the requirements for reporting are fulfilled and the expenses have been audited.

Pre-investment activities covered by the grant include:

- Risk and profitability calculations
- Evaluation of potential business partners
- Writing a business plan
- Analysis of financing options and preparation of documentation
- Legal assistance
- Contract negotiations.

The expenses mainly comprise the salaries of the applicant company's personnel, travel costs and costs for external services such as consultancy and legal advice.

Project export is defined as system or turnkey delivery to a specific customer. Internationalization projects are acquisitions, the foundation of a fully owned subsidiary, a joint venture with a local partner, a licensing or franchising deal or other long-term production agreements. Nopef does not cover expenses for finding an agent or a distributor or for carrying out general market studies.

Loans are paid against realized expenses. A payment request must include a project report and an explanation of expenses summarized on a special form available from Nopef. A statement by a public chartered accountant is also required with the last payment. Regardless of payments, the borrower is required to inform Nopef of how the project is proceeding, especially if a substantial change occurs in relation to the original plan presented in the application to Nopef. A project report is required at least every 6 months.

Nopef should be contacted directly to discuss the general possibilities for a loan. An application will be registered on the date of receipt and will receive a registration number. A loan from Nopef can cover expenses as of this registration date, regardless of the date of decision.

The credit committee evaluates the application and the Chairman of the Board finally approves the credit decision. The application procedure takes approximately 2-4 weeks.

The procedure depends on the quality of the application and the size of the loan applied for.

For more information on application guidelines:
http://www.nopef.com/eng/index.html

Contact:

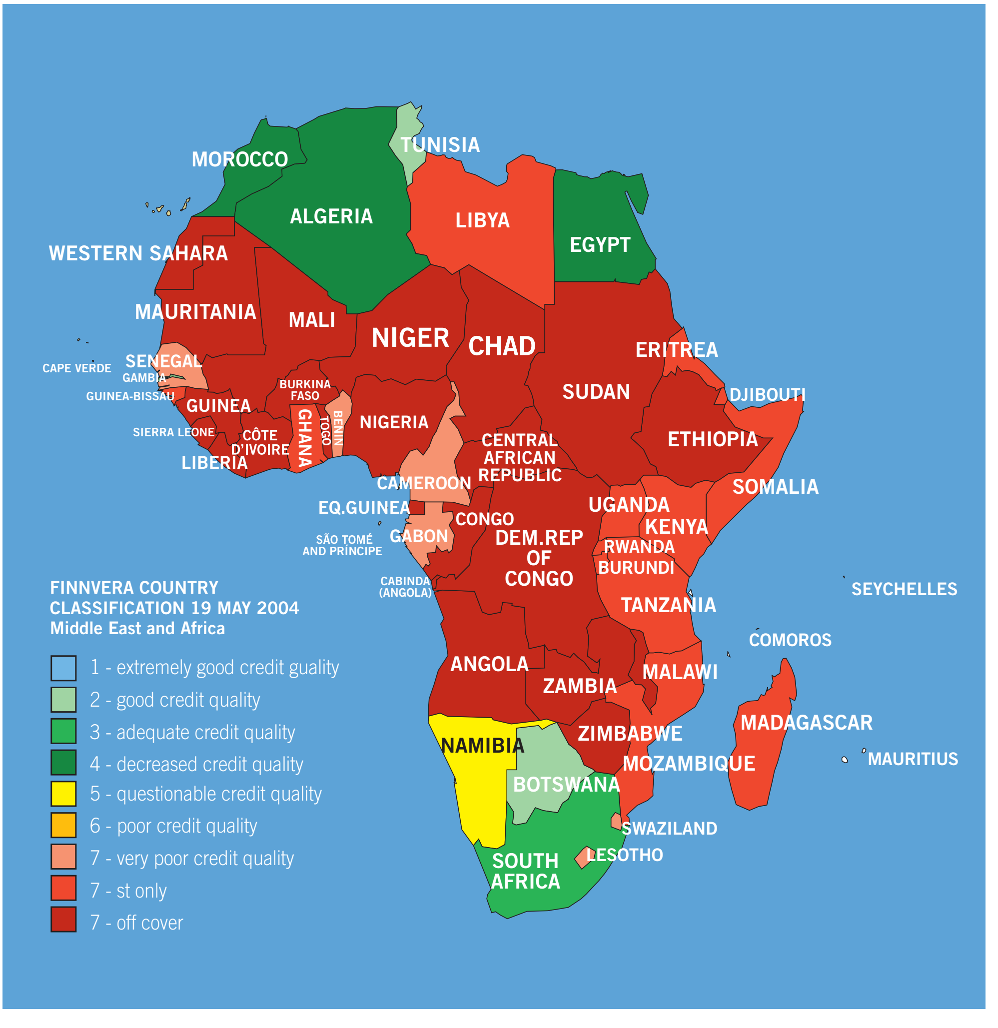
Nordic Project Fund
Fabianinkatu 34
00171 Helsinki, Finland
Phone: +358 9 180 0350
Fax: +358 9 650 113

FINNISH FINANCING ORGANIZATIONS AND INSTRUMENTS

Finnvera

Finnvera, the official Export Credit Agency of Finland, is a special-purpose financing company under the administration of the Ministry of Trade and Industry of Finland. Finnvera is 100% owned by the State of Finland and enjoys the credit rating of the Finnish State (AAA) in its operations. Finnvera performs tasks relating both to international and domestic trade and corporate finance, and has the status of the official Export Credit Agency of Finland.

Finnvera seeks to safeguard the competitiveness of Finnish exports by offering export credit and investment guarantees at terms comparable to those offered by other export credit agencies worldwide.



Export credit guarantees to cover risks related either to the buyer or the borrower (commercial risks), or to the buyer's or borrower's country (political risks). Commercial risks arise from factors related to foreign companies, project companies or banks. Typical commercial risks include the buyer's, borrower's or guarantor's inability or unwillingness to repay debt due to bankruptcy, other types of insolvency or financial difficulties. The term political risk refers to all factors or events that influence the country's economy, internal stability or international relations. The most common political risks are war or insurrection, restrictions on transfer of the credit currency, rescheduling of debts, and expropriation or other similar measures by the authorities.

The guarantees offered by Finnvera are Credit Risk Guarantee, Buyer Credit Guarantee, Letter of Credit Guarantee, Investment Guarantee, Bond Guarantee, Finance Guarantee and Raw Material Guarantee. Factors determining the guarantee premium include risk period, classification of the buyer's/borrower's country, creditworthiness of the buyer/borrower/guarantor, type of guarantee and percentage of cover. Finnvera applies minimum premium rates on sovereign and country/political credit risks according to the OECD Premium Agreement for transactions having a repayment period of 2 years or more. Based on assessment of the commercial risk involved, a commercial risk surcharge is added to the political base rates. Finnvera's commercial risk pricing can also be affected by the price indications of the international capital markets and by the international competition (matching).

The premium for a Buyer Credit Guarantee is most often a flat fee on the principal of the credit, and is charged on each disbursed amount of the credit principal. The premium for Credit Risk and Letter of Credit Guarantee is a flat fee calculated on the guaranteed receivables, and is normally charged in one installment.

Risks related to transactions are carefully assessed by continuously following political and commercial developments in target markets. Finnvera has specified criteria for commercial risk assessment for corporate/buyer, project and bank risks. As part of the overall risk assessment, Finnvera pays attention to the environmental effects of the projects for which guarantees are granted. Environmental effects and their classification are assessed according to OECD recommendations.

Country creditworthiness factors determine the general availability for Finnvera cover in any particular country. However, even in high-risk off-cover countries there may be projects with risk mitigating factors (co-financing with multilateral financial organizations, escrow accounts, etc.) which can make the project eligible for Finnvera cover.

Finnvera promotes Finnish exports. Hence a minimum amount of Finnish content in the transaction is required. This is calculated from the share of the loan covered by Finnvera according to the percentage of cover. The Finnish content requirement depends on the country risk classification. However, instead of solely concentrating on the Finnish content of an export transaction, Finnvera looks at the export transaction from the point of view of wider Finnish interest.

Finnvera also shares the administration of the Concessional Credit Scheme for Developing countries with the Finnish Ministry for Foreign Affairs. Concessional Credits are made available for eligible (OECD regulations, creditworthiness aspects) low- and lower middle-income countries for commercially non-viable projects with major developmental effects (small-sized commercially viable projects can be included up to EUR 2.4 million).

Buyer credit guarantee

The guarantee most commonly used by Finnish companies is the Buyer Credit Guarantee. A Buyer Credit Guarantee is a security to the lender in case of a credit risk caused by a foreign buyer, the buyer's bank or country. The exporter receives payment in cash for goods sold on credit, while the credit risks are transferred from the exporter to the lender and then to Finnvera.

The guarantee covers commercial risks and/or political/sovereign risks. The coverage provided is normally 85% (buyer risk) or 90% (bank risk) for commercial risks. The cover percentage for political risks is 100% which is also valid for sovereign risks when a sovereign entity acts as a borrower or a guarantor.

A Buyer Credit Guarantee can be used for various medium-term to long-term credit arrangements in connection with financing of the export of capital goods. Such arrangements include buyer credits for individual transactions, bank-related and project-related credit lines, as well as for forfaiting and leasing.

The guarantee can also be used for short-term exports if the buyer provides the exporter with a transferable credit instrument, i.e. a bill of exchange or a promissory note as payment.

The guarantee can be granted to domestic or foreign financial institutions.

For more information about Finnvera: http://www.finnvera.fi

For information about conditions applying to loans:
http://www.finnvera.fi/index.cfm?id=1747

The Finnvera guarantee premium calculator can be found at:
http://www.finnvera.fi/index.cfm?id=1724

Finnish Export Credit Ltd became a subsidiary of Finnvera in May 2004. FIDE Ltd has been Finnvera's subsidiary for a longer period. Finnvera plc has decided to merge its subsidiaries FIDE Ltd and Finnish Export Credit Ltd. The companies' Boards of Directors have approved the plan for the merger, which is expected to come into effect on 31 December 2004. Even before the actual merger takes place, the operations of the companies will be combined.

Contacts:

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00101 Helsinki, Finland
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Fax: +358 204 60 7220

Finnish Export Credit

Finnish Export Credit (FEC) offers export credits to foreign buyers of Finnish products and services. Export credits can be offered in the form of OECD export credits, short-term credits or credit line agreements. FEC adds value by providing withholding of tax benefits, advantageous long-term funding, flexibility and services by skilled and experienced professionals.

According to the international tax treaties adhered to by Finland, loans granted by FEC are exempt from withholding tax in certain countries. Countries in Africa where tax is withheld are Tanzania and Zambia.

FEC requires official export credit guarantees or bank guarantees as security for its loans. Credit decisions are made on a case-by-case basis.

The guarantee coverage of Finnvera Oyj, the official Export Guarantee Institution in Finland, depends on the country and the export deal. Finnvera guarantees typically cover 85% of the commercial risk and 95-100% of the political risk of the export credit. For the remaining ”residual risk”, FEC requires a bank guarantee.

The ratings of the banks that Finnish Export Credit accepts as risk counterparties shall primarily be investment grade, the minimum rating being BBB by Standard & Poor's and Baa3 by Moody's.

FEC also abides by the environmental impact agreements of the OECD Export Credit Group, which came into effect on 1 January 2002. The agreement requires export credit agencies to take into account the environmental impacts of financed projects. Where there is a significant potential environmental impact, i.e. in large-scale infrastructure construction and industrial production projects, an Environmental Impact Assessment (EIA) according to international standards is required.

For more information: http://www.fec.fi

Contact:

Finnish Export Credit
Mikael Nordgren
Erottajankatu 1
00130 Helsinki, Finland
Tel: +358 9 6185 7400

FIDE

FIDE Ltd offers Finnish companies and financial institutions the possibility to utilize OECD-term export credits by administrating the interest equalization system. FIDE Ltd provides companies and financial institutions with interest equalization offers and concludes interest equalization agreements with Finnish and foreign financial institutions.

FIDE Ltd advises companies on the financing of exports and participates in the international coordination of export financing, particularly in the OECD and the EU. FIDE Ltd is an internationally notified official Export Credit Agency (ECA).

The interest equalization system based on FIDE Ltd's activities opens OECD-term export credits for capital goods and ships for banking competition. Through FIDE Ltd, domestic and foreign investment grade financial institutions domiciled either in Finland or abroad are able to provide OECD-term export credits. Thus, Finnish export industries and companies can benefit from the expertise of both domestic and foreign financial institutions in the financing of exports.

Under the interest equalization system, a financial institution will grant its client, either a buyer or an exporter of Finnish products or services, a fixed-rate OECD-term credit. FIDE Ltd covers the interest rate risk related to the difference between the fixed and the floating rate. FIDE Ltd normally pays interest at the 6 months' floating rate plus an additional spread to the financial institution, which pays OECD-term interest to FIDE Ltd. The financial institution may fund the credit from its floating-rate liabilities.

Interest equalization can be applied for either by buyers or exporters or by financial institutions. Exporters may contact FIDE Ltd at the initial stage of commercial negotiations and benefit from FIDE Ltd's expertise when planning their tender and thus ensure access to competitive fixed-rate financing for their export transaction at the tender stage. Financial institutions may apply for interest equalization either on behalf of their clients or while arranging a financial package, e.g. for project exports.

Interest equalization is applied for with a free-form application, available on the FIDE Ltd website (www.fide.fi/english/application/index.htm). The website also includes basic data on the transaction and the credit.

For more information: http://www.fide.fi

Contact:
FIDE Ltd
Jyrki Wirtavuori
Eteläranta 14
00130 Helsinki, FINLAND
Phone: +358 9 6226 700
Fax: +358 9 6226 7077
Email: fide@fide.fi

Finnfund

Finnfund is a Finnish development finance institution providing long-term risk financing for private-sector projects in developing countries and selected transition economies. Finnfund is part of Finland's development cooperation, but finances only profitable projects on market-related terms.

Finnfund seeks to expand its operations in Africa and is keen to work with Finnish companies and their local partners to identify bankable projects. The sponsor of the project does not need to be a Finnish company as long as Finnish interest is involved in the project. Finnish interest can refer to cooperation with Finnish partners, the use of Finnish technology or expertise or considerable environmental or development impacts.

By providing long-term risk capital directly to ventures in challenging markets, Finnfund can share the risks with the sponsors and lower the barriers to investments. In some countries, Finnfund's status as a public development finance institution can also reduce the risks faced by the investee companies.

Finnfund finances projects that are:
- Technically and financially feasible,
- Environmentally and socially sound,
- Owned and managed by the private sector,
- Sponsored by reputable and creditworthy partners.

Finnfund provides investment financing in the form of equity investments, investment loans, and mezzanine financing. In selected cases, Finnfund can also issue guarantees in favor of project companies seeking local currency funding. Financing is typically made directly to the project company.

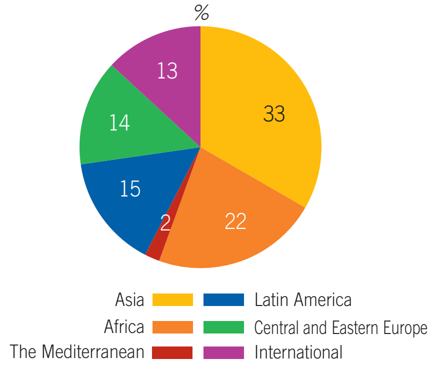
Finnfund's equity participation is limited to a minority shareholding and should not exceed the shareholding of the sponsor. Equity participations are usually made with pre-agreed exit arrangements. Loan maturities range from medium- to long-term, usually varying from 5 to 10 years.

The projects should have an experienced and creditworthy industrial sponsor with a strong long-term commitment to the project. If the sponsor is not a Finnish company, some other link to Finnish interests must be demonstrated. However, financing is not tied to exports from Finland. In several countries, interest payments on loans extended by Finnfund are exempted from withholding taxes by bilateral tax treaties.

Finnfund's direct stakes in the projects usually range from EUR 1 million to EUR 5 million. Smaller projects are financed through private equity funds and other financial intermediaries. If the financing needs of a project

Finnfund's Portfolio and Commitments by Region as of December 2003

Total: 138 mEUR



Source: Finnfund

exceed Finnfund's capacity to take risk, Finnfund can co-finance with other financiers and can also facilitate access to them (see discussion below on EFP).

Most Finnish companies interested in doing business in Africa are primarily suppliers of technology in fields such as energy, telecommunications, logistics and mining. Investments in these areas are increasingly related to privatizations or deregulation seeking to promote private-sector participation. Along with other financiers, Finnfund co-finances infrastructure and other projects provide opportunities for the suppliers of technology, including internationally competitive Finnish companies.

In 2003, Finnfund approved 15 new investments, totaling EUR 34 million. Finnfund's effective commitments (investments in portfolio plus undisbursed commitments) to Africa totaled EUR 31 million in eight projects.

Examples of African projects financed by Finnfund:
- Africa Infrastructure Fund (Pan-African private equity fund)
- Tanira (Finnish/Tanzanian hand pump manufacturer)
- Celtel (Pan-African mobile operator)
- Kipevu Diesel Power (Kenyan power producer)
- Aureos Fedha Fund (Tanzanian private equity fund)
- Kilombero Valley Teak Company (Tanzanian forest plantation)
- AfricInvest (Pan-African private equity fund)
- Maputo Port (Rehabilitation of privatized port in Mozambique)

In line with its strategy, Finnfund expects to expand the share of its financing going to Africa.

There is no standard application form for Finnfund financing. The starting point for project appraisal is a plan provided by the client. Prospective clients are encouraged to contact Finnfund early, preferably prior to developing complete project plans.

Finnfund currently cannot provide or channel any grant funding for project preparation, feasibility studies, training, or management support. However, both international (African Project Development Facility, APDF), European (Center for the Development of Enterprise, CDE) and Finnish (EIT appropriations) funding (cost-sharing) windows for these purposes exist, and Finnfund can help its clients with contacts and other relevant information.

For more information on Finnfund:
http://www.finnfund.fi

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CASE: FINNFUND INTERNATIONAL COOPERATION: MAPUTO PORT PRIVATIZATION CASE

The port of Maputo, capital of Mozambique, is seeking a central role in Southern African freight traffic. After long years of decay during the civil war, the port is to be restored to prosperity by an international partnership of foreign investors and the government of Mozambique.

This is apparently the first port project in Africa based on the Public Private Partnership (PPP) model. The government of Mozambique has awarded the concession to manage the port to the Maputo Port Development Company (MPDC), which is 51% owned by an international consortium of foreign investors. State-owned Mozambique Ports and Railways owns 33% of MPDC.

The group of financiers is led by Standard Corporate and Merchant Bank of South Africa. The others include the Development Bank of Southern Africa, the development finance companies of the Netherlands and Sweden, FMO and Swedfund, and the Nordic Development Fund NDF. Finnfund is providing mezzanine finance worth 3 million U.S. dollars.

Private company manages port operations

MPDC is run by an international consortium led by one of Britain's largest port operators, Mersey Docks and Harbour Company. Other consortium members are the Nordic construction company Skanska, the Portuguese port operator Liscont and its Mozambique partner Gestores.

The government of Mozambique has been planning to transfer Maputo port operations to private hands since the end of the 1990s. MPDC, formed after long negotiations and a tendering competition, took charge of the port in April 2003.

The MPDC concession is for fifteen years, after which the company has a further option to continue managing the port for another ten years. Mersey Docks and Harbour Company has said it will invest about $70 million in developing Maputo port.

Complete renovation for dilapidated port

MPDC's first job was to begin full-scale modernization and repair of the port. It is a sign of its state that only two of the port's loading cranes were at all operational and they dated from the early twentieth century.

The main contractor in ongoing renovation work is Skanska. The value of the project is about 30 million dollars. In addition to modernizing quays and port equipment, new tugs are being acquired, and transport connections by road and rail with neighboring countries are being upgraded.

Southern African freight junctions

MPDC aims to raise the amount of freight passing through Maputo to more than 13 million tonnes a year during the fifteen years of its concession. This means that present freight volumes would be trebled.

Maputo has traditionally been one of the most important ports of southern Africa. Before the Civil War in Mozambique, which began in 1975, the port handled as much as 17 million tonnes of freight each year. The war reduced this to a couple of million tonnes.

The government of Mozambique also wants to use private finance to improve other national infrastructure. The main focus will be on developing transport connections in the Maputo corridor. Traversing the corridor to South Africa are the N4 highway and the Ressano Garcia railway line. Both will require complete modernization before they can be properly utilized.

The cost of upgrading the railway line alone is estimated at about 200 million South African Rand, or about 26 million euros. The government of Mozambique has given the railway operating concession to a South African company, Spoornet.

Port will be a profitable investment
Mozambique believes that upgrading traffic connections in the Maputo corridor will be a profitable investment both for the country itself and for foreign investors.

The port will improve access to world markets for products from Mozambique. Port modernization and operations will create new jobs and increase economic activity in the Maputo area.

The favorable location of the port is expected to attract companies not only from South Africa but also from landlocked Botswana, Swaziland and Zimbabwe. The three countries do not have their own ports, and Maputo offers them an alternative route for foreign trade and will let them reduce their dependency on transit traffic through South Africa.

But the biggest customers for Maputo port will be South African exporters and importers. From South Africa's economic powerhouse of Johannesburg, the journey to Maputo is about 500km, which is a slightly less than to its largest port city, Durban.

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European Development Finance Institutions (EDFI)

Finnfund has sister organizations in most European countries: Commonwealth Development Cooperation (CDC) in the UK, Netherlands Development Finance Company (FMO) in the Netherlands, Deutsche Investitions- und Etwichlungsgesellschaft m.b.H (DEG) in Germany, Swedfund in Sweden, etc. Collectively, these are known as the EDFI, the Association of European Development Finance Institutions. EDFI comprises 13 members that provide long-term finance for private-sector enterprises in developing and reforming economies.

Although the IFC, the private-sector arm of the World Bank, is much better known, EDFI members combined finance many more projects in Africa. Altogether, the EDFI has nearly EUR 2500 million invested in Africa, with most of that coming from the UK (CDC), France (Proparco), Germany (DEG) and the Netherlands (FMO).

Several of the EDFI members have considerable experience from and presence in Africa, either through their own offices or through their network of local partners. In much of Africa, the EDFI not only makes direct investments but is also closely involved in the development of the local financial sector, particularly the provision of long-term risk capital to private enterprises.

The EDFI members differ considerably from each other in terms of their approach, financial instruments, and the degree to which they are tied to co-investing with companies from their own country. Most of the EDFI members can invest in projects sponsored by Finnish companies or their local partners, particularly if Finnfund also participates in sharing the risks. Several examples exist of projects, in Africa and elsewhere, where funding by one or more EDFI members has been used to finance procurement from Finnish companies.

For more information on the EDFI: http://www.edfi.be

European Financing Partners (EFP)

European Financing Partners is a co-financing arrangement that operates under the Cotonou Agreement. It is targeted at ACP (Africa, Caribbean and Pacific) countries, with some three-quarters of the investments likely to be made in Africa.

Under the Cotonou Agreement, considerable resources provided by the European governments are earmarked for private-sector development and managed by the European Investment Bank (EIB). Given its primary focus on public-sector lending in Europe, the EIB has limited capacity for private-sector lending in Africa. EFP is an arrangement through which the EIB "outsources" part of the project identification and appraisal work by providing financial leverage for investments made by EDFI members.

In practice, EFP is a mechanism through which EDFI members, such as Finnfund, can get matching co-financing on identical terms from other EDFI members and from the EIB for their investments. If, for instance, Finnfund identifies an investment opportunity that meets its investment criteria but needs EUR 20 million, whereas Finnfund could prudently take only an exposure of EUR 5 million, EFP could be used to source the remaining EUR 15 million for the project.

For more information on EFP: http://www.edfi.be

NORSAD

NORSAD is a relatively small (roughly one-half of Finnfund's size) development financing institution located in Lusaka, Zambia. It operates in Southern Africa (Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe). NORSAD's capital has been provided by four Nordic countries (Denmark, Finland, Norway and Sweden). Finnfund represents Finland on NORSAD's Board of Directors.

NORSAD provides foreign currency loans to small and medium-sized enterprises in Southern Africa. Typically its loans range from EUR 300,000 to EUR 3 million. In some cases, NORSAD channels its funds through intermediaries, such as leasing companies. Until recently the eligibility criteria included "Nordic link", but this requirement has now been dropped.

NORSAD finances both start-ups and established companies seeking to expand their operations. The funds can be used for capital investments, importation of machinery and working capital. NORSAD has no specific industry focus but does not finance pure trade activities.

NORSAD encourages co-financing and prefers to work with Finnfund or other Finnish co-financiers when financing projects with Finnish sponsors or with other major links to Finnish business.

More information on NORSAD: http://www.norsad.org

Concessional Credit Scheme in Finnish Development Cooperation

A concessional credit is an export credit for deliveries manufactured mainly in Finland, which is supported by an interest subsidy. The interest subsidy is paid from Finland's development cooperation funds. The recipient of the credit pays no interest. Concessional credits can be granted to Low-Income Countries and Lower Middle-Income Countries to support the economic and social development of these countries.

The decision on interest subsidy for a concessional credit is made by the Ministry for Foreign Affairs. Concessional credits need to be guaranteed by Finnvera (official Export Credit Agency of Finland). All banks operating in the European Economic Area can act as lenders; however, the lender is chosen by the exporter.

Recipient countries

Concessional credits can be issued to Low-Income Countries and Lower Middle-Income Countries whose GNI (Gross National Income) per capita is less than USD 3035 (valid until July 2005) excluding countries with the UN's Least Developed Country status. Recipient countries' creditworthiness must be acceptable to Finnvera.

Projects

Traditionally, the demand for concessional credits in Africa has been low. The Finnish Government's White Paper on Development Policy of 2004 emphasizes the need to diversify the use of the concessional credits geographically. The instrument is regarded especially useful in those long-term partner countries and other countries where transition strategies are applied. The White Paper also focuses on the strengthening of the links between concessional credits and other development cooperation. The Government Resolution on Development Cooperation further stresses the importance of compatibility with the partner country's own development plans and suggests more technical assistance to be directed for project preparation. Concessional credit in on instruments serving primarily commercial and economic cooperation and enhancing the participation of the Finnish business community in development cooperation. Since the projects are partly funded out of the Government's official development cooperation budget, they must comply with the Development Policy of Finland.

The projects must also be in compliance with the OECD Arrangement on Guidelines for Officially Supported Export Credits. The issuance of a concessional credit to a project is conditional upon the fact that the project is commercially non-viable. However, small industrial projects worth less than SDR 2 million (Special Drawing Rights) (~ EUR 2.4 million) can be financed with concessional credits even if they are commercially viable.

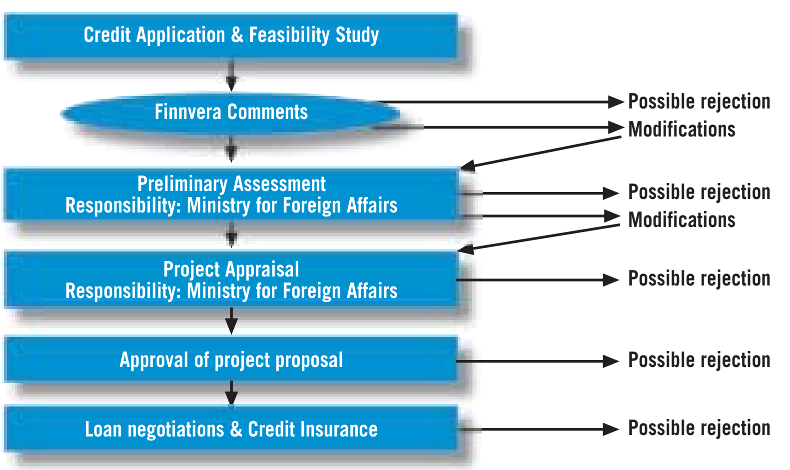
The Finnish content of an export delivery financed with a concessional credit must be approximately 50% of the total. However, if a project to be financed is located in a high-risk country, a higher Finnish content can also be required.

The procurement rules in the recipient country must be taken into account when concluding the trade agreement. International Competitive Bidding (ICB), Limited International Bidding (LIB) or direct consultations between more than one party submitting an offer may be required in the recipient countries. Unless no actual competitive bidding has been arranged, the Ministry for Foreign Affairs when assessing the project verifies that the prices concur with the world market prices.

Credits

The credit amount is usually 100% of the contract amount and the interest rate is 0%. The repayment period of concessional credits varies between 10 and 15 years. Finnvera's buyer credit guarantee is issued to the lender and the cover percentage is 100%. According to the OECD rules, the concessionality level of financing package must be 35% minimum.

Concessional Credit Process



Source: Finnvera

Finnvera's guarantee premium depends on the classification of the recipient country, the length of the risk period and the type of borrower (sovereign, bank or corporate risk). The Ministry for Foreign Affairs will pay out the portion of the guarantee premium exceeding 6% flat. The remaining portion of 6% of the guarantee premium may be included in the credit amount subject to the approval of the Ministry for Foreign Affairs. Also, in countries where the guarantee premium does not exceed 6%, the premium may be included in the credit amount subject to the Ministry for Foreign Affairs approval.

Application procedures and the handling process

The handling process begins when an exporter or lender applies for Finnvera's buyer credit guarantee. A feasibility study should be attached to the application.

Finnvera first assesses the project's eligibility for a concessional credit and the creditworthiness of the borrower and/or guarantor. The Finnvera statement and copies of the guarantee application and the feasibility study will be sent to the Ministry for Foreign Affairs. Finnvera's statement contains preliminary conditions for the issuance of the guarantee. The Ministry for Foreign Affairs conducts a project appraisal and makes the final decision concerning the applicability or inapplicability of an interest subsidy to the project.

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EIT Appropriation

The EIT Appropriation ("TTT- määräraha") is a funding mechanism provided by the Ministry for Foreign Affairs of Finland. Allocations are directed into economic, industrial and technological projects in developing countries (as defined by the OECD/DAC). The aim of the projects should be to promote economic development and welfare and they should include economic and industrial cooperation or technology transfer. The appropriation is meant to be seed money for long-term and commercially viable cooperation projects. Allocations for new appropriations in 2004 amount to EUR 2.2 million.

Financing Principles

The EIT Appropriation is included in Finland's official development cooperation funds and it is intended for setting up long-term commercial cooperation projects. Eligible applicants for the allocations are Finnish companies and institutions that are not financed through public funds. Priority is given to application from SMEs, and to projects that include an element of innovation or that utilize Finnish expertise. The EIT Appropriation facility is available for feasibility studies, training, acquiring expertise services, and planning costs. Allocations do not normally exceed 50% of total project cost, and the applicant company or institution is expected to contribute to the funding.

Opportunities for Finnish Companies
As the EIT Appropriation is intended for use in creating the basis for new projects, applications should be submitted when a cooperation project is in view but not yet confirmed, or when a feasibility study is required before the project can be established. Free-form applications should include the following information: data on the applicant company or institution, a project description, an assessment of cooperation objectives, the project schedule, the estimated budget and financing plan, and information on whether other public funding has been applied for. When evaluating the application, the development, social and environmental contributions will be taken into account.

Financing Conditions
Eligible projects must be economically profitable and there should be a connection with already identified cooperation projects. Allocations are not granted to cover costs that have incurred before an application has been submitted or the costs for general marketing.

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CASE: LCPROF LTD. IN SOUTH AFRICA

LCProf Ltd is a company that produces web-based learning and collaboration environments and also provides consultancy and training on e-learning. The mission of the company is to support its partners in their adoption of appropriate web technologies that will serve collaborative learning as well as the management of the intellectual capital of the organization. The LCProf Learning Management System is available in various license modes, including an Open Sources license.

In the spring of 2003 LCProf Ltd participated in a ”building business partnerships” pilot program that was organized by the Ministry for Foreign Affairs of Finland to establish SME linkages between Finland and South Africa. As a continuation of that project, in the autumn 2003 LCProf started the project “Affordable e-Learning Services for Africa” together with a South African learning service company, Sophos Pty. The aim of the project was to develop a culturally and pedagogically appropriate e-Learning business concept that is also economically affordable and can be applied to other contexts in other developing countries. The project implementation was based on an LCProf learning management system that was adapted to the South African educational culture as much as possible keeping in mind that it should still be appropriate for other countries as well. It was also converted to fit the Open Source software concept.

The role of LCProf Ltd was to provide consultancy and training for the Sophos staff and also to realize the software development during the project. Sophos Pty provided testing with actual customers in South Africa. It also organized a feasibility study among the customers providing feedback that served the development of the software features but also the “Open Source” business concept. LCProf Ltd will develop the business concept further to harness the potential of Open Source based e-Learning in other countries and to help local SME partners to start their e-Business in the education sector.

The implementation of the project included several steps. The first step was to adapt the existing LCProf learning management system and the ASP business concept to operate seamlessly within the South African education and training environment and the technical and economic context. The adaptation required piloting of the system and the business concept in actual educational institutions, training of the local staff in the pilot institutions and evaluation of the experience. The implementation of the project was realized in the form of consultative steps consisting of collaborative planning with the South-African partner, adaptation of the technical system, training, evaluation and reporting.

The project was supported by the Ministry for Foreign Affairs in a form of so called “EIT appropriation”. The purpose of the grant is to support economic, industrial and technological cooperation with developing countries. Grants can be allocated to projects that are implemented in developing countries and that aim to contribute to economic development and welfare in developing countries. Grants are available to Finnish companies, institutions and communities that are not publicly funded, applications from SMEs are preferred. As the grant is intended be seed money for a long-term commercial-based cooperation, the project partners will explore the possibilities of extending the collaboration to other Southern African countries in the future.

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COMMERCIAL BANKS IN FINLAND

Commercial banks in the private sector are an important source of funding for companies interested in business opportunities abroad. In basic trade financing, commercial banks are sometimes the only partner needed, and in larger projects commercial banks can be part of a financing group.

Danske Bank

Danske Bank has a long-standing history of handling international trade transactions as well as providing tailor-made trade solutions for a large number of corporate clients in Northern Europe. Trade Finance in Danske Bank offers services for handling trade finance transactions with more than 150 countries worldwide.

Danske Bank has an extensive correspondent relationship with local banks and for most of the countries Danske Bank has relations with 80% of the banking sector. Danske Bank aims to provide in-depth knowledge of each country's banking sector in helping to facilitate the export and import transactions of corporate clients.

Trade Finance processing units are located in the major Scandinavian cities Helsinki, Stockholm, Gothenburg, Oslo, Trondheim and Copenhagen (head office) and also in Hamburg and London. Danske Bank aims to combine local service adapted to local market requirements with Danske Bank Group's vast experience and technical knowledge of Trade Finance products.

Furthermore, Danske Bank is a member of the International Chamber of Commerce, (ICC) where the Trade Finance Department plays an active role in the work of the Commission on Banking Technique and Practice. Danske Bank has been represented in the commission for many years and been part of the task force creating the reimbursement rules (URR525) and co-chairing the task force which developed the International Standard Banking Practice for Documents under Documentary Credits (ISBP). The Danske Bank representative in the ICC also serves as an expert under the DOCDEX rules resolving disputes between banks over document issues.

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HSH Nordbank AG

HSH Nordbank AG was established in June 2003 as a result of the merger of two German banks, Landesbank Schleswig-Holstein Girozentrale and Hamburgische Landesbank. The bank's core businesses include Shipping, Corporate Clients and Structured Financing among other functions. The bank operates with twin headquarters in Hamburg and Kiel. As a leading northern European commercial bank focusing on the Baltic Sea region, HSH Nordbank AG has branches and offices in Copenhagen, Helsinki, Stockholm, Oslo, Tallinn, Riga and Warsaw. Besides the offices located in the most important international financial and business centers, it has a presence in four locations in Asia.

In Finland, HSH Nordbank is one of the leading providers of export and project financing. In 2002, the bank purchased a major export credit portfolio from Sampo Bank plc, and has continued to further develop the portfolio. It provides medium to long-term financing to the buyers of Finnish capital goods and services and to projects otherwise involving Finnish interest. In Africa, HSH Nordbank has participated in the financing of selected projects, mostly together with export credit agencies or multilateral financing institutions. Given its long-term experience from working with the German as well as the different Nordic export credit agencies, it is well positioned to provide multi-sourced financing for different types of investment projects.

HSH Nordbank is a reliable and highly competent partner delivering flexibility and speed coupled with individual solutions.

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Nordea Bank Finland Plc

Nordea Bank Finland Plc, formerly Merita Bank Plc and now part of Nordea Bank AB, is the largest financial services group in the Nordic and Baltic Sea region.

Nordea and its predecessors have longstanding relationships with several banks throughout Africa and have an in-depth knowledge of the different countries. Nordea's customers are mainly Nordic companies, their affiliates doing business in Africa, as well as local and regional customers of the Nordic customers.

Nordea has extensive experience in trade, export and project finance, with a portfolio and a vast network of contacts extending to all major markets in the region. Nordea is also a provider of Nordic Concessional Credits for the African market. In addition, Nordea has considerable experience in cooperation with multilateral agencies and a proven ability to structure multi-sourced financing.

Nordea is capable of handling substantial country and bank risks facilitating the structuring of transactions. These capabilities are available for Africa-related business throughout the Nordea network. Key products and services include:

- Payment and cash management
- Documentary credits and collections
- Export and project finance
- Concessional Credits (“Soft Loans”)
- Financing of imports and receivable
- Discounting bills and forfaiting.

Through the cooperation with banks in Africa, Nordea can assist customers in:

- Introduction to local banks and authorities
- Financing transactions
- Negotiation of payment terms
- Information on the local banking market.

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OKO Bank

The OKO Bank can offer the appropriate experts to countries in Africa to ensure that operations follow the correct commercial procedures.

To maximize a company's success in international trade, OKO Bank provides comprehensive trade finance products for exporters and importers such as

- L/C confirmations, L/C financing, L/C discounting
- Forfaiting
- Standby L/C and Guarantees
- L/C issuance and financing
- Documentary collections

In order to meet the local requirements in Africa, OKO Bank has established strong relationships with banks operating in the region. When required, OKO Bank will negotiate directly with the buyer's or seller's bank to ascertain the needs of all the parties involved.

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Sampo Bank

Sampo Bank plc belongs to the Sampo Group, which offers the entire range of banking, insurance and investment banking services to its retail, corporate and institutional customers. The Sampo Group operates also in the Baltic Sea region and in Poland.

Sampo Bank's services are provided throughout Finland to retail and corporate customers. The global network for correspondent banks comprises account relations with almost all markets including Africa.

In addition to domestic and international payment and cash management services, Sampo Bank provides its corporate customers and its foreign correspondent banks trade with finance services such as:

- Export and import letters of credit
- L/C confirmations
- L/C financing – discounting and post-financing
- Forfaiting
- Post- and pre-export financing
- Documentary collections
- Risk participations
- Bank guarantees.

Sampo Bank plc also provides its customers with structuring, consultancy and training services related to their trade needs. Sampo Bank plc has a comprehensive network of correspondent banks in African countries through which it serves the needs of its customers for payments and trade finance.

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8. Regional Financial Institutions in Africa

African Trade Insurance Agency

P.O. Box 10620, 00100-GPO, Nairobi, Kenya.
Tel: +254-20-2719727/2726999.
Fax +254-20-2719701
Safaricom: +254 722 205007.
Kencell: +254 733 625511
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Banque de Developpement des Etats de l'Afrique Centrale (B.D.E.A.C)

Place du Gouvernement – B.P. 1177 – Brazzaville, Congo
Téléphone : (242) 81 18 85 – Fax : (242) 81 18 80
E-mail: bdeac@bdeac.org

Development Bank of Southern Africa

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Tel: +27 11 313 3911
Fax: +27 11 313 3086

East African Development Bank

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Resident Manager Kenya
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Uganda

West African Development Bank

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LOME ~ TOGO
Téléphone: (228) 221.59.06 / 221.42.44 / 221.01.13
Télex: 5289 BOAD TG / 5336 BOAD TG
Télécopie: (228) 221.52.67 / 221.72.69
E-mail: boadsiege@boad.org

9. Islamic Development Bank

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P.O. Box. 5003 Rabat Morocco
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LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific countries
AfDB	African Development Bank
AfDF	African Development Fund
APDF	African Project Development Facility
ATI	African Trade Insurance Agency
AWF	African Water Facility
BDEAC	Central African States Development Bank
BDP	Business Development Programs
BEE	Business Enabling Environment
BOAD	West African Development Bank
CAA	Company Advisory Assistance
CAS	Country Assistance Strategy
CDC	Commonwealth Development Cooperation
CDE	Center for the Development of Enterprises
CFS	Complimentary Financing Scheme
CSPs	Country Strategy and Programs
CTF	Consultant Trust Fund
DAC	Development Assistance Committee
DBSA	Development Bank of Southern Africa
DEG	Deutsche Investitions- und Entwichlungsgesellschaft m.f.G
DG	Directorate-General
dgMarket	Development Gateway Market
EADB	East African Development Bank
EC	European Community
ECA	Export Credit Agency
EBRD	European Bank for Reconstruction and Development
EDF	European Development Fund
EDFI	Association of the European Development Finance Institutions
EFP	European Financing Partners
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EOI	Expression of Interest
EPA	Economic Partnership Agreemen
ESIPP	European SADC Investment Promotion Program
EU	European Union
FAO	Food and Agriculture Organization
FEC	Finnish Export Credit
FIDE	Finnish Export Finance Development
FDI	Foreign Direct Investment
FMO	Netherlands Development Finance Company
FSL	Fixed-spread loans
FY	Fiscal Year
GEF	Global Environmental Facility

GNI	Gross National Income
GPN	General Procurement Notice
HIPC	Heavily Indebted Poor Countries
IAEA	International Atomic Energy Agency
IAPSO	Inter-Agency Procurement Service Office
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICC	International Chamber of Commerce
ICT	Information and Communications Technology
IDA	International Development Association
IDB	Islamic Development Bank
IFB	Invitations for Bids (World Bank Group)
IFC	International Finance Corporation
ILO	International Labor Organization
IMO	International Maritime Organization
IPS	Industrial Promotion Services
ITB	Invitation to Bid (United Nations)
JV	Joint Venture
KFAED	Kuwait Fund for Arab Economic Development
KPLC	Kenya Power and Lightning Co. Ltd.
LDCs	Less Developed Countries
LIB	Limited International Bidding
LMIC	Low-Income or Lower Middle-Income Countries
MADER	Ministry for Agriculture and Rural Development of Mozambique
MIGA	Multilateral Investment Guarantee Agency
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
MED	Euro-Mediterranean Partnership
MENA	Middle East and North Africa region
MFA	Ministry for Foreign Affairs
MIGA	Multilateral Investment Guarantee Agency
MOS	Monthly Operational Summaries
NAED	North Africa Enterprise Development
NCB	National Competitive Bidding
NDF	Nordic Development Fund
NEFCO	Nordic Environment Finance Corporation
NEPAD	New Partnership for Africa's Development
NIB	Nordic Investment Bank
NGO	Non-Governmental Organization
Nopef	Nordic Project Fund
NTF	Nigeria Trust Fund
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development

PAD	Project Appraisal Document
PAS	Project Advisory Services
PCG	Partial Credit Guarantee
PDF	Project Development Facility
PID	Project Information Document
PIL	Project Investment Loan
PIU	Project-Implementation Unit
PPA	Power Purchase Agreement
PRG	Partial Risk Guarantee
PSA	Payment Security Agreement
PRSP	Poverty Reduction Strategy Paper
QCBS	Quality and Cost-Based Selection
RFP	Request for Proposals
RFQ	Request for Quotation
RRPs	Reports and Recommendations to the President
RSP	Regional Strategy Paper
RWSSI	Rural Water Supply and Sanitation Initiative
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAR	Staff Appraisal Report
SFF	Structured Finance Facility
SME	Small and Medium-Size Enterprises
SPN	Specific Procurement Notice
SSP	Sector Strategy Paper
TA	Technical Assistance
TF	Trust Fund
TFFP	Trade Finance Facility Program
UN	United Nations
UNCSD	United Nations Common Supply Database
UNDB	United Nations Development Business
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
UNPD	United Nations Procurement Division
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
WDFS	Wärtsilä Development & Financial Services, Inc.
WFP	World Food Program
WHO	World Health Organization
WIPO	World Intellectual Property Organization

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Innocorp Oy/Sävypaino 2004