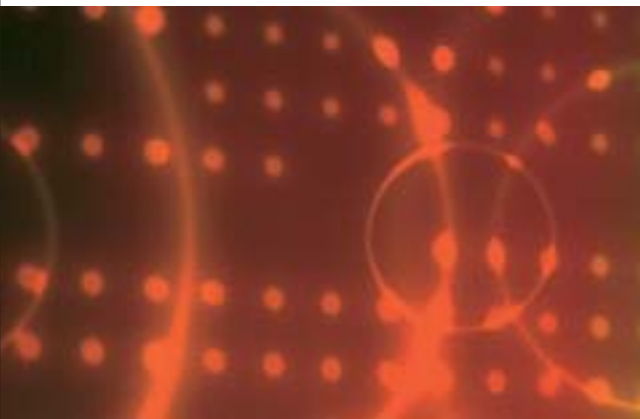




Financing Business Opportunities in
**Latin America and
the Caribbean**





List of Countries:

- Antigua and Barbuda
- Argentina
- Bahamas
- Barbados
- Belize
- Bolivia
- Brazil
- Chile
- Colombia
- Costa Rica
- Cuba
- Dominica
- Dominican Republic
- Ecuador
- El Salvador
- Grenada
- Guatemala
- Guyana
- Haiti
- Honduras
- Jamaica
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Saint Kitts and Nevis
- Santa Lucia
- Saint Vincent and the Grenadines
- Suriname
- Trinidad and Tobago
- Uruguay
- Venezuela

Subregional groups:

ALADI

Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela

Andean Community

Bolivia, Colombia, Ecuador, Peru, Venezuela

CACM

Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua

CARICOM

Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, Trinidad and Tobago

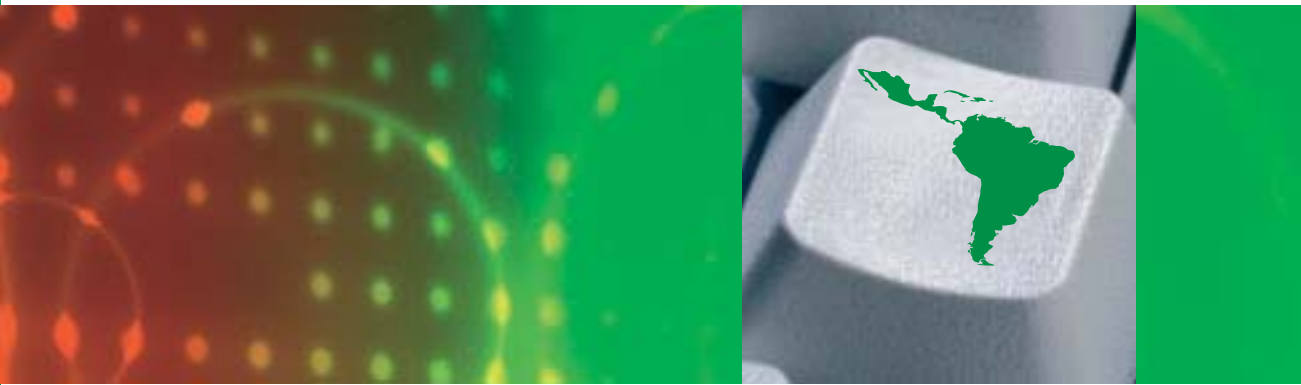
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Colombia, Mexico, Venezuela

Mercosur

Argentina, Brazil, Paraguay, Uruguay; Chile and Bolivia as external members

Financing Business Opportunities in
**Latin America and
the Caribbean**



LIST OF ABBREVIATIONS:

ACP	African-Caribbean-Pacific countries	IDA	International Development Association
ALADI	Latin American Integration Association	IDB	Inter-American Development Bank
CABEI	Central American Bank for Economic Integration	IFC	International Finance Corporation
CACM	Central American Common Market	IIC	Inter-American Investment Corporation
CAETF	Central American Emergency Trust Fund	LAC	Latin America and the Caribbean
CAF	Andean Development Corporation	LDMC	Least Developed Member Countries
CAN	Andean Community	LIB	Limited International Bidding
CARICOM	Caribbean Community	LMIC	Low-Income or Lower Middle-Income Countries
CAS	Country Assistance Strategy	MERCOSUR	Southern Common Market
CBF	Capacity Building Facility	MIF	Multilateral Investment Fund
CDB	Caribbean Development Bank	MIGA	Multilateral Investment Guarantee Agency
CDE	Centre for the Development of Enterprises	MDGs	Millennium Development Goals
CIRR	Commercial Interest Reference Rate	NCB	National Competitive Bidding
CSP	Country Strategy Paper	NDF	Nordic Development Fund
CTF	Consultant Trust Fund	NEFCO	Nordic Environment Finance Corporation
DAC	Development Assistance Committee	NIB	Nordic Investment Bank
EC	European Community	NIP	National Indicative Programme
ECA	Export Credit Agency	NOPEF	Nordic Project Fund
EDF	European Development Fund	OCT	Overseas Countries and Territories
EIB	European Investment Bank	PAHO	Pan-American Health Organisation
EPA	Economic Partnership Agreement	PIL	Project Investment Loans
EU	European Union	PDF	Project Development Facility
FIDE	Finnish Export Finance Development	PRSP	Poverty Reduction Strategy Paper
FSL	Fixed-spread Loans	RFP	Request For Proposals
FSO	Fund for Special Operations	RIP	Regional Indicative Programme
FY	Financial Year	RSP	Regional Strategy Paper
GEF	Global Environmental Facility	SME	Small and Medium-Size Enterprise
HIPC	Heavily Indebted Poor Countries	SSP	Sector Strategy Paper
IBRD	International Bank for Reconstruction and Development	TATF	Technical Assistance Trust Funds
ICB	International Competitive Bidding	VSCLs	Variable-Rate Single Currency Loans

FOREWORD

Latin America and the Caribbean (LAC) constitute an interesting market area for Finnish companies, and the opportunities available are worth exploring. Trade between Finland and the LAC region is approximately 2-3 % of Finnish annual aggregate trade, although these figures represent direct trade only. When indirect exports, such as exports from Finnish companies located in Asia or the USA, are taken into account, the LAC's share of Finnish foreign trade increases. Finnish business investment is relatively low compared to that of other European countries and companies investing in the LAC region, but due to the rapid development of some of the Latin American economies, investments have recently increased. In addition to trade and investments, sales of Finnish services to the LAC region also have potential for growth. Increasing Finnish business interest in the LAC region has prompted Finpro and the Ministry for Foreign Affairs to compile this guide.

The purpose of this guide is to be a concise introduction to finding business and investment opportunities in the LAC region through different international institutions. The guide offers basic information about the banks, funds and other institutions that are actively involved in the area, as well as more extensive information about how Finnish companies can take advantage of their financing and other instruments. A contact and address list to help in contacting experts from Finpro, the Ministry for Foreign Affairs and financing institutions is included at the end of the guide.

Readers are encouraged to make further use of the sources and the contact information provided. Companies wishing to do business in the LAC region are also encouraged to introduce themselves to the financing institutions and to maintain constant contacts with key staff. The Ministry for Foreign Affairs and Finpro lend their full support to Finnish companies seeking to benefit from the LAC market. We look forward to expanding this foundation into a solid LAC business opportunities network.

Päivi Luostarinen

Ministry for Foreign Affairs

Pentti Kotiranta

Finpro, Project Advisory Services

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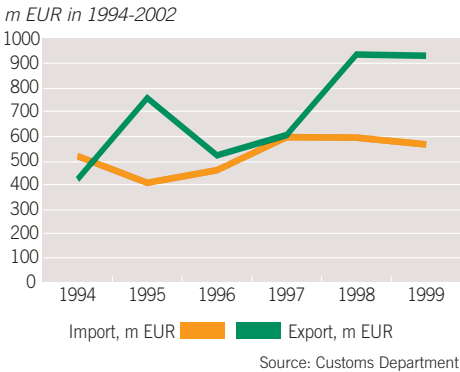
INTRODUCTION

Latin America and the Caribbean (LAC) is a very diverse region with 510 million people speaking Spanish, Portuguese, English, French and some 400 indigenous languages. The LAC region is also the most urbanised region in the developing world, with three-quarters of its population living in and around cities. Natural resources and agriculture are important for many of its economies. The average per capita income is almost USD 4,000 per annum. Despite its immense resources and dynamic societies, deep inequalities of wealth persist in most LAC countries, with almost one third of the region's people living in poverty. Out of a total population of 510 million, 168 million people live in poverty (defined as living on less than two dollars a day) and 77 million in extreme poverty (living on less than one dollar a day).

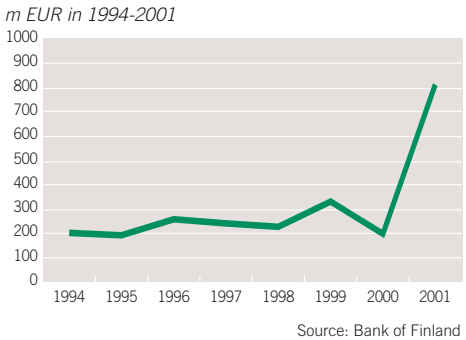
Despite such poverty, the region offers significant economic and business opportunities. Above all, business and the development of the private SME sector is crucial for the overall development of the LAC societies, enhancing their social and economic structures and consequently reducing poverty.

During the last decade, there have been important changes in the relations between Finland and the LAC region. As the economies of the region have stabilised and developed, economic relations have increasingly shifted towards business cooperation, instead of being built on development assistance only. Trade has shifted from importing and exporting raw materials and commodities to trading industrialised goods. As for investments, there are more Finnish companies actively investing in local industry than earlier. Countries with large economies like Brazil and Mexico are receiving most of the foreign direct investment.

Trade Between Finland and the LAC Region



Finnish Direct Investment to the LAC Region



In addition to the primary private sector financing provided by commercial banks, Finnish companies are encouraged to utilise the financing instruments for trade and investments in the LAC region that are available through national, international and EU instruments and programmes. One purpose of this guide is to present an overview of the opportunities available for selling Finnish services, know-how and technology to projects financed by international finance institutions in the region . The guide will also illustrate the possibilities for financing Finnish companies' own export and investment projects. However, opportunities also exist that are not covered in this book, namely the Latin American national finance institutions.

Financing Business Opportunities in Latin America and the Caribbean covers the World Bank Group, the Inter-American Development Bank Group, finance mechanisms of the European Union, some regional finance institutions, the Nordic “family” of financiers and Finnish sources for financing, also touching upon private sector sources . Information has been included to the extent that it has been considered relevant to the LAC region and Finnish companies.

Finland's Ministry for Foreign Affairs has prepared this guide in cooperation with Finpro. The guide was written by Finpro's Ms. Katariina Bastos, Project Manager for Latin America. The work is based on interviews with key people within the respective institutions and on information from publications and institutions' web pages. Interviews were conducted in Washington and Finland between December 2002 and February 2003. In addition, Mr. Tero Lausala, Ms. Anneli Virtanen and Ms. Heidi Kauppinen from Finpro Project Advisory Services have significantly contributed to this guide, and a number of specialists have provided comments throughout the preparatory work. Director Pasi Hellman and Assistant Programme Officer Anne Haavisto from the Ministry for Foreign Affairs have also contributed to the preparation process of this publication.

The Ministry for Foreign Affairs and Finpro actively support Finnish companies in making optimal use of the financing opportunities described in this guide.

The World Bank Group

1



- The primary aim of the World Bank Group's work in the LAC region is to eradicate poverty: this can be achieved in many ways e.g. 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 equipment supplies for IBRD / IDA financed projects in the LAC region. Most contracts are won through an international competitive bidding process;
- IFC is a potential financier for Finnish companies' industrial investments in the LAC region (debt, equity and other financial instruments);
- MIGA can insure non-commercial risks associated with Finnish companies' projects in the LAC region.

The World Bank Group finances 30 countries in the Latin America and the Caribbean, excluding Cuba.

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 IDA are one entity, commonly known as the World Bank, with the same staff and same procurement rules. For Finnish companies working in the LAC region, the most relevant parts of the World Bank Group are IBRD, IDA, IFC and MIGA.

The World Bank: Empowering poor people, improving the investment climate

The World Bank Group strategy in the LAC region has recently been revised. The main emphasis lies on poverty reduction, by empowering poor people and improving the investment climate. The goals are being achieved together with the recipient countries so that the Bank's loans and analytical work support local efforts by governments, civil society and the private sector. Importance is put also on the adjustments to respond quickly to urgent social needs prompted by events such as the economic crisis in Argentina, a slump in Caribbean tourism, and reconstruction in El Salvador after two earthquakes in 2001.

The Bank's efforts in the LAC region aim to implement the Millennium Goals, to be achieved by 2015:

- Eradicate extreme poverty and hunger.
- Achieve universal primary education in all countries.
- Promote gender equality and empower women.
- Reduce child mortality.
- Improve maternal and reproductive health services.
- Combat HIV/AIDS, malaria and other diseases.
- Ensure environmental sustainability.
- Develop a global partnership for development.

The World Bank's six priorities to fight the poverty:

- Education
- Financial Sector
- Distribution and social protection
- Institutional reform and governance
- Empowerment and inclusion of excluded groups
- Environmental sustainability

Examples of World Bank financed projects in the LAC region:

Fighting poverty by investing in and empowering people

In the Brazilian province of Sergipe, the Bank approved a project in 2002 that provides matching grants to rural community groups to finance about 1,000 small-scale projects that are creating jobs and improving the health and well-being of some 52,000 families. This project is part of a wide-ranging Bank-supported programme for all nine states in Brazil's north-east, and part of Minas Gerais, to combat rural poverty through decentralised approaches, driven by the local communities themselves. Similar community development projects are underway in Paraguay, Colombia, Ecuador, Honduras and Nicaragua, and will be extended to the Amazon region.

Expanding health coverage, fighting HIV/AIDS

In the Caribbean, the Bank is helping to attack the world's highest HIV prevalence rate outside sub-Saharan Africa, with a USD 155 million programme to support HIV/AIDS prevention and treatment programmes in several countries, including the Dominican Republic, Barbados and Jamaica.

Improving education

In El Salvador, three loans totalling USD 148 million have supported a community-managed schools programme (EDUCO) to strengthen pre-school and primary education, as well as a pro-

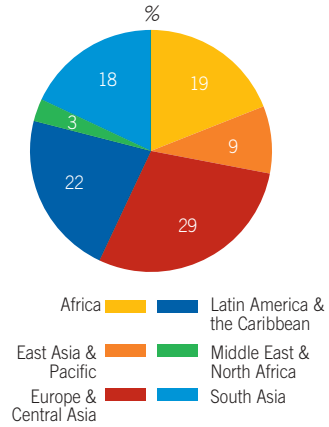
gramme for secondary education. EDUCO, which brought schools and teachers to many poor rural areas for the first time, has raised the country's primary enrolment to almost 85 per cent, up from 78 per cent in 1996. The EDUCO model has been used to develop similar projects in Guatemala and Honduras, also with Bank support.

Supporting natural disaster recovery and preparedness

In Mexico, St. Kitts & Nevis, St. Lucia, Dominica, Grenada, and St. Vincent and the Grenadines the Bank is supporting land-use planning, disaster preparedness and other prevention efforts in order to reduce the loss of life and property damage caused by natural disasters.

Total World Bank Lending Commitments

19.5 b USD in FY 2002



Strengthening the public sector

Lending to provincial and other sub-national governments has emerged as a major new Bank activity in the LAC region. The Bank is helping Argentina's Catamarca, Córdoba and Santa Fe provinces, for example, with loans totalling USD 707.7 million, to reform public finance and administration to ensure that decentralised health care, education, and public safety services are of high quality and accessible to the poor.

Financial sector & judicial reform

The Bank's support for public sector reform in the LAC region also includes financial and judicial systems. Major projects are under way to help countries rebuild and strengthen fragile financial systems affected or threatened by economic, financial and currency crises. Judicial reform is a key building block for better governance and building democratic societies. Latin American judiciaries face weaknesses in organisation, problems of corruption, inability to meet service demands, and low public confidence.

Protecting the Natural Environment

Environmental projects financed by the Bank include, for example, the Second National Environmental Programme in Brazil, a loan that helps the Ceará state government upgrade water conservation and implement reasonable prices for water use. Other examples of environmental projects are the Bio-diversity Protection Project in Bolivia and the Urban Air Pollution through the Clean Air Initiative for Latin American Cities.

Support for policy development

The Bank's Latin America and Caribbean department conducts extensive policy research in economics, public sector reform, health, education, social protection, the financial sector, infrastructure, rural and urban development, as well as environmental management, among others. In 2001-2002, a major study, "From Natural Resources to the Knowledge Economy - Trade and Job Quality" made the case that natural resources are an asset for the LAC countries seeking to create high-quality jobs in the knowledge economy.

For Finnish companies, these projects offer opportunities for sales of consultancy and engineering services (e.g. in forest management, health and education) as well as in the sales of equipment and supplies (e.g. ICT or construction equipment).

World Bank lending in Latin America and the Caribbean

In financial year 2002, the LAC region claimed the second-largest share of World Bank lending among regions, with USD 4.4 billion approved, down from USD 5.3 billion in financial year 2001.

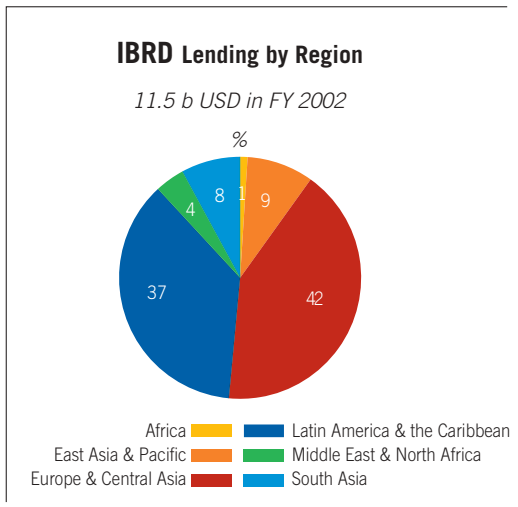
THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, IBRD

General Overview

The IBRD was established in 1945, and is owned by its 184 member countries through their capital subscriptions. The IBRD aims to reduce poverty in middle-income and creditworthy poorer countries. It offers loans, related derivative products, and guarantees to its borrowing member countries to help meet their development needs. It also provides technical assistance and other advisory services to support poverty reduction in these countries.

IBRD's profits fund several developmental activities and ensure financial strength, which enables low-cost borrowing in capital markets and good terms for borrowing clients. In financial year 2002 its cumulative lending totalled USD 371 billion and the lending volume amounted to USD 11.5 billion for 96 new operations in 40 countries.

In 2002, countries eligible for IBRD funding in Latin America were Antigua & Barbuda, Argentina, Belize, Brazil, Chile,



Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Jamaica, Mexico, Panama, Paraguay, Peru, St. Kitts and Nevis, Suriname, Trinidad and Tobago, Uruguay and Venezuela. The LAC region is the second most important target for the IBRD, with a share of 37 % of the Bank's lending that equalled approximately USD 4.3 billion in financial year 2002. Brazil is the World Bank's largest single borrower in the region.

Approved IBRD&IDA Assistance in the LAC region

<i>4 365,90 m USD in FY 2002</i>		
Country	Number of projects	m USD
Argentina	3	735
Bolivia	1	83
Brazil	11	1 566,20
Chile	2	99
Colombia	5	482
Costa Rica	1	17
Dominica	1	3,2
Ecuador	3	66,9
El Salvador	1	142,6
Grenada	1	3,8
Guatemala	3	184,8
Honduras	2	40,4
Jamaica	3	130
Mexico	4	660
Nicaragua	1	32,6
Panama	1	10,5
Paraguay	1	9
St. Kitts and Nevis	2	9,4
St. Lucia	3	20,9
St. Vincent and the Grenadines	2	9,1
Uruguay	2	60,5
Total	53	4 365,90

THE INTERNATIONAL DEVELOPMENT ASSOCIATION, IDA

General Overview

The International Development Association (IDA) was established in 1960 and it is the World Bank's concessional lending institution. IDA has 162 member countries and it helps the world's poorest countries to reduce poverty by providing interest-free loans with long maturities. IDA also provides technical assistance and policy advice for the poorest of the developing countries. IDA eligibility is a transitional arrangement, allowing the poorest countries access to substantial resources before they can obtain from the market the financing they need in order to invest. IDA lends to countries that have a per capita income in 2002 of less than USD 875 and lack the financial ability to borrow from IBRD. At present, 81 countries worldwide are eligible to borrow from IDA.

IDA in Latin America and the Caribbean

Nine countries in the LAC region are eligible to borrow from IDA, namely Bolivia, Dominica, Guyana, Grenada, Haiti, Honduras, Nicaragua, St. Lucia and St. Vincent. Of these nine countries, Honduras, Haiti and Nicaragua are eligible only for IDA funding, the others for a blend of IDA and IBRD funding.

In the LAC region, IDA credits are focused on the social sector, including support for social investment funds, primary and secondary education, health care, and social safety nets. IDA also supports reconstruction after natural disasters, water supply and sanitation, infrastructure, agriculture and rural development, as well as public sector reform and private sector development.

In financial year 2002 IDA's cumulative lending from the beginning reached USD 135 billion and its annual lending volume amounted to USD 8.1 billion. The LAC region represented only 2 % of IDA's regional portfolio.

Examples of IDA funded projects in the LAC region:

- Improvements in Haiti's devastated power sector have given users access to electricity for about 20 hours per day, in contrast to the previous situation of nearly 18 hours of blackouts daily.
- Rebuilding Post-Hurricane Mitch
- Reducing Telecom Costs in the Caribbean

Over the coming years, poverty reduction and the HIV/AIDS challenge are the main issues for IDA in the LAC's poorest countries. The Heavily Indebted Poor Countries (HIPC) Initiative of the World Bank covers Bolivia, Guyana, Honduras and Nicaragua.

Financing Principles and Conditions for IBRD and IDA Projects

Frameworks for operations for both of the institutions are determined by the Country Assistance Strategies (CASs) of the World Bank. CAS documents set out priority sectors and forms of cooperation and assistance that are linked to country performance. They are an excellent source of information on forthcoming business opportunities in LAC countries.

In general, IBRD grants loans either to a member country or to governmental authorities or enterprises in the member countries. The loans are intended to promote private investments and the use of resources for productive purposes.

All members that are creditworthy for IBRD lending and servicing their existing debt obligations to IBRD are eligible for new loans. If the loan is not granted directly to the member country, the member country must guarantee it. The borrower should submit to the IBRD that in the prevailing market conditions the borrower would be otherwise unable to obtain the loan. Loans granted are, except in special circumstances, for the purpose of specific reconstruction or development projects.

IDA provides both quick-disbursing support as well as longer-term project support, increasingly in the form of sectoral programmes, and provides budget support where appropriate. IDA does not provide financing if it is available from private sources or it could be provided by a loan granted by the IBRD. If the loan is not granted directly to a member country, a guarantee may be required.

Instruments and Services for IBRD and IDA

IBRD's financing instruments include various types of loans, such as Adaptable Programme Loans, Financial Intermediary Loans, Learning and Innovation Loans, Technical Assistance Loans, Fixed-spread Loans, and Variable-rate Single Currency Loans. From the point of view of procurement, the most relevant loans are Emergency Recovery Loans, Sector Investment and Maintenance Loans, and Specific Investment Loans. IBRD also provides technical assistance.

IDA's instruments are IDA credits, which are interest-free loans with 10-year grace periods and maturities of 35 to 40 years. IDA also provides technical assistance and policy advice to its clients.

Opportunities for Finnish Companies

The average annual lending commitments from IBRD and IDA of USD 20-25 billion generate upward of USD 50 billion a year in total project investments worldwide. With these funds, recipient countries purchase goods and equipment, construct civil works, and obtain consultancy services needed for projects. Each project can involve many separate contracts and business opportunities for suppliers, contractors, and consultants worldwide. Some 40,000 contracts are awarded each year to private companies.

Contracts range in size from several hundred million dollars (for major infrastructure or industrial plants) to a few thousand dollars (for supplies of small quantities of goods and services). Contracts are awarded, with few exceptions, through competitive procedures detailed in the Bank's procurement guidelines. Large and small companies can benefit from the business generated by the Bank Group's lending.

The Bank uses a variety of consulting services from individuals and companies at the headquarters or in country offices. Borrowers also call upon consulting services in relation to projects within their countries. Contracts are negotiated and managed by individual Bank staff or representatives of the government where projects are underway. Consulting companies may register on the DACON consultant database at <http://www.worldbank.org/html/opr/dacon/contents.html>

With regard to the supply of goods and works, the Bank seeks qualified vendors for supplying everything from printer toner cartridges to complex communications systems. Information on current business opportunities as well as on how to participate in projects can best be found at <http://www.worldbank.org/opportunities>.

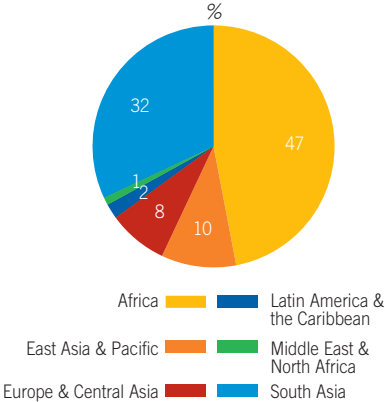
Companies interested in working with the World Bank can best identify business opportunities by actively contacting the Bank’s task managers in Washington as well as project coordinators in the country offices. The Bank is decentralising its decision-making to its country offices, so companies should actively contact staff there.

In the vast majority of World Bank projects, contracts are granted on the basis of international competitive bidding or similar competitive procedures. Finnish companies should actively promote themselves to the Project Implementation Unit and other officials of the target country for the IBRD loan or IDA credit.

For consultants looking to win trust fund contracts with the Bank, it may take a while to introduce their companies to the Bank, but after one good reference a company often stays on the “short-list”, provided that it maintains active contact with the Bank.

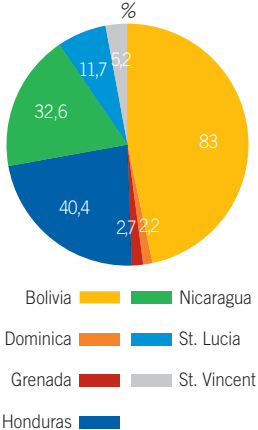
IDA Lending by Region

8.1 b USD in FY 2002



Approved IDA Assistance in the LAC region

177,8 m USD in FY 2002



Procurement for goods and works in IBRD and IDA-financed projects:

Detailed information on procurement of goods and services can be found in the *Guidelines: Procurement under IBRD Loans and IDA Credits* (<http://www.worldbank.org/html/opr/procure/guidelin.html>). The preferred method of bidding is International Competitive Bidding (ICB). The objective is to provide all eligible prospective bidders with timely and adequate notification of the borrower's requirements and an equal opportunity to bid for the required goods and works. The borrower is required to prepare a draft General Procurement Notice, which will be published in the UN's Development Business. The notice contains the essential information concerning the borrower, amount and purpose of the loan, scope of procurement under ICB, and the name and address of the borrower's agency responsible for procurement. Pre-qualification is usually necessary for large or complex works, or in any other circumstances in which the high costs of preparing detailed bids could discourage competition. This also ensures that invitations to bid are extended only to those who have adequate capabilities and resources.

Other methods include Limited International Bidding (LIB), which is a direct invitation without open call to tender. This is an appropriate method of procurement when the contract value is small, or when there are only a limited number of suppliers. National Competitive Bidding (NCB) is normally used for public procurement in the country of the borrower, and may be the most efficient and economical way of procuring goods or works that are unlikely to attract foreign competition. Shopping is a procurement method based on comparing price quotations obtained from several suppliers, usually at least three, to assure competitive prices, and is an appropriate method for the procurement of readily available off-the-shelf goods or standard specification commodities that are small in value.

Selection of consultants in IBRD and IDA-financed projects:

Detailed information on selection of consultants can be found in the *Guidelines: Selection and Employment of Consultants by World Bank Borrowers* (<http://www.worldbank.org/html/opr/consult/contents.html>). The recruitment of consultants is carried out either through International Competitive Bidding (ICB) or through other tendering methods and results in the drawing up of a short list. The short list, composed by the borrower, typically comprises three to six potential consulting companies with a wide geographical spread, with no more than two companies from any one country and at least one company from a developing country.

For a company interested in working with the Bank, it is necessary to be included in a short list. This is best done by contacting the institutions, borrowers and the Bank's local offices directly and promoting the company concerned.

Further Information

More information on IBRD and IDA projects and tenders from Finpro's Project Database: www.finpro.fi/projectdatabase

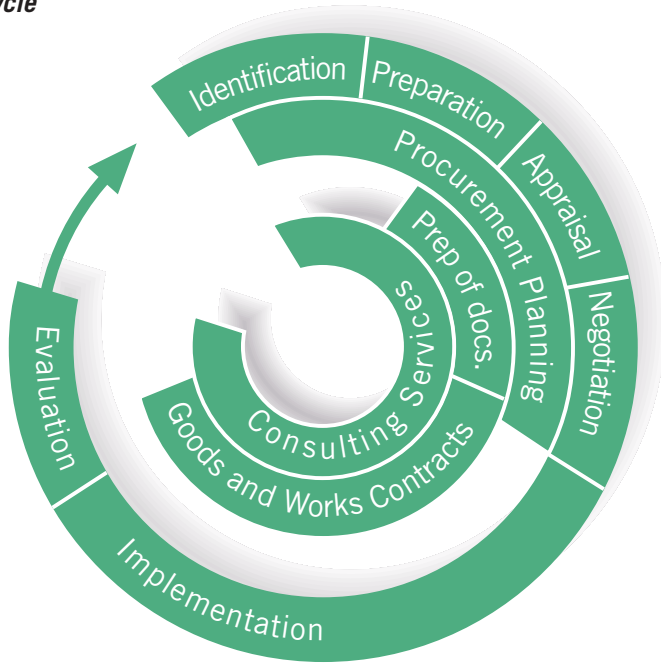
More information on IBRD: <http://www.worldbank.org/ibrd>

More information on IDA: www.worldbank.org/ida

More information on the HIPC Initiative: www.worldbank.org/hipc/

Phases of the Project Cycle

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



More information on IDA operations in Latin America and the Caribbean:

<http://siteresources.worldbank.org/IDA/Resources/Lamerika.pdf>

More information on IBRD and IDA procurement:

<http://www.worldbank.org/html/opr/procure/>

World Bank Project Search: www4.worldbank.org/sprojects/

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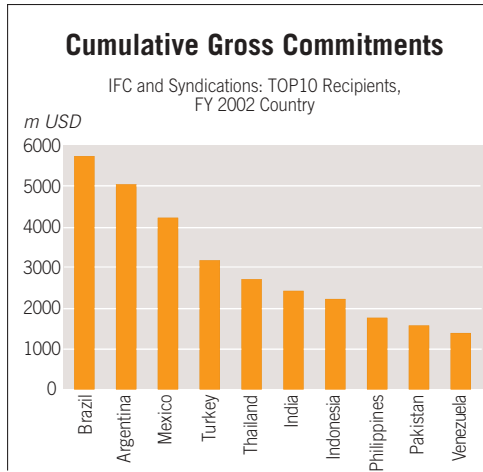
THE INTERNATIONAL FINANCE CORPORATION, IFC

General Overview

The International Finance Corporation (IFC) promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives. IFC was established in 1956 to provide financing for the private sector and is the private sector arm of the World Bank Group. IFC operates on a commercial basis and it invests exclusively in profitable projects charging market rates for its products and services.

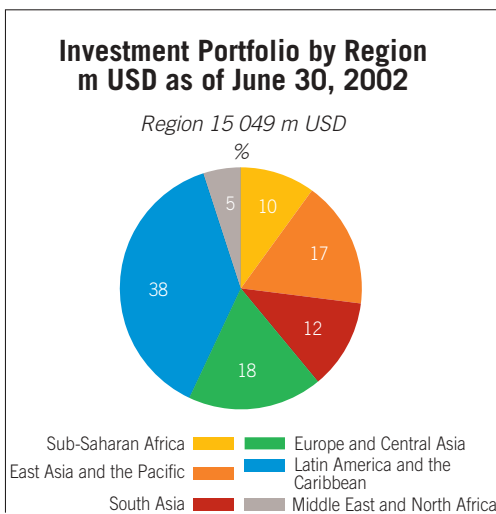
IFC has 175 member countries. It works with business partners, investing in sustainable private enterprises in developing countries and in projects in regions and sectors underserved

by private investment and considered too risky by commercial investors in the absence of IFC participation. IFC provides long-term loans, guarantees, risk management and advisory services to its clients. Since its foundation, IFC has committed more than USD 34 billion of its own funds and has arranged USD 21 billion in syndications for 2,825 companies in 140 developing countries. In financial year 2002, the new commitments amounted to USD 3.1 billion.



Financing Principles

IFC charges market rates for its products and does not accept government guarantees. IFC invests only in projects that have the potential for long-term viability, growth and profitability but that private financiers are not prepared to finance on their own. In order to be eligible for IFC funding, the project should be technically and financially viable, economically competitive, beneficial to the local people and environmentally sound. Private sector sponsors should also be prepared to invest their own capital. IFC's operational strategy is to focus on sectors that are profitable for investments and that also contribute to development. In the financial sector IFC focuses on assisting local businesses, especially small-scale enterprises, and building strong domestic financial institutions. Other sectors include manufacturing, infrastructure, tourism, health and education. IFC investments range from USD 1 million to USD 100 million.



IFC's strategy in low-income countries is to focus on sectors that have strong multiplier effects on development and limited access to capital. These sectors include financial markets, SMEs, infrastructure, information and communication technologies, and social sectors.

IFC in Latin America and the Caribbean

The total portfolio for the LAC region in financial year 2002 was USD 5.6 billion. Most of this financing was debt and equity, the rest being guarantees and risk management products. IFC is an important source of private financing for Latin American countries. As shown in the graph on the previous page, Latin American economies are some of IFC's largest customers.

Instruments and Services

1. Investment Products and Services

- Loans (A-loans) and Intermediary Services
- Syndicated loans (B-loans) for mobilisation of investment
- Equity and Quasi-Equity Investments (C-loans)
- Guarantees and Risk Management Products, which include credit guarantees on loans and bonds, trade enhancement and forfeiting facilities, and loan facilities.

2. Other Services

Advisory services and technical assistance constitute an important part of IFC's services. Advisory services are offered by two separate departments: *Private Sector Advisory Services* and the *Small and Medium Enterprise Department* (see box), a quite recently introduced joint department of the IFC and the World Bank. *Technical Assistance Trust Funds*, TATFs, are a good source of work for consultants.

The work of the *Private Sector Advisory Services*, jointly managed by IFC and the World Bank, is designed to improve the investment climate in member countries and the business practices of recipient companies. It covers policy issues, sector advice, and specific transactions. IFC's activity in this area includes advice on competition policy, privatisation structuring, and policy analysis of foreign investment issues.

Another jointly managed unit, the *Small and Medium Enterprise Department*, focuses on business environment issues, capacity building, and the development of innovative financing techniques. The IFC corporate governance programme advises on practices and policies at IFC investee companies, assists in addressing country-specific risks, and provides information on promoting strong corporate governance.

Technical assistance further complements IFC's investment activities by offering advisory and training services to governments and private companies. IFC manages special project development facilities that help small and medium enterprises. IFC also manages the *Technical Assistance Trust Funds* programme, which is supported by donor governments. These funds sponsor feasibility and sector studies, training initiatives, environmental and social review of projects, and advisory assignments to governments. Finland has been financing a trust fund in IFC with modest amounts, but its activities have been directed mostly to other regions than the LAC.

3. Resource Mobilisation:

The foundation of IFC's finance mobilisation efforts is the *B-loan programme* for syndicated loans. IFC also promotes foreign portfolio investment in developing countries by establishing and investing in a wide range of funds, such as private equity funds and debt funds that invest in emerging market securities issues.

Opportunities for Finnish Companies

IFC is a potential partner for Finnish companies planning to make industrial investments in the LAC region. IFC can participate in project financing on its own account, it can provide equity and guarantees as well as quasi-equity, and it can also work to put together financing packages through syndication with other international financiers as well as with commercial banks. IFC's B-loans carry an implicit guarantee against political risks.

IFC-funded projects also provide opportunities for contractors, subcontractors and exporters.

Technical Assistance Trust Funds offer opportunities for consultants in various subjects and fields. The IFC's SME Department and the Private Sector Development Department also offer possibilities for consultants.

Companies that are interested in working with IFC should be active and promote themselves to the right departments. Usually the consulting assignments are not financially significant enough to be contracted through public tenders, so contacting the departments and visiting them personally is vital. To introduce oneself to IFC takes some time, but after having acquired a good record a steady flow of assignments is possible. IFC needs qualified and professional consultants in various areas, including accounting and finance, capital markets, industry and sector specialists (forestry, environmental technology, education, health care and ICT). The SME Department in particular contracts consultants for smaller assignments on short notice, for example to conclude small surveys known as Maps.

The Small and Medium Enterprise Department is a department that has been established quite recently for the development of the SME sector. It offers technical assistance for the SME sector under two facilities: the Capacity Building Facility (CBF) and the Project Development Facility (PDF). So far the latter is still being organised with regard to Latin America and the Caribbean, but the former offers opportunities for consultants and exporters of services and goods.

The budget for the Capacity Building Facility is USD 7.1 million and is available for the following areas:

- General capacity building
- Information technologies
- Business environment
- Access-to-capital
- Linkage projects and Community Development

The technical assistance is so-called grant money. The CBF project proposal has to fulfil the following criteria for approval:

- Innovative, new concepts for big infrastructure projects.
- Possibility to use the same concept in other projects, replication
- Possibility to expand the project, economies to scale.

Example of a CBF Project:

- Yanacocha in Peru, USD 16.3 million: Improving regional content in gold mining contracts through targeted technical assistance, improved access to capital and capacity-building in non-mining skills.

Financing Conditions

To ensure the participation of investors and lenders from the private sector, IFC limits the total amount of own-account debt and equity financing it will provide for any single project. For new projects the maximum is 25% of the total estimated project costs, or, on an exceptional basis, up to 35% for small projects. For expansion projects IFC may provide up to 50 % of the project cost, provided its investments do not exceed 25 % of the total capitalisation of the project company. On average, for every dollar of IFC financing, other investors and lenders provide more than five dollars. Its funds may be used for permanent working capital or for foreign or local expenditures in any IBRD member country to acquire fixed assets. IFC does not usually provide direct financing to small and medium-sized enterprises but assists in creating intermediaries to provide capital and other services. As a rule, the enterprises financed by IFC must be majority private sector owned and controlled, although exceptions can be made for state-owned enterprises that are in the process of being privatised.

Further Information

More information on IFC: www.ifc.org/

More information on IFC in Latin America and the Caribbean, search by Projects for the Project List or Region for the Regional information and papers.

More information on applying for IFC financing:

www.ifc.org/proserv/apply/application/application.html

More information on Technical Assistance, also Consultant registration at <http://www.ifc.org/tatf/>

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THE MULTILATERAL INVESTMENT GUARANTEE AGENCY, MIGA

General Overview

The Multilateral Investment Guarantee Agency (MIGA) was created in 1988 as a member of the World Bank Group to promote foreign direct investment into emerging economies, in order to improve people's lives and reduce poverty. MIGA fulfils this mandate and contributes to development by offering insurance (guarantees) against non-commercial risks to investors and lenders, and by helping developing countries attract and retain private investment.

At the end of 2002, MIGA had 157 members, of which 137 were in developing countries. An additional 11 countries were being considered for membership. MIGA membership is open to all World Bank members.

MIGA has four guiding principles:

- Focusing on clients – serving investors, lenders, and host country governments by supporting private enterprise and promoting foreign investment;
- Engaging in partnerships – working with other insurers, government agencies, and international organisations to ensure complementarity of services and approach;
- Promoting developmental impact – striving to improve the lives of people in emerging economies, consistent with the goals of host countries and sound business, environmental, and social principles;
- Ensuring financial soundness – balancing developmental goals and financial objectives through prudent underwriting and sound risk management.

Financing Principles

MIGA works with other insurers, government agencies, and international organisations to ensure complementarity of services and approach and to encourage insurers to enter markets where they may not feel comfortable on their own. Finnvera is MIGA's partner in Finland. Most sectors are eligible for MIGA guarantees, including the financial sector, infrastructure, oil and gas, mining, telecommunications, services, agribusiness, and manufacturing. In addition to country risks, MIGA considers project risks, including such aspects as location, project visibility, the nature of the sector and its importance for the host country, financial viability, potential for earning export proceeds in freely convertible currency, environmental impact, and the participation of local partners as well as domestic and multilateral institutions.

Instruments and Services

MIGA offers Investment Guarantee Services and Investment Marketing Services. MIGA guarantees cover for:

- Transfer restriction
- Expropriation
- Breach of contract
- War and civil disturbance

Opportunities for Finnish Companies

Since MIGA covers only new investments, applicants seeking MIGA coverage should submit a confidential preliminary application before the investment is irrevocably committed. There is no fee charged for this. Once investment and financing plans are established, applicants submit a definitive application along with any relevant project documentation. A fee is charged for the definitive application. Depending on the project's complexity, MIGA typically issues guarantees within 3-4 months of receiving a definitive application.

Guarantee Conditions

In general, investors in MIGA member countries – other than the country in which the investment is being made – are eligible for MIGA guarantees. However, MIGA can insure an investment made by a national of a host country if the funds to be invested come from outside the country and the investor and the host country make the application for coverage jointly. Investments must be new and of at least three years in duration. New investments include start-ups, expansions, modernisation or financial restructuring of existing projects, and acquisitions involving privatisation of state enterprises. Projects eligible for guarantees must support the host country's development goals, comply with MIGA's guidelines on the environment, labour conditions, and corruption, and also be financially viable. Forms of eligible investments include equity interests, shareholder and non-shareholder loans, loan guarantees. MIGA currently has a limit of USD 420 million per country on a net basis. However, MIGA works closely with public and private insurers in order to increase its capacity limits. MIGA currently has an equity requirement for its guarantees, but this requirement is likely to be eliminated.

Further Information

More information on MIGA: www.miga.org

More information on MIGA guarantee applications:

www.miga.org/screens/infokits/infokits.htm

More information on MIGA projects: <http://www.miga.org/screens/projects/projects.htm>

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WORLD BANK TRUST FUNDS

The World Bank's trust funds are financial and administrative arrangements that facilitate grant funding of high priority development needs. Trust funds are accounted separately from the Bank's own resources and are defined through agreements between the World Bank, external donors, and the final recipients of grant funding. Trust funds help leverage poverty reduction programmes by funding key activities for development operations, promoting innovative approaches, forging partnerships, and expanding the scope of development collaboration.

Trust funds are classified in two categories, Consultant Trust Funds (CTFs) and other trust funds. CTFs can be used for technical assistance and advisory services, whereas the other trust funds can be used for larger entities, such as debt relief, post-conflict transition, and co-financing. In accordance with the new trust fund policy adopted as of 1 July 2002, only Consultant Trust Funds can be tied to supplies from specific countries (for example the Japan Policy and Human Resources Development Fund). All other trust funds are open to international competition. CTFs are often financed by a single donor and tied to supplies from this particular country, others being financed by several donors and untied what comes to the supplies.

As of the beginning of 2003, the World Bank administers more than 900 trust funds holding over USD 3 billion in trust. Trust funds vary greatly in size and volume.

Examples of World Bank trust funds:

- Consultative Group on International Agricultural Research (CGIAR)
- Consultative Group to Assist the Poorest (CGAP)
- Education for All (EFA)
- Energy Sector Management and Assistance Programme (ESMAP)
- Environment and Socially Sustainable Development (ESSD)
- Financial Sector Reform and Strengthening Initiative (FIRST)
- Global Distance Learning Centre (GDLN)
- Global Fund for Aids, Tuberculosis and Malaria (GFATM)
- Knowledge for Change Trust Fund
- Trust Fund for Capacity Building for Poverty Reduction Strategies in Low-Income Countries
- HIPC Initiative
- Global Environmental Facility (GEF)

Trust funds and Finland

Finland finances a number of thematically and geographically oriented trust funds at the World Bank. The funds are part of Finland's development cooperation and thus pass through the Ministry for Foreign Affairs. Decisions as to contributions to many of these funds have been influenced by the kind of Finnish expertise in these sectors that would be available to the Bank. However, all these funds, as well as those to which Finland does not contribute financially, are untied.

This means that companies and consultants from all World Bank member countries can compete in tendering.

Finnish-funded trust funds related to the LAC region:
Consultative Group on International Agricultural Research (CGIAR)
Consultative Group to Assist the Poorest (CGAP)
Energy Sector Management and Assistance Programme (ESMAP)
Environment and Socially Sustainable Development (ESSD)
Knowledge for Change Trust Fund
Prototype Carbon Fund (PCF)
World Bank Institute (WBI)

Opportunities for Finnish companies

The Bank uses a variety of consulting services from individuals and companies at its headquarters or in country offices. Borrowers also call on consulting services regarding projects within their countries. Contracts are negotiated and managed by individual Bank staff or representatives of the government where projects are under way. Consulting companies may register on the DACON consultant database at <http://www.worldbank.org/html/opr/dacon/contents.html>

It is also very important to contact the Bank's key staff personally, including task managers in the headquarters and project coordinators in the country offices. It is important to promote one's own company and its expertise.

Procurement rules are as described above for IBRD and IDA.

Further Information

More information on Trust Funds: <http://www.worldbank.org/rmc/tf/>

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Development Gateway

The Development Gateway (DG) is an interactive portal for information and knowledge sharing on sustainable development and poverty reduction. The Gateway covers many of the international donors, including the World Bank Group, the Inter-American Development Bank, EuropeAid, the OECD/DAC, the European Investment Bank, the IMF and many others. The portal includes, for example, basic information on the projects and tenders of these institutions. Further information can be obtained through Finpro.

Databases available:

- Development Projects: AiDA (Accessible Information on Development Activities) is an online source of public information on development activities in the world.
- Business Opportunities: dgMarket is a global marketplace providing information on tenders and procurement opportunities worldwide.
- Country Gateways are locally owned and operated initiatives that explore the use of information and communication technologies (ICT) for development in their countries.

Further information:

<http://www.developmentgateway.org/>

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<http://www.developmentgateway.org/>

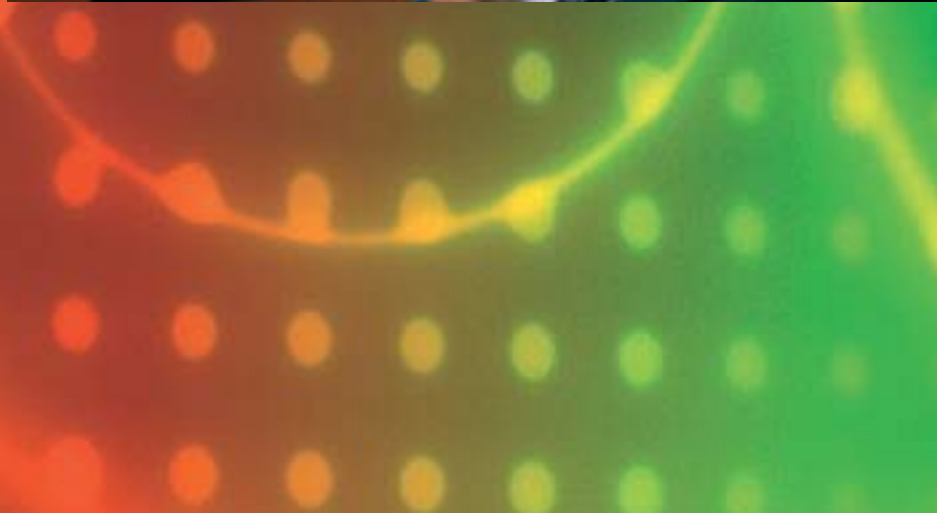
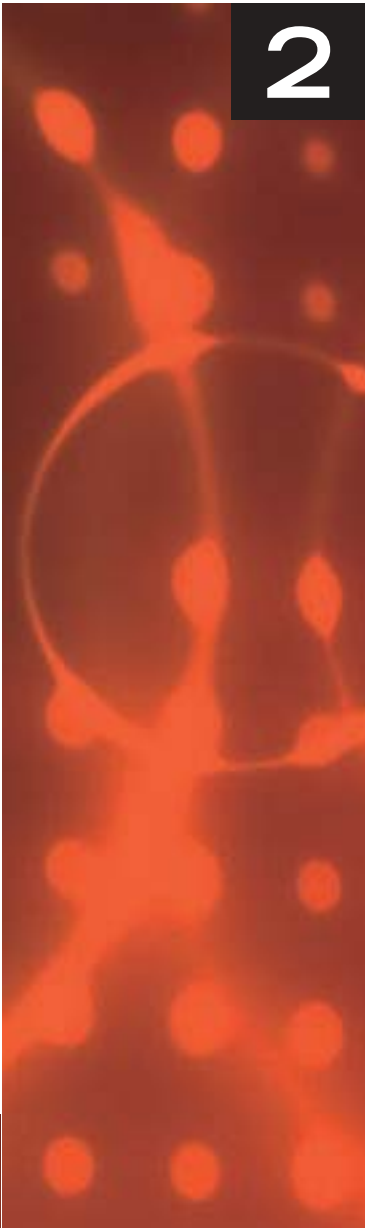
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Financial Mechanisms of the European Union

2



FINANCIAL MECHANISMS OF THE EUROPEAN UNION

- For Finnish companies, EU programmes provide opportunities to sell services and supplies in publicly tendered projects in the LAC region;
- EIB financing in the LAC region provides opportunities for Finnish companies to sell services and supplies and to get co-financing for investment projects;
- Together with its individual Member States, the EU is the largest provider of public bilateral aid to Latin America;
- As the second largest provider of foreign investment in Latin America, the EU has been a major contributor to public sector reform and private sector development;
- The EU has strongly decentralised its decision-making so that most of the project planning and contracting is carried out by local officials and EU delegations in the LAC region.

The European Union has established and developed links with Latin America since the 1960s. The relationship between the two continents has become increasingly important, especially since Spain and Portugal became members of the European Community in 1986.

EU relations with Latin American countries have developed concurrently on the national, regional and sub-continental levels. A full range of political and trade relations and cooperation agreements has been established. On the political level, there are the sub-continental agreements between the EU and the Rio Group and the strategic partnership between the EU and Latin America and the Caribbean (EU-LAC). On the regional level, the EU has signed separate agreements with Central America, the Andean Community and Mercosur. An association agreement is currently being negotiated between the EU and Mercosur. The EuropeAid Office Cooperation Office manages economic cooperation as well as development cooperation.

The EU has institutionalised relationships with several Latin American countries on a bilateral basis. Mexico now has a full association agreement, including free trade with the EU since 2001. An association and trade agreement with Chile is currently being ratified.

Within the European Commission, relations with Latin America are dealt with in DG External Relations. DG Development is responsible for cooperation with the ACP countries. Both DGs prepare multi-annual guidelines, such as country strategy papers (CSPs), regional strategy papers (RSPs), national indicative programmes (NIPs) and regional indicative programmes (RIPs).

The CSPs and NIPs define the cooperation between the Commission and each country concerned. These papers can be found at http://europa.eu.int/comm/external_relations/sp/index.htm.

The EuropeAid Cooperation Office (AIDCO) is responsible for the implementing the programmes. However, a major part of the planning and contracting has been decentralised to the EU delegations in the LAC region as well as to local officials.

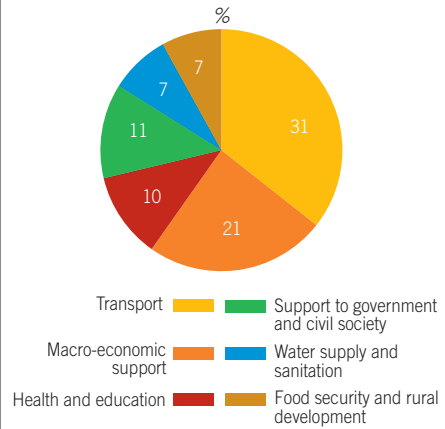
THE EUROPEAID COOPERATION OFFICE

The EuropeAid Cooperation Office manages EU external assistance, accounting for 10 % of official development assistance (ODA) worldwide. The Office was set up in 2000 in order to improve the management of European Commission external aid.

The Director-General of the Office is responsible for the overall resources entrusted to it from the EC budget and the European Development Fund. More than 150 countries, territories or organisations are beneficiaries of the aid managed by EuropeAid.

EuropeAid's activities encompass the European Development Fund (for ACP countries) and about 70 budget headings (for Latin America and others) based on over 80 separate pieces of legislation. These include, for example, the ALA Programme and horizontal programmes.

Main Priorities in Country Strategy Papers



CASE: PLANCENTER LTD

At the beginning of 2001 El Salvador suffered from two big earthquakes, which damaged both cities and rural areas. More than 1,100 people were killed, almost 8,000 injured and one and a half million survivors were affected by it in different ways. More than 60 % of these people were already living below the poverty line and the catastrophe reduced their quality of life even more and showed the social, economic and environmental vulnerability of the population to natural disasters.

After the catastrophe the European Commission introduced an “El Salvador Reconstruction Programme”. Its overall aim is to contribute to reconstruction and to maintaining and improving the quality of life of the people affected by the earthquakes. The programme's specific objective is to restore and improve the indexes of material and social development that existed before the catastrophe in the municipalities of the programme area, favouring participatory local development and reducing environmental vulnerability in the face of natural disasters. In order to implement this programme efficiently the EC issued a request for services of technical assistance through a framework contract, which was won by Plancenter Ltd.

Plancenter Ltd provided the services of a socio-economist, assigned to supervise and coordinate the start-up of a three-year programme and to carry out the basic studies required to move to the second phase of the programme – the implementation of building reconstruction.

Further information:

More information on EuropeAid: <http://europa.eu.int/comm/europeaid/>
Grants and tenders: http://europa.eu.int/comm/europeaid/tender/index_en.htm
Programmes and Projects: ACP/EDF:
http://europa.eu.int/comm/europeaid/projects/edf_en.htm
Programmes and Projects: Latin America:
http://europa.eu.int/comm/europeaid/projects/amlat/index_temp_en.htm

THE ASIA AND LATIN AMERICAN PARTNERSHIP: THE ALA PROGRAMME

The EC's Economic and Scientific (Horizontal) Cooperation programmes for Latin America

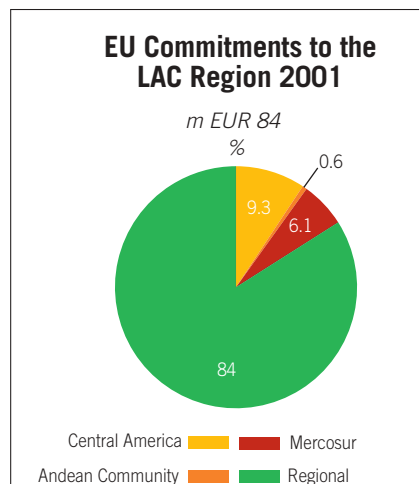
- AL Invest Programme: SME development in all sectors, technology transfer, business and trade relations
- @LIS : Alliance for the Information Society: Development of the information society.
- URB AL : Urban development
- Latin America Academic Training (ALFA): Exchange programme for university students
- Alßan : Programme of scholarships for Latin Americans in the European Union: Scholarships for researchers

There is a relatively rapid trend towards sectoral approaches and programmes. Consultancy companies are strongly recommended to study these approaches through training or in the context of on-going projects in order to qualify for future programme finances from the European Commission.

FINANCIAL AND TECHNICAL COOPERATION

The key to the Community's approach to Latin America is the recognition of Latin America's diversity and the need to tailor dialogue and cooperation to regional and national circumstances. In recent years, both the European Union and Latin America have sought to develop a more comprehensive relationship through strategic partnership.

The majority of the EC's economic cooperation with Latin America is carried out within the ALA programme and its individual country programmes. The current multi-annual financial programme for Latin America covers the period 2002-2006, with the major areas of programme intervention being:



- Social sectors (including education, health, and water supply and sanitation)
- Government and civil society
- Trade and tourism

The choice of sectors reflects the specific needs of the region, i.e. direct interventions to improve social services for the poorest groups, support to build sustainable institutions to enhance good governance and growth, combined with the promotion of trade and tourism to facilitate further integration into the world economy. For example, within Central America, the Andean region and Paraguay, two thirds of EC aid is targeted to the poorest segments of the rural and urban populations.

CASE: Finnconsult Oy

Finnconsult Oy is an active Finnish consulting company that has specialised in development issues and development cooperation since 1963. Finnconsult Oy is owned by SCC Viatek Group, one of the leading consulting companies in Finland. Viatek is in turn a member of the SCC Scandiaconsult Group from Sweden, which is one of the strongest consulting companies in the Nordic countries. Scandiaconsult covers all aspects of infrastructure development and is listed on the Stockholm stock exchange.

With years of experience in implementing and designing international projects in more than 40 countries worldwide, Finnconsult Oy provides expertise and knowledge that contribute to poverty reduction in developing countries. Furthermore, Finnconsult Oy focuses its operations on fields that are linked to poverty reduction, i.e. rural development; sustainable social, economic and environmental development; good governance; capacity building; strengthening of local and regional administration; and the rule of law, democracy, and human rights. Its long history of project implementation gives Finnconsult Oy added value for project design, planning, management, and financial administration.

In Nicaragua, Finnconsult Oy is currently implementing two rural development projects with finance from the EU's ALA Programme. The Ministry of Health (ENACAL) is the local client and partner in the Water Supply and Sanitation Programme in Rural Areas of Wiwilí, Pantasma, Cuá-Bocay and Tuma-La Dalia (1999-2004). The lead implementing agency is HYDEA (Italy) in association with SANIPLAN (Germany) and Finnconsult Oy. The total budget is EUR 2.3 million, of which EUR 500,000 represents the technical assistance provided by Finnconsult Oy. Finnconsult Oy provides the Community development expert, short-term experts and home office backstopping.

Nicaragua's public health problems are rooted in the lack of basic health infrastructure. Lack of sanitation, inadequate water supply and socio-economic problems are risk factors that have direct impacts on the health of children and adults in rural areas. The specific objectives are to reduce the high rate of morbidity and mortality due to disease caused by faecal contamination in water, and underpin the process of change taking place in central, municipal and local community bodies.

The Socio-Economic Development Programme of the North-Central Region (2001-2005) in the departments of Jinotega, Nueva Segovia and Madriz aims to secure the settlement of 14,000 farming families and the lasting improvement of their economy and social well-being. The programme involves the installation of physical infrastructure and efficient basic public services, bridges and roads, schools, community clinics and centres; support for the agricultural sector to increase the incomes of families and promote environment-friendly farming techniques; and community organisation to strengthen the management, negotiation, administration and communication capacities and methods of organisations. The project also introduces planning and cooperation methods and instruments, connecting institutions and NGOs at regional and local level to maximise inter-institutional synergy. Finnconsult Oy is carrying out the projects in cooperation with the German AFC (EC/ALA, NIC/B7-3100/97/383; 2001-2005). Finnconsult Oy provides the services of European Co-Director, the necessary short-term expertise, technical back-stopping, and the services of a financial and administrative expert. The total budget for the programme is EUR 11 million.

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Examples of EU Financing Strategies in the LAC Region

Brazil: Country Strategy Paper 2001-2006 and National Indicative Programme

Main priority areas of EC cooperation in Brazil:

- Economic reform
- Social development
- The environment

Chile: Country Strategy Paper 2002-2006 and National Indicative Programme 2002-2006

Main priority areas of EC cooperation in Chile:

- Economic cooperation and technological innovation
- Environment and natural resources
- Support to state reform

Nicaragua: Country Strategy Paper 2002-2006 and National Indicative Programme

Main priority areas of EC cooperation in Nicaragua:

- Agricultural and local development
- Education
- Good governance

Supporting natural disaster recovery and preparedness

Created in 1992, ECHO is the Humanitarian Aid Office of the European Union and its mandate is to provide emergency assistance and relief to victims of natural disasters or armed conflict outside the EU. DIPECHO is a branch of ECHO, focusing on disaster prevention and preparedness.

Since Hurricane Mitch struck in 1998, ECHO has provided more than EUR 54 million to the region. In 2001, ECHO financed over EUR 10 million for relief operations after two major earthquakes in El Salvador. In South America, ECHO aid has totalled over EUR 19 million since 1999. DIPECHO has allocated EUR 3.5 million to 10 projects in Central America, EUR 3.4 million to 13 projects in the Andean Community, and EUR 3 million to 14 projects in the Caribbean.

Further information

More information on the EU's external policies: http://europa.eu.int/comm/external_relations/

EUROPEAN DEVELOPMENT FUND, EDF

General Overview

The European Development Fund (EDF) is the main instrument for Community aid for development cooperation in the Africa-Caribbean-Pacific (ACP) countries and the Overseas Countries and Territories (OCTs). Almost 90 % of EDF resources are earmarked to Least Developed Countries and other Low Income Countries.

In June 2000, the EU signed a new Partnership Agreement with 77 ACP countries in Cotonou, Benin. Covering the years 2000 – 2020, it replaces the former Lomé Convention agreements, and is expected to come into force during the first half of 2003.

The agreement is based on key areas of cooperation and emphasis is placed on alleviating poverty, establishing a new framework for trade cooperation, reforming financial cooperation, stressing the comprehensive political dimension, and using participatory approaches to ensure the involvement of civil society.

Selected areas of development include support for regional integration and cooperation; support for macro-economic policies; transport; food security and sustainable rural development; and institutional capacity building, particularly in the area of good governance and rule of law.

ACP-countries in the LAC region:

Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

The EDF is funded by the member states, governed by its own financial rules and managed by a specific committee. The member states set the EDF budget in the Council through agreements that are ratified by the national parliament of each member state. Each EDF is concluded for a period of around five years.

Finland has been able to participate since the 8th EDF, and Finnish companies are eligible to participate in projects that are funded through the 8th EDF and the future 9th EDF.

The multi-annual programme for ACP countries is covered in the 9th EDF, which will become operational once the Cotonou Agreement comes into force. The allocation for the 9th EDF for 2001-2007 amounts to EUR 13.5 billion. The contribution of the European Investment Bank (EIB) from its own resources amounts to estimated EUR 1.7 billion for the 9th EDF, and the unexpended balances from previous EDFs will complete the financing volume.

Financing Principles

Economic cooperation is an important element in ACP-EU cooperation. Currently, the focus is on supporting structural adjustment programmes and economic reforms, encouraging the development of a competitive private sector, and debt alleviation. The framework for these initiatives is the Highly Indebted Poor Countries (HIPC) Initiative and the Poverty Reduction Strategy Papers (PRSPs), which are prepared by the partner countries.

In 2002, the EC was given a mandate to further negotiate the Economic Partnership Agreements (EPAs) with ACP countries. These will include further cooperation areas, such as private sector development and trade. More information on these EPA's can be found at: <http://europa.eu.int/comm/trade/bilateral/acp/epas.htm>.

The Commission provides technical assistance in most ACP countries in order to help them manage EDF and other donor funds. Support is also channelled into health care, facilitation of access to medicines, and combating HIV/AIDS.

As part of the national development strategies, activities can be in the form of integrated development plans for national transport sectors or regional programmes, investment projects (roads, railways, ports and airports) or institutional support. The current trend is to focus on sectoral programmes instead of funding small-scale individual projects.

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

Instruments and Services

1. Envelopes A and B of the 9th EDF

Envelope A provides funding for macroeconomic support, sector policies, and projects and programmes in support of 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. Out of the total budget, over EUR 9.8 billion is reserved for programmable aid.

2. Centre for the Development of Enterprise, CDE

The Centre for the Development of Enterprise (CDE) is an institution financed by the European Development Fund (EDF) under the Cotonou Partnership Agreement. The CDE aims to promote creation and diversification of production and services for ACP companies, and to promote the private sector agencies and the financial institutions. It is supervised by the EuropeAid Cooperation Office.

CDE funding is available for the identification of projects and potential partners, operations prior to the implementation of a project, financial and legal structuring of projects, and project start-ups and development. With the exception of identification of projects and potential partners, CDE contributions are in the form of advice, technical assistance or subsidy. Eligible sectors for funding include industry and agricultural processing industry, construction, tourism, telecommunications, transport and private management of infrastructures and services.

The beneficiaries are promoters and/or companies of an ACP country or an EU member state, acting either individually or jointly, wishing to undertake an industrial project in an ACP country. CDE contributions are limited to a maximum of two thirds of the total cost per project and per year (i.e. beneficiary promoters/companies must contribute at least one third of the cost).

Programmes under preparation in the LAC area include those for Timber in the Caribbean region and for Tourism in the Caribbean region.

More information on the CDE and projects: http://www.cde.int/index_en.htm/

3. Proinvest

Proinvest is a programme for promoting investment in ACP countries. Funding comes from the EDF and the programme was developed and launched by the EC acting on behalf of the authorities of these countries. Its implementation has been entrusted to a management unit within the CDE.

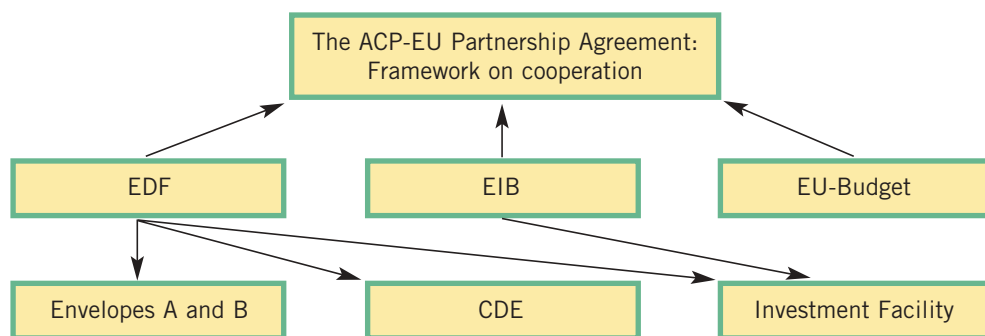
Proinvest aims to create beneficial conditions for companies by providing technical assistance to the ACP countries. The main objectives of the programme are to promote investments and technology-transfer. Funding is targeted at institutional reinforcement, which aims to create the necessary infrastructure to facilitate cooperation and investments. Support is also directed to key investment sectors. Funding is available for projects, such as regional studies for potential investments. The total budget for Proinvest is EUR 110 million over a period of seven years.

More information on Proinvest: <http://www.cde.int/proinvest/>

4. The Investment Facility

The Investment Facility is a new financial instrument that will be introduced after the ratification of the 9th EDF. The main objectives are to promote foreign direct investments and development of the local financial sector. Special emphasis is to be placed on contributing to the expansion of the local private sector, including SMEs. Particular sectors involved include industry, transport, power, telecommunications, water supply, mining, tourism, and health and education. The Investment Facility is managed by the European Investment Bank and funded by the European Commission. The budget for the Investment Facility under the 9th EDF totals EUR 2.2 billion.

Funding in ACP countries according to the 9th EDF:



Opportunities for Finnish Companies

As the European Community is one of the major providers of development cooperation, including technical assistance, there are a variety of opportunities for Finnish companies both as suppliers of goods and services and as consultants.

Companies interested in working with the EU programmes should examine EU tenders and grants and then either contact the EuropeAid Cooperation Office for further information, or address questions directly to EU delegations at the country level. The EuropeAid Office implements EC external aid instruments and programmes, but recently EC external assistance has been undergoing a process of decentralisation. This will lead to strengthening the EU delegations' project management in the recipient countries. Cooperation between EU delegations and the Member State representatives in the recipient countries is of great importance.

Some programmes are coordinated at national levels within the EU. Finpro coordinates programmes aimed at companies, such as the AL-Invest Programme for Latin America. Universities coordinate programmes for students and the academic world.

Further Information

EuropeAid tenders and grants:

http://europa.eu.int/comm/europeaid/tender/geninfo/index_en.htm

EDF projects and tenders from Finpro's Project Database:

www.finpro.fi/projectdatabase

CDE: <http://www.cde.int/>

Application for EC-funded service contract:

http://europa.eu.int/comm/europeaid/tender/index_en.htm

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EUROPEAN INVESTMENT BANK, EIB

General Overview

The European Investment Bank (EIB) provides financing in over 100 non-member countries with which the EU has concluded association, partnership or pre-accession agreements. EIB loans complement and combine with the grant aid and subsidies deployed by the European Commission. EIB financing operations outside the EU are tied to the guidelines of the EU's external policies.

EIB lending in the various countries is targeted on a limited number of sectors, such as basic infrastructure, communications, financial sector development and industrial joint ventures.

Examples of EIB loans in the LAC Region

<i>m EUR in 2002-2003</i>			
Country	Target	EIB loan, m EUR	Status
Argentina	EDENOR	49	under appraisal
Argentina	Pan American Energy Field Development	45	under appraisal
Brazil	Feira de Santana Tyres	45	approved
Brazil	CEG Natural Gas Distribution	42	under appraisal
Peru	Global SME loan	20	approved
Jamaica	Financial Sector Operations	20	approved, signed
Caribbean	Creation for a private sector development bank	5	approved
Central America	CABEI	30	approved, signed

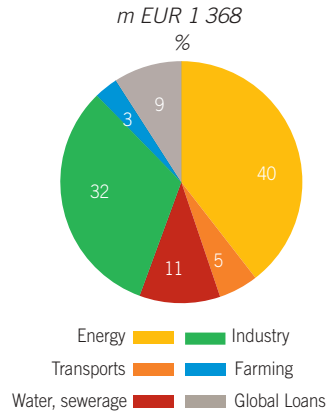
Financing Principles

The EIB provides long-term loans, with maturities of 4-20 years and possibly more, depending on the economic life of the assets being financed. As well as fixed interest rates, the Bank can offer revisable fixed and convertible rates that allow for the change of interest rate formula during the loan life at predetermined dates or periods. In addition to its usually advantageous lending rates, the EIB charges neither commitment fees nor non-utilisation fees, but may charge fees for a project's appraisal and the necessary legal services in appropriate cases.

Cooperation under the Cotonou ACP-EU Partnership Agreement

The EIB operates in 77 ACP countries. In these countries, the Bank focuses on mining, industry and agriculture, and on upgrading infrastructure in the fields of energy generation and transmission, communications and, particularly in urban areas, water resource management.

EIB Lending in the LAC Region, by Sectors in 2002



Main investments targets:

- Production (manufacturing, agro-industry, horticulture, mining/quarrying)
- Transport (airports and air traffic control, ports, shipping, railways)
- Telecommunications
- Water supply and sewage
- Power generation and transmission infrastructure
- Oil and gas development
- Tourism and services.

Increasing emphasis is being placed on projects supporting private enterprise, and some 25% of the funding has been directed into small and medium-scale investments, mainly supporting local financial sectors. In 2003-2008, the EIB is expected to channel EUR 3.9 billion to ACP projects that promote the business sector, or to public sector projects if they are operated on private sector footing.

Instruments and Services

In the LAC region, the EIB provides direct loans (also known as individual loans), loans for SMEs through intermediaries ("global loans"), and venture capital (e.g. shares in regional banks).

The EIB has several financial intermediaries in Latin America and the Caribbean. The Corporación Andina de Fomento CAF and Caribbean Development Bank CDB are among the regional ones. For a list by the ACP countries, see http://www.eib.org/Attachments/lending/inter_acp.pdf

Project cycle in the EIB:

- *Initial Approach:* Potential promoters, i.e. private or public companies, commercial banks, and public authorities can submit projects to the EIB. In this first stage the EIB examines whether the project meets its criteria regarding, for example, eligibility and economic viability.
- *Examination of projects:* An appraisal team prepares the examination and a site visit to the promoter is organised. The promoter of the project should present documentation on economic, financial and technical aspects of the project and an assessment of the environmental impacts.
- *Project Appraisal:* In the detailed project appraisal the following aspects of the project are evaluated: rationale for EIB financing, market and sector analysis, technical capacity analysis, investment costs, implementation, environmental impacts and risk analysis. A list of projects for which EIB financing has been sought is published on the EIB's website. The Board of Directors takes the final financing decision.

Procurement process in the EIB

Promoters are fully responsible for implementing projects financed by the EIB, in particular for all aspects of the procurement process. The role of the EIB is limited to verifying whether the conditions attached to its financing operation are met, including those relating to tendering. The EIB encourages promoters to apply International Competitive Bidding (ICB) procedures as far as possible.

For projects undertaken by enterprises in the industrial, tourism or mining sectors, a less costly and more rapid processing of enquiries sometimes proves to be more suitable. If the operations are financed from the EIB's own resources, calls for tenders are in principle open to nationals of all countries. In the case of financing from risk capital, tendering is open to countries of the European Union and member countries of the Agreement or Convention concerned.

In public sector projects the EIB requests the promoter to publish the invitation to participate in the tendering procedures in the Official Journal of the European Communities. As a general rule, the EIB does not allow preference to be given to suppliers originating from the country in question.

Financing Conditions

The projects must be viable in economic, financial, technical and environmental terms. Projects are examined carefully and in cooperation with the promoter by the EIB's teams of engineers, economists and financial analysts. Once financing has been approved for the project, its progress is monitored regularly. The limit of EIB funding is 50% of the project's planned financial requirement, and it normally covers about 25-30% of the project's costs. The promoter is required to make a commitment to the financing from its own resources. Funding is not tied to purchases from specific suppliers or countries.

Further Information

More information on the EIB: www.eib.org

EIB Guide to Procurement: <http://www.eib.org/publications/thematic/publication.asp?publ=44>

More information on EIB financed projects and tenders from Finpro's Project Database:
www.finpro.fi/projectdatabase

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Inter-American Development Bank IDB Group

3



INTER-AMERICAN DEVELOPMENT BANK IDB GROUP

- For Finnish companies, the IDB provides opportunities to sell services and supplies for IDB-financed projects in the LAC region;
- The Private Sector Department of the IDB finances private sector infrastructure projects in the LAC region;
- The IDB concentrates a larger portion of its resources than does the World Bank on the smaller economies of Latin America and the Caribbean. For example, it is the largest source of multilateral financing for Central America and the Caribbean;
- The Bank also promotes and participates in a significant number of project co-financing arrangements with other multilateral, bilateral and private organizations.

The IDB Group consists of the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF). The IDB was established in the 1959 and is the oldest and largest regional multilateral development institution. The IIC, an autonomous affiliate of the Bank, was established in 1986 to promote the economic development of the region by financing small and medium-scale private enterprises. MIF was created in 1992 to promote investment reforms and to stimulate private-sector development. In 1994, the IDB started financing private sector projects, through its Private Sector Department, PRI.

THE INTER-AMERICAN DEVELOPMENT BANK, IDB

General Overview

The Inter-American Development Bank was established to focus on the problems of the region and to help accelerate economic and social development in Latin America and the Caribbean. The Bank's original membership included 19 Latin American and Caribbean countries and the United States. Bank membership today totals 46 nations, of which 27 are non-regional members.

During its 42 years of operations, the Bank has become a major catalyst in mobilising resources for the region resulting in the mobilisation of financing for projects that represent a total investment of 273 billion USD. Annual lending has grown dramatically from the USD 294 million in loans approved in 1961 to USD 7.9 billion in 2001, having peaked at almost USD 10.1 billion in 1998.

The Bank's operations cover all aspects of economic and social development. In the past, Bank lending emphasized the productive sectors of agriculture and industry, the physical infrastructure sectors of energy and transportation and the social sectors of environmental and public health, education and urban development. Current lending priorities include poverty reduction and social equity, modernisation and integration, and the environment.

- Main functions of the IDB:**
- Promoting investment for economic and social development
 - Encouraging private investment
 - Promoting economic growth
 - Contributing to policy dialogue and reform processes

The financial resources of the Bank consist of the Ordinary Capital Account, comprising subscribed capital, reserves and funds raised through borrowings, and Funds in Administration, comprising contributions made by member countries. The Bank has borrowed funds for its operations from the capital markets of Europe, Japan, Latin America, the Caribbean and the United States. The Bank's debt is AAA rated by the three major rating services in the United States, and is accorded equivalent status in the other major capital markets.

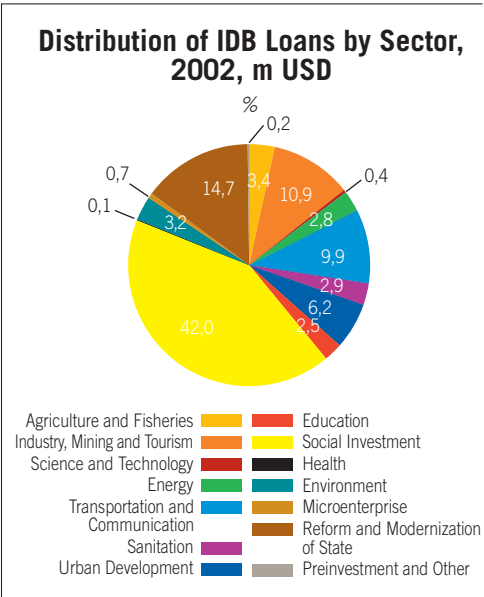
The Bank also has a Fund for Special Operations for lending on concessional terms for projects in countries classified as economically less developed. To mobilise private financing for infrastructure, the IDB created the Private Sector Department in 1995. The Department has primary operational responsibility for the Bank's financing of private investment in infrastructure and capital markets development activity and capital markets initiatives.

The IDB has headquarters in the Washington D.C. and Country Offices in each of the regional member-countries i.e. eligible for financing. The IDB has representatives also in Paris and Tokyo.

Financing Principles

The IDB is a financier of the public sector in the LAC region and the Bank itself lends to governments. The type and size of funding varies according to the borrowing country and the project concerned. Terms of financing and cooperation with regard to each borrowing country are defined in Country Papers and Economic Assessments that set out the framework for the Bank-financed operations in each country. Country Papers are prepared by the IDB upon request of the country's government, normally every 2 to 3 years. Country economic assessments are updated on a semi-annual basis.

The Private Sector Department also provides loans to private sector infrastructure projects without a sovereign guarantee.



Country Papers contain:

- An overview of the country's current economic situation.
- The Bank's development strategy for the country according to sector.
- The Bank's foreseen programme in the country for the next two years.

Country Economic Assessments contain:

- A detailed current economic review of the country.
- A section on the country's economic policy.
- A summary of the country's economic outlook.

The Country Economic Assessment list also contains sub-regional economic assessments. Economic assessments are available for the following sub-regions:

Region 1: The countries of southern South America, including Argentina, Brazil, Bolivia, Chile, Paraguay and Uruguay.

Region 2: The countries of Central America and the non-English-speaking Caribbean, including Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua and Panama.

Instruments and Services

The IDB offers its clients financial instruments and services and technical services.

Financial instruments of the IDB include investment loans, sector loans, emergency loans and co-financing. Very recently, the Bank started implementing a variety of more flexible lending instruments that include loans, programmes and facilities with easier procedures.

New Flexible Lending Instruments:

- Innovation loans up to USD 10 million with execution periods no longer than 30 months, for pilot programmes and projects aimed at building consensus for policy reform.
- Multi-phased programmes for large-scale projects, with simplified procedures.
- Sectoral facilities for education, health and trade, including rapid-disbursement loans of up to USD 5 million with direct approval by Management.
- Expansion of the Project Preparation Facility includes loans up to USD 5 million, tied to global line of credit for country with direct approval by Management.

Technical cooperation of the IDB includes technical assistance in the fields of project preparation and implementation, institutional strengthening, training and environmental studies.

The Private Sector Department offers loans for infrastructure investments for the private sector without sovereign guarantee. In addition to loans the PRI offers guarantees and syndications in order to mobilise more private sector investments in the region.

Financing Conditions

The IDB gives loans to the governments and governmental bodies of its receiving members. Terms of lending depend on whether loan is considered Ordinary Capital (most of the loans) or Funds for Special Operations (concessional terms for the poorest countries). For ordinary loans the maturities are 15-25 years with grace periods of 4-5 years and the market interest rate is applied. For loans with Funds for Special Operations, the interest rates are low, 1-4 %, and maturity can be up to 40 years with a grace period of up to 10 years.

Project Cycle

Programming	Borrower and Bank	More than 1 years
Identification	Borrower and Bank	“
Preparation	Borrower	“
Analysis and Development	Bank	“
Negotiation and Approval	Borrower and Bank	Less than 2 years
Execution and Supervision	Borrower and Bank	4-8 years

Opportunities for Finnish Companies

As the IDB gives loans to national and regional governments, the projects are usually big and offer opportunities for Finnish companies as well, both as consultants and as suppliers of goods and equipment and civil works. The projects are announced both on the web-site of the IDB and the borrower. The documents relating to approved projects can be found at the IDB web-site, classified both by sector and by country. Contact should be made directly with the executing agency, as procurement proceeds according to agency procurement rules. Sometimes the Bank is involved in the procurement procedure through technical cooperation and in such cases the right contact is in the Bank.

The IDB publishes a list of Projects according to their status, known as the Consolidated List. This is updated every two weeks and is available at the Project Documents site: <http://www.iadb.org/exr/english/PROJECTS/projectsdoc.htm>

For IDB-funded projects, procurement proceeds through the respective governments, who apply Bank-approved procurement rules. Depending on the size of the procurement, either Local Competitive Bidding (LCB - over USD 200,000) or International Competitive Bidding (ICB - over USD 350,000) is applied. Smaller deliveries may go through direct “shopping”.

For PRI-funded projects, the borrowers i.e. the sponsors, handle the project and its procurement. However, the Private Sector Department keeps a short-list of consultants for very specific assignments. Although public bidding is not required for private sector projects, the Bank does apply its basic procurement policies and principles.

One of the major developments in the near future is the Puebla-Panama Plan. The plan aims to integrate the structures and systems of the poorest provinces of southern Mexico and the Isthmus of Central America, between Puebla in Mexico and Panama, and to improve transport, communications and the flow of goods and services between the countries. Projects involved include for example roads, railways, harbours and airports, energy, telecommunications, social services and harmonisation of customs and other procedures.

Further information

More information about the Puebla-Panamá Plan: <http://www.iadb.org/ppp/index.asp>.

More information on IDB Projects Online: <http://condc05.iadb.org/idbprojects/> and at Finpro Project Database <http://www.finpro.fi/projectdatabase>

More information on Procurement, Guidelines, etc.: http://www.iadb.org/exr/english/business_opp/bus_opp_procurement.htm

More information on Opportunities for Consultants: http://www.iadb.org/exr/english/business_opp/consult.htm

More information on IDB procedures etc.: <http://www.iadb.org/exr/pic/pictx.htm>

More information on Country Papers and Economic Assessments:
<http://www.iadb.org/regions/countries.htm>

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THE INTER-AMERICAN INVESTMENT CORPORATION, IIC

General Overview

The Inter-American Investment Corporation (IIC) is the arm of the IDB Group for the private sector. The IIC was established in 1986, with a mission to promote and support the development of the private sector and the capital markets in its Latin American and Caribbean member countries by investing, lending, innovating, and leveraging resources. The target is to foster the development of small and medium-size enterprises to further sustainable economic development.

The IIC has its headquarters in the Washington D.C. and regional offices in Bogotá, Columbia (for the Andean Region), in San José, Costa Rica (for Central America) and in Montevideo, Uruguay (for southern South America).

Finland formally joined the Inter-American Investment Corporation in March 2002 after a process that started in 1999.

Financing Principles

The Country Papers and Economic Assessments of the IDB also apply to IIC funding. In a sense IIC finance is seed money. The Corporation serves as a catalyst for attracting other resources: additional financing, technology, and know-how. These resources are mobilised through co-financing and syndication, supporting security underwriting, and identifying possible joint-venture partners.

The IIC provides project financing in the form of direct loans and equity investments, lines of credit to local financial intermediaries, and investments in local and regional investment funds. It particularly targets small and medium-sized companies that have difficulty in obtaining finance from other sources on reasonable terms.

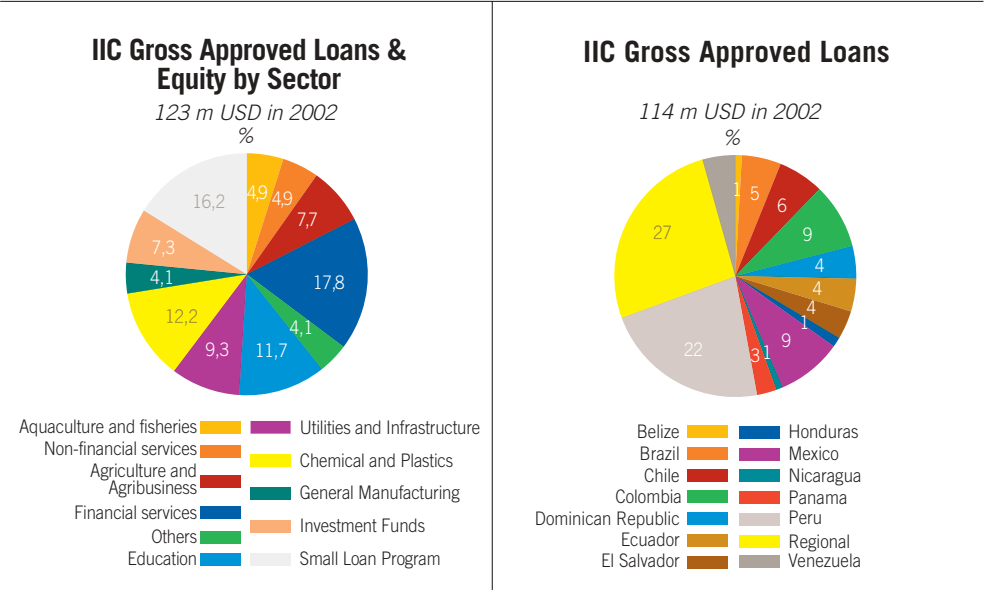
The IIC provides financing on terms and conditions that it considers appropriate in view of the requirements of the companies, the risks related and the terms and conditions normally obtained by private investors for similar financing. The IIC will not, however, undertake any financing for which, in its opinion, sufficient capital could be obtained on normally adequate terms.

The IIC provides loans to small and medium-sized companies operating in the LAC region that are of Latin American or other member-country origin. For new companies and green-field investments the share of IIC funding can be up to 33% and for company expansions it can be up to 50 %. The average size of IIC participation is USD 5 million, but amounts up to USD 10 million can be considered if other conditions are met. Maturities of loans are up to 12 years and interests linked are to market rates.

For information on how to apply for IIC funding: http://www.iadb.org/iic/english/programmes/financing_how.htm

Instruments and Services

The IIC provides financing, resource mobilisation and corporate advisory services for its clients. Financing includes loans (green-field and expansions), guarantees and equity investment. Resource mobilisation includes co-financing of projects and finding joint-venture partners for them. Corporate advisory services include advising clients on project design, financial engineering in the preliminary phase of projects, and fee-based advisory services in general.



Financing Conditions

To obtain IIC financing, projects must offer profitable investment opportunities. They must also further economic development in some way: by creating jobs, broadening capital ownership, generating net foreign currency income, facilitating the transfer of resources and technology, utilising local resources, promoting local savings, or promoting the economic integration of Latin America and the Caribbean. Any environmentally sensitive project must include specific preventive or restorative measures.

Opportunities for Finnish Companies

The IIC is open for new projects in a number of fields and welcomes proposals for pre-evaluation. In the projects already in pipeline, there are business opportunities for suppliers of goods, civil works and services. Direct contact with the IIC is essential in order to ensure the proper introductions to the staff, especially in the regional offices, and to promote one's own company for future projects.

Further Information

More information on IIC projects: <http://www.iadb.org/iic/english/projects/projects.htm>

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THE MULTILATERAL INVESTMENT FUND, MIF

The Multilateral Investment Fund (MIF) was established in 1993 to encourage the growing role of the private sector in Latin America and the Caribbean. Equipped with funding of USD 1.3 billion, MIF was given a broad and flexible mandate to address rapidly changing private sector development needs. Using both grants and investment mechanisms, MIF supports small-scale, targeted interventions that pilot new approaches and act as catalysts for larger reforms. MIF is now the major source of technical assistance grants for private sector development in Latin America and the Caribbean.

MIF works in partnerships with local institutions, such as governments, business organisations and NGOs, and provides a mix of technical assistance grants and investments to support market reforms, to help build up the capabilities and skills of the workforce, and broaden the economic participation of smaller enterprises. MIF also plays a special role in supporting regional approaches and promoting shared private and public initiatives. The average MIF contribution is USD1.0-1.5 million.

Instruments and Services

MIF funds small targeted technical assistance projects that test new concepts or act as catalysts for further reforms. Areas of focus are micro-enterprise and small business development,

strengthening market functioning, and financial sector reform. MIF also invests in specialty mechanisms such as equity funds to advance development in these areas.

Further Information

More information on the MIF projects: <http://www.iadb.org/mif/website/projects.asp?V=1&C=8>

Project Guidelines: <http://www.iadb.org/mif/website/static/en/inver7.asp#projects>

TRUST FUNDS

Most donor countries have established Trust Funds with the IDB, in order to facilitate their companies' access to work with the Bank. At the moment, the Trust Funds are undergoing a major change as the new types of Framework Agreements are coming to replace the old Trust Funds for Technical Assistance.

The Finnish Trust Fund will be re-focused and the priorities redefined as the Ministry for Foreign Affairs is negotiating a new agreement with the IDB. The new Framework Agreement will probably be signed during the first half of 2003. Cooperation is financed from the allocation of the budget for the Finland's international development cooperation.

The following forms of cooperation are included:

- Co-financing of Projects
- Technical Assistance Programme
- Programme for Additional Financing
- Multi-co-financing Fund

The new agreement functions as a Partnership Agreement defining forms of cooperation between Finland and the IDB. The priorities regarding sectors and countries are the following:

- Social development
- Good governance
- Environmental protection
- Forestry
- Information and communication technologies

The new fund, like the old one, will not be fully tied to procurements and services from Finnish suppliers only.

Countries having priority are the poorest member countries of the IDB. These are the countries with which Finland also has bilateral cooperation, namely Nicaragua and Honduras. Middle-income countries may also be considered in case the project sector proposed is particularly relevant.

Opportunities for Finnish companies

Applications for funding by the Finnish Trust Fund pass through the IDB and the first contact is with the Bank, including the task managers for projects. Only in the final stage of approval

does the IDB contact Finland's Ministry for Foreign Affairs for formal approval of the project. The agreement is signed with the Bank. To have received funding for a project from a national Trust Fund is a good reference for future projects from the IDB's other sources. After the first good reference from working with the IDB, further projects are easier to arrange and may provide a steady flow of work for years to come.

The process of obtaining funding from the trust fund usually begins with the IDB's identification of a need or a project where the particular Trust Fund could be used. The IDB then tries to identify potential suppliers through its network of contacts, such as Finpro PAS and the Ministry for Foreign Affairs. It is essential that company is proactive in introducing and promoting itself towards the IDB. Consultants can register themselves on the DACON database at: http://www.iadb.org/ext/english/business_opp/consult.htm.

CASE: JP Development: Perspectives of the Competitiveness and forest development in five Latin American countries

JP Development Oy (JPD) has been part of the Helsinki Consulting Group (HCG) since 2002. HCG is a group of consulting companies in various fields, including the social, environmental, rural and forestry sectors.

In 1999 JPD took part in competitive bidding arranged by the IDB in order to draw up forestry strategies for Latin America. With its wide experience of forestry as a department of Jaakko Pöyry Consulting, and contacts to the Task Manager within the bank, JPD succeeded in winning the bidding. The study was financed by the Finnish Consulting Trust Fund at the IDB. The size of the project was USD 150,000.

The project lasted over two years and the study was published in a series of the Sustainable Development Department in March 2002. According to Mr Harri Ahveninen, Project Supervisor at JPD, carrying out the study was a learning process for everyone involved as it was a scientific project, not a normal consulting assignment.

As a result of this project, JPD has a good reference as a basis for work with the bank on future assignments. In order to obtain more work, it is still necessary to be active and keep in continuous contact with IDB staff. Contact with the country offices is particularly important as many of the key people live within the individual countries concerned.

The Study, "Forest Clusters: A Competitive Model for Latin America", can be found at <http://www.iadb.org/sds/doc/ENV%2DIDBForestClusters.pdf>

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Regional Financing Institutions

4



REGIONAL FINANCING INSTITUTIONS

There are a variety of regional and national financial institutions and development organisations that are also of interest for companies from Finland. Regional and national financiers work with international financing institutions such as the World Bank and IDB as well as with commercial banks to finance projects in the LAC region.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION, CABEI

General Overview

The Central American Bank for Economic Integration, CABEI (Banco Centroamericano de Integración Económica, BCIE) was founded in 1960 by the Republics of Guatemala, El Salvador, Honduras, Nicaragua to promote regional integration and development. Costa Rica joined in 1963, and since then the bank has grown further with the incorporation of Mexico, the Republic of China (Taiwan), Argentina and, more recently, Colombia as extra-regional partners.

CABEI contributes to sustainable social and economic development in order to improve the quality of life of people in Central America, by providing credit resources and technical assistance to both private and public sectors of the region.

CABEI's head office is in Tegucigalpa, Honduras and it has regional offices in each of the Central American member countries.

Financing Principles

CABEI provides direct financing and financing through other organisations in order to strengthen the development of Central America. The private sector and SMEs are seen as particularly important targets with regard to reducing poverty. CABEI's customers include governments, institutions, private investors, financial institutions, SMEs (through financial intermediaries), municipalities or town councils (through financial intermediaries), service-providing municipal enterprises, communal and development societies, regional organisations and NGOs.

Priority sectors in CABEI financing are the productive sector, infrastructure, human development and environmental sustainability.

Particular areas of interest include:

- Infrastructure for the private sector
- Export of non-traditional products
- Industrial development and reconversion
- Small and medium-size enterprises
- Energy
- Telecommunications
- Social development
- Housing and urban development
- Irrigation, drainage and soil conservation
- Tourism sector development
- Agribusiness
- International commerce
- Transportation
- Potable water, aqueducts, and sewage systems
- Poverty eradication
- Municipal development

Instruments and Services

CABEI provides its clients with direct loans, intermediated loans (micro financing through financial institutions), co-financing, guarantees and technical assistance.

CABEI works together with other multilateral financial institutions, such as the IBD and NIB, and development financiers, such as Finnfund and NDF.

Opportunities for Finnish Companies

Central America is also a region where Finland is engaged in bilateral development cooperation and Finland enjoys a good reputation in the region. There are opportunities for Finnish companies both as providers of goods, works and services and as consultants for technical assistance. Further, Central American buyers may get financing for their purchases from Finland through NIB's Credit Line in CABEI.

Further information

More information on CABEI: <http://www.cabei.org/>

More information on how to do business with CABEI:
<http://www.cabei.org/cabei/2cntnrnegomain.htm>

More information on projects by country and by sector:
<http://www.cabei.org/cabei/2cntnrproymain.htm>

Contacts:

CABEI

16 Calle 7-44, Zona 9

Ciudad de Guatemala, Guatemala

Tel.: +502-331-1260 65 66

Fax: +502-331-1457

Email: WebMail-gt@bcie.org

THE ANDEAN DEVELOPMENT CORPORATION, CAF

General Overview

The Andean Development Corporation - Corporación Andina de Fomento (CAF) is a multi-lateral financial institution supporting the sustainable development of its shareholder countries and integration efforts within the region. In addition to its original members and principal shareholders, –Bolivia, Colombia, Ecuador, Peru and Venezuela - CAF also includes Argentina, Brazil, Chile, Jamaica, Mexico, Panama, Paraguay, Trinidad and Tobago, Uruguay and 22 private banks in the region. Series “A” and Series “B” shares have been subscribed by the governments of the five original member countries or by public, semi-public or private institutions. Series “C” shares can be subscribed by governments or public and private institutions of countries outside the Andean region.

CAF serves the public and private sectors, providing multiple financial services to a broad customer base comprised of shareholder countries, corporations and financial institutions. Social and environmental variables are incorporated into its management policies and it includes eco-efficiency and sustainability criteria in its operations. As a financial intermediary, CAF attracts resources from industrialised countries to Latin America, serving as a bridge between international capital markets and the region and promoting investments and business opportunities.

CAF started operations in 1966 and has its headquarters in Caracas, Venezuela and offices in all the A-membership countries.

Financing Principles

Eligible entities for CAF operations are governments, public, private or mixed companies, and financial institutions operating in the Corporation’s shareholder countries, including those that have subscribed to shares of its Series “C” capital.

CAF’s core operations include a range of functions. Firstly, CAF acts as a financial intermediary, mobilising resources preferably from industrialised countries into the region and serving as a bridge between the region and the international capital markets. Secondly, it finances the development of productive infrastructure, especially where this facilitates physical and border region integration. Thirdly, CAF promotes the development, consolidation and integration of the financial and capital markets in its shareholder countries, especially in the Andean region. Fourthly, CAF promotes trade, investment, and new business opportunities. Fifthly, it supports the entire spectrum of the business sector, from micro-enterprises to large corporations. And sixthly, CAF supports the structural reform processes being carried out by its shareholder countries to modernise their economies and to enhance their competitive participation in the process of globalisation.

Instruments and Services

CAF provides a variety of services to its clients. The financial instruments and services include loans, credits, lines of credit, development banking services, investment banking services such as equity investment, underwriting, limited recourse lending, co-financing, loan syndication and

financial guarantees, technical cooperation and fund administration. The latter includes such functions as management of poverty alleviation funds.

Other services include technical assistance and cooperation in the form of Comprehensive Support Programmes (CSP) for SMEs and community projects for low-income rural sectors.

Opportunities for Finnish companies

Many Finnish companies have been suppliers in projects financed or co-financed by CAF. The Nordic Investment Bank is one of the shareholders of CAF, which makes it easier for Nordic companies to use CAF financing.

Further information

More information on CAF: <http://www.caf.com/>

Contacts:

Comunidad Andina de Fomento CAF

Ave. Luis Roche, Torre CAF, Altamira, Caracas, Venezuela.

Tel: +58-212-209 2111

Fax: +58-212- 209 2382

Email: infocaf@caf.com

CARIBBEAN DEVELOPMENT BANK, CDB

General Overview

The Caribbean Development Bank (CDB) was established in 1969 at Kingston, Jamaica. The purpose of CDB is to contribute to the harmonious economic growth and development of the member countries in the Caribbean and the promotion of economic cooperation and integration among them, having special and urgent regard to the needs of the less developed members of the region. The Regional Members can borrow from CDB while non-Regional Members cannot borrow. The Regional Members should always hold a minimum of 60% of the shares in CDB. In addition to the Members, multilateral financial institutions such as the EIB and the IDB finance the activities of CDB.

CDB's mission is to be the leading Caribbean development finance institution, working in an efficient, responsive and collaborative manner with its borrowing members, towards the systematic reduction of poverty in their countries, through social and economic development.

The functions of CDB include coordination of the development programmes of its Regional Members, resource mobilisation, financing projects and programmes, provision of technical assistance to its Regional Members, promotion of private and public investment, promotion of regional financial markets, and stimulation of the development of the regional capital market.

CDB Members

<i>Regional</i>		<i>Other Regional</i>
Anguilla	Guyana	Colombia
Antigua and Barbuda	Jamaica	Mexico
Bahamas	Montserrat	Venezuela
Barbados	St. Kitts and Nevis	
Belize	St. Lucia	
British Virgin Islands	St. Vincent and the Grenadines	<i>Non-Regional</i>
Cayman Islands	Trinidad and Tobago	Canada
Dominica	Turks and Caicos Islands	China
Grenada		Germany
		Italy

Financing Principles

CDB may provide, or co-finance, direct loans to the governments of its Regional Member Countries and their agencies or political sub-divisions, and to both public and private entities and enterprises operating within such countries, as well as to international or regional agencies or entities concerned with economic development of the Caribbean region. CDB may also finance pre-investment and feasibility studies and project preparation, if it considers a project to be worthy of detailed investigation.

CDB's operations are intended to finance specific development projects (national, sub-regional or regional) in all the main sectors related to the development of the Caribbean Basin. These include agriculture, livestock, fisheries, forestry, marketing, manufacturing, mining, refining, tourism, export services, transportation, housing (low and lower/middle income), education (including student loans and training for human resource development), power, water, sewage, infrastructure and related services, waste management, environment protection and poverty reduction.

The focus of these projects is always on the ability to promote social equity and protect the environment. CDB's Borrowing Member Countries (BMCs) are particularly vulnerable to natural disasters. As a result, the Bank has introduced mechanisms to help BMCs to mitigate and recover from disasters. This is especially important for the region's poor, who are disproportionately affected by disasters. Special attention is given to ensure that the intervention by CDB promotes social equity and environment protection.

Opportunities for Finnish Companies

Usually the procurement of the goods and services and hiring of consultants is limited to qualified firms or joint ventures of firms that are legally incorporated or otherwise organised in one of the member countries of CDB. Nevertheless there are opportunities for companies from non-member countries in specific cases. When funding is provided by CDB from resources of other multilateral financing institutions, such as the World Bank or the IDB, member countries and other designated countries of those institutions in addition to the Bank's member countries are eligible for procurement from such funds.

Further information

More information about CDB, Business Opportunities, Procurement, and Consultant Registration at: <http://www.caribank.org/>.

Contacts:

Caribbean Development Bank

P.O. Box 408

Wilkey, St. Michael

Barbados, W.I.

Tel: +246-431 1600

Fax: +246-426 7269

Email: info@caribank.org

PAN-AMERICAN HEALTH ORGANISATION, PAHO

General Overview

The Pan American Health Organisation (PAHO) is an international public health agency established in 1902 to improve the health and living standards of the people of the Americas. PAHO enjoys international recognition as part of the United Nations system, serving as the Regional Office for the Americas of the World Health Organisation, and as the health organisation of the Inter-American System.

PAHO is based in Washington D.C., and has scientific and technical experts at its headquarters, in its 27 country offices, and in its nine scientific centres, all working with the countries of Latin America and the Caribbean in dealing with priority health issues.

PAHO's mission is to strengthen national and local health systems and improve the health of the peoples of the Americas, in collaboration with Ministries of Health, other government and international agencies, NGOs, universities, social security agencies, community groups, etc.

The members of PAHO include all 35 countries in the Americas, with Puerto Rico as an Associate Member. France, the Netherlands and the UK are Participating States, and Portugal and Spain are Observer States.

PAHO

- Promotes primary health care strategies
- Assists countries in fighting diseases such as cholera, dengue, tuberculosis and HIV/AIDS
- Provides technical cooperation including education and social communications support
- Promotes work with NGOs
- Supports programmes to prevent the transmission of communicable diseases.
- Prevents chronic diseases such as diabetes and cancer

The main target groups in improving health are the most vulnerable groups, including mothers and children the elderly, workers, the poor, and refugees and displaced persons.

PAHO has recently been seeking technical and financial cooperation from outside its region and member countries. With Finland in particular there have been discussions concerning the following areas:

- Cardiovascular diseases
- Communicable diseases, including immunisation and vaccines
- National Health Accounts
- Environmental Health, including water and sanitation

PAHO welcomes contacts from interested consultants.

Further information

More information on PAHO: <http://www.paho.org/>

Contacts:

PAHO

Lourdes Flor, External Relations

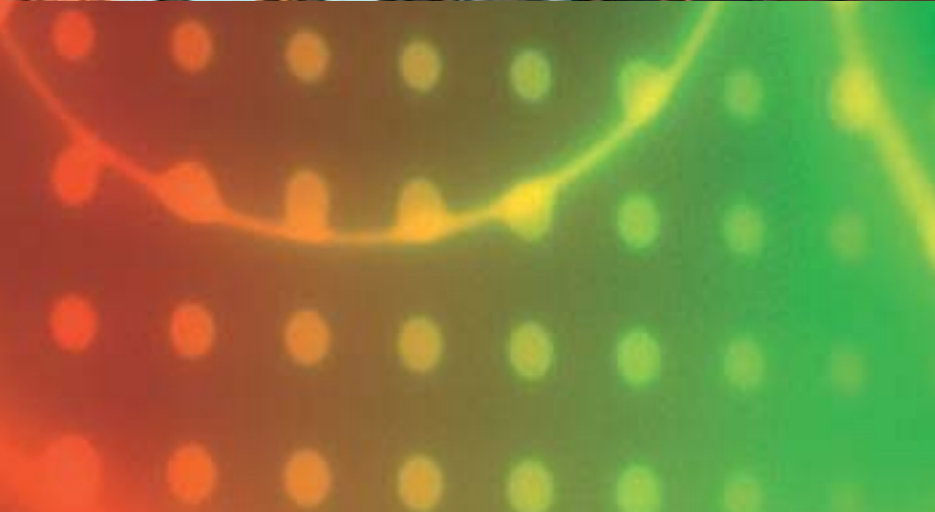
Tel.: +1-202-974 3113

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E-mail: florlour@paho.org

The Nordic Finance Group

5



THE NORDIC FINANCE GROUP

- The Nordic Finance Group consists of four multilateral finance institutions owned by the five Nordic countries and located in the same building in Helsinki: NIB, NDF, Nopef and NEFCO (which does not finance LAC projects);
- For Finnish companies, NIB is a partner in financing investment and trade in the LAC region;
- Nopef can provide financing support for feasibility studies on LAC region project exports;
- Finnish companies can participate in NDF-financed project tenders as consultants, equipment suppliers or contractors.

The institutions within the Nordic Finance Group are the Nordic Development Fund (NDF), the Nordic Investment Bank (NIB), the Nordic Project Fund (Nopef) and the Nordic Environment Finance Corporation (NEFCO). All these institutions, with the exception of NEFCO, are operative in Latin America and the Caribbean. Examples of projects financed by these institutions include cross-border investments in the Nordic countries, telecommunications projects in the Baltic countries, environmental programmes in Central and Eastern Europe, water supply projects in Africa, and power generation facilities in Asia and Latin America. Environmental investments have high priority in the finance group's lending. All projects should be of mutual interest to the Nordic countries as well as to the recipient country.

NORDIC DEVELOPMENT FUND, NDF

General Overview

Established in 1989, the Nordic Development Fund (NDF) aims to promote economic and social development in developing countries, and to strengthen the cooperation of the Nordic countries in development assistance. The capital of the Nordic Development Fund amounts to SDR 515 million (Special Drawing Rights) and EUR 330 million, and is financed through the development assistance budgets for the Nordic countries. Credits are granted for high-priority projects that promote economic and social development in developing countries. NDF's lending strategy is governed by the principles of the Nordic countries' bilateral development assistance, with a special focus on poverty reduction. NDF's Finnish project financing partners are the Ministry for Foreign Affairs and Finnfund.

Financing Principles

NDF grants very long-term credits on concessional terms to poor developing countries, including the least developed, low-income and lower middle-income countries (LLDC, LIC and LMIC respectively). In line with OECD/DAC definitions, the upper income limit for LMIC countries is USD 3,035 per capita.

The credits are granted for high-priority projects, which promote economic and social development in developing countries. As noted above, NDF's lending strategy is governed by the principles of the Nordic countries' bilateral development assistance with a special focus on poverty reduction. NDF can also provide financial support for private sector activities in developing countries without government guarantee.

NDF only grants credits that are co-financed with other sources of funding - primarily other multilateral financial institutions such as the World Bank Group and the major regional development banks. Co-financing is also undertaken with the Nordic Investment Bank, NIB, and with Nordic bilateral development assistance agencies.

The projects must be of Nordic interest in order to be considered for NDF financing. The objective is to identify sectors and project components in which Nordic enterprises are particularly competitive in terms of technology, price and markets. Special emphasis is placed on ensuring high standards of ethics.

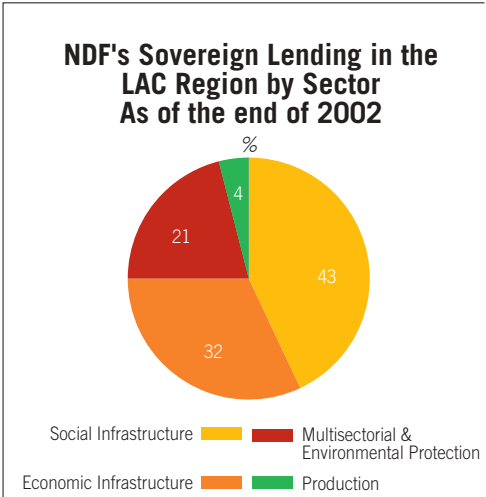
NDF and the LAC Region

In Latin America and the Caribbean, NDF focuses on Bolivia Guatemala, Honduras and Nicaragua. The LAC region accounts for approximately 1/5 of NDF's sovereign lending portfolio, comprising loans from the beginning of operations in 1989.

In projects, NDF has acted as a co-financer and the leading agents have been development banks like the IDB. The size of NDF's loans has been in the range of EUR 1,5 –9 million. Projects financed with NDF participation include energy, mining, road construction, housing policy support, land administration, health-sector reforms, sustainable development, forest management, water and sanitation, education and airport reforms.

Instruments and Services

The principal forms of financing are long-term credits on concessional terms to poor developing countries. NDF can also provide financial support for private sector activities in developing countries without a government guarantee. NDF's financing will be oriented towards direct investments with a special focus on infrastructure, credit lines to sub-regional and national development banks with special emphasis on promoting the development of SMEs in developing countries, and participation in venture capital funds.



Opportunities for Finnish Companies

The Board of Directors must formally adopt a project in NDF's project pipeline in order for it to be eligible for funding. Inclusion in the pipeline does not however imply a commitment for NDF to co-finance the project. In the second stage, the project is presented for Board approval. Approval in principle means that NDF can enter into credit negotiations with the borrower. In the third stage, the credit agreement is negotiated and signed. After signing, various conditions must be fulfilled before disbursements can take place. Procurement preparations can normally be started as soon as the credit agreement is signed.

All the tenders are published on the NDF web-pages, under "Supply Opportunities". Interested companies are invited to send an indication of interest to the project itself with a copy to the NDF for participation.

Procurement of goods, works, services

The general procurement principles of NDF follow the internationally recognised practice of, for example, the World Bank and the Regional Development Banks. It is the policy of NDF to require that borrowers (including beneficiaries of NDF's credits), bidders, suppliers and contractors under NDF-financed contracts, observe the highest standard of ethics and avoid corrupt and fraudulent practices during the procurement and execution of projects.

Tenders under NDF funding are normally referred to as Nordic Competitive Bidding, NCB. This is a way to ensure quality, economy and efficiency in the procurement of goods, works and services. Only Nordic bidders are thus eligible. However, Limited Nordic Competitive Bidding can be used in cases of urgency, or when a limited number of suppliers are available. In exceptional cases, for example with only one supplier or repeat orders, NDF may approve direct negotiations with a supplier on a case by case basis. Shopping, with a minimum of three quotations for similar products and selection of the cheapest offer, can be used in case of small contract values.

In general, an eligible bidder for contracts of goods, works and services to projects under NDF funding shall be a citizen, permanent resident or registered company of a Nordic country. Projects should be of interest to the Nordic countries, and goods, works and services under NDF funding should mainly be sourced in competition from the Nordic countries and in accordance with the Procurement Guidelines. Suppliers in the borrower's country can also be considered eligible but a substantial part of the goods, civil works and services to be supplied under NDF funding shall be of Nordic origin.

NDF will from time to time recruit consultants for specific short-term assignments. The assignments are normally related to identification of project components to be financed by NDF. Individual consultants interested in short-term assignments are invited to apply for registration.

Procurement Guidelines: http://www.ndf.fi/procurement_guidelines.html

Financing Conditions

Goods, works and services supplied under NDF funding should be mainly of Nordic origin, although the NDF is paying increasing attention to the possibilities of including deliveries from enterprises in the host country. A citizen, permanent resident or registered company of a Nordic

country is as an eligible bidder for contracts of goods, works and services for projects under NDF funding.

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 one year after the credit agreement has been signed.

Further Information

More information on NDF projects and tenders can be found at www.finpro.fi/projectdatabase

More information on NDF: www.ndf.fi

More information on NDF's projects in the LAC: <http://www.ndf.fi/projectlatinam.html>

More information on NDF's procurement guidelines: www.ndf.fi/procurement.html

NDF's Supply Opportunities: <http://www.ndf.fi/supply.html>

NDF's projects listed in NDF Supply Opportunities: <http://www.ndf.fi/SuppOpp.pdf>

Contacts:

Nordic Development Fund

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Email: jesper.andersen@ndf.fi

NORDIC INVESTMENT BANK, NIB

General Overview

The Nordic Investment Bank, NIB is a joint institution of the five Nordic countries. NIB's lending outside the Nordic countries is intended to strengthen the economic cooperation between the developing countries and the Nordic region. The emphasis is on projects of mutual interest to the borrower countries and the Nordic countries. The countries eligible for NIB financing are those that have signed a Framework Agreement with the Bank and currently NIB is present in some 35 countries worldwide. NIB is a multilateral financial institution and has financed over a thousand projects since it began operating in 1976.

Financing Principles

NIB offers long-term financing on competitive terms. The Bank acquires its funds by borrowing in the international markets, so its clients can take advantage of NIB's favourable cost of funding. NIB's financing complements other multilateral and bilateral financial institutions in project or export financing. The general rule is that NIB financing is limited to cover maximum 50 % of the total cost of the project.

NIB's Instruments

Type	Recipient	Size	Maturity	Interest	Procurement
Loans	Sovereign to other MFIs	5 MUSD-100 MUSD	15-20 years	comparable	NIB
	Private	5 MUSD – 30 MUSD	5-15 years	Commercial	NIB
Credit Lines	Regional/ National Development banks	500 000 USD ->		Local	Local Bank & NIB

The preparation of a loan commitment includes a thorough assessment of technical feasibility and economic viability. Environmental aspects and good governance are also important components of NIB's lending. Further, NIB encourages companies to use competitive bidding procedures in order to ensure cost-effective use of the granted financing.

Instruments and Services

NIB's international lending operations are based on Project Investment Loans (PIL loans). PIL loans are long-term loans for projects in Africa and the Middle East, Asia, the Baltic countries, Central and Eastern Europe and Latin America. PIL loans are usually granted direct to governments or against government guarantees. Loans can also be granted to the private sector without a government guarantee, primarily for infrastructure investments and utility projects. PIL loans can be used to finance all types of project costs, including local costs. The size varies from USD 5 million to USD 100 million with maturities of 15-20 years for sovereign and 5-15 years for private loans. Of the loans granted by NIB, some two thirds are sovereign loans and one third are loans to the private sector.

Credit lines are loans to regional and national development banks, who then provide financing according to mutually agreed principles, including a Nordic interest. Through credit lines NIB participates in financing smaller projects as well, from around USD 500 000 upwards.

The Bank cooperates with the World Bank Group and regional development banks, including the Inter-American Development Bank, the European Investment Bank and the Nordic Development Fund. Other co-financing parties are export credit institutions, development cooperation authorities and commercial banks.

NIB in Latin America and the Caribbean

Latin America is one of the growing and potential markets for NIB. The bank is expanding its activities, following the interest of its clients, the Nordic companies. In 2002, NIB's outstanding and agreed loans for LAC region were almost EUR 600 million, approximately 20 % of NIB's total international loans. At the moment, the biggest borrower is Mexico, but Brazil is getting closer after a framework agreement came into force in 2000. However, NIB sees potential in other countries in the area as well.

NIB's presence in the LAC Region:

Individual countries	Development Banks
Argentina	CABEI (Central America)
Brazil	CAF (Andean Community)
Colombia	BNDES (Brazil)
Mexico	Bancomext (Mexico)
Peru	Nafin (Mexico)
Venezuela	COFIDE (Peru)

The sectors involved in most of the activities are telecommunications, energy, forestry in general and paper and pulp in particular, and environmental technologies.

NIB is present in the LAC region both through direct loans and through credit lines, i.e. loans to development banks. In some of the poorer countries that are not considered credit-worthy NIB is only present through credit lines. Examples of these are the majority of the Central American countries, Bolivia and Ecuador. In Chile, NIB is not yet present either, as the negotiations for a framework agreement are still in progress. NIB is also currently discussing agreements with the Dominican Republic and Costa Rica.

Opportunities for Finnish Companies

NIB welcomes proposals for all kinds of projects for preliminary examination. Smaller projects can be also be interesting, particularly when credit lines are involved. For direct NIB financing, contact should be taken directly to NIB itself. For credit line financing, the contact goes through the development bank concerned. For more information on these possibilities, companies can contact either NIB or the development bank.

How to obtain financing?

Free-form loan applications may be addressed to the NIB's International Lending Department, to the addresses below.

Public Procurement

NIB encourages companies to use International Competitive Bidding (ICB) in order to ensure the cost-effective use of investments.

Further Information

More information on NIB: <http://www.nib.int/se/index.html>

General guidelines for tenders and procurement

http://www.nib.int/linked/en/lending/general_guidelines_for_nib.pdf

Contacts:

Nordic Investment Bank

Lars-Åke Olsson, Senior Vice-President and Regional Manager

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Email: lars-ake.olsson@nib.int

CASE: NIB Credit Line and Uniglass Engineering

Uniglass Engineering manufactures machinery for the safety glass processing industry. By early 2003, the company had delivered nearly 60 glass tempering machines to over 20 countries worldwide. In 2002, Uniglass sold a horizontal tempering line to a Mexican glass factory. The transaction was financed by Nafin through a credit line of NIB.

In this case, Uniglass sold the equipment to a Mexican buyer, who contacted Nafin in order to finance its purchase. As the deal was between a Mexican and a Nordic company, Nafin could use the credit line from NIB for financing its client. Most of the paper work was done in Mexico and NIB was contacted in order to obtain formal approval. NIB in turn contacted Uniglass to get their approval. According to Uniglass, the procedure was easy and fast.

NORDIC PROJECT FUND, NOPEF

General Overview

The Nordic Project Fund (Nopef) supports Nordic companies by providing favourable, interest free loans and grants for feasibility studies in internationalisation projects or in project export deals. The project must be located outside the EU and EFTA countries. Nopef's main priority is projects in the region close to the Nordic countries and projects with SMEs. Projects outside this priority area require a stronger Nordic interest.

Nopef was established in 1982 and is financed by the Nordic Council of Ministers and the five Nordic countries.

Nopef focuses mainly on project export in the LAC region, but lately more interest has been devoted to production plant projects. Nopef operations are eligible for each country and activity sector in the LAC region. Cumulatively, Nopef has realised over 40 projects in the region, of which 4 were carried out in 2002.

Financing Principles

Nopef can provide funding for feasibility studies related to internationalisation projects or project export. Internationalisation projects, such as acquisitions, setting up a fully-owned subsidiary, a joint venture with a local partner or a long-term production agreement are eligible projects. Nopef does not cover expenses for finding an agent or a distributor or for making general market studies. Loans for internationalisation can cover up to 40% of the approved expenses. The loan can be converted into a grant upon approval of the expenses and the final report. Project export is defined as system or turnkey deliveries to a specific customer. Project export loans can cover up to 50% of feasibility study expenses and are paid back if the project is successful. In case of an unsuccessful project the loan can be converted into a grant upon approval of the expenses and the final report.

The expenses covered by the loan/grant can consist mainly of salaries of the company's own personnel, travel costs and costs for external services such as consultants and lawyers. The following activities can be covered by the loan/grant:

- Risk and profitability calculations
- Evaluation of potential business partners
- Writing an analysis of financing alternatives and preparation of documentation
- Legal assistance
- Contract negotiations

Eligible applicants are companies that operate in the Nordic countries. The applicant is the company that will also implement the project. For project export this is the main contractor, usually a manufacturer or system integrator capable of giving the necessary guarantees. In internationalisation it is one of the main owners in the new venture.

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 know-how, economy and personnel.

Instruments and Services

Loans and grants.

Opportunities for Finnish Companies

An application to Nopef can be made by fax, e-mail or by post. The application should include information about the applying company, project description, investment budget and financing plan, Nordic interest, feasibility study, action plan and budget, as well as a short formal application stating the amount requested. A loan from Nopef can cover expenses as from the registration date. The credit committee or the board evaluates the application. The credit committee, in which approximately 80-90% of the applications are processed, meets once a month. The board meets 4 times a year and processes larger loans, projects on new markets, decisions of principal and new directives. The application procedure takes approximately 3-6 weeks provided that the application is complete.

Financing Conditions

A project report is required at least every six months. The loans are paid against realised expenses and a payment request must include a project report and an explanation of expenses summarised on a special sheet. A statement by a public chartered accountant is required with the last payment.

Further Information

More information on Nopef, including guidelines and forms for applications: www.nopef.com

Contacts:

Stephan Gröndahl

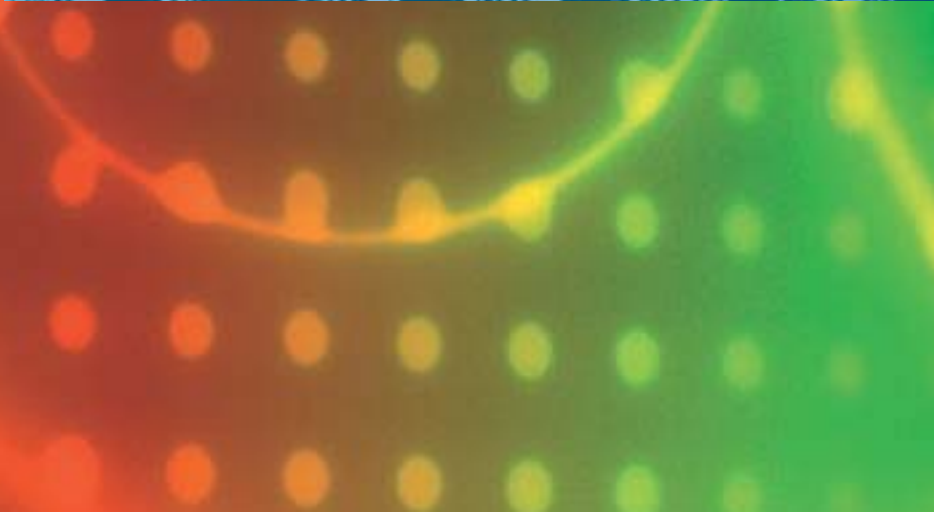
Nopef, Helsinki

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Email: stephan.grondahl@nopef.com

Finnish Financing Instruments

6



FINNISH FUND FOR INDUSTRIAL COOPERATION LTD, FINNFUND

General Overview

Finnfund is a Finnish development finance institution that provides long-term risk capital for private projects in countries where access to financing is often constrained due to political and other risks. The aim is to support private companies in developing and transitional economies. Finnfund may finance projects in developing countries and transitional economies, but as a rule not in the EU accession countries. Finnfund is part of Finland's development cooperation, but only finances profitable projects at market-related terms. Apart from co-investing with Finnish companies Finnfund also finances projects that use Finnish technology, cooperate with Finnish partners on a long-term basis, or generate major environmental or social benefits.

Finnfund is owned by the Government of Finland (79.9%), Finnvera Plc (20.0%) and the Confederation of Finnish Industry and Employers (0.1%).

In 2002, Finnfund approved 13 new investments, totalling EUR 31 million. China was the single most important host country for investments, especially in electronics. Finnfund also made its first-ever investments in Brazil, Cuba and South Africa. Approximately two-thirds of the total of EUR 31 million consisted of loans.

Finnfund is a member of the Association of European Development Finance Institutions (EDFI) and collaborates closely with its members. Finnfund also has long-standing cooperation with the IFC, the EBRD and other development banks, as well as with commercial banks. Finnfund is an investor in a number of private equity funds that are active in developing countries.

Finnfund's Investment Decisions by Region in 2002

Region	Number of decisions
Asia	4
Africa	3
The Mediterranean	0
Latin America	3
Eastern Europe and Central Asia	2
International	1

Finnfund's Investment Decisions by Sector in 2002

Sector	Number of decisions
Chemical industries	1
Finance and consulting	5
Metals and machinery	3
Forest industries	1
Communications	1
Other	2

Finnfund in Latin America

All Latin American countries are eligible for Finnfund financing, although most of the projects currently under preparation are in Central America and Brazil. The most recent investment commitments were made to Brazil, Cuba and Latin America as a region.

Finnfund's effective commitments (investments in portfolio plus undisbursed commitments) to Latin America total EUR 28 million, which represents 13 % of all commitments. The first Latin American projects in the early 1980s were in the forestry sectors in Mexico and Ecuador. Since then Finnfund has diversified its portfolio and invested in a number of regional funds. Finnfund welcomes new project proposals related to the region.

Finnfund's Investments in Latin American Funds

Latin American Challenge Investment Fund LACIF (Finnfund's share USD 0.5 million)
Private equity fund, microfinance institutions in Peru, Bolivia, Ecuador, Dominican Republic and Nicaragua. http://www.iadb.org/mif/investment_page/english/lacif.html

The CEA (Communication Equity Associates) Latin American Communication Partners L.P. (Finnfund's share USD 3.75 million)

An equity fund investing in small and medium-sized telecom-companies in Latin America. http://www.iadb.org/iic/english/projects/2000_rg1063_invest.htm

Carifin (Finnfund's credit line USD 3 million)

A finance company providing short term lending to commercially managed companies operating in the hard currency sector of the Cuban economy.

Corporación Financiera Ambiental

A venture capital fund for financing SME businesses in sustainable development in Central America. Finnfund manages investment through the Ministry for Foreign Affairs.

Financing Principles

Finnfund has to be self-supporting and hence can only invest in projects that are expected to be profitable and likely to provide returns that are commensurate with the risks involved. The sponsor of the project does not need to be a Finnish company, as long as a Finnish interest is involved in the project. This may refer to cooperation with Finnish partners, the use of Finnish technology or know-how, or considerable positive environmental or development impacts.

Instruments and Services

Finnfund provides investment financing in the form of equity investments, investment loans, mezzanine financing and combinations of these. In selected cases Finnfund can also issue guarantees in favour of project companies seeking local currency funding. Financing is typically

made directly (or through a holding company) into the project company. Finnfund's equity participation is limited to minority shareholding, and should not exceed the shareholding of the sponsor. Loan maturities range from medium to long-term, usually 5-10 years including a grace period of 1-3 years. Equity participations are also usually made with pre-agreed exit arrangements.

The projects should have an experienced 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 stake in a project is usually in the range of USD 1 million to USD 5 million. If the financing needs of a project exceed Finnfund's capacity to take risk, Finnfund can co-finance with other financiers and can also facilitate contacts with them.

Examples of projects financed by FINNFUND in Latin America and the Caribbean:

- Forestal Esmeraldena S.A. de C.V., Ecuador 1981. Santo Domingo plywood mill. Sponsor Raute.
- Compañia Forestal Oriental S.A., Uruguay 1991. Eucalyptus plantation. Sponsor UPM.
- Empresa Generadora de Electricidad Haina S.A. Dominican Republic 2001. Barge mounted power plant. Sponsor Wärtsilä.

Opportunities for Finnish Companies

By providing long-term risk capital directly to foreign ventures, Finnfund can share the risks with the Finnish 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. Because of its specialised nature and know-how, Finnfund can advise its clients in structuring financing for ventures in developing countries and may be able to facilitate access to other financiers.

Finnish companies whose involvement in Latin America is not in the form of direct investments may be able to access Finnfund's financing for their local partners, suppliers or clients. In these cases, Finnfund needs either to be satisfied with the creditworthiness of the local sponsor or to receive sufficient security for its investment from the Finnish partner or elsewhere.

Financing Conditions

Finnfund seeks to finance projects that are

- Technically and financially feasible,
- Environmentally and socially sound,
- Owned and managed by the private sector,
- Sponsored by reputable and creditworthy partners.

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.

CASE: Finnfund Financing: Eltete TPM Oy

Eltete TPM Oy, manufacturer of transport packaging materials, has rapidly extended its production to China, India and Brazil.

Eltete specialises in the global production, marketing and sales of recyclable transport packaging materials. Its product line includes, for example, carton board slip-sheets, edgeboards and dunnage bags. The raw material used is also recyclable. The company manufactures its products in nine countries and sells them to over 40 countries.

In China the production unit in Shanghai began its operations in April 2001. In 2002, production was started in Gujarat, India, and in the state of São Paulo, Brazil. Careful study of the markets and the establishment of sales organisations preceded the establishment of production units. Finnfund is involved in these three operations through shareholder investments.

The joint operation in Brazil manufactures edge-boards as well as other transport packaging materials for Brazilian home and exports markets. There are abundant raw materials available in Brazil as well as large home markets that at present have little competition. The 20 workers at the Brazil production unit, including general management, are local experts.

Eltete TPM Oy is a good example of Finnfund's cooperation with a growing, globalising and environment-friendly company.

Brazil is an important target country for Finnfund in Latin America and activity is expected to develop further in the future.

Further Information

More information on Finnfund: <http://www.finnfund.fi>

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FINNVERA

General Overview

Finnvera Plc is a government-owned financing company, whose tasks are to promote domestic operations and to boost exports and the internationalisation of Finnish companies. Finnvera's role is to provide complementary risk financing in the finance market and to identify existing or future shortcomings in the risk-finance market. Finnvera provides partial financing in projects where a company's or an entrepreneur's own collateral is insufficient. Finnvera's functions are prescribed by law and they include development of prerequisites for the operations of SMEs, promotion of exports and internationalisation of enterprises, and implementation of the government's business and industry policy measures as a provider of risk financing supplementing the market.

In 2002, the value of the guarantees granted by Finnvera was EUR 1,708 million. Asia is the most important area in Finnvera's activities and approximately half of the risk was in Asia. Approximately 80 % of the guarantees allocated are Buyer Credit Guarantees.

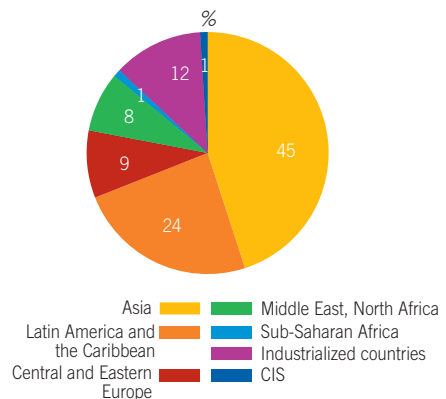
Financing Principles

Finnvera's operations are aimed at developing the prerequisites of SMEs, promoting exports and the internationalisation of enterprises and implementing the government's business and industry policy measures. An essential part of Finnvera's general risk assessment policy is the evaluation of countries' creditworthiness by maintaining a country classification list. At present the classification of countries in Latin America and the Caribbean varies between 7 (very poor financial standing, no guarantees) and 2 (good financial standing). Only a few of the countries are classified as off-cover for guarantees or granted only short-term (maximum 1 year) guarantees. They are not, however, completely excluded from Finnvera's activities, and guarantees can be granted on a case-by-case basis. Companies interested should contact Finnvera for further information.

Finnvera in Latin America

Latin America and the Caribbean form an important area in Finnvera's activities, constituting 15-35 % of activities annually. At the end of 2002 the LAC share of outstanding commitments (offers and current commitments together) was 23 % totalling some EUR 800 million. Finnvera's biggest country exposures as of 31.12.2002 were, in order: Philippines, Brazil, Norway and Mexico. Peru and Chile are in the top 15.

Finnvera Exposures by Region



Instruments and Services

Finnvera offers companies guarantees against political and/or commercial risk. With regard to commercial risk, the basic principle is that a small own-risk portion is to be covered by the exporter and the financier. Political risk may be entirely covered by Finnvera. Guarantees include Credit Risk Guarantees, Buyer Credit Guarantees, Letter of Credit Guarantees, Investment Guarantees, Bond Guarantees, Finance Guarantees, and Raw Material Guarantees. The Buyer Credit Guarantee is the most widely used and amounts to approximately 80 % of all the guarantees given.

The risks to be covered by export credit guarantees are usually political or commercial risks related to export transactions. Political risks are related either to the country of a foreign buyer or borrower, or to a third country, which may lead to the exporter, investor or financier incurring a credit loss. Political risks include restrictions on transfer of the credit currency, rescheduling of debts, expropriation, and war or insurrection. Commercial risks arise from foreign banks, companies or project companies. Typical commercial risks include the buyer's, borrower's or guarantor's insolvency or unwillingness to pay a debt.

Finnvera also guarantees credit risks for concessional loans, which are export credits supported by an interest subsidy. The interest subsidy is paid out of the international development cooperation funds of the Ministry for Foreign Affairs of Finland.

Opportunities for Finnish Companies

As Finland's Export Credit Agency (ECA), Finnvera offers Finnish export companies services on the global market in order to facilitate expansion of operations. Financing decisions are based on the viability and potential profitability of the companies. Finnvera shares risks with other lenders, such as banks and insurance companies and also, in export credit guarantee operations, with guarantee agencies in other countries.

Financing Conditions

Projects should include a Finnish interest that would provide potential benefits for the Finnish economy. As part of the overall risk assessment, Finnvera pays attention to the social and environmental impacts of the projects for which guarantees are granted. In the case of guarantee applications involving a loan repayment period of at least two years, the exporter is required to fill in a separate environmental impact questionnaire.

Further Information

More information on Finnvera: www.finnvera.fi

More information on Finnvera's country classification: www.finnvera.fi/index2.cfm?to=609.

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FINNISH EXPORT FINANCE DEVELOPMENT, FIDE Ltd.

General Overview

FIDE supports Finnish exports by offering internationally competitive possibilities to utilise medium and long-term OECD export finance. FIDE is an Export Credit Agency (ECA). The interest equalisation agreements offered by FIDE are included in BIS Risk Category I (0%) and in its operations it follows the same ISDA procedures that commercial banks use in their swap deals. The standardised and flexible procedure makes the use of FIDE services easy and risk-free.

In export financing arrangements FIDE covers the interest risks. FIDE does not cover political or commercial risks. An interest equalisation system enables financial institutions, for example banks, to offer their customers officially supported export financing with competitive terms and conditions.

The interest equalisation system offered by FIDE is used when exporting:

- Capital goods
- Projects
- Financial leases
- Consulting and planning services
- Ships

FIDE and Latin America

Latin America forms a small but growing share of FIDE's activities, as the majority of the projects are in the Far East and OECD countries. In Latin America, FIDE has participated in financing operations related to export credits, but so far there has not been project financing in the LAC region. The main sectors of FIDE involvement in the LAC region are telecommunication, paper and pulp, machinery, energy and mining. The countries in which FIDE has been active are Argentina, Brazil, Chile, the Caribbean and Venezuela.

Financing Principles

FIDE administers the Finnish system for officially supported export credits, which is based on the interest equalisation system. Through FIDE, both domestic and foreign financial institutions are able to provide export credits based on OECD terms. However, the Finnish content of the transaction to be financed should be at least 60 %. FIDE concludes interest equalisation agreements only with financial institutions that have a Cooperation Agreement with FIDE. The OECD term interest is based on the Commercial Interest Reference Rate (CIRR) determined once a month by the OECD. Offers are given for periods of 4 months.

Instruments and Services

Officially supported credits can be used to finance the export of capital goods, consulting and planning services, projects and also for other purposes when the normal repayment term of the export transaction is at least 2 years. Financing instruments include standard export credits, proj-

ect finance, and ship financing. Credit applications should be submitted in a free-form application that includes basic data on the transaction and the credit. The application form is available on the FIDE web-site.

Further Information

More information on FIDE at: <http://www.fide.fi/>

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EIT APPROPRIATION

General Overview

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 longer-term and commercially viable cooperation projects. Allocations for new appropriations in 2003 amount to EUR 2.6 million.

Financing Principles

The EIT Appropriation is included in Finland’s official development cooperation funds and it is intended for setting up of 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 applications from small and medium-size companies, and projects that include an element of innovation or that utilise 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 costs of the project 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 schedule for the project, 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 arisen before an application has been submitted.

Further Information

More information on EIT Appropriation from Finland's Ministry for Foreign Affairs, ASA-31 and www.formin.fi.

Contacts for applications:

The Ministry for Foreign Affairs of Finland, ASA-31,
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CASE: Wärtsilä and Latin America

Wärtsilä has concluded various successful projects in Latin America. In some of the countries, such as Brazil, projects have been carried out with sole private financing. In terms of international financing institutions, Wärtsilä has used, for example, the services of the IDB in Honduras and Nicaragua, of the CABEL in Honduras, and of the IFC in Jamaica, Honduras and Guatemala. Wärtsilä is one IFC's major clients.

Example of joint financing by Nordea-Finnfund-Finnvera:

Wärtsilä Power Plants: Sultana del Este, EGE Haina, Dominican Republic, 2000-2001

Wärtsilä Corporation is a major provider of solutions for decentralised 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 and also has an impressive track record in Latin America.

In 1999, as part of the privatisation process of the energy sector in the Dominican Republic, two private generation companies were created, Empresa Generadora de Electricidad Haina, EGE Haina and Empresa Generadora de Electricidad Itabo S.A., EGE Itabo. In November 2000, EGE Haina and Wärtsilä signed an Engineering, Procurement and Construction Contract for a 148.6 MWe Commodore – Wärtsilä’s barge mounted power plant solution - to be moored at the EGE Haina site in San Pedro de Macoris. Wärtsilä has also signed an Operation and Maintenance Agreement to operate the power plant. This floating power plant was to be delivered by a fast-track project execution. In December 2000, construction started and the plant began operations in November 2001.

The barge was constructed at Jurong shipyard, Singapore. The owner and borrower is EGE Haina and the O&M contractor is Wärtsilä. Wärtsilä also facilitated financing for the barge. Loans amounted to USD 80 million with a term of 10 years. The main bank in the consortia is Nordea Bank, and the other members of the consortia are Danske Bank, LB Kiel, and Finnfund. Finnvera covered potential political and commercial risks.

As of 2002, including the EGE Haina power plant, Wärtsilä has supplied over 600 MW of power to generators in the Dominican Republic, through barge-mounted and land-based power plants.

CONCESSIONAL LOAN SCHEME

General Overview

A concessional loan (“korkotukiluotto”) is a financial arrangement whereby an export credit is supported by an interest subsidy from the development cooperation funds of the Ministry for Foreign Affairs of Finland. The Ministry’s Department for Development Policy is the key organisation and the main administrator of the Concessional Loan Scheme. It processes credit applications, selects projects for the Scheme and makes decisions on interest subsidies for export credits. Finnvera Plc is the other key organisation guaranteeing the credit risks of the loan in concern. The financier is chosen by the exporting company, and nowadays all banks operating in the European Economic Area can issue the loans.

Concessional credits are mainly used in Asia, particularly in China. There are two projects in Latin America that are receiving concessional credits at the moment and during 1992-2001 only 3 % percent of the concessional credits were allocated to the LAC region.

The Concessional Loan Scheme is considered to be cumbersome and difficult. The system is under evaluation and reconstruction at the moment. The main conclusion of the evaluation report is that the actual concessional loan system should be concentrated on fewer countries and lighter instruments should be created to guarantee concessional credits to other developing countries.

The Concessional Credit Cycle



Financing Principles

Concessional loans can be granted to Lower Middle Income and Low Income Countries to support the economic and social development of those countries. The administration of concessional loans is regulated by law. The recipient of the credit pays either zero interest or an interest rate clearly below the market reference rate. The projects involved have to be economically, environmentally and socially sustainable and meet the objectives of Finland's official development cooperation policy. Concessional loans can be issued to countries whose GNI (gross national income) per capita is less than USD 2975 (valid until July 2003) and which are credit-worthy according to Finnvera's guarantee policy. Eligible countries are those listed by the OECD export credit group. Generally, concessional loans are granted to projects that are commercially nonviable.

Concessional loans in Latin America

Concessional credits are mainly issued to China and Vietnam. In 2002 there was a new interest subsidy loan granted to Costa Rica and there are some projects in the appraisal or outline stage in Latin America.

Instruments and Services

Concessional loans.

Opportunities for Finnish Companies

The procurement rules in the recipient country must be taken into account when concluding the trade agreement. ICB, LIB or direct consultations may be required in the recipient country. Unless no actual competitive bidding has been arranged, the Ministry for Foreign Affairs verifies that the prices concur with the world market prices when assessing the project. The process

for handling a concessional loan begins when an exporter or financier applies for Finnvera's buyer credit guarantee. A feasibility study is required. Exporters and financiers can also introduce their projects to Finnvera and the Ministry for Foreign Affairs prior to the submission of the application. Finnvera makes a preliminary assessment of the project's eligibility after which the Ministry for Foreign Affairs conducts a project appraisal and makes the final decision on financing.

Financing Conditions

The domestic contents of an export delivery financed with a concessional loan must amount to at least 50% of the total. However, if the loan is issued under National Account for Risk Taking the domestic contents must exceed 50 %. The conditions of National Account for Risk Taking are determined by the Government. Higher domestic contents can also be required when a project to be financed is located in a very high-risk country. The loan amount is 100 % of the contract amount and the interest rate is 0 %. The repayment period of concessional loans varies being normally between 10 to 15 years.

According to the OECD Consensus the minimum concessionality level is 35 %. In Least Developed Countries the minimum concessionality level is 50 %. In some cases the IMF can limit the external financing of a highly indebted country to loans with a 50 % concessionality level. The level of concessionality is determined by the loan repayment period, interest subsidy, grace period, the number of annual installments and the Differentiated Discount Rate (DDR). The DDR is based on the average Commercial Interest Reference Rate (CIRR) of a number of currencies. The DDR is subject to annual change on 15 January. Finnvera calculates the concessionality level according to formula adopted by the OECD.

Further Information

More information on the concessional loan scheme:

<http://global.finland.fi/english/projects/concessional/index.html>

More information on the evaluation of the Concessional loan scheme:

<http://global.finland.fi/evaluations/concessional2003/>

Contacts:

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Finland's Bilateral Development Cooperation

The objectives of Finnish development cooperation policy are:

- Reduction of widespread poverty
- Repelling of global environmental threats
- Promotion of equality, democracy and human rights
- Improved global security
- Greater economic interaction

Finland's development cooperation policy is in accordance with the OECD/DAC and European Commission development policies and has its own priorities and emphases.

Finland has recently been working to make its bilateral, multilateral and EU cooperation activities more complementary than before. Finland now tends to concentrate its bilateral cooperation more on long-term development partners, keeping up continuous dialogues with them. The trend in bilateral cooperation is to move towards sector approaches and sector programmes instead of individual, often donor-driven, projects. The aim is to increase the partner countries' ownership in development cooperation and give more support to country-driven development efforts.

A regional perspective has also been dominant in Finnish development cooperation in Latin America. Programmes are executed in several countries at the same time and have some common components.

Bilateral Development Cooperation in the LAC

In Latin America and the Caribbean, Finland's main priority in development cooperation has been cooperation with Nicaragua. In Nicaragua, Finland seeks to work with both government and private sectors and to further develop relations with NGOs. In the Annual Consultations of November 2002, Nicaragua and Finland agreed to concentrate the future country programme on the following three sectors:

- Agriculture and forestry, with reference also to the environment
- Reproductive health
- Decentralisation and municipal development

Identification and design work for new programmes is being undertaken during 2003. Tendering of consultancy services for the new programmes is not expected to occur before late 2003. At present it is envisaged that the future programmes will on average be bigger, more integrated into local structures and more coordinated with other programmes of the sector than the earlier projects. They would conform with the move towards sectoral approaches. These tendencies will be reflected accordingly in the requirements for consultancy services.

In addition to Nicaragua, Finland has a project for decentralisation and municipal development in Honduras and a human rights training programme in Guatemala. The promotion of bilingual education has formed part of the regional programmes. Peru used to be one of the main recipients for Finnish development cooperation, but nowadays the emphasis is on transitional strategies.

Finnish Funds for Local Cooperation are administered by Finnish embassies to support local NGOs.

Priority sectors in Latin America

- Health and social development
- Education
- Decentralisation
- Agriculture and forestry

In all development cooperation, other cross-cutting issues also arise. These include:

- Good governance
- Human rights
- Environment
- Gender issues

Regional Projects in the LAC:

- Central American Energy Plan
- The Caribbean Meteorology Project

CASE: Reproductive Health, Equity and Rights Programme in Nicaragua (SARED, 2003-2006)

The Finnish Government has been supporting the Nicaraguan Ministry of Health (MoH) and its sexual and reproductive health work since 1997, through the Reproductive Health and Women's Empowerment project (SAREM) in Carazo. SAREM ended in 2001 and it was successful in supporting the MoH's development of an integrated sexual and reproductive health programme with a gender and rights perspective in Carazo, and in mobilising people to participate in the programme activities and community outreach work.

Building on the SAREM experience, a new programme, Reproductive Health, Equity and Rights in Nicaragua (SARED) started in February 2003. SARED consolidates the work in Carazo and extends it to the Departmental Authority of the MoH (SILAIS) of Chontales, which was chosen as the second programme area because of its severe poverty, poor sexual and reproductive health indicators and lack of external support for the public health sector. The total number of direct beneficiaries in the two areas is estimated at 380,000.

The SARED programme has been formulated with a common work plan for both SILAIS (Carazo and Chontales) although the characteristics of the two areas are different, with Chontales having the greater needs for basic service provision, equipment and training. The project's overall objective is to contribute to improving the quality of life of individuals and families and to break the inter-generational poverty cycle through fostering the exercise of sexual and reproductive rights and improving and expanding sexual and reproductive health services with gender perspective. The programme's purpose reflects the need to improve the organisation and management of services and to link community requirements to the appropriate supply of services.

In both Carazo and Chontales the project will work within the existing management and operational structures of the SILAIS, aiming to strengthen on-going work and new initiatives in service provision and community outreach and ensure their sustainability. The project will complement existing resources and skills through the provision of key technical assistance, equipment and training which are needed to implement the SILAIS plans. The Nicaraguan partners will be responsible for project implementation, with technical assistance from an International Project Coordinator and short-term consultants.

The service provider for the International Project Coordinator is Finnconsult Oy although the main responsibility of the programme lies with the MoH of Nicaragua. The project will last for 4 years and the total Finnish contribution to it is about EUR 4 million.

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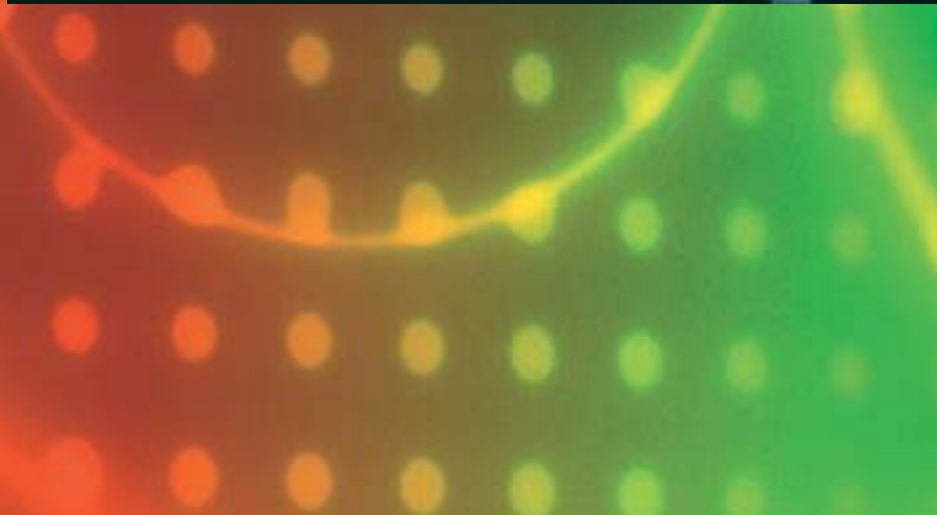
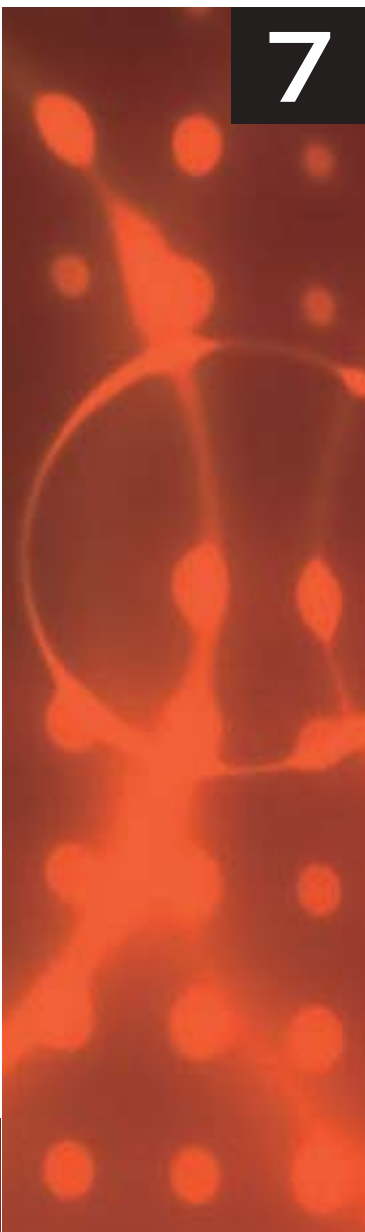
Nicaragua Desk: Marja Luoto

Finnish Bilateral Overseas Development Aid Disbursements in the LAC Region

<i>m EUR in 1991-2001</i>											
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Argentina	0,05	0,10		0,08	0,05	0,03	0,07	0,12	0,01	0,09	0,07
Barbados	-0,12	-0,11	-0,17	-0,06	-0,05	-0,13	-0,10	-0,03			
Belize									0,10		
Bolivia	0,02	0,13	0,06	0,02	0,23	0,25	0,49	0,31	0,28	0,24	0,32
Brazil	0,20	0,12	0,07	0,03	0,19	0,19	0,31	0,41	0,31	0,24	0,36
Chile	0,95	0,42	0,18	-0,37	-0,28	-0,37	-0,43	-0,52	-0,63	-0,67	0,05
Colombia	0,10	0,10	0,03	0,01	0,07	0,07	0,07	0,04	0,23	0,06	0,39
Costa Rica	0,27	0,02	0,04	0,00	0,17				0,10		0,04
Cuba	0,49	0,41	0,01			0,01	0,00	0,08	0,21	0,03	0,15
Dominica		0,14									
Dominican Republic			0,28	0,33	0,30	0,35	0,09	0,12	0,07	0,23	0,18
Ecuador	-0,17	0,20	0,10	0,02	0,08	0,09	0,04	0,15	0,09	0,26	0,26
El Salvador	0,53	0,23		-0,02			0,12	0,07	0,22	0,12	0,62
Guatemala	0,05	0,03	0,22	0,20	0,08	0,09	0,09	0,22	0,88	0,18	0,58
Guyana								0,01			0,01
Haiti	0,02			0,05		0,03		0,03	0,06	0,05	0,08
Honduras	0,03	0,03			0,03	0,02		0,01	0,68		
Jamaica		0,01	0,01								
Mexico	1,14	1,56	1,31	1,02	0,90	0,49	0,12	0,14	0,16	0,24	0,25
Nicaragua	16,71	10,56	7,74	4,45	4,71	3,96	6,54	6,75	9,07	8,51	7,50
Panama	0,01								0,02	0,02	0,01
Paraguay						0,03	0,03				
Peru	5,08	3,01	1,91	0,14	2,15	0,46	0,19	0,20	0,63	1,30	1,52
Venezuela						0,03	0,02	0,03	0,03	0,50	0,06
Total	25,36	16,96	11,79	5,90	8,63	5,60	7,65	8,14	12,52	11,40	12,45

Commercial Bank Financing for the LAC region

7



COMMERCIAL BANK FINANCING FOR THE LAC REGION

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

Of the three commercial banks whose activities are outlined below, Nordea has the most business with Latin America and the Caribbean at present.

Nordea and Latin America

Nordea finances Finnish exports and projects in which there are Finnish interests. The terms of financing depend on the case and the customer. In the LAC region Nordea is involved in the paper and pulp, telecommunications, energy and mining sectors. It is open to proposals and interested in sharing the risk. The average size of projects varies from USD 10 million upwards. Other financiers are usually also involved. Nordea has worked with such regional financing institutions as the IFC, CABEL and CAF.

With regard to individual countries, Brazil is the most important single country in Latin America for Nordea and the bank also has projects in Mexico, Argentina, Chile, and Bolivia, as well as in Central America and the Caribbean. According to Nordea, 2002 was not a very good year in the LAC region, but there are better prospects for the future.

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Sampo Bank Plc

Sampo Bank plc belongs to Sampo plc, which is a full-service financial group. Sampo began its operations in 2001, when Finland's leading insurance group, Sampo, and one of the leading banking groups, Leonia, combined their forces. In February 2001, Mandatum Bank was also merged with the Group. The new Sampo is a holding company with subsidiary companies such as Sampo Bank plc (former Leonia Bank plc), Sampo Fund Management Ltd, Mandatum Asset Management Ltd and Sampo Life Insurance Company.

Sampo offers the whole range of banking, insurance and investment banking services to its retail, corporate and institutional customers. It is also actively developing various financial services in Estonia, where it operates a bank, a fund management company and a life insurance company. In addition, Sampo operates in Latvia, Lithuania and Poland.

Sampo Bank's services are provided in 120 locations in Finland for retail customers and in 60 locations by offices specially for corporate customers. Over 610,000 customers are within the scope of web and phone services. Payment processing is the core activity of Sampo Bank. Consequently, Sampo Bank is traditionally recognised as leading bank in domestic payments by having over 40% market share of value. In foreign payments Sampo Bank has maintained a high performance standard and a market share of 27 % of transactions. The global network of correspondent banks comprises account relations with the most important markets including Latin America. In August 1998, Sampo Bank became the first Finnish bank to be a full euro clearing member of Euro Banking Association (EBA). Through this membership Sampo Bank can offer foreign correspondents and their customers comprehensive euro-payment and account services throughout the euro area. Over 75% of Finnish corporations maintain an account with Sampo Bank. There is a special focus on domestic and international cash management.

Sampo Bank provides corporate customers with a full range of such short-term trade finance services as:

- Export and Import Letters of Credit
- L/C confirmations
- L/C financing - discounting and post-financing
- Forfeiting
- 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 finance needs. Sampo Bank plc has a comprehensive network of correspondent banks in Latin American countries through which it serves the needs of its customers for payments and short-term trade finance.

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OKO Bank

Companies of all sizes are eager to access the new markets. Different countries have different ways of doing business. OKO Bank provides credit risk management and trade finance solutions for exporters and importers in order to maximise the success of their international trade.

To meet the local requirements in Latin America, OKO Bank has established strong relationships with banks operating in the region, and offers comprehensive trade finance products such as:

- Pre and Post Export financing
- L/C confirmations, L/C financing, L/C discounting
- Forfeiting
- Standby L/Cs and Guarantees
- L/C issuance and financing
- Documentary collections

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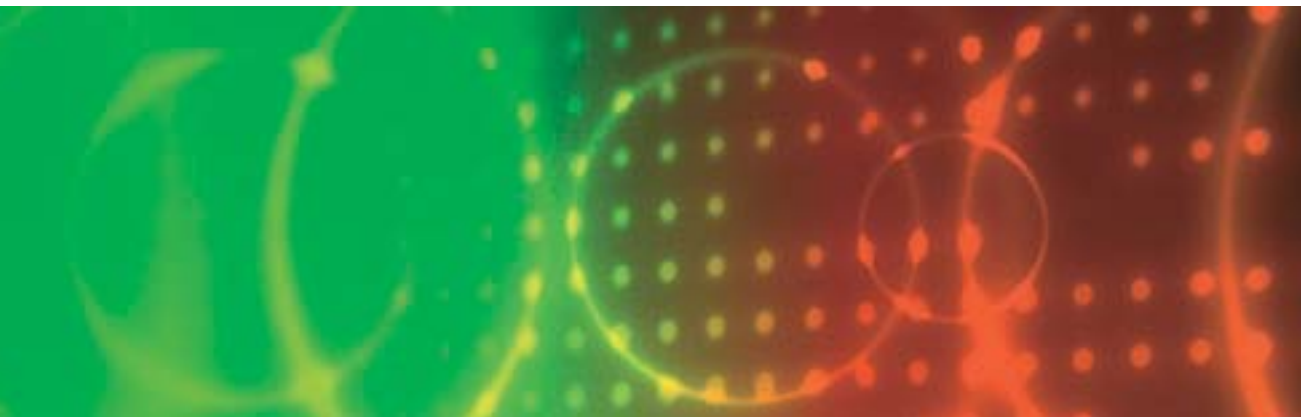
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