



## Private-sector Department of the Inter-American Development Bank

The Inter-American Development Bank's (IDB's) Private-sector Department (PRI) was created in 1995 to mobilize private financing for infrastructure projects in Latin America and the Caribbean. The Department has primary operational responsibility for the IDB's financing of private investment in infrastructure and capital-markets development. The Department employs about 50 professionals located within the offices of the Inter-American Development Bank in Washington, D.C.

The IDB Private-sector Department is interested in projects in only two areas: the financial sector and infrastructure. Financial-sector or capital-markets projects are intended to strengthen the capabilities of local financial intermediaries to develop sources of medium- and long-term financing. Infrastructure includes telecommunications, power and energy, water supply and sanitation, and transportation projects, including ports, airports and toll roads. Energy projects have tended to dominate the Department's lending program in recent years.

### Doing Business with the Private-sector Department

To be eligible for support from PRI, sponsors should be seeking to develop a private infrastructure project, expand an existing enterprise that provides infrastructure services or develop a capital-market initiative in Latin America or the Caribbean. Companies or individuals from one of the IDB's member countries, which includes Canada, must hold majority ownership of the project. Private investors must control at least 50 percent of the equity in the borrowing company, and should be prepared to provide 50 percent of the project costs in the form of debt and equity.

The credit worthiness of the project sponsor is the number one criteria of the Department. The IDB selects projects that are financially, legally, technically and economically sound. Proposals should demonstrate that:

- the regulatory system supports the project's feasibility;
- the project is commercially viable; and
- the project meet the standards of the international financial community in terms of security structure.

A high priority is attached to projects involving experienced firms with the financial resources and management capability to ensure the successful completion and long-term operation of a facility.

Since its inception, the PRI has approved participation in 45 projects, including two with Canadian sponsorship. Trans-Canada Pipelines worked with PRI in Mexico, and SR Telecom obtained PRI support for a telecommunications project in Chile.

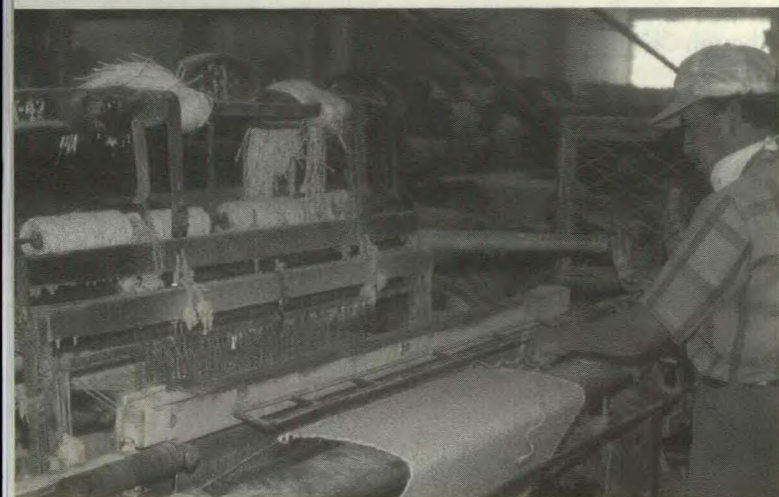


Photo by: D. Marchand, IDRC

### FAST FACTS ▶ Private-sector Department of the Inter-American Development Bank

Headquarters	Washington, D.C.
Purpose	To mobilize private financing for infrastructure in Latin America and the Caribbean
Services	Loans and guarantees
Restrictions	Does not take equity positions.
Minimum Project Size	\$25 million
Min/Max Investment	25 percent of project value or \$75 million
Annual Project Approvals	11 projects and approximately \$500 million in direct loans and guarantees (2000)
Web Site	<a href="http://www.iadb.org/pri/english/indexE.htm">http://www.iadb.org/pri/english/indexE.htm</a>



## European Bank for Reconstruction and Development

Established in 1991, the European Bank for Reconstruction and Development (EBRD) is supporting the transition to open market economies in Central and Eastern Europe, and the former Soviet Union. Over the past 10 years, the EBRD has financed over 700 projects and has developed a banking portfolio of over Euros 14 billion.

The EBRD has its headquarters in the City of London and maintains resident offices in each of its 27 countries of operations. The Bank is the largest foreign investor in the region's private-sector, with about 75 percent of its annual business volume (Euros 3.65 billion in 2001) going to support private transactions. The Bank has worked with Canadian banks and with Export Development Canada (EDC) to develop financial structures for Canadian-sponsored transactions, and is business partners with a range of Canadian corporations. Since 1998, the EBRD has committed an average of Euros 60 million per year to Canadian projects in a variety of sectors. The EBRD considers itself the pre-eminent source of expertise and support for Canadian private-sector investors in Central and Eastern Europe, and the former Soviet Union, due to its ability to assess and bear risk.

### Doing Business with the EBRD

The Bank has an excellent Web site, which provides detailed information on the project review and approval process. Bank guidelines state that the minimum involvement is Euros 5 million, but this may be lower in some circumstances. Like the IFC and IIC, the EBRD has links to a variety of financial intermediaries to provide financing for smaller projects. Companies with smaller projects can contact the **Bank's Project Enquiries Office** (Tel: +44 20 7338 6282) to obtain more information.

For larger projects, enquiries should be directed to the EBRD's **Marketing and Business Development Team** (Tel: +44 20 7338 7168). In these projects, the Bank can normally provide up to one third of the financing, often in the form of debt, and can help to mobilize additional financing. The Bank favours projects where one third of the project or company's capitalization is covered by an equity contribution from the project sponsor, some of which may be in-kind.



Photo by: R. Charbonneau, IDRC

Companies are encouraged to approach the EBRD in the early stages of a project for staff to advise on procedure and potential structuring options. An initial assessment will be provided at no charge to determine whether the Bank can assist in the project financing. At the initial stage, the Bank will require information on both local and foreign sponsors; a clear explanation of the technical and economic/commercial aspects of the proposal; and an indication of the type of EBRD involvement required (debt, equity, etc.)

The information should be sufficient for the Bank to determine whether the project fits its guidelines. This will lead to the first step in the approval process, the **Concept Clearance**. If the project concept is accepted, a **Mandate Letter** will be sent, which forms the basis of a working agreement and sets out the legal requirements for a working relationship. According to the Bank, it should not take more than three months from receipt of full project information to a firm commitment.