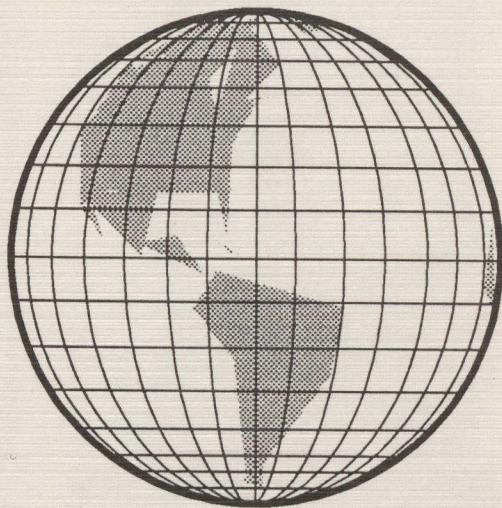


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Opportunities in World Bank Projects



A Canadian Business Guide



Dept. of External Affairs
Min. des Affaires extérieures

JUL 8 1991

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Canadian Embassy / Ambassade du Canada
Office for Liaison with International Financial Institutions
501 Pennsylvania Avenue, N.W., Washington, D.C. 20001. Tel: (202) 682-7788

What is the World Bank?

The World Bank was established in 1945 and initially known as the International Bank for Reconstruction and Development (IBRD). Today, the "World Bank" refers to both the IBRD and its affiliate, the International Development Association (IDA), established in 1960. The IBRD and IDA share the same staff and the common objective of improving social and economic conditions in developing countries by lending money for development projects. The only significant difference between the two is that IDA provides project financing to only the poorest nations and at terms and conditions much softer than those of IBRD loans.

The World Bank is also comprised of two other affiliates. One is the International Finance Corporation (IFC), established in 1956. Its function is to promote private sector growth in developing countries via mobilization of private investment. While the World Bank deals only with government entities in its lending operations, the IFC deals exclusively with the private sector.

The other affiliate, and newest member of the World Bank family, is the Multilateral Investment Guarantee Agency (MIGA), which was founded in 1988 to provide eligible investments with protection against political and other non-commercial risks.

The World Bank is made up of 151 member countries, of which only its developing country members (approximately 100) are eligible to receive Bank funds. The World Bank approved over \$20 billion in loans and credits in fiscal year 1989. On average, the World Bank funds about 30 to 40 percent of a project's total cost.

The IBRD raises its funds on international money markets by selling AAA-rated bonds; it then re-lends the money at variable rates set at about a half percent above the borrowing cost. Repayment terms are 20 years or

less, with a 5-year grace period. IDA receives its funding largely from contributions from its industrialized member countries, and from its retained earnings, and then lends to the less developed countries at zero interest over a 30 to 40 year period with grace periods up to 10 years. IFC obtains funds from its own subscribed capital and from loans from the World Bank. IFC loans are made at variable terms and conditions, usually amortized over 7 to 12 years. IFC will also take equity positions -- up to 35 percent -- in private capital projects.

Because Canada is a member of the World Bank, Canadian firms and individuals are eligible to compete for business opportunities arising from projects and activities funded by the Bank.

When the World Bank lends money to a developing country for a project, the executing agency of the project will almost always be the borrowing country's government or a branch thereof. It is the executing agency, and not the World Bank, that is responsible for virtually every element of project execution, particularly the hiring of consultants and procurement of goods and services. Accordingly, companies must focus their sales and marketing approach directly

on the executing agency of the project in the borrowing country.

The Project Cycle

World Bank-financed projects evolve through six stages:

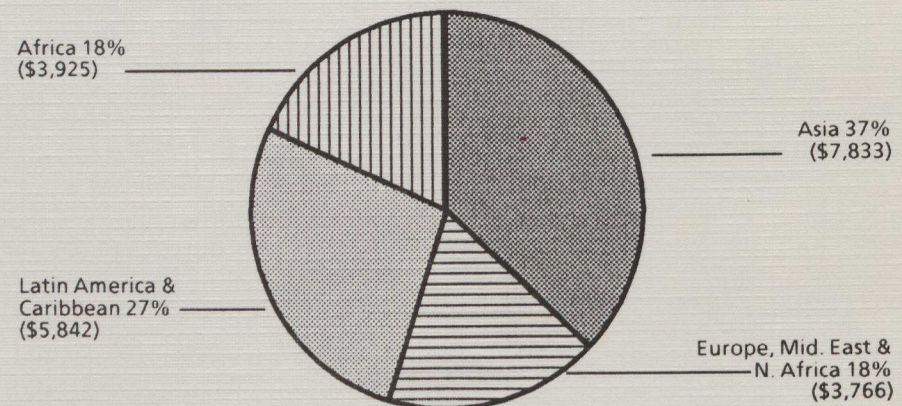
Before the project is approved:

► **Identification:** This first phase of the cycle concerns identifying projects that appear appropriate for the country's priorities and development strategy, as well as suitable for Bank support. Although both parties are involved in this process it is primarily the borrowing country's initiative and takes about 12 to 18 months. Pre-feasibility studies are often required in this stage.

► **Preparation:** After a proposed project has entered the "pipeline" it is further studied and defined by both the borrowing country and Bank technical staff. Feasibility studies and detailed project design usually occur at this stage. Preparation, which lasts from one to two years, is still the borrowing country's responsibility, but consultants are frequently hired to assist.

► **Appraisal:** Bank staff conduct an in-depth assessment of the technical, environmental, financial and economic elements of the project. The appraisal phase is the Bank's sole

World Bank Lending, By Region FY 1989, In Millions of U.S. Dollars



TOTAL LENDING: \$21.3 Billion

Source: 1989 World Bank Annual Report

The bulk of the firm's marketing effort should be at this level.

▶ **Seek representation in the country.** A critical success factor in winning international business is having a good agent or, even better, a local partner.

▶ Until submission of bid **maintain close contact** with the executing agency.

▶ **Be consistent, and patient,** with the approach for a few years before revising and expanding the strategy, as success in a single project can take years.

Canadian Procurement Success in World Bank - Funded Projects

Canadian firms have received over \$1 billion in business in World Bank projects over the past five years. This represents approximately 2.45 percent of the World Bank's total foreign disbursements during that period.

Contributions. Canada has contributed approximately \$US 976 million in actual cash to World Bank in the six-year period from fiscal 1983 through fiscal 1988. The figure represents cash contributions only and not capital subscriptions.

Procurement. Canadian firms have received approx. \$US 1,041 million in disbursements for contracts in projects funded by

the World Bank over the same period. Hence, the ratio of procurement won to contributions is approximately 1.1 to 1.

Ranking. Canada has consistently ranked seventh or eighth in procurement over the past several years among other World Bank Part 1 (developed) member countries.

Trend. While total World Bank foreign disbursements have increased an average of 9.8 percent per annum since FY84, Canada's procurement success has increased an average of over 15 percent per annum. Accordingly, Canada's relative success has been improving steadily though not dramatically -- but there is considerable opportunity for improvement.

Consulting. Canadian firms have been particularly successful in consulting. Canadian consultants received US\$48 million in FY89, which represents 7.5 percent of total WB foreign disbursements for consulting in FY89. This ranked Canada in fifth place for the third year in a row for consulting behind the U.S., the U.K., France, and Germany.

Sectors. Canadian firms have done particularly well in environmental control (sewerage, water supply, sanitation), energy (oil and gas) and hydroelectric projects, as well as health, education, forestry, and transportation.

Canadian Government Assistance

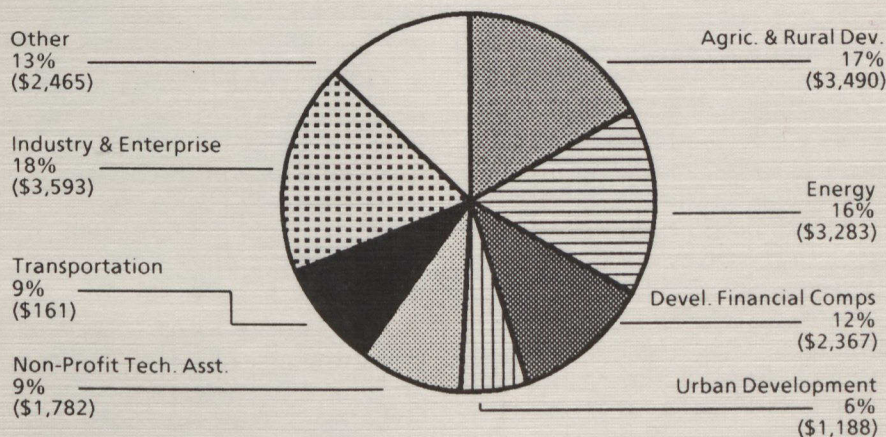
General information and orientation regarding doing business with the World Bank and other development banks can be obtained from the local International Trade Centers (now part of External Affairs and International Trade Canada) throughout Canada, or directly from the Export Finance and Capital Projects Division of External Affairs in Ottawa. More detailed information pertaining to specific countries can be provided by the actual geographic "country" desks of the Trade Development Divisions of External Affairs.

The Government of Canada provides further support through the Office for Liaison with International Financial Institutions (OLIFI) at the Canadian Embassy in Washington. The OLIFI staff liaises with the Washington-based IFIs (World Bank and Inter-American Development Bank) and provides information, advice, and assistance to Canadian businessmen pursuing procurement opportunities with the banks. Canadian posts abroad contribute to this effort by providing regular follow-up and assistance in the field.

OLIFI also works in close cooperation with the Canadian Executive Director's office at the Bank, with a view to fully protecting and promoting Canadian interest, and particularly in resolving any procurement or other commercial disputes that may arise.

Financial and other assistance in pursuing World Bank business opportunities is available through various Canadian Government programs. Two such programs are PEMD and CPPF. Information on PEMD (Program for Export Market Development) is available from the regional Industry, Science and Technology Canada (ISTC) offices; and details on the CPPF (Canadian Project Preparation Facility) can be obtained directly from CIDA's Industrial Cooperation Branch.

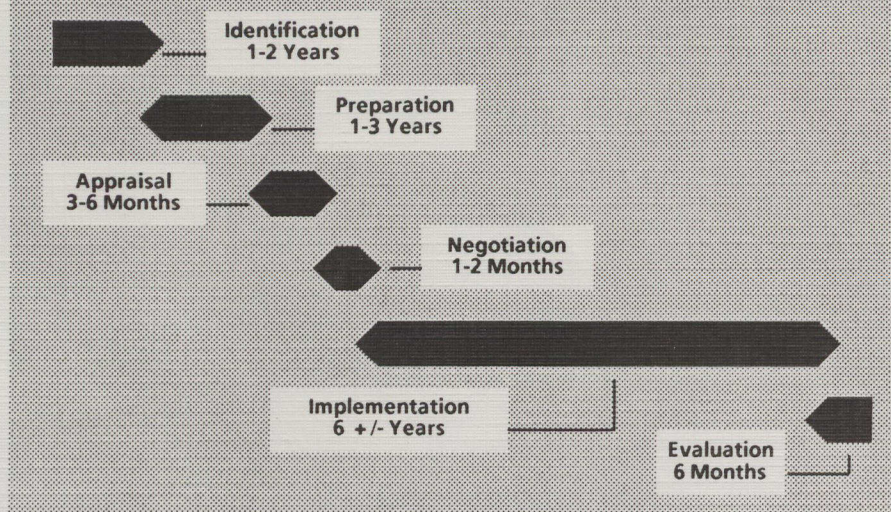
World Bank Lending, By Sector FY 1989, In Millions of U.S. Dollars



TOTAL LENDING: \$21.3 Billion

Source: 1989 World Bank Annual Report

World Bank Project Cycle Typical Time Elapsed



responsibility, takes three to six months to complete, and culminates with an "Appraisal Report".

► **Negotiation:** The Bank and the borrower deliberate the various loan conditions and requirements to implement the project. The negotiations last one or two months, after which the Appraisal Report (modified here as the case may be) and loan documents go to the World Bank Board of Directors for approval. The loan becomes effective only after being signed by the country and upon other formalities -- usually two to four months subsequent to board approval.

After the loan is approved:

► **Implementation and Supervision:** Implementation of the project, including procurement, is the responsibility of the borrower and is carried out with minimal Bank assistance. Supervision proceeds throughout the life of the project according to a preset schedule and is the Bank's responsibility. Implementation can span from a few to several years depending on the project's nature.

► **Evaluation:** This final phase takes six months and is a Bank assessment of the project -- and of the results achieved -- after all funds have been disbursed and the project completed.

Procurement

Consulting services are normally required in the early stages of the project cycle -- particularly during Identification and Preparation when feasibility studies may be needed -- although there will often be requirements for them in the later stages as well. Regardless, it is important to begin pursuing consulting opportunities as early in the project cycle as possible.

Civil works construction and procurement of equipment and supplies are usually undertaken in the later Implementation and Supervision stage of the project.

Contracts are almost always awarded by and negotiated with the executing agency in the borrowing country and not the World Bank. Only some technical assistance or certain other consultancy work will occasionally be contracted directly by the Bank itself.

Procurement for most goods and equipment in projects is done on the basis of "International Competitive Bidding" (ICB), with formal tender documents provided by the executing agency and notices of tender published in Development Business and other international journals. Contracts are typically awarded to the lowest evaluated bidder -- or the lowest bid that best complies with the terms of reference.

When a project is awarded to a firm the contract is between the firm and the executing agency, and disbursement of funds is almost always from the agency. The World Bank, however, does establish general procurement guidelines, and reviews and approves the short lists, bidding documents, bid evaluations, and contracts.

Finding Information on Projects

Apart from agents and other personal contacts which you may have in the borrowing countries, the best public source of general project information is the tabloid, Development Business (published by the United Nations), which appears bi-weekly and contains the "Monthly Operational Summary" (MOS) of projects to be funded by the World Bank and other International Financial Institutions (IFIs). A subscription, approximately \$295 per year, is essential to anyone actively pursuing IFI procurement contracts. New projects are added to the MOS at the Identification stage, normally one to three years prior to their board approval -- at which time they are removed from the MOS. Development Business also publishes other key project information such as procurement notices and contract award listings ("Scan-a-Bid", a computerized on-line version of the MOS, is also available from Development Business).

After identifying projects of potential interest in the MOS, more detailed information can be obtained from the executing agencies of the project and from the relevant Bank officers in Washington. During phone calls or meetings (personal visits are usually more productive) information can be obtained about the content, timing and specific needs of the project; much information can be learned in a short time -- even regarding future projects not yet listed in the MOS.

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Registration

There are no registration requirements with the World Bank for service contractors and equipment suppliers. Consulting firms, however, can register their organization with the World Bank's DACON Information Center. Although not mandatory, the IFIs and the borrowing countries may occasionally refer to DACON, but rarely use it to actually source consultants. Its primary purpose is to seek or confirm information about a particular firm. DACON registration forms are available directly from the Bank or from the IFI Liaison Office at the Canadian Embassy in Washington.

The World Bank also maintains a separate register of *individual* consultants with particular expertise in a wide range of fields (ie: electrical engineers, agricultural specialists, etc.). The Bank occasionally hires experts for short-term assignments, usually in the field, to supplement its own in-house expertise. "Forms for Registration of Individual Consultants" can be obtained from either the Bank or the Canadian Embassy. As with the DACON system, however, the roster is more a formality and is rarely used to actually source consultants.

Pursuit of World Bank Procurement Opportunities

Consultants and suppliers of goods and services to projects funded by the World Bank need to be aware that the World Bank is a lending agency and not a procurement agency. Accordingly, marketing activities should be primarily directed at the country which has borrowed the funds, and not at the World Bank.

At any given time, hundreds of projects are at various stages in about 100 countries around the world. Hence it is important that, at the outset, companies seeking World Bank business determine realistic marketing objectives and appropriate strategies -- bearing in mind the

international competition, as well as the company's resources, experience and competitive advantage.

Companies should, however, still make contact with World Bank personnel in Washington, as this is where important early information can be obtained on the scope, size, timing and requirements of the projects. Furthermore, although bank staff usually do not get involved in the actual tendering and selection, they may still play an instrumental role in an unofficial advisory capacity to the borrowing country who may be unfamiliar with foreign expertise, goods or services required.

A general rule of thumb is to direct approximately 10 percent of the marketing initiative at the Washington level in order to gather and update essential project intelligence, and about 90 percent of the effort in the country where the project is to be executed.

The Canadian Embassy can help companies establish contacts at the Washington level and Canadian trade commissioners in other embassies around the world will be able to assist on the local scene.

Marketing Strategy

Before embarking on a World Bank marketing initiative, an appropriate strategy should be designed. This includes determining what human and financial resources are available, both within and outside the firm, and which specific geographic markets to target. This will normally imply determining and earmarking manpower and budgets, as well as selecting those products, services and expertise which offer the most distinct competitive advantages. The marketing should be geographically focused at those targets where there is both potential and where human and financial resources can be reasonably allocated.

Because of the long life cycle of a World Bank-funded project (usually two to four years from

identification to execution) companies pursuing World Bank procurement must be willing to dedicate sufficient financial and human resources to follow the marketing initiative through to the end.

It is important to be selective when first approaching the World Bank market; competition is intense and there is a risk of wasting time and money if a solid base is not well established first. With knowledge and experience in specific areas however, this base can easily be expanded and greater opportunities pursued.

In summary:

- Select a narrow range of products or services.
- Establish an appropriate geographical target.
- Allocate sufficient manpower and financial resources.

After designing an appropriate marketing strategy, companies should be prepared to take the following steps in the pursuit of World Bank-funded business opportunities:

▶ **Identify projects** of interest in publications such as Development Business and the "Monthly Operational Summary", or through personal contacts established.

▶ **Assess business potential** of the project by obtaining additional information from the executing agency of the project and from project staff in Washington. The IFI liaison office at the Canadian Embassy in Washington can provide assistance and guidance in this process.

▶ **Contact the executing agency** of the project in the borrowing country to express interest in qualifying for a project. Concurrently, seek advice and assistance from the Canadian trade commissioner in the borrowing country.

▶ **Visit the executing agency** in the borrowing country. This is important because, again, it is the executing agency that will issue the tenders, evaluate the bids, and award the contract.

To provide further assistance, CIDA has established a "Consultant Trust Fund" program at the World Bank to encourage and facilitate the use of Canadian experts and individual consultants in the preparation and evaluation of Bank projects, and for other Bank work. The funds are used by Bank staff to hire individual consultants (from a variety of sectors) usually for short-term assignments ranging from 30-60 days.

Useful Reference Documents

Development Business

Subscriptions Department,
United Nations
P.O. Box 5850

Grand Central Station
New York, New York 10163
(Cost: US \$295 per year).

This publication includes the World Bank and Inter-American Development Bank Monthly Operational Summary (MOS).

International Financing Data: A Business Guide to Export Financing and other Financial Assistance. (Available from Export Finance & Capital Projects Division (TCF), External Affairs and International Trade Canada (613) 996-7164)

World Bank Telephone Directory

Publication Sales Unit

The World Bank
1818 H Street N.W.
Washington, D.C. 20433
(Cost: US \$24 per year, four updated issues per year)

World Bank Annual Report

Same address as above.

The Business of Development

CIDA Industrial Cooperation Division
Place du Centre
200 Promenade du Portage
Hull, Quebec K1A 0G4
(CIDA also can provide literature regarding the Canadian Project Preparation Facility and other programs)

Sources of Information & Assistance

External Affairs and
International Trade Canada
Trade Development Divisions:

Africa (GAT)
▶(613) 990-6593

Middle East (GMT)
▶(613) 993-7040

East Asia (PNC)
▶(613) 992-7539

Asia Pacific South (PST)
▶(613) 996-0917

Japan (PNJ)
▶(613) 995-1281

Caribbean & Central
America (LCT)
▶(613) 992-0384

South America (LST)
▶(613) 996-5546

USSR & East Europe (RBT)
▶(613) 996-2858

Western Europe (RWT)
▶(613) 995-9401

Export Finance & Capital
Projects Division (TCF)
External Affairs and
Int'l Trade Canada
Ottawa, Ontario K1A 0G2
(613) 996-7164

Canadian International
Development Agency (CIDA)
Industrial Cooperation Division
Place du Centre
200 Promenade du Portage
Hull, Quebec K1A 0G4
(819) 994-4348

Export Development
Corporation (EDC)
151 O'Connor Street
Ottawa, Ontario K1P 5T9
(613) 598-2500

Industry, Science and
Technology Canada (ISTC)
235 Queen Street
Ottawa, Ontario K1A 0H5
(613) 954-2788
(There are twelve regional ISTC
offices and International Trade
Centres nationwide).

For information on pursuing business with other development banks, contact:

Asian Development Bank
Liaison Officer
Canadian Embassy
P.O. Box 971
Commercial Centre,
Makati, Rizal, Manila
Philippines
Telex: 63676 DOMCAN PN
Cable: Domcan Manila
Telephone: 815-95-36

African Development Bank
Liaison Officer
Canadian Embassy
C.P. 4104
Abidjan 01, Ivory Coast
Telex: 23593 DOMCAN ABIDJAN
Cable: Domcan Abidjan
Telephone: 32-20-09

Inter-American
Development Bank
Office for Liaison with
International Financial
Institutions (OLIFI)
Canadian Embassy
Washington, D.C.

Caribbean Development Bank
Liaison Officer
Canadian High Commission
P.O. Box 404
Bridgetown, Barbados
Telex: 2247 CANADA WB
Cable: Domcan Bridgetown
Telephone: 427-3550

United Nations Development
Program (UNDP)
Permanent Mission of Canada
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866 United Nations Plaza
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