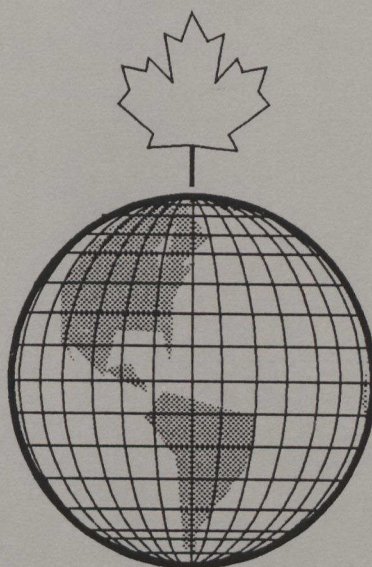


doc
CA1
EA980
90C16
ENG

Canadian Procurement at the World Bank

Report of Activities and Performance
1989-1990



Office for Liaison with International Financial Institutions (OLIFI)
Canadian Embassy, Washinton, D.C.

EXECUTIVE SUMMARY

The purpose of this report is to summarize Canadian procurement success at the World Bank during the Bank's 1990 fiscal year (June 30) and to review Canada's aggregate procurement performance over the past five years.

Total cash disbursements to Canadian firms in FY'90 amounted to \$205 million, allowing Canada to maintain its position as the eighth largest commercial beneficiary of Bank funding.

As in previous years, consulting services continue to be Canada's strongest area of success. While the World Bank's total disbursements for consulting work actually decreased by 7% in FY'90, Canada's share reached \$54 million, or 9.1% of the total. This represents a 12.5% increase over last year and places Canada in fourth place behind the U.S.A., UK and France.

In addition to these earnings, Canada ranked fourth in the number of short-term consulting assignments contracted by the World Bank to assist the Bank's staff in project preparation. Canadian consultants earned approximately \$4.5-\$5.0 million in additional revenues from these assignments. The Canadian Consultant Trust Fund directly accounted for about \$600,000 of this amount and acted as a catalyst for much of the additional work.

Total cash disbursements to Canada once again exceeded our cash contributions to the World Bank for FY'90. The ratio of procurement disbursements to our cash contributions to IBRD and IDA continues to be slightly greater than 1.

World Bank total foreign disbursements remained about the same in FY'90 for the third year in a row. Continued improvement in the procurement performance of the Bank's developing member countries coupled with even levels of foreign disbursements lead to a decrease in the overall procurement performance of 5 of the G-7 countries. Canada's share of foreign disbursements was \$205 million, representing 2.1% of the total, down 15% from FY'89.

Procurement of Canadian "equipment" actually posted a gain from \$53 million to \$71 million in FY'90. Most of the decrease in Canadian performance came in the "goods" category, which fell from \$133 million in 1989 to \$74 million in 1990. "Goods" (as distinguished from equipment) include agricultural inputs, construction materials, medical supplies, books, paper, etc.

In reviewing procurement performance, year to year fluctuations can not be viewed as highly significant due to the uneven flow of disbursements which occur over the multi-year contract period. Rather, trends over several years are a more accurate reflection of actual performance. In this regard it is evident that, with the exception of the consistently stellar performance of the consulting engineering firms, Canada's procurement results at the World Bank for the past several years are gradually increasing, and consistently in the range of \$200 to \$250 million per year.

Dept. of External Affairs
Min. des Affaires extérieures

APR 15 1991

RETURN TO
RECORDED & INDEXED

43-258-941

INTRODUCTION

This report provides a summary and analysis of the procurement performance of Canadian firms in projects and activities funded by the World Bank over the last year¹, and reviews the activities of the Office for Liaison with International Financial Institutions (OLIFI) at the Canadian Embassy in Washington.

The report also identifies some significant trends relating to World Bank lending and the implications and outlook for commercial opportunities in the coming years.

WORLD BANK LENDING - FY 1990

WB Loan Approvals

In the fiscal year which ended June 30, 1990, new commitments from IBRD (International Bank for Reconstruction and Development) and IDA (International Development Association) totaled \$20.7 billion for 222 new projects, compared with a total in FY'89 of \$21.3 billion.²

Combined IBRD and IDA lending to Africa in FY'90 was \$3.93 billion, compared with \$3.92 billion in FY'89. The FY'90 combined total for Asia was \$6.4 billion, compared with \$7.83 billion a year earlier. New commitments from IBRD and IDA to Europe, Middle East and North Africa totaled \$4.41 billion, compared with \$3.77 billion the previous year. Latin America and the Caribbean obtained \$5.96 billion in new commitments, compared with \$5.84 billion in FY'89. {Exhibit 1 highlights the geographic and sectoral breakdowns of the Bank's FY'90 loan approvals.}

Structural and sectoral "adjustment" program lending accounted for about 19%, or \$3.9 billion, of new loan approvals in FY'89. An additional \$1.4 billion (6.7%) in new loans were approved for "debt reduction".

WB Disbursements

During FY'90, approximately \$11.8 billion was disbursed by the WB to its borrowing countries for foreign purchases of goods, services and other commitments. This compares with \$9.3 billion of foreign disbursements last year. It should be noted, however, that \$2.16 billion of the foreign disbursement total this year was for "debt reduction". Accordingly, foreign disbursements for the supply of consulting, works, goods and equipment, net of debt reduction disbursements, actually amounted to only \$9.6 billion.

Min. des Affaires étrangères
Dept. of External Affairs

APR 15 1991

RECEIVED
111 2282788

CANADIAN PROCUREMENT RESULTS

Total disbursements to Canadian firms amounted to \$205 million in FY'90, a decline of 15% from last year. This figure represented 2.1% of the WB's total foreign disbursements for goods and services, compared to a 2.6% share for Canada in FY'89. This placed Canada in eighth place (for the fifth year in a row) behind the remaining G-7 countries and Switzerland. {Exhibit 2 shows a breakdown of IBRD and IDA foreign disbursements by source of supply and description of goods, FY'90.}

The procurement performance of thirteen of the twenty-three Part I countries, including five of the G-7, also decreased. This decline can largely be attributed to two factors:

- Non-Part I supplying countries continue to win a growing share of WB funded business. Part I countries received 77.5% of foreign disbursements in FY'89, but a record low 58.3% in FY'90. (Throughout most of the eighties, the Part I nations were routinely receiving over 85% of disbursements.)
- WB disbursed \$2.16 billion (18.2% of foreign disbursements) to its borrowing nations for "debt reduction". Although the amount was included in the foreign disbursement totals, it was not broken down or assigned to any countries who may have benefited from these disbursements. Consequently, the procurement results of most of the Part I countries were adversely affected. However, the Bank plans to alter the presentation of these figures accordingly: "attempts are being made to find a methodology for attributing debt- reduction disbursements to specific countries."³

Canadian Performance: FY'85 - FY'90

Because of long project cycles and multi-year contracts in the development business, it is important to focus on trends rather than just one year's performance. Accordingly, it is interesting to note that, despite this year's decline in Canada's procurement performance, Canadian procurement has actually grown an average 10.1% per annum over the past six years. This compares with an average annual growth of 10.6% in total WB foreign disbursements. Therefore, Canada has essentially maintained its share of the WB "market" over the past six years, with no significant decline or improvement. Total disbursements to Canada for that period were approximately \$1.3 billion. {Exhibit 3 shows disbursements to Canada and 6 other nations from FY'85 - FY'90.}

Consulting

Disbursements to Canadian firms for supply of "consulting" work continues to strongly increase. While WB total disbursements for consulting work decreased by 7% in FY'89, Canada's share of these disbursements was \$54 million, or 9.1% of the total. This represents a 12.5% increase over last year, placing Canada in fourth position behind the U.S., UK, and France. Canadian consulting results have consistently increased over the past five years while such major competitors as the U.S., U.K., Italy and Japan have declined significantly.

It should be noted that disbursements for consulting still constitute a relatively small portion of Bank funded business, averaging only 5% of foreign disbursements over the past few years. Also, the total consulting "pie" has been shrinking even further, primarily as a result of improved borrower capabilities in this area, and an increase in the amount of technical assistance being funded by bilateral agencies.

Goods and Equipment

Disbursements for goods and equipment represent the lion's share of World Bank funding, and amounted to \$8.6 billion in foreign disbursements in FY'90 (86% of the total).

The Bank distinguishes between "goods" and "equipment" in its procurement statistics. Goods are considered to be those items that cannot be classified as machinery or hardware, such as agricultural inputs (fertilizer, seeds, livestock), medical supplies, construction materials, wire and cable, textbooks, paper, etc.

Canadian firms received \$71 million for the supply of "equipment" in FY'90, an increase of 34% from FY'89. However, in the "all other goods" category, Canadian firms received \$74 million, which was a significant decrease from the \$133 million enjoyed by Canada last year.

Civil Works

Faced with increasingly stiff competition from the LDCs themselves (particularly in Asia), Canadian firms continue to show modest results in civil works contracts, receiving \$5 million in FY'90, or 1% of WB total foreign disbursements for civil works. This compares with \$9 million last year. However, funding of civil works represented only 5.3% of WB foreign disbursements last year, considerably less significant than the goods and equipment market. {Exhibit 4 lists disbursements to Canada by description of service for the period FY'87 - FY'90.}

Canada's "Return on Investment"

WB disbursements to Canada continued to exceed our cash contributions to IBRD and IDA. The ratio of procurement disbursements to Canada's cash contributions into IBRD and IDA, often cited as the "return", equalled 1.18 for the six-year period 1984 through 1989. {See Exhibit 5}. Canada stands seventh amongst the G-7 in this "return" analysis.

Individual Consultants Retained by the World Bank

In addition to its disbursements for project operations, the World Bank spent approximately \$70 million in FY'90 for the contracting of individual consultants from member countries to assist the Bank in project preparation and appraisal. Each assignment usually ranges 20-40 days and typically includes a mission to the project locale in the country.

Over 230 Canadians were hired in FY'90 for these assignments, amounting to fees of approximately \$4.5-\$5 million. These short-term assignments are often key in positioning the consultants' firms for bigger downstream contracts in the implementation phase of projects.

Canada placed fourth amongst all member countries in FY'90 in WB contracting of short-term consultants.

The Canadian Consultant Trust Fund, established at the World Bank by CIDA in 1985, funded about \$650,000 of the FY'90 amount, and acted as a catalyst for much of the additional work (ie.- individuals are often hired for one assignment via the Trust Fund, and then contracted for additional jobs out of the WB's own funds.) In addition to the commercial benefit to the consultants' firms, the Trust Fund has served to introduce the WB to many Canadians who subsequently were hired for key full-time positions.

With respect to Canadians working at the World Bank, about 200 Canadian nationals are employed full-time by the institution. This represents approximately 3% of the WB's total staff.

OFFICE FOR LIAISON WITH INTERNATIONAL FINANCIAL INSTITUTIONS

Established in 1985 to assist Canadian firms and organizations in their pursuit of business in projects financed by the Washington-based international financial institutions, OLIFI continues to provide a wide range of services to the Canadian business community and to other government departments.

OLIFI Activities - 1989/90

Canadian business visitors to OLIFI over the past year (8/89 to 8/90) totaled 337, and OLIFI arranged approximately 900 individual appointments at the World Bank and IDB for these visitors. {Exhibit 7 highlights OLIFI's visitor and inquiry totals for the past two years.}

OLIFI officers made an additional 197 visits to IFI staff over the year in the course of tracking and gathering intelligence, following up on project inquiries, and resolution of procurement problems. Hundreds of additional inquiries were executed by telephone.

OLIFI also hosted 15 multi-person missions from Canada over the year, and OLIFI officers participated in several seminars across Canada in conjunction with such groups as the Canadian Exporters Association.

To assist in OLIFI's promotional efforts, OLIFI recently wrote and produced a brochure entitled "Opportunities in World Bank Projects - A Canadian Business Guide", and a 15 minute video describing the pursuit of procurement opportunities in World Bank projects. This material has been distributed to all trade posts in developing countries around the world, and to the regional International Trade Centres (ITCs) across Canada.

WORLD BANK FUTURE TRENDS--OPPORTUNITIES

Several trends in World Bank lending have noteworthy implications for future business opportunities for Canadians.

Eastern Europe

The WB lending program for Eastern Europe will continue to expand. The Bank approved its first loans to Poland in FY'90 (five projects, worth \$781 million), with over \$1 billion worth of other projects for Poland currently in the pipeline.

Lending to Hungary amounted to \$366 million over the year (for three projects), with another three projects valued at \$350 million also in the pipeline.

It is expected Czechoslovakia and Bulgaria will soon be members of IBRD, and preliminary studies are underway that will soon lead to a pipeline of projects for these countries. Requests for technical assistance have also been received from Romania (already a member) with whom relations have been reactivated.

Lending to Poland and Hungary has focused so far on agriculture (particularly agri-processing), industrial and financial sector development, and telecommunications. This trend should continue, with particular emphasis on institution building and private sector development.

Asia, Africa, Latin America

Overall lending to Asia decreased 18% in FY'90, largely as a result of the slowdown in loan approvals for China. However, big pipelines of projects continue to exist for China, India, Bangladesh, and Indonesia in particular. The number of projects planned for Philippines, Sri Lanka, and Nepal is also noteworthy.

The volume of project lending to Africa and Latin America/Caribbean has declined somewhat; however, these two areas have also been recipients of much of the adjustment and debt reduction commitments.

Sectors

FY'90 saw the implementation of the World Bank's new environmental guidelines, essentially mandating a greater amount of environmental assessment in the preparation of virtually all WB funded projects. The resultant needs for environmental expertise by the borrowing countries, and the Bank, have created substantial new opportunities for capable and experienced firms.

To help respond to the need, CIDA has established 'The Canadian Environmental Trust Fund' at the World Bank. The fund will be for use by the Bank, and its borrowing countries, to hire Canadians for environmental work relating to Bank funded activities.

There are also an increasing number of projects exclusively focused on the environment in the pipelines of many countries. Many of these focus on assisting institutions in the design and establishment of environmental policies, plans and initiatives.

The World Bank is also seeking to substantially increase funding in the population and human resources area. In FY'90 alone, lending for education, population, and health/nutrition projects nearly doubled. The Bank is aiming to increase education lending to \$1.5 billion for each the next three years.

Although lending for energy projects has declined in the past few years, it still remains a significant sector, and amounted to \$3.2 billion (16%) of new commitments over the year.

Telecommunications lending, still relatively small, is on the rise (\$617 million in FY'90 with over \$1 billion still in the pipeline) and considerable opportunities exist in this sector for Canadian suppliers of equipment and consulting expertise.

CONCLUSION

Projects funded by the WB represent an enormous annual market for the supply of goods and services to the developing world, and there are many Canadian companies with sufficient expertise and experience to compete for this business. All indications show that those Canadian entities who have aggressively and professionally pursued this market have enjoyed a reasonably high success rate.

The success of Canadian consulting firms in World Bank work has been particularly notable, and various government programs currently in place (ie- CPPF, Consultant Trust Fund) have served as an important catalyst for these positive results. Continued success in this field, however, should not be taken for granted, given the intense competition from other G-7 countries. The bulk of World Bank disbursements still go to the financing of goods and equipment. Given the size and diversity of this market, Canadian suppliers should be more actively encouraged to pursue this business. Accordingly, consideration should perhaps be given to applying initiatives similar to those that have been so key in catalyzing our consulting success.

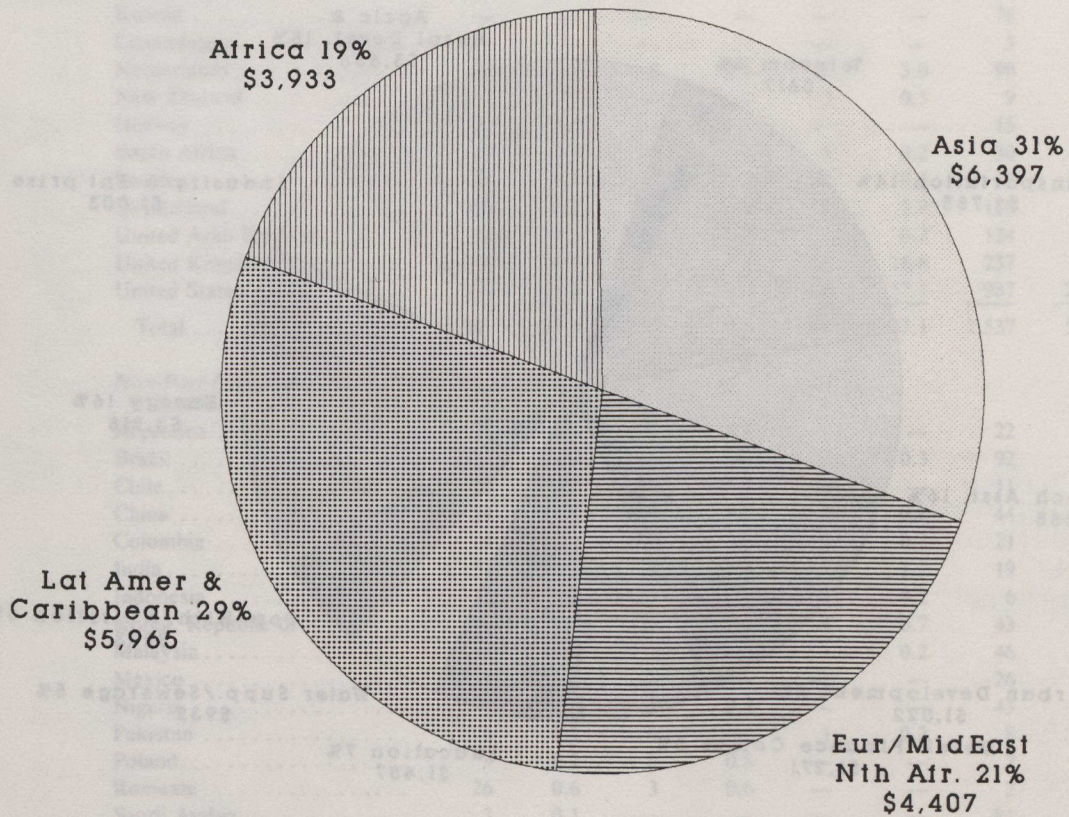
In summary, Canada is doing well at the World Bank, but greater success is an attainable goal. Canadians can capitalize on World Bank opportunities by broadening their marketing efforts, making targeted long-term commitments, and by more effectively utilizing the network of Canadian government services and support.

ENDNOTES

- 1 The World Bank's Fiscal Year ended on June 20, 1990.
- 2 All figures in this report are quoted in U.S. dollars
- 3 WB Annual Report 1990, p.84

WORLD BANK LENDING, BY REGION

Fiscal Year 1990
(\$ Millions)

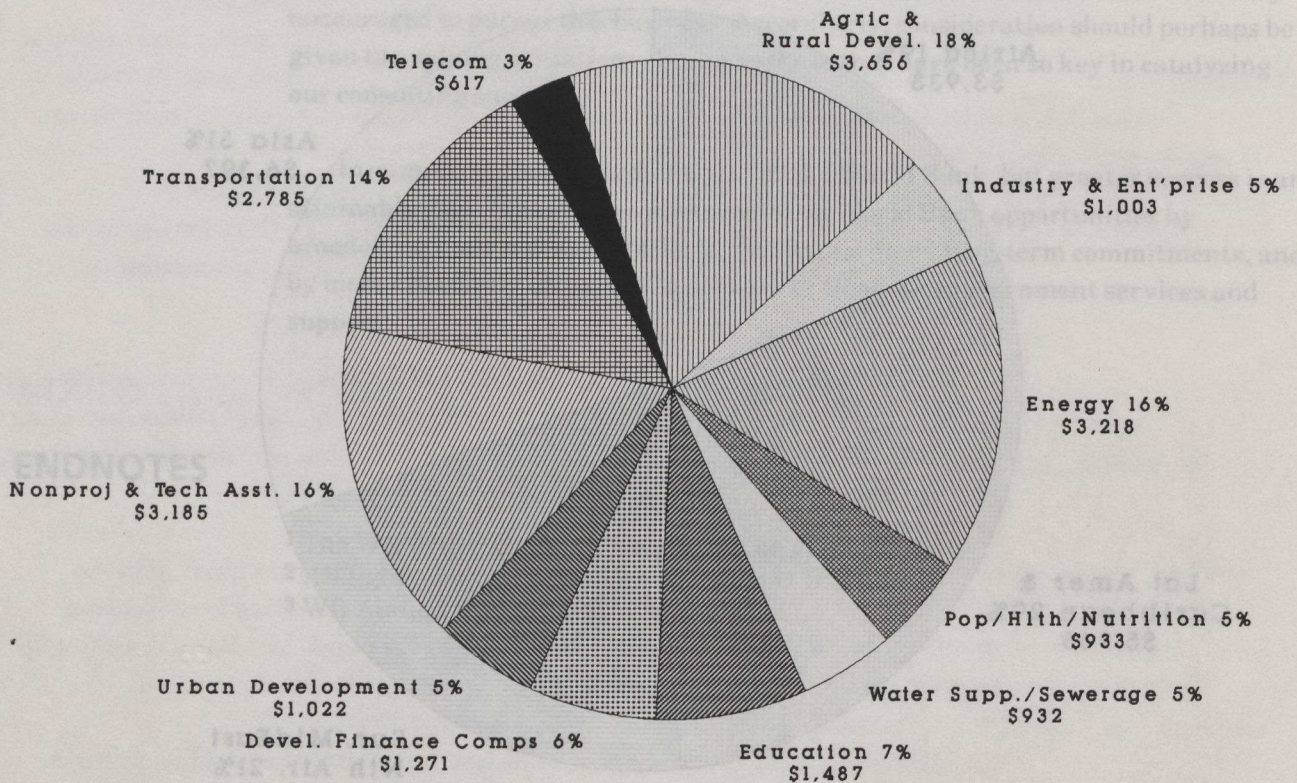


TOTAL LENDING (Millions) = \$20,700

Source: 1990 World Bank Annual Report

WORLD BANK LENDING, BY SECTOR

Fiscal Year 1990
(\$ Millions)



TOTAL LENDING (Millions) = \$20,700

Source: 1990 World Bank Annual Report

**IBRD and IDA Foreign Disbursements, by Source of Supply and
Description of Goods, Fiscal Year 1990**
(amounts in US\$ millions equivalent)

Source	Equipment		Civil works		Consultants		All other goods		Total disbursements	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>Part I supplying countries</i>										
Australia	19	0.4	1	0.2	11	1.8	33	0.8	64	0.5
Austria	77	1.8	—	—	4	0.7	10	0.2	90	0.8
Belgium	77	1.8	5	1.0	16	2.7	51	1.2	149	1.3
Canada	71	1.6	5	1.0	54	9.1	74	1.7	205	1.7
Denmark	34	0.8	2	0.4	11	1.8	18	0.4	65	0.5
Finland	16	0.4	4	0.8	2	0.3	7	0.2	28	0.2
France	369	8.6	52	10.0	96	16.1	199	4.6	716	6.0
Germany, Fed. Rep. of	539	12.5	18	3.5	48	8.1	172	4.0	777	6.5
Iceland	—	—	—	—	—	—	2	*	2	*
Ireland	1	*	—	—	4	0.7	21	0.5	26	0.2
Italy	233	5.4	51	9.8	18	3.0	72	1.7	374	3.1
Japan	672	15.6	50	9.6	10	1.7	146	3.4	877	7.4
Kuwait	—	—	—	—	—	—	78	1.8	78	0.7
Luxembourg	—	—	—	—	—	—	5	0.1	5	*
Netherlands	73	1.7	3	0.6	18	3.0	90	2.1	184	1.5
New Zealand	2	*	—	—	3	0.5	9	0.2	15	0.1
Norway	24	0.6	—	—	—	—	15	0.3	40	0.3
South Africa	23	0.5	—	—	1	0.2	30	0.7	54	0.5
Sweden	74	1.7	—	—	2	0.3	33	0.8	110	0.9
Switzerland	182	4.2	36	6.9	17	2.9	125	2.9	359	3.0
United Arab Emirates	8	0.2	1	0.2	1	0.2	124	2.9	133	1.1
United Kingdom	498	11.5	40	7.7	99	16.6	237	5.5	875	7.4
United States	589	13.7	18	3.5	102	17.1	987	23.0	1,696	14.3
Total	3,581	83.0	286	54.9	518	87.1	2,537	59.1	6,920	58.3
<i>Non-Part I supplying countries</i>										
Argentina	28	0.6	23	4.4	—	—	22	0.5	74	0.6
Brazil	82	1.9	—	—	2	0.3	92	2.1	176	1.5
Chile	10	0.2	—	—	—	—	11	0.3	21	0.2
China	51	1.2	47	9.0	1	0.2	44	1.0	143	1.2
Colombia	4	0.1	3	0.6	1	0.2	21	0.5	28	0.2
India	51	1.2	3	0.6	7	1.2	19	0.4	80	0.7
Indonesia	13	0.3	23	4.4	1	0.2	6	0.1	42	0.4
Korea, Republic of	95	2.2	26	5.0	4	0.7	43	1.0	167	1.4
Malaysia	4	0.1	1	0.2	1	0.2	46	1.1	51	0.4
Mexico	11	0.3	—	—	—	—	26	0.6	36	0.3
Nigeria	1	*	2	0.4	—	—	43	1.0	45	0.4
Pakistan	6	0.1	—	—	1	0.2	8	0.2	15	0.1
Poland	9	0.2	4	0.8	—	—	7	0.2	21	0.2
Romania	26	0.6	3	0.6	—	—	2	*	31	0.3
Saudi Arabia	3	0.1	—	—	—	—	81	1.9	84	0.7
Singapore	65	1.5	1	0.2	4	0.7	90	2.1	160	1.3
Spain	38	0.9	5	1.0	5	0.8	52	1.2	100	0.8
Turkey	33	0.8	3	0.6	—	—	21	0.5	58	0.5
Yugoslavia	54	1.8	19	3.6	—	—	8	0.2	81	0.7
Others	148	3.4	72	13.8	50	8.4	1,111	25.9	1,384	11.7
Total	732	17.0	235	45.1	77	12.9	1,753	40.9	2,799	23.5
Disbursements for debt reduction	—	—	—	—	—	—	—	—	2,160	18.2
Total foreign disbursements	4,313	100.0	521	100.0	595	100.0	4,290	100.0	11,879	100.0

NOTE: * = negligible; — = nil. Details may not add to totals because of rounding. Excludes disbursements on B-loans and loans to IFC. Attempts are being made to find a methodology for attributing debt-reduction disbursements to specific countries.

Procurement Performance in World Bank Projects Selected Countries

(July 1, 1984 - June 30, 1990)
Disbursements (U.S. \$ millions)

	1985	1986	1987	1988	1989	1990
United States	967	1 022	1 810	1 388	1 408	1696
% share	16.0%	15.4%	19.2%	15.0%	15.2%	14.3%
Japan	992	1 148	1 322	1 269	1 321	877
% share	16.4%	17.3%	14.1%	13.7%	14.3%	7.4%
United Kingdom	486	605	701	710	935	875
% share	8.0%	9.1%	7.5%	7.6%	10.1%	7.4%
Germany	603	762	954	883	858	777
% share	9.9%	11.5%	10.1%	9.5%	9.3%	6.5%
France	482	596	701	637	636	716
% share	7.9%	8.9%	7.5%	6.9%	6.9%	6.0%
Italy	390	349	381	414	384	374
% share	6.4%	5.2%	4.0%	4.5%	4.1	3.1%
Switzerland	328	250	355	357	386	359
% share	5.4%	3.8%	3.8%	3.8%	4.2%	3.0%
Canada	145	169	257	230	242	205
% share	2.4%	2.5%	2.7%	2.5%	2.6%	2.1%
Total WB Foreign Disbursements	6 045	6 641	9 405	9 280	9 270	11 879
Total, Net of "Debt Reduction"	--	--	--	--	--	9 719

Source: World Bank Annual Reports

Canadian Procurement Performance in World Bank Projects

(July 1, 1986 to June 30, 1990)
Disbursements (US\$ millions)

Year	Equipment		Civil Works		Consultants		All Other Goods		Total Disbursements	
	\$Amt	%	\$Amt	%	\$Amt	%	\$Amt	%	\$Amt	%
FY'87	55	1.6	6.0	1.0	52.4	6.8	144	3.1	257.4	2.7
FY'88	62	1.8	3.9	0.7	47.6	6.7	116	2.6	229.5	2.5
FY'89	53	1.4	9.0	1.6	48.0	7.5	84	1.9	242.0	2.6
FY'90	71	1.6	5.0	1.0	54.0	9.1	51	1.2	205.0	2.11

Source: World Bank Annual Reports

¹ Net of debt disbursements; gross percentage = 1.7%

Exhibit 5

Ratio of Cash Contributions to Procurement Success for G-7 Countries

World Bank
1984 - 1989¹
(US\$ millions)

	Total Cash Contributions ²	Disbursements to Firms ³	Ratio of Disbursements to Contributions ⁴
France	933.5	3770.8	3.79
Italy	710.1	2293.5	3.20
United Kingdom	1646.2	4510.0	2.49
Germany	2377.3	4829.9	1.95
Japan	4667.6	6921.8	1.51
United States	5201.4	8279.6	1.49
Canada	995.6	1247.5	1.18

Source: Resource Mobilization Department, World Bank

¹ Contributions data are expressed in Calendar Year terms.

² Total contributions include cash payments to the capital of IBRD, IDA, Special Fund, and African Facility.

³ Cash disbursements to firms in supplying countries for goods and services supplied to projects funded by the World Bank

⁴ Ratio of disbursements to cash contributions ("return")

**Office for Liaison with International Financial Institutions
Summary of Activities**

August'88 to July'89 August'89 to July'90

Telexes/Correspondence

In:	686	753
Out:	840	824

Canadian Visitors to Embassy (OLIFI)

308	337
-----	-----

(No. of Missions included in above)	5	15
-------------------------------------	---	----

Meetings arranged for Visitors

633	906
-----	-----

Visits made to IFI Staff

139	197
-----	-----

Country	August'88 to July'89	August'89 to July'90
Canada	1547.5	992.6
United States	8279.6	5207.4
Japan	6921.8	4667.6
Germany	4829.9	2377.3
United Kingdom	4210.0	1646.2
Italy	2593.2	710.1
France	3770.8	933.2

Contributions data are expressed in Calendar Year terms. Total contributions include cash payments to the capital of IBRD, IDA, Special Fund, and African Facility. Disbursements to firms in supplying contract for goods and services supplied to projects funded by the World Bank. Disbursements to cash contributions ("return").

LIBRARY E A/BIBLIOTHEQUE A E



3 5036 20075671 9

DOCS
CA1 EA980 90C16 ENG
Canadian procurement at the World
Bank : report of activities and
performance 1989-1990
43258941

