

International Development Landing the Deal

BY PETER DIEKMEYER

Tens of billions of dollars worth of Multilateral Development Bank-financed contracts are awarded each year. Yet despite the fact that such mandates often match up well with Canadian expertise, many firms are missing out. The key to success is to adopt a systematic approach. And there is no better time to start than now.

During its 45 years in business, Quebec-based engineering firm Roche Consulting Group has tackled a slew of overseas development projects, ranging from the design of an environmental management system in Colombia to rural development work in Burkina Faso.

And during his many years of managing these types of initiatives, Christian Bérubé, Vice-President of International Projects has seen his share of challenges.

“There are many potential pitfalls in bidding on contracts backed by institutions such as the World Bank and the Inter-American Development Bank,” says Bérubé. “Some developing nations have so many projects on their plates that you can get blinded by the opportunities.”

That said, Roche Consulting Group has avoided any major losses in its international development initiatives. However, according to one expert who has done extensive work coaching Canadian companies in how to land Multilateral Development Bank



▲ Roche Consulting, in a joint project with CIDA, helped 50 brick factories in the Egyptian province of Arab Abu Saed to convert from oil to natural gas in an effort to reduce greenhouse gas emissions, representing 100,000 tons of emissions per year. Other benefits of this project included technology transfer, environmental awareness training and a better quality of life for workers and villagers.

(MDB)-financed projects, the prospect of investing in what could be a futile proposition is one of many worries holding back Canadian firms thinking of expanding into those markets.

“International development assistance is often humanitarian in nature. But the pre-feasibility and implementation projects that are awarded represent big business,” says Hussein Amery, President of Integrated Development Enterprise Associates (IDEA).

“Last year OECD countries pledged more than \$100 billion in assistance. And

now is a good time for Canadian firms to try and get some of that work.”

The key, as always, is economics, says Amery. During the past several years, the Canadian dollar has risen substantially against the greenback, a move that has sharply reduced Canadian firms’ relative competitiveness in U.S. markets.

This currency swing has provided local firms incentive to diversify their export initiatives, particularly in MDB-backed projects.

“The performance of Canadian companies in these types of initiatives has been

uneven and depends largely on the sector,” says Amery. “We do well when it comes to high value-added areas such as consulting, particularly in energy and transport sector mandates. But in other areas we fall short.”

In addition to his duties as President of IDEA, Amery also serves as Senior Advisor, Business Development, for the Saskatchewan Institute of Applied Science and Technology. He is also currently engaged in the design of two World Bank funded projects: the Employment Driven Skills Development (EDSD) Project in Jordan and the Vocational Training II Project in Yemen.

In both of these initiatives, Amery draws on key skills that he has acquired over the years such as his knowledge of the education sector and of the Arab world.

“One of the most common strategies among winners of MBD-backed contracts is that they identify which markets they want to get involved with, based on their relative strengths,” says Amery.

Roche Consulting Group’s Bérubé agrees. “Last year we won a contract worth between \$1 million and \$2 million to build a map of Costa Rica that charted districts based on real estate assessment levels in each area,” says Bérubé.

“One of the key reasons we put so much effort into the bid was the confidence that we developed during previous assignments we had undertaken in the Latin American market.”

According to Amery, once a company has identified a market, it should then ideally team up with a local partner. “As a new player in a new country, Canadian companies could be unfamiliar with local business practices,” says Amery. “Teaming up provides companies greater capacity to provide more diverse services. Partnering also makes it easier for Canadian firms to identify specific contracts they can bid on.”

Information regarding the projects backed by Multilateral Development Banks can be obtained directly from the institutions themselves.

However, another resource that Canadian companies can draw on to dig

up local leads are Office Liaison International Financial Institutions (OLIFI) contacts, says Andrew Hupfau, a Trade Commissioner at the Canadian Embassy in Tunis and a liaison with the African Development Bank (ADB).

“When projects are approved by the ADB, we prepare notices identifying the initiative and how the contract will be awarded and we relay that information to (partners) such as the Department of Foreign Affairs and International Trade and its network of

A five-step approach to competing for MDB-financed contracts:

1. Identify the market that you want to get involved with.
2. Partner for success.
3. Identify a specific opportunity.
4. Get on a short list of bidders.
5. Bid aggressively, bid to win.

regional offices and to non-government actors such as the Canadian Council in Africa and the Canadian Manufacturers and Exporters association,” says Hupfau. “But when we identify a prospect that would suit a Canadian firm, we often notify potential bidders directly.”

International financial institutions generally only back projects awarded by countries that act according to strict International Competitive Bidding (ICB) principals.

According to Amery, once a firm has identified a good potential opportunity, the next step is to get on the short list of potential bidders.

These lists, which include companies that have the legal and financial capacity to bid, as well as the background and technical expertise to complete the job, generally include at least one bidding

company from the country awarding the contract as well as no more than one company from any particular country.

An analysis of Canadian competitiveness in the Multilateral Development Bank market shows that Canadian organizations are awarded on average between USD 100 and 120 million each year in MDB-backed contracts. The World Bank alone remains the largest source, accounting for 60 per cent of all Canadian contract awards. Canada ranks 9th amongst OECD countries for MDB-funded foreign procurement.

Yet despite the fact that such projects are financed and overseen by MDBs, since they are typically awarded by the countries themselves, companies that take such initiatives can leave themselves exposed, says Françoise Faverjon-Fortin, EDC Vice-President of Infrastructure and Environment. “A large number of developing nations have poor governance records, while others are subject to various types of political risk, so it’s crucial that bidding firms hedge themselves in case anything goes wrong.”

In recent years EDC has made substantial efforts to help exporters mitigate the risks in these types of initiatives, notably through enhancements to our political risk insurance and credit insurance solutions. That said, success in MDB-backed initiatives is by no means guaranteed. “You have to fight hard and bid to win,” says Amery.

“The good news is that Canadian firms generally have an excellent reputation on the international stage. And that counts for a lot.”

However, since landing MDB-backed work is a long-term proposition, even companies that do not win after an initial bid should not give up, says Amery. Instead, they should try to analyze the reasons for the set-back, so that they can be better prepared the next time an opportunity comes up. ■

FOR MORE INFORMATION

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