Multilateral Development Bank-Funded Projects: Trends and Opportunities for Indian Exporters

Occasional Paper No. 175

एक्ज़िम बैंक
EXIM BANK
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EXPORT-IMPORT BANK OF INDIA

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MULTILATERAL DEVELOPMENT BANK-FUNDED PROJECTS: RECENT TRENDS AND OPPORTUNITIES FOR INDIAN EXPORTERS

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INTRODUCTION

Multilateral development banks (MDBs) are international institutions that provide financial assistance, typically in the form of loans and grants, to developing countries in order to promote economic and social development. This study focuses on the analysis of projects funded by three MDBs from an Indian perspective, viz. the World Bank, Asian Development Bank and the African Development Bank.

AFRICAN DEVELOPMENT BANK

The total value of contracts awarded in 2013 by the borrowers for projects financed by the African Development Bank (AfDB) was US$ 2615.0 million for 2260 contracts. A steady and gradual upward trend over the past 5 years has been observed in terms of the value of contracts, except in 2012, when it showed a decline.

Contracts for civil works held the highest share over the years (2009-2013) both in terms of value and number of contracts, followed by contracts for goods and contracts for services.

AfDB's 'Rules and Procedures' emphasize open competition as the basis for efficient public procurement. In most cases, International Competitive Bidding (ICB) is considered the most appropriate procurement method. An analysis of the modes of procurement shows that in terms of number of contracts, National Competitive Bidding (NCB) was the main mode for attracting procurement followed by ICB and Short Listing. However, in terms of value of contracts, ICB was the predominant mode for procuring contracts, accounting for at least three fourth of the value of contracts in each of the years during 2009-2013 period. ICB was the most prominent mode of procurement in terms of value of contracts awarded in transport, power, water supply and sanitation, communications and social sector.

During the period 2009 to 2013 cumulatively, China ranked first in terms of value of contracts secured (a share of 23.7% of the total contracts awarded) followed by Tunisia (8.1%), France (6.6%), India (5.7%) and Morocco (5.5%). India has been witnessing an increasing trend in contracts secured in value terms over the past two years. From the sixth position in 2011, India became the third largest in 2012 and maintained its position in 2013.

Nearly 79.4% of the total value of contracts awarded cumulatively during the period 2009 to 2013 were for transport, power, and water supply and water sanitation projects reflecting AfDB's strategic focus on the development of infrastructure in Africa and the increased approval of operations in these areas in recent years. The scenario was substantially different in terms of number of contracts with power and transportation sector accounting for only 2.8% and 6.0%, respectively of the contracts awarded cumulatively during the 2009-2013 period. This was primarily due to the fact that cost for infrastructure projects, particularly those in the power sector, were comparatively higher than those for agriculture and social sectors.

India secured the highest value of contracts in the power sector, accounting for a share of 15.1%. Japan (share of 14.3%), Italy (10.0%), and Germany (9.2%) were the other major non-regional countries which secured contracts in the power sector. In terms of number of contracts, regional member countries dominated all the sectors except transportation, power, finance, industry/mining/quarrying and communications. In the power sector, India, Spain and Germany were among the top 5 countries to secure maximum number of contracts.

The largest value of contracts in the transport, environment, and finance sector was for multinational projects, with shares of 35.8%, 64.6%, and 79.8%, respectively.

China, was by far, the country that secured the highest share of contracts for civil works during the period 2009-2013, accounting for more than one-fourth (31.8%) of the total value of US$ 8.1 bn worth of contracts for work awarded during this period. Tunisia (9.7%), Morocco (7.1%), France (6.5%) and India (6.2%) were the other major countries that secured the largest contracts for civil works. Under goods contracts, Japan secured the largest share of contracts, constituting a share of 15.7% followed by Italy (10.5%), Germany (6.7%), France (6.1%) and India (5.2%). Under services contracts, Canada secured the maximum value of contract with a share of 12.4% of the total (US$ 827.8 mn).

Most of the contracts secured by regional member countries have been of low value, in all the three segments, viz. civil works, goods and services. As against this, most of the large value contracts have been secured by non-regional member countries, especially in the contracts for goods.

Analysis reveals that in terms of number of contracts, agriculture and social sector contracts were the dominant sectors across all the three types of procurement- works, goods and services. However, the value of contracts in these sectors was relatively small, making their shares in value terms sisgnificantly lower.

Majority of the contracts from 2009 to 2013, except in 2012 were awarded to non-regional member countries in terms of value, followed by regional member countries and non-member countries. However in terms of number of contracts, regional member countries secured majority of contracts (around 90%) followed by non-regional member countries and non-member countries.

The top five non-regional member countries secured maximum contracts in sectors like transport and power. However, the top five regional member countries had significant shares in agriculture and social sector.

ASIAN DEVELOPMENT BANK

Asian Development Bank (ADB) extends loans and provides technical assistance to its developing member countries for a broad range of development projects and programs. Procurement of goods, works and services from external suppliers forms an integral part of these projects.

A total of 981 contracts, valued at US$ 4978.7 million were awarded in 2013 for projects financed by ADB. The value of the contract as well as the number of contract awards peaked in 2011. Thereafter, both the number and value of contracts registered a declining trend.

In terms of both value and numbers, contracts for works accounted for the highest share every year during the 2009-2013 period, followed by contracts for consulting services and contracts for goods. Turnkey contracts, whereby the project is handed over to the government, once it is fully operational, accounted for only a small share of the total contracts in terms of number (2% in 2013; peaking at 5% in 2012). Such contracts are beneficial in fragile states as these yield results without compromising principles of governance, transparency, competition, and efficiency.

During the period 2009 to 2013 cumulatively, China secured the largest value of contracts (a share of 25.5% of the total contracts) followed by India (23.4%), South Korea (11.3%), Pakistan (5.4%) and Vietnam (3.9%). While India secured maximum value of contracts in the years 2009, 2011 and 2013, China secured the largest value of contracts during 2010 and 2012.

During the period 2009-2013 (cumulative), transport sector accounted for the largest share of contracts awarded (42.1%) in value terms, followed by energy (28.2%), and water and other urban infrastructure and services (11.6%). This is partly a reflection of the focus of ADB on the development of infrastructure in emerging and developing member countries. The larger share of these sectors in value terms is also due to the fact that cost for infrastructure projects, particularly those in the transport and energy sector, are comparatively higher than those for agriculture and social sectors like education and health. Cumulatively, transport was the largest sector even in volume terms, with a share of 26.1% during the period 2009-2013, followed by water and other urban infrastructure and services (18.4%), and energy (16.3%).

India secured the largest share of contracts in the energy sector (38.4%) and also in the water and other infrastructure services sector (29.5%).

Of the total US$ 14.7 billion worth of contracts awarded during 2009-2013 period for works, China secured 30.7% of the contracts, followed by India (23.6%), South Korea (9.3%), Pakistan (5.7%) and Turkey (5.4%). Under contracts for supply of goods, India secured the maximum value of contracts, accounting for a share of 38.7%. India also secured the largest value of contracts in consulting services, with a share of 11.9% in the total (US$ 1775.4 mn). South Korea secured nearly half (47.4%) of the contracts under turnkey projects category during the period under consideration.

Under consulting services contracts, India secured the largest number of contracts, with a share of 10.1%. India also secured the maximum number of turnkey contracts with a share of 30.4%. As far as contracts for civil works are concerned, China had the maximum number of contracts with a share of 37.5%, followed by India (23.1%), Vietnam (7.3%), Pakistan (6.4%) and Sri Lanka (5.2%). China also had the largest share in goods contracts (41%), with India (26.1%), Pakistan (7.6%), Vietnam (6.1%) and South Korea (2.6%) being the other major suppliers .

During the 2009-2013 period, the transport sector accounted for bulk of the value of contracts procured under the works category (60.2%), followed by water and other infrastructure and services (15.2%). In both goods and turnkey contracts, energy was the predominant sector in value terms, with a share of 68.7% and 85.6%, respectively. In consulting services, transport was the major sector in value terms, with a share of 32.9%, followed by water and other infrastructure and services (17.7%), agriculture (15.6%) and multisector (11.6%).

WORLD BANK

The total value of contract awards in 2013 by the borrowers for projects financed by the World Bank was US$ 13238.3 million for 11,825 contracts. Both the number of contracts and the total contract amount registered a consistent growth from 2009 onwards, before dipping in 2013.

Contracts awarded for civil works held the highest share in value terms during the 2009-2013 period, followed by goods contracts and services contracts. However, in terms of number of contracts, services contracts held the highest share over the years (2009-2013).

An analysis of the mode of procurement shows that, in terms of number of contracts, Individual was the main mode for contract procurement followed by ICB and Single Source Selection in 2013. In terms of value of contracts, ICB was the main mode followed by NCB and Quality and Cost-Based Selection (QSC).

During the period 2009 to 2013 cumulatively, China secured the largest share of contracts (in value terms 17.8% of the total contracts) followed by India (9.3%), Brazil (4.7%), Italy (4.6%) and Vietnam (3.7%). Value of contracts secured by India has been rising from 2011 onwards. During the period 2009-2013 cumulatively, Vietnam secured the largest number of contracts (3958 contracts), followed by Afghanistan (2233), China (2132), India (1960) and Colombia (1468).

On account of the large size of contracts, transportation, and energy and mining were the top two sectors where contracts were awarded during the 2009-2013 period. In volume terms, the shares of health and education sector were greater than their shares in value terms.

India secured the largest value of contracts in the energy and mining sector constituting a share of 17.5%, closely followed by China with a share of 16.0%. In the social sectors of education, and health as well, India had the largest shares of 10.2% and 9.3%, respectively.

In the sectors of transportation, and water, sanitation and flood protection, majority of the contracts in terms of value were awarded for civil works, with shares of 82.1% and 79.5%, respectively. Under the procurement in energy and mining sector, both civil works and goods had significant shares of 49.1% and 46.1%, respectively in terms of value. In the education, and health and other social services sector, goods contracts had a predominant share of 50.4% and 64.1%, respectively in terms of value. Procurement for services accounted for the largest share in all sectors, except transportation where civil works had the largest share of 52.1% in value terms.

Under the contracts awarded for civil works, China secured the largest value of contracts, in value term, constituting a share of 21.7%, followed by India (10.2%), Italy (6.2%), Brazil (5.5%) and Vietnam (4.5%). Even under contracts awarded for goods, China secured the maximum contracts in value terms with a share of 17.4%, followed by India (10.4%), Russia (4.1%), South Korea (4.0%) and Spain (3.9%). Of the total value of contracts awarded under services, Afghanistan secured 9.7% of the total.

Under the contracts awarded for civil works, Vietnam held the pole position and had a significantly large share of 19.7% in volume terms, although in value terms, the country stood at fifth place with a share of 4.5%. Under contracts awarded for goods as well, Vietnam secured the maximum number of contracts. Of the 32,512 contracts awarded as services contracts, Afghanistan secured 6.0% of the contracts.

Cumulatively during 2009-2013, more than half of the total value of contracts of US$ 41.3 bn secured under civil works was for transportation projects, followed by energy and mining (16.0%). Under goods contracts, energy and mining was the largest sector, accounting for 35.9% of the total value of contracts (US$ 17.3 bn). Of the total contracts of US$ 9.1 bn awarded under services, water, sanitation and flood protection accounted for the largest share of contracts (17.2%).

About 29.4% of the total number of contracts awarded under civil works cumulatively during 2009-2013 was for water, sanitation, and flood protection projects. Under contracts for supply of goods, health and other social services sector accounted for the largest number of contracts, with a share of 24.7%. Of the total number of contracts of 32,512 awarded under services, public administration, law and justice sector accounted for the largest numbers, with a share of 27.5%.

There exists substantial opportunities for Indian companies in projects funded by World Bank, in value terms, considering that ICB is the major mode of procurement for goods and civil works contracts, and QSC is the major mode for awarding services contracts. However, in terms of number of contracts, the share of these procurement modes was relatively lesser. As these contracts are not abundantly available, mechanism should be in place to inform Indian companies about these contracts timely. Advance leads for such contracts can also be beneficial for the companies.

INDIAN SCENARIO

Projects funded by MDBs present attractive business opportunities for Indian suppliers, contractors and consultants. These opportunities are spread across a wide spectrum of sectors including power, water supply, transport, telecommunication, agriculture, education and health.

Securing a contract funded by MDBs results in a tremendous multiplier effect (in the domestic economy in general and exports sector in particular). The positive spillover effect could translate into multiple sectors in domestic economy benefiting from the project.

Due to their technical expertise and relevant experience in such sectors, Indian companies are often well-placed to secure contracts in projects funded by MDBs. While Indian firms have been successful in securing and executing such contracts, there exists significant potential to increase India's share in funded projects.

Asian Development Bank

China and India are the largest supplier countries for ADB funded projects. During 2009-2013, China accounted for 26% of the cumulative value of contracts, and 25% of the cumulative number of contracts. India was the second largest supplier country, with its share in cumulative value of contracts being 23% and the share in cumulative number of contracts being 18%. A comparatively higher share in value terms is indicative of the relatively larger size of contracts secured by Indian companies.

In terms of number of contracts, China had the largest share in ADB funded contracts in all the years during 2009-2012, but was overtaken by India as the largest supplier in 2013. In terms of value of contracts as well, India had the largest share in ADB funded contracts in 2013.

Nature of Contracts: Contracts for civil works accounted for the bulk of contracts for both India and China. But the share of contracts for civil works in the case of China was larger than that of India, both in terms of value and volume. On account of the prowess of Indian companies in the services sector, a large share of contracts awarded to Indian companies were in the nature of consulting services. Consulting services segment accounted for 19.4% of India's total number of contracts secured under ADB funded projects. In China's case, the share was much lower at 7.7%.

Sectoral Distribution: While India secured maximum value of contracts in the energy sector (46.2%), China secured largest value of contracts in the transport sector (52.9%). Share of these sectors in terms of number of contracts was lesser for both the countries, on account of the large contract size of these infrastructural projects.

Spatial Distribution: The share of contracts secured by Indian companies outside its national boundaries was marginally higher at 11.8% of total number of contracts secured than those of Chinese companies (10.7%). South Asian economies are important in terms of contracts secured for both India and China.

African Development Bank

India secured 5.7% of total value of AfDB contracts, and 0.8% of total number of AfDB contracts during 2009-2013. Although in terms of number of contracts secured, the shares of China and India as suppliers for AfDB projects are similar, in terms of value of contracts secured, China's share is much higher at 23.7% as against India's share of 5.7%. It can thus be deduced that the value of contracts awarded to China was significantly larger than those secured by Indian companies in case of AfDB funded projects.

In value terms, China consistently secured the maximum value of contracts in all the years from 2009 to 2012. India has steadily increased its share in AfDB contracts, with its position in terms of total value of contracts improving from 16th in 2009 to 3rd in 2013.

ICB Contracts Secured: During 2009-2013, nearly 30.8% of the AfDB contracts through the ICB mode were secured by China. India secured another 7.2% of the AfDB contracts procured through the ICB mode. India secured the highest value of ICB contracts in Tanzania, accounting for nearly 26.5% of India's total ICB contracts.

Nature of Contracts: Civil works accounted for bulk of contracts secured by companies from India and China in value terms, with shares of 78% and 96%, respectively. However, in volume terms, while civil works remained the predominant type of contracts secured by China, with a share of 83%, goods contracts were the predominant type in the case of India with a share of 48%. Civil works accounted for only 36% of India's total contracts secured in volume terms. The share of services contract was larger in the case of India, as compared to China.

Sectoral Distribution: The transport sector had a share of 86.1% in the total value of contracts awarded to China, followed by power sector accounting for 5.9% of the total contract value. As compared to this, the power sector accounted for a majority of contracts awarded to India, accounting for 60.8% of total value of contracts, followed by the transport sector (32.2%). China and India had negligible (less than 1%) value of contracts secured in the social segment during 2009-2013 period. However, in terms of numbers, India had secured significant number of contracts in the social sector, accounting for 20.0% of total number of contracts.

Spatial Distribution: Both India and China secured maximum number of contracts in multinational projects. Although the share of multinational projects was greater in the case of number of contracts secured by India, the share of these projects in value terms was higher in case of China.

World Bank

In cumulative value terms, China and India were the largest suppliers of WB funded projects during 2009-2013, accounting for a share of 18% and 9%, respectively. Brazil closely followed India as the third largest supplier in value terms, but more than 96% of these were in the form of domestic contracts. In terms of number of contracts, Vietnam and Afghanistan secured largest number of WB contracts, but nearly all of these contracts were for domestic contracts. Hence, in WB funded projects as well, China remains the only major competitor for India.

The value of contracts secured by India in WB funded projects has been rising from 2011 onwards, while that of China has been declining, narrowing the gap between the contracts secured by the countries in value terms.

ICB Contracts Secured: During 2009-2013, nearly 19.0% of the WB contracts through the ICB mode were secured by China. India secured another 9.3% of the WB contracts procured through the ICB mode. Other than domestic projects, India secured the highest value of ICB contracts in Egypt (share of 7%).

Nature of Contracts: Contract size of civil works can be very large. Hence, civil works were the largest type of contracts for both China and India, more so in the case of China. The share of contracts for supply of goods was similar for the two countries, with the share for China being 25% and for India being 29%. A significant portion of contracts awarded to India were in the nature of consultant services.

Sectoral Distribution: Transportation was the largest segment where China secured contracts in value terms, accounting for nearly half of the total value of contracts. In the case of India, energy and mining was the largest segment in value terms, with a share of 37.3%. India's participation in the social sectors is greater than that of China. While health and other social services accounted for only 7.6% of total number of contracts secured by China, the share in India's case was significantly higher at 17.9%. Similarly, while education accounted for 2.5% of China's total number of contracts secured, the share in India's case was 6.4%.

Spatial Distribution: A fairly large share of contracts awarded to Indian companies was located outside the national boundary (27.3%). A significant share of these contracts was in the African region. Indian companies have been able to secure more number of contracts than China in the countries of Ethiopia, Bangladesh, Kenya, Afghanistan, Nepal, Uganda, Tanzania, Yemen, Nigeria, Rwanda, Zambia, Timor-Leste, among others.

However, in terms of multi-national contracts, Indian companies have been less successful. While China secured 26 contracts in the African region, only 9 were secured by India. Similarly, while China secured 23 contracts in the East Asia and Pacific the region, no contracts were secured by India. In East Asia and Pacific the region, all projects bagged by Chinese companies were in the sector of agriculture, fishing, and forestry. This sector features more prominently in the overall contracts awarded to India than China, indicative of the potential to secure such contracts by Indian companies in the East Asia and the Pacific region.

In Sum

In the civil works segment, Indian companies are expected to face stiff competition from their Chinese counterparts. However, India has a significant presence in the services space, unlike China. It can look forward to further expand its presence in the services segment.

In terms of sectoral distribution of projects, India has a greater presence than China in the social sectors, and water related infrastructure sector. In all the three cases of AfDB, ADB and WB, power sector accounted for the largest share in the case of India, while transportation sector accounted for the largest share in the case of China.

In the context of ADB and WB funded contracts, India has secured significant number of contracts in Bangladesh.

RECOMMENDATIONS

Registration of Indian Companies/ Consultants with MDBs:
Asian Development Bank: ADB assists the executing agencies of the borrower countries from time to time by providing them with a list of qualified firms/ consultants generated from the ADB's integrated Consultant Management System (CMS) database (erstwhile ADB-DACON System). They use these longlists to prepare the shortlists. Under the new CMS system, Indian companies and consultants can now create and update their profile, search opportunities, send Expressions of Interest (EOIs), respond to Non-Committal Inquiries (NCIs), and prepare and submit proposals. Indian companies and consultants need to maintain their registration up-to-date, and ensure that it contains current contact information and details of projects undertaken at least for the last five years. Large companies / consultants with diverse expertise (for e.g. WAPCOS, IRCON, PEC, L&T, Godrej & Boyce Ltd., Engineers India Ltd. etc.) could be encouraged to register their divisions or departments offering their sectoral capabilities, in addition to the firm's general registration. This will give these companies additional chance of getting shortlisted for opportunities in those sectors.

African Development Bank: AfDB maintains information pertaining to the capability and experience of a large number of consultants, in its Data on Consultant System (DACON). This information is used in preparing short list for the Bank as well as assisting the borrowers in preparing their short list, if required. Although consultants do not need to be in DACON before they can be short-listed, registration in DACON is encouraged as it provides crucial information to the borrowers when identifying contractors/suppliers/ consultantss for the projects.

World Bank: The World Bank also maintains an information system by the same name - DACON. Firms registered with DACON provide information which may be useful to the borrowers and the World Bank in the preparation of short lists and review of qualifications of firms proposed by the borrowers. With the consent of the firms, World Bank may also provide non-confidential information to other consultants interested in seeking associates or partners for the assignments.

Preparing Responsive Bids (Key Points to Remember by Indian Company/Consultants): Awareness needs to be created among Indian companies to prepare responsive bids. A substantially responsive bid is one which conforms to all the terms, conditions, and specifications of the bidding documents, without material deviation or reservation.

The procedures for bid submission, and the processes involved need to be widely disseminated to Indian companies. Exim Bank has been undertaking this by organising Business Opportunities Seminars in MDB funded projects across various cities of India. A more coordinated approach involving Indian Industry Associations, the office of ED (India) at the respective MDBs, Indian Missions abroad, inter alia, in providing timely alerts could go a long way in helping Indian companies to prepare responsive bids and augment their success in securing MDB funded contracts. While Exim Bank of India has been conducting a number of business opportunities seminars, in partnership with MDBs, these are essentially for awareness creation. More intense workshops need to be organised in association with relevant industry association, focussing more on the active Indian bidders to help increase effective participation and gaining deeper appreciation of issues to be addressed and, pitfalls to be avoided, thereby enhancing their probability of success.

Building Brand Image of India: Success rate of Indian companies outside the home territory has been low. One of the reasons cited by the industry sources for this state of affairs includes the brand image of India, technical competency of Indian contractors notwithstanding. Lack of international experiences in executing contracts is yet another reason cited by industry sources. These shortcomings could be overcome by encouraging more and more Indian companies (by way of fiscal and financial incentives) to bid for international projects. More Indian companies need to be supported to acquire international exposure through Government of India (GOI) supported Lines of Credit or other such mechanisms.

Support to Indian Consultants – Ambassadors for Turnkey Contracts: An analysis of consultancy contracts funded by MDBs, and the relative position of India vis-a-vis China in securing such contracts reveals that Indian consultants can be encouraged to serve as ambassadors for successful bidding of civil works and turnkey contracts. This would have a spinoff effect on the ability of Indian companies in securing turnkey, and civil works / supplies contracts. One approach that could be adopted is for the GOI to place Technical Assistance Funds (TAF) with the MDBs, for undertaking feasibility studies (especially for infrastructure related projects) in target countries which could be undertaken by Indian companies, so that advance leads could be generated for turnkey contractors/suppliers for securing infrastructure projects.

Lack of Quality Assurance in Consultancy: Consultants need to follow the best consulting practices and processes to ensure quality delivery across various phases of the consulting process. In this regard, a system of certification/ accreditation can be evolved. Moreover, an enforceable code of conduct can also help improve the image of the profession in India.

Help enhance the presence of Indian contractors/consultants:
Sectoral approach: Indian firms need to be encouraged to develop sectoral capabilities where its presence has been limited (vis-à-vis China). Sectors such as irrigation, drainage, and flood protection; water-based natural resource management; public expenditure and fiscal management; energy sector development; hydropower, renewable energy; road transport; multi-sector; agriculture, fishery and forestry; and municipal services are some of the sectors in which capabilities are required to be developed to meet the international requirements.

Regional approach: Indian firms also need to be encouraged to enter countries that are beyond the South Asian region. Countries in East Asia, and Central Asia should be targeted by the Indian contractors. Support from the Government of India may also be required to encourage them to bid for projects in such countries.

Consortium approach: Consultancy firms are increasingly required to provide a comprehensive range of services spanning across a wide range of sectors. This calls for pooling of resources, complementary skills and the ability to draw upon the resources with a collaborative approach. Indian consultancy firms, as also contractors should be encouraged to adopt the consortium approach to build and project their capabilities uniformly across diverse sectors. For instance, in the engineering consulting sphere, a number of players form a consortium to enhance their capability and capacity to bid for large projects, where they would not have qualified in their individual capacity. However, such approaches are not adopted by the consultants in other spheres, as for example, the management consultants.

Moreover, India's performance in the space of multi-sector projects leaves a lot of room for improvement as compared to China. Consortium approach can help bring several players together, with expertise in different sectors, and enable them to bid for complex projects under this sector in greater numbers.

Sub-contracting approach: Project exporters of small and medium size should consider the possibility of securing sub-contracts from major European/American/Japanese companies. In order to encourage this, the office of the ED (India) at MDBs (which is privy to whole set of information on various projects at their initial stages itself) together with Indian Missions need to send out alerts advising the project exporters in advance, and work in close coordination with them to facilitate securing such sub-contracts.

Strategic presence approach: Indian companies need to be supported / encouraged to form joint ventures in deserving markets. Local presence helps Indian contractors to interact with the market players and assess the competitive position at early stages of the planning process.

India's outward investments are predominated by the services sector. A significant share of investments in these sectors is directed towards the Asia-Pacific region. Indian companies in the services sector are expected to benefit on account of such an international presence. International presence will enable the Indian companies to tap the opportunities in contracts which are procured through National Competitive Bidding (NCB) and National Shopping modes.

Co-financing approach: Some projects funded by the MDBs may have a funding gap which can be bridged through co-financing by institutions like Exim Bank with the support of GOI. It may be noted that the funding structure and cost of funds for MDBs (supranational institutions) and Exim Bank (sub-sovereign institution) may be different, and in order to align these two, GOI support may be needed to make the co-financing approach effective. Export-Import Bank of Korea and Export-Import Bank of China have already signed cofinancing agreement with the ADB to maximize the impact of development assistance through enhanced collaboration and complementary work.

In the past, the AfDB has also signed such co-financing agreements. The People's Bank of China and the AfDB have entered into a US$ 2 billion co-financing fund - 'Africa Growing Together Fund'. Expected to be provided over a 10-year period, the Fund is intended to finance eligible sovereign and non-sovereign guaranteed development projects in Africa.

Analysis of past procurement data could provide useful inputs in planning these approaches effectively. Such procurement data covering Indian participation in projects funded by MDBs, number of companies with pre-qualification for bids, number of companies submitting bids (in India and outside India), number of companies successfully securing bids, and reasons for their success/ failures as the case may be, need to be collated using the office of the ED (India) at the various MDBs. Based on the analysis, feedback could be provided to Indian companies so that corrective measures are taken when bidding for the projects next time.

<u>Familiarisation approach:</u> With the support of the Government of India, and the ED (India)'s office, Exim Bank could mount a delegation of CEO's of project exporting companies to major MDBs. The Mission would help familiarise the Indian project exporters on the procurement regulations, do's and don'ts in submission of bids, as also in select cases provide advance leads on business opportunities. Mounting such Missions would also help enhance awareness about the capabilities of Indian companies among MDB officials, especially those in their procurement departments.

<u>Establishing a High Level Committee:</u> The GOI may consider constituting a High Level Committee for promoting Indian participation in MDB projects so that all the agencies involved in promoting/supporting Indian project exports could come under one platform to discuss the issues and facilitate a coordinated approach to tackle the challenges.

General Strategies for Promotion of Project Exports:

Indian companies have demonstrated the capabilities to execute successfully a range of projects, even in a challenging environment. However, a relatively small number of Indian project exporters have been successful in securing contracts, and that too in a few overseas destinations. It is essential for Indian project exporters to ensure that they respond to the discipline and rigour involved in identification of appropriate opportunities, advance planning and structuring of bids, effective implementation and building of track records in international markets. Some of the strategies to secure international experiences of new, but capable, project exporters are given below:

Country Programming Missions to target countries: Country Programming Missions to target countries should be initiated by the Government of India to facilitate interactions with the policy makers, Government, and parastatal agencies, to identify areas of cooperation and chalking out development strategies that serve their national priorities, involving Indian companies. Countries in Central Asia, East Asia and Pacific may be targeted for such Missions. Once projects are identified and implemented by Indian companies, they get international exposure, as also country-level experiences in order for them to successfully qualify for bidding in MDB funded projects.

Capacity Building of Indian Missions: It is also important to undertake capacity building of Indian Missions in those countries, so that they can improve the delivery mechanisms and support structures to Indian project exporters. Setting up of Project Facilitation Cell in Indian Missions could be considered to achieve this objective. The Cell may need to track business opportunities in the respective countries, work in close coordination with institutions in India, like Exim Bank, Project Export Promotion Council, etc. to provide specific inputs, and coordinate to ensure timely and effective intervention aimed at identifying and exploring opportunities.

Cost Effective Deferred Credit Financing: National Governments in countries such as China provide opportunities to secure international exposure for their respective national project exporting companies through a support system that offer the borrower deferred credit terms at concessional rates of interest. While India has also been adopting such a strategy through the Lines of Credit (LOC), Buyers Credit (under NEIA) and financing scheme for strategies infrastructure project scheme, the same could be upscaled to match with the volume and other terms offered by competing countries.

1. INTRODUCTION

OVERVIEW

Multilateral development banks (MDBs) are international institutions that provide financial assistance, typically in the form of loans and grants, to developing countries in order to promote economic and social development. The term MDBs generally refer to the World Bank and four smaller regional development banks, viz.:

- The African Development Bank (AfDB);
- The Asian Development Bank (AsDB);
- The European Bank for Reconstruction and Development (EBRD); and
- The Inter-American Development Bank (IDB)

This study focuses on the analysis of projects funded by three MDBs from an Indian perspective, viz. the World Bank, the Asian Development Bank and the African Development Bank.

HISTORICAL BACKGROUND

World Bank

The World Bank is the oldest and largest of the MDBs. The World Bank Group comprises three sub-institutions that provide loans and grants to the developing countries: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC).

The 1944 Bretton Woods Conference led to the establishment of the World Bank, the IMF, and a multilateral agreement called General Agreement on Tariffs and Trade (GATT) which eventually became an institution, the World Trade Organization (WTO). The IBRD was the first World Bank affiliate created, when its Articles of Agreement became effective in 1945 with the signatures of 28 member governments. Today, the IBRD has near universal membership with 188 member nations.

In 1960, at the suggestion of the United States, IDA was created to make concessional loans (with low interest rates and long repayment periods) to the poorest countries. Now, IDA also provides grants to these countries. The IFC was created in 1955 to extend loans and equity investments to private firms in developing countries. The World Bank initially focused on providing financing for large infrastructure projects. Over time, this has broadened to also include social projects and policy-based loans.

REGIONAL DEVELOPMENT BANKS

African Development Bank

The AfDB was created in 1964 and was for nearly two decades an African-only institution, reflecting the desire of African governments to promote stronger unity and cooperation among the countries of the region. In 1973, the AfDB created a concessional lending window, the African Development Fund (AfDF), to which non-regional countries could also contribute and become members AfDB also provides non-sovereign guaranteed lending activities to the private sector in the areas of industries and services, PPPs and infrastructure.

Asian Development Bank

The ADB was created in 1966 to promote regional cooperation in Asia. Similar to the World Bank, and unlike the IDB, the ADB's original mandate focused on large infrastructure projects, rather than social projects or direct poverty alleviation. The ADB's concessional lending facility, the Asian Development Fund (AsDF), was created in 1973. Like the AfDB, the ADB also finances private sector transactions in infrastructure, financial services, clean energy, agribusiness and other core sectors via debt and equity investments.

Rationale

The MDBs provide financial assistance to developing countries, typically in the form of loans and grants, for investment projects and policy-based loans. Project loans include large infrastructure projects, such as highways, power plants, port facilities, and dams, as well as social projects, including health and education initiatives. Policy-based loans provide governments with financing in exchange for agreement by the borrower country government that it will undertake particular policy reforms, such as privatization of state-owned industries or reforms in agriculture or electricity sector policies. Policy-based loans can also provide budgetary support to developing country governments.

The rapid development of international capital markets in the 1990s and the recent experiences of developing and transition economies have prompted reassessments of the roles of the MDBs. The growth of global private capital flows and the development of domestic financial systems have expanded access to commercial finance by governments and private entities alike. At the same time, most of these countries have achieved significant progress in liberalising markets and trade, stabilising their economies, and creating conditions conducive to private investment.

Projects funded by Multilateral Development Banks, both in India and in regional borrower countries present attractive business opportunities for Indian suppliers, contractors and consultants. These opportunities are spread across an array of sectors including power, water supply, transport, telecommunication, agriculture, education and health. Due to their technical expertise and relevant experience in such sectors, Indian companies are often well-placed to secure contracts in projects funded by MDBs. Moreover, in terms of appropriateness of technology as also assurance of payment, such opportunities enable Indian companies to widen their export footprint at minimal risk level. While Indian firms have been successful in securing and executing such contracts, there exists significant potential to increase India's share in funded projects. This study presents an analysis of projects funded by World Bank, ADB and AfDB, highlighting their procurement processes and suggesting some issues that need to be addressed to increase the participation by Indian companies, and also for improving their success rate in securing such MDB funded contracts.

2. AFRICAN DEVELOPMENT BANK: PROCUREMENT ASSESSMENT

OVERVIEW

Proper procurement process is critical for ensuring effectiveness of development projects. The African Development Bank Group, working closely with other Multilateral Development Banks (MDBs), has been making continuous efforts to streamline the policy and procedures for procurement in order to improve the quality, efficiency and transparency of procurement for its projects across the region.

The Charters of the African Development Bank (AfDB), the African Development Fund (AfDF) and the Nigeria Trust Fund (NTF) give the Bank a fiduciary responsibility to ensure that the proceeds of its loans are used only for specified purposes, with due attention to economy and efficiency and without regard to political and other non-economic influences and considerations. To carry out this responsibility, AfDB oversees borrowers' use of Bank funds to procure goods, works and services. The Bank's ability to raise financial resources from its member countries and in the capital markets also depends in part on the impartial administration of this procurement. Accordingly, the Bank has established rules for the use of its loans and for supervising the execution of projects it helps to finance.

Four considerations guide these rules:

- Ensuring economy and efficiency in project implementation including the procurement of goods, works and services financed by the Bank;
- Giving eligible bidders a fair opportunity to compete in procurement;
- Encouraging the development of domestic and regional industries and consulting services - in borrowing countries; and
- Providing for transparency in the procurement process.

The AfDF permits firms and individuals from all countries to offer goods, works and services for projects it finances. However, the proceeds of any financing undertaken in the operations of the AfDB and the NTF can be used for procurement only from bidders from the AfDB member countries.

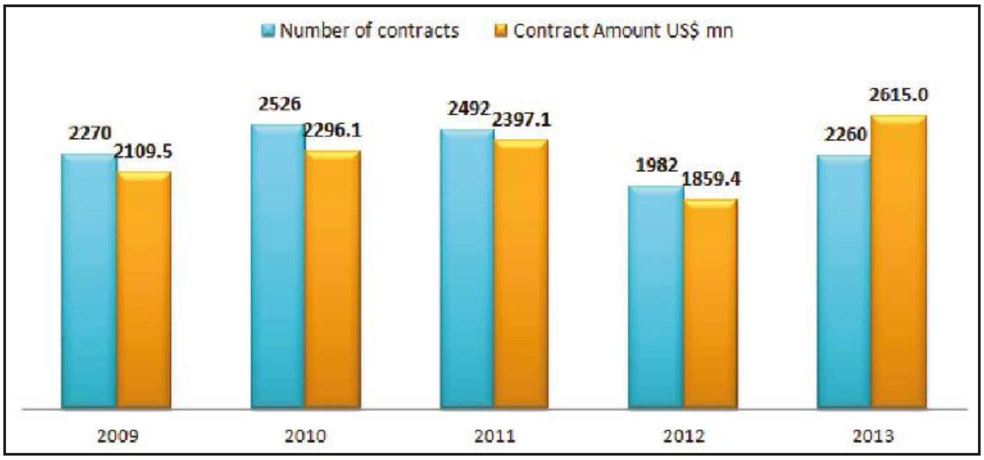
In the following sections, an analysis of AfDB's procurement statistics is undertaken for observing the recent trends in contracts awarded. Data pertains to listing of awarded contracts from 01 January 2000 to 4 May 2015 as published on 07 May 2015 on the AfDB website.

TREND IN BUSINESS VOLUME

The total value of contract awarded in 2013 by the borrowers for projects financed by the AfDB was US$ 2615.0 million for 2260 contracts. A steady and gradual upward trend (Exhibit 1.1) over the past 5 years has been observed in terms of the value of contracts, except in 2012, when it showed a decline. The business in terms of the number of contracts registered an upsurge in 2013, after witnessing two successive years of decline in 2011 and 2012. This is because the number of contract awards may vary over time due to the change in the size of the contracts.

A breakup by the type of procurement, i.e. goods, works[1] and consulting services is shown in Exhibit 1.2. In terms of number, contracts for civil works held the highest share over the years (2009-2013), followed by contracts for goods and contracts for services. However, the share of contracts for works has declined over the years from 59% in 2011 to 44% in 2013, while the shares of goods and

Exhibit 1.1 : Contract Awards (2009-2013)

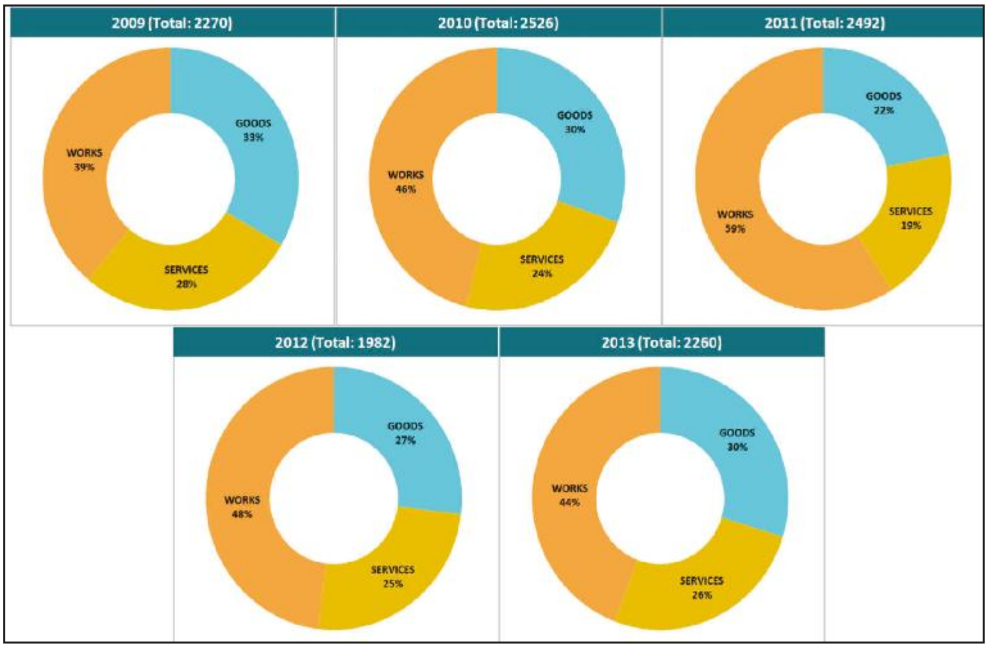


Source: AfDB

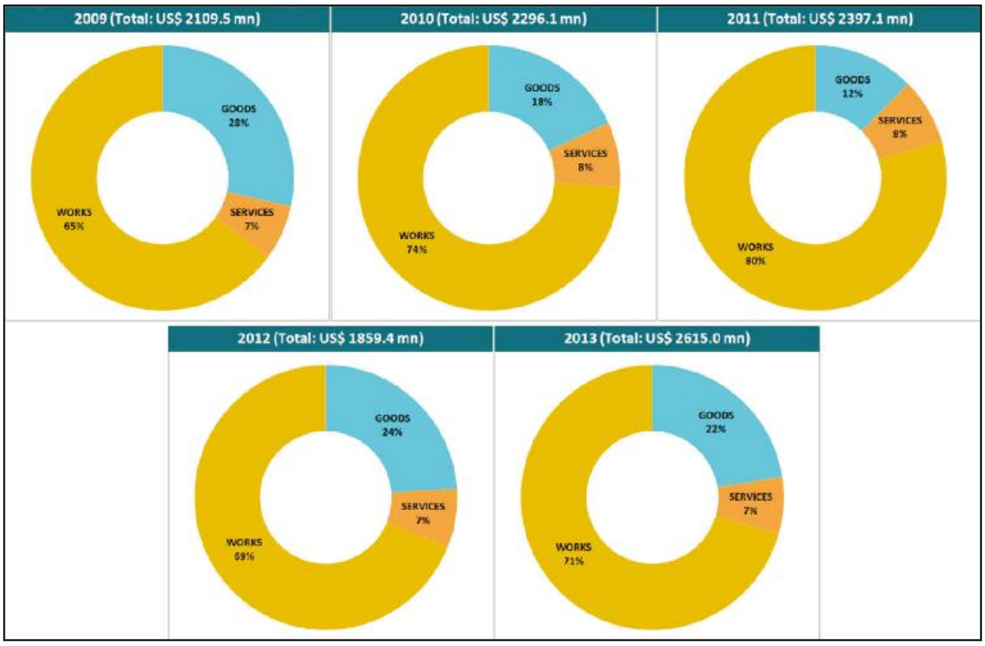
[1] In AfDB funded procurement, civil works are referred as works.

Exhibit 1.2: Type of Procurement

Number of Contracts



Value of Contracts (US$ mn)



Source: AfDB

services contracts have improved (from 22% in 2011 to 30% in 2013 and from 19% in 2011 to 26% in 2013, respectively).

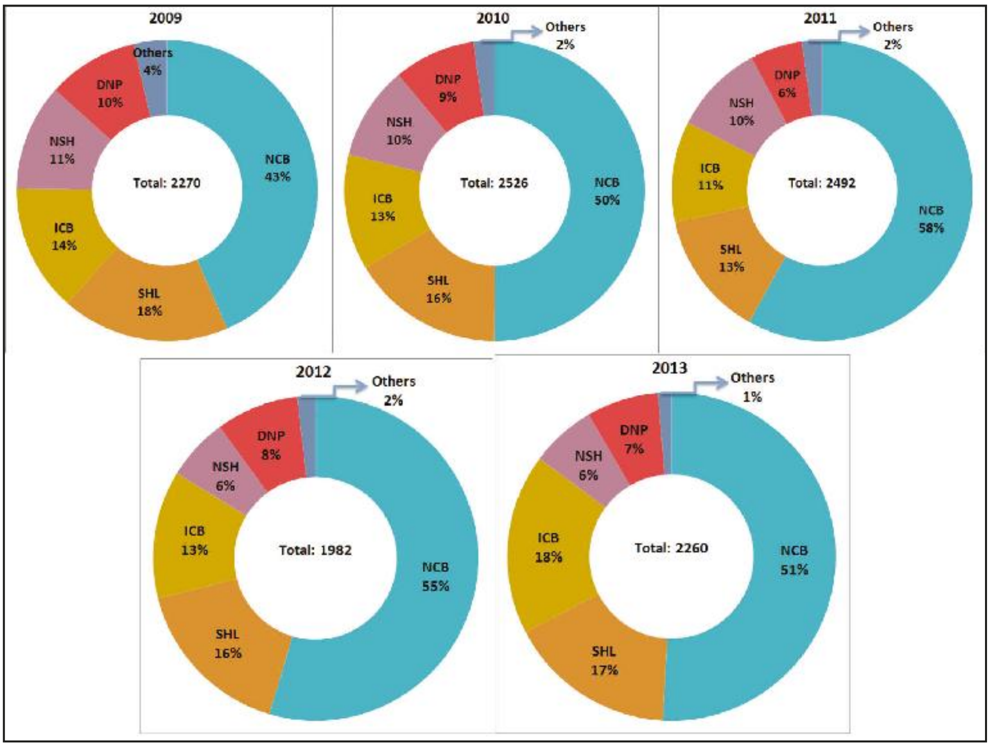
In terms of value also, contracts for civil works held the highest share over the years (2009-2013), followed by goods contracts and services contracts. However, as was evident in terms of number of contracts, there has been a decline in the shares of works contracts over the years (from 80% in 2011 to 71% in 2013). Shares of goods contracts, on the other hand, improved from 12% in 2011 to 22% in 2013. Share of services contracts have remained around 7-8% over the period under consideration (Exhibit 1.2).

To inform the private business and general public in advance about the business opportunities offered by the projects financed by the AfDB Group and to encourage and provide equal opportunities for competition, the Bank's Rules and Procedures for Procurement of Goods and Works require the borrowers to publish a General Procurement Notice (GPN) after the Bank has approved the financing. For each case of International Competitive Bidding, a Specific Procurement Notice (SPN) is required to be published in the online edition of United Nations Development Business (UNDB). National Competitive Bidding contracts advertising to be undertaken on an electronic portal of free access where the borrower advertises all government business opportunities, or in its absence, in a national newspaper of wide circulation. Similar requirements are applied to procurement of consulting services through international competitive selection or national competition.

AfDB's Rules and Procedures emphasize that open competition is the basis for efficient public procurement. Borrowers are required to select the most appropriate method for the specific procurement. In most cases, ICB is considered the most appropriate procurement method. NCB may be used for procuring goods or works which, by their nature or scope, are unlikely to attract foreign bidders.

The different modes of procurement which are generally used in the projects financed by AfDB are: International Competitive Bidding (ICB), Limited International Competition (LIC), National Competitive Bidding (NCB), International Shopping (ISH), National Shopping (NSH), Force Account and Direct Purchase. Every procurement mode differs and depends on the nature, type and complexity involved in different components of the project.

Exhibit 1.3: Mode of Procurement (Number of Contracts)



Note: Others include: ISH, FAC, LIC

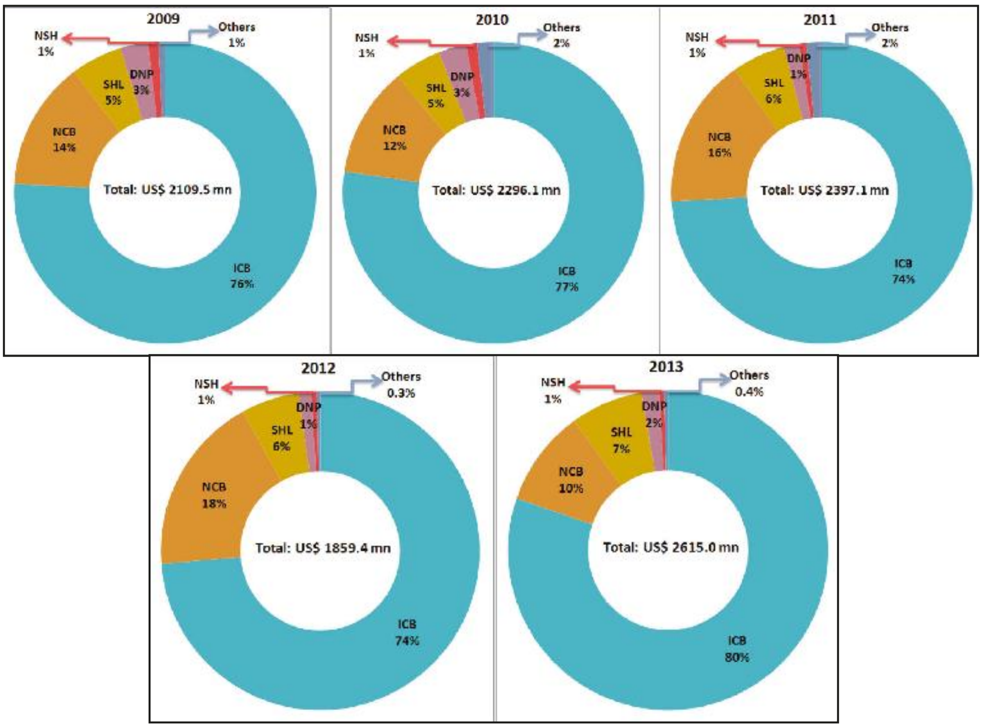
ICB: International Competitive Bidding; LIC: Limited International Competition, NCB: National Competitive Bidding; ISH: International Shopping; NSH: National Shopping; FAC: Force Account; DNP: Direct Purchase; and SHL: Short Listing.

Source: AfDB

According to AfDB regulations, consultants should be recruited only by competition based on short lists (SHL). The Bank's rules and procedure specify that the number of short-listed consulting firms should be 6, drawn from a wide geographic field of member countries with not more than two firms from the same country.

An analysis of the mode of procurement shows that in terms of number of contracts, NCB was the main mode for procurement, followed by ICB and Short Listing. In terms of value of contracts, ICB was the predominant mode for procuring contracts, accounting for at least three fourth of the value of contracts in each of

Exhibit 1.4: Mode of Procurement (Value)



Note: Others include: ISH, FAC, LIC

ICB: International Competitive Bidding; LIC: Limited International Competition, NCB: National Competitive Bidding; ISH: International Shopping; NSH: National Shopping; FAC: Force Account; DNP: Direct Purchase; and SHL: Short Listing.

Source: AfDB

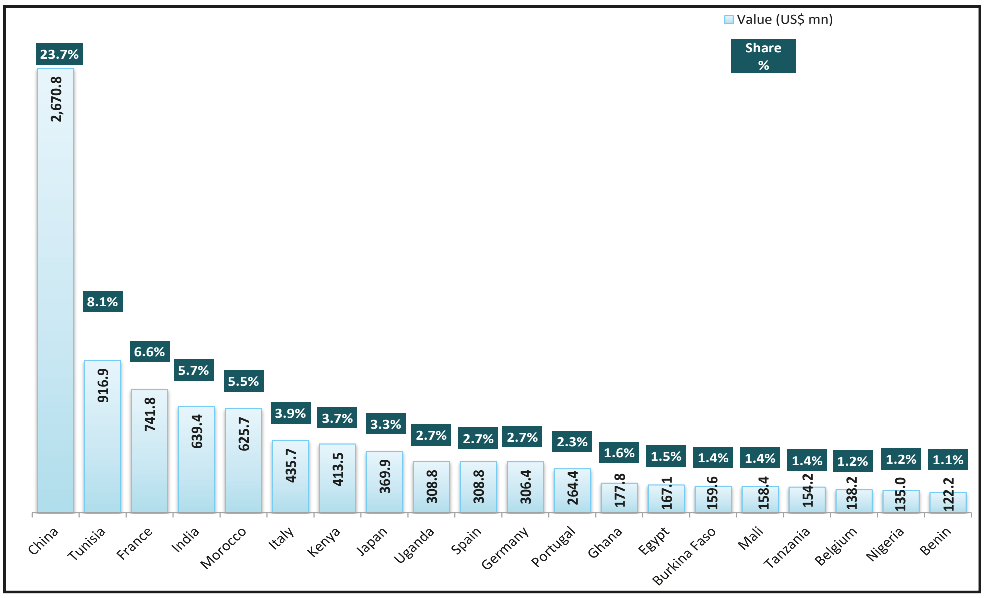
the years during 2009-2013 period (Exhibits 1.3 & 1.4).

AfDB CONTRACTS SECURED: AN ANALYSIS

In terms of value: During the period 2009 to 2013 cumulatively, China ranked first in terms of value of contracts secured (a share of 23.7% of the total contracts awarded) followed by Tunisia (8.1%), France (6.6%), India (5.7%) and Morocco (5.5%) (Exhibit 1.5).

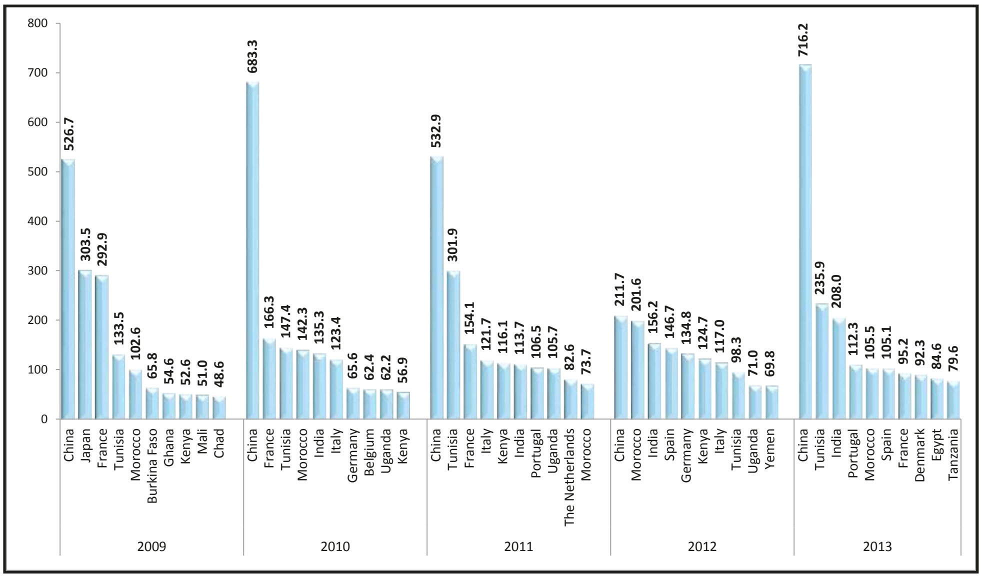
A trend analysis of top ten countries in terms of value of the contracts secured, over the past 5 years (Exhibit:

Exhibit 1.5 : AfDB Contracts Secured: Top 20 Countries by Value (Cumulative 2009-2013)



Source: AfDB

Exhibit 1.6 : AfDB Contracts Secured: Top 10 Countries Yearwise by Value (2009-2013; Values in US$ mn)



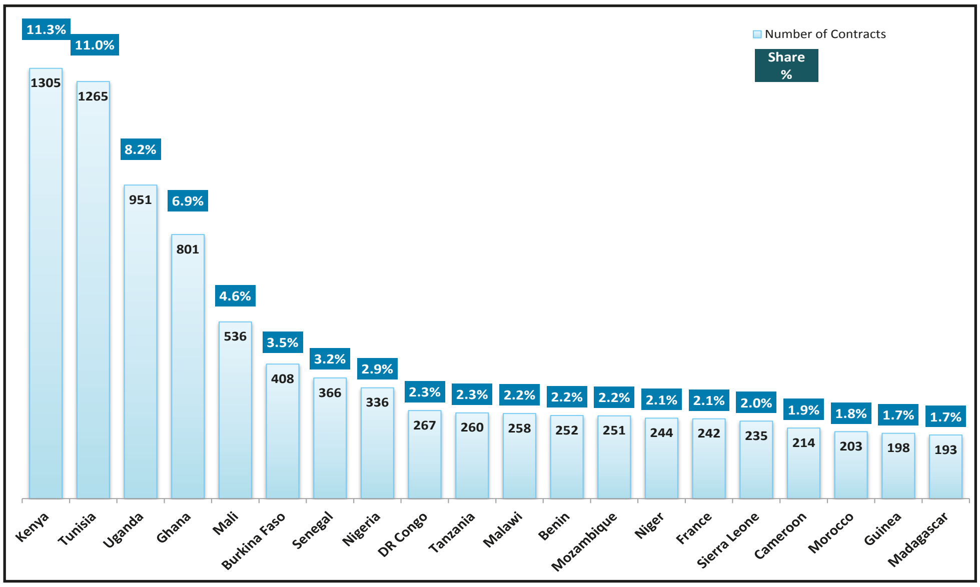
Source: AfDB

1.6) reveals that the contracts secured by China witnessed a stupendous increase in 2013, after registering successive declines for the previous two years (although it still managed to retain its number one position in both these years). Contracts secured by China registered more than threefold increase in 2013, as compared to the previous year.

India has been witnessing an increasing trend in contracts secured in value terms over the past two years. From the sixth position in 2011, India jumped three places in 2012 and maintained its third position in 2013. Some of the other non regional members which stood in the top ten positions in 2013 were Tunisia, Portugal, Morocco, Spain, France, and Denmark.

In terms of number of contracts: During the period 2009-2013, Kenya secured the largest number of contracts- 1305 contracts cumulatively during the period 2009 to 2013. Kenya was followed by Tunisia (1265), Uganda (951), Ghana (801) and Mali (536) (Exhibit 1.7). As is evident, in terms of number of contracts, it were the regional member countries which secured the largest number of contracts cumulatively during 2009-2013. This was the case even annually: year-wise analysis of top ten countries (Exhibit: 1.8) reveals that

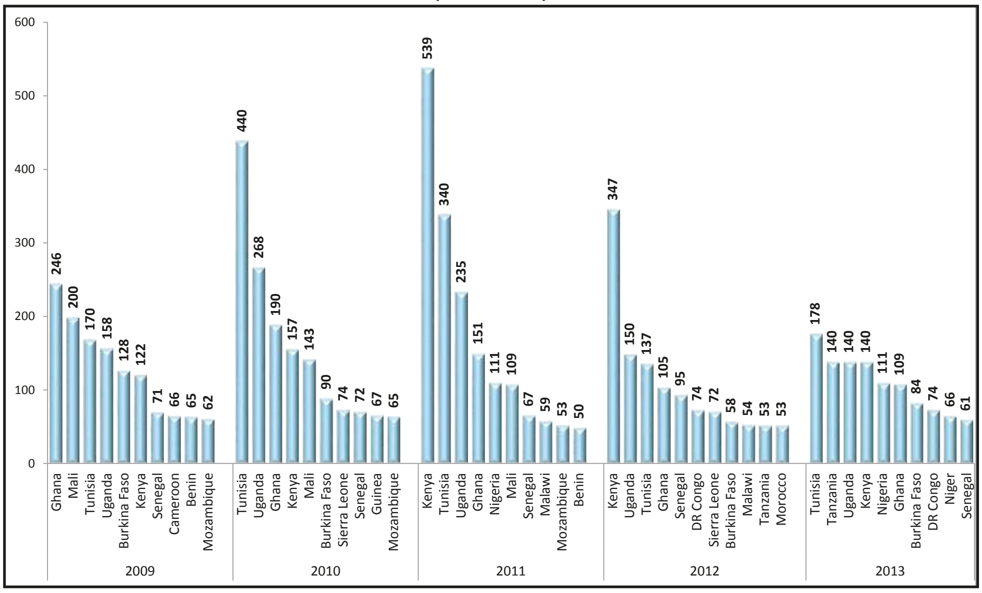
Exhibit 1.7 : AfDB Contracts Secured: Top 20 Countries by Number of Contracts (Cumulative 2009-2013)



Source: AfDB

in terms of number of contracts, the regional member countries were the ones to secure the largest number of contracts. Thus, it can be deduced that the regional member countries have secured primarily low value contracts while the larger value contracts are being secured by firms from non-regional member countries like India and China.

Exhibit 1.8 : AfDB Contracts Secured: Top 10 Countries Yearwise by Number of Contracts (2009-2013)

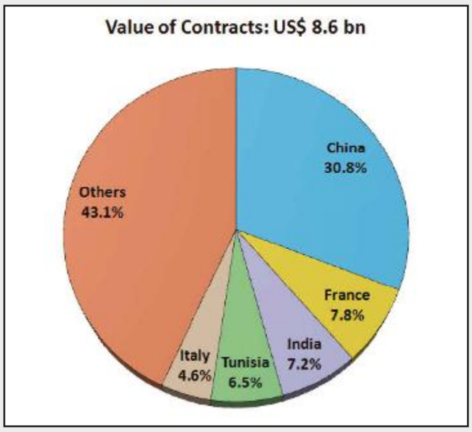


Source: AfDB

Box 1: International Competitive Bidding in AfDB funded Projects

International Competitive Bidding (ICB) is the most prominent mode of procurement for contracts awarded using AfDB funds. ICB provides all eligible prospective bidders with timely and adequate notification of a borrower's requirements and an equal opportunity to bid for the required goods and works. During 2009-2013, nearly 30.8% of the AfDB contracts through the ICB mode were secured by China. India secured another 7.2% of the AfDB contracts procured through the ICB mode (Exhibit 1.9).

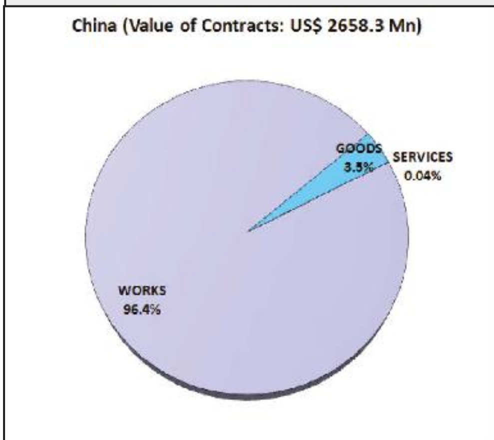
Exhibit 1.9: Share of Supplier Countries in ICB Contracts in AfDB Funded Projects (2009-2013)

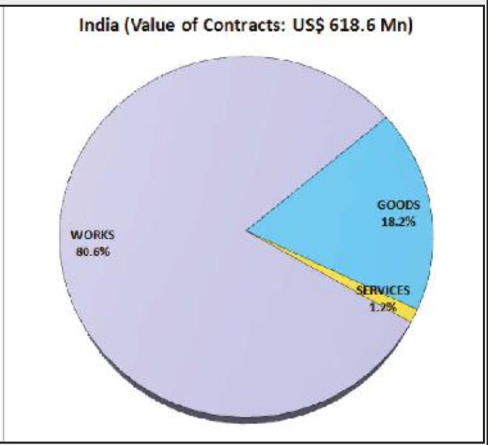


Source: AfDB

Civil works contracts accounted for the largest share in the ICB contracts secured by China (share of 96.4%) and India (80.6%) in AfDB funded projects during the 2009-2013 period. Goods contracts had a share of 18.2% in ICB contracts secured by India, with services accounting for an even smaller share of 1.2% (Exhibit 1.10).

Exhibit 1.10: Type of ICB Contracts Secured by China and India in AfDB Funded Projects (2009-2013)

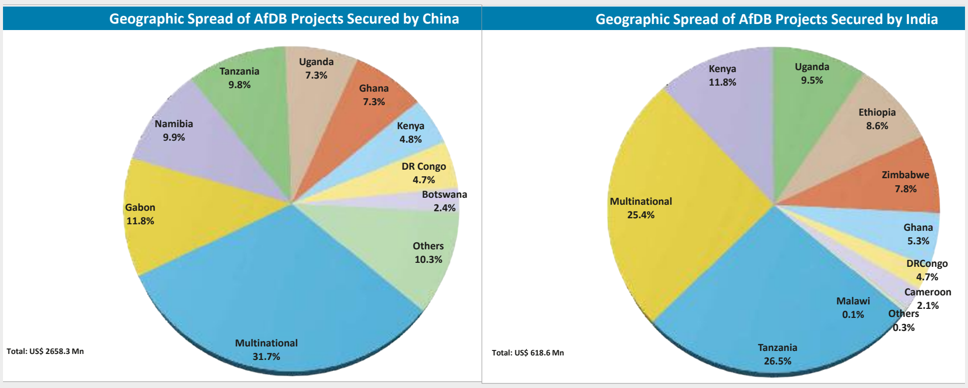




Source: AfDB

In AfDB funded projects, multinational projects accounted for around 31.7% of the ICB contracts secured by China, and 25.4% of the ICB contracts secured by India. India secured the highest value of ICB contracts in Tanzania, accounting for nearly 26.5% of India's total ICB contracts (Exhibit 1.11) during the period.

Exhibit 1.11: Geographic Spread of ICB Projects Secured by China and India using AfDB Funds



Source: AfDB

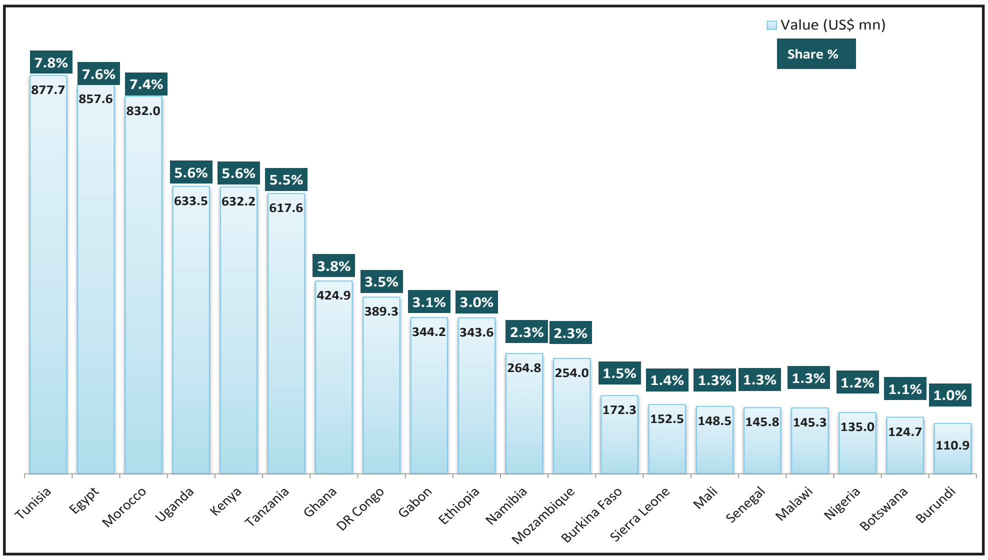
BORROWER COUNTRIES: AN ANALYSIS[2]

In terms of value: During the period 2009 to 2013 cumulatively, Tunisia was the largest borrower country of AfDB funds used for procurement of works, goods and services (a share of 7.8% of the total contracts) followed by Egypt (7.6%), Morocco (7.4%), Uganda (5.6%) and Kenya (5.6%) (Exhibit 1.12). Year-wise analysis of top ten countries (Exhibit 1.13) reveals that Morocco had the largest value of procurements during 2010 and 2012, while Tunisia and Tanzania had the largest value of procurement during 2011 and 2013, respectively.

In terms of number of contracts: During the period 2009-2013, Kenya was the largest borrower of AfDB funds used for procurements with 1286 contracts. Kenya was followed by Tunisia (1241), Uganda (963), Ghana (784) and Mali (355) (Exhibit 1.14). Year-wise analysis of top ten countries (Exhibit 1.15) reveals that in 2011 and 2012, Kenya floated the maximum number of contracts for procurements using AfDB funds. In 2013, Tunisia floated the maximum number of contracts.

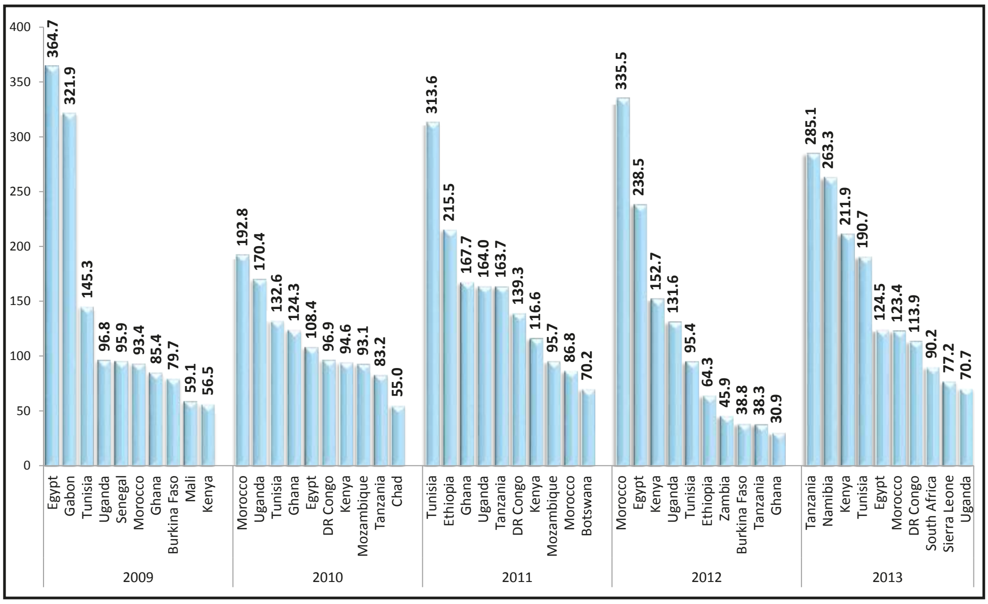
[2]Not including multinational contracts

Exhibit 1.12: Top 20 Borrowers by Value (Cumulative 2009-2013)



Source: AfDB

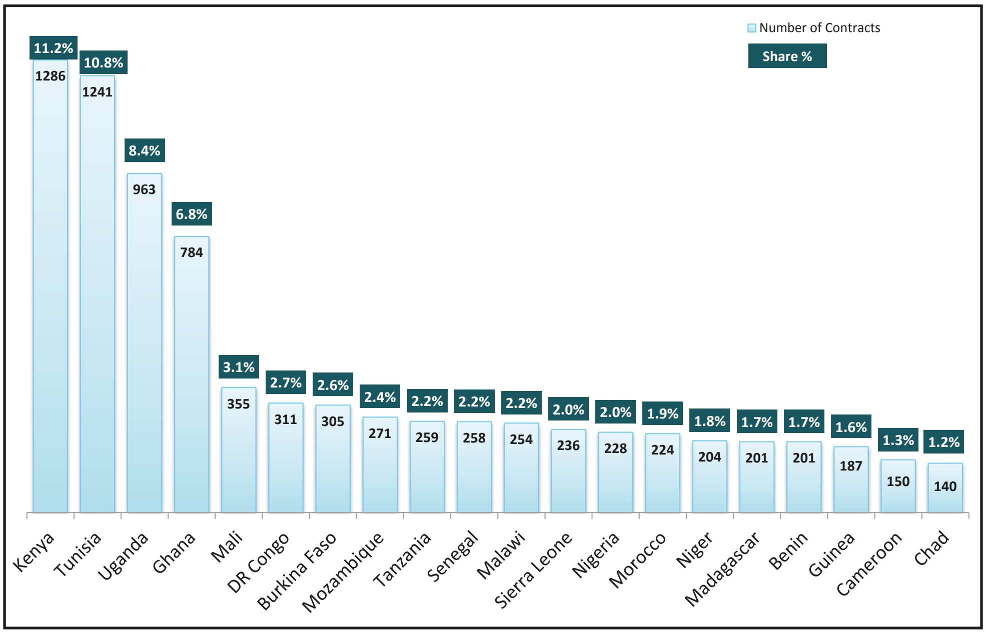
Exhibit 1.13: Top 10 Borrowers by Value Yearwise (2009-2013; Values in US$ mn)



Note: Not including multinational projects

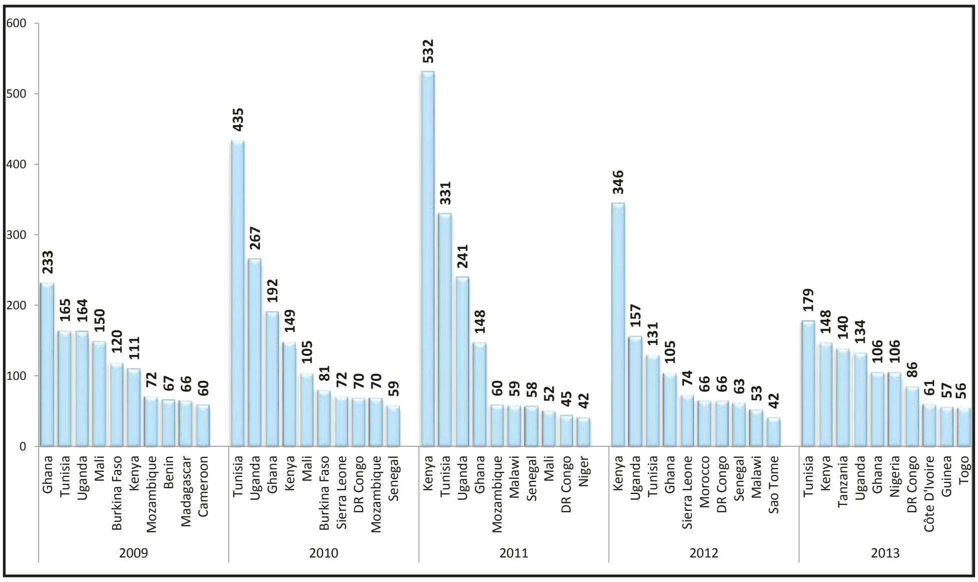
Source: AfDB

Exhibit 1.14: Top 20 Borrowers by Number of Contracts (Cumulative 2009-2013)



Note: Not including multinational projects
Source: AfDB

Exhibit 1.15: Top 10 Borrowers by Number of Contracts Yearwise (2009-2013)



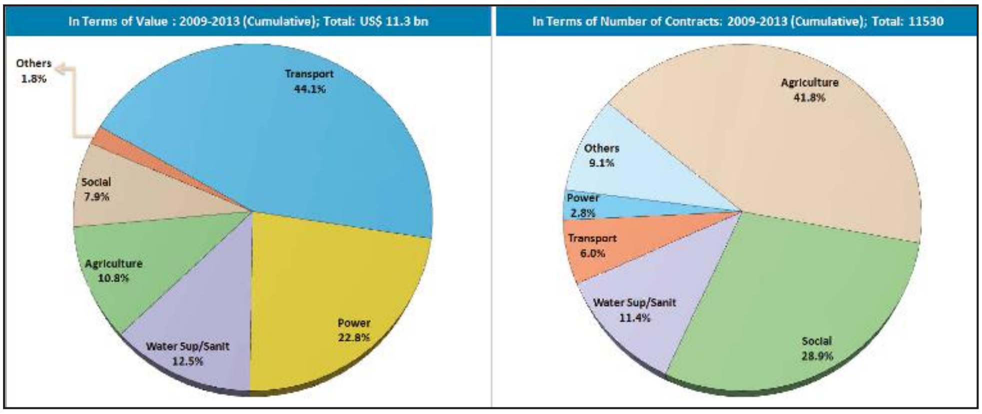
Note: Not including multinational projects
Source: AfDB

SECTOR-WISE ANALYSIS

In terms of value: Nearly 79.4% of the total amount of contract awards cumulatively during the period 2009 to 2013 were for transport, power, and water supply and water sanitation projects (Exhibit 1.16) reflecting AfDB's strategic focus on the development of infrastructure in Africa and the increased approval of operations in these areas in recent years. The scenario is substantially different in terms of number of contracts with power and transportation sector accounting for only 2.8% and 6.0%, respectively of the contracts awarded cumulatively during the 2009-2013 period. This is primarily due to the fact that cost for infrastructure projects, particularly those in the power sector, are comparatively higher than those for agriculture and social sectors. Year-wise analysis (Exhibit 1.16) reveals that, though transport sector has been dominating with the largest share during 2009, 2010 and 2011, in 2012 the share of the transport sector reduced to 28.4% and the share of power sector had increased to 31.6%. Therefore, in 2013, transport sectoronce again had the largest share of 41.9% in AfDB contracts.

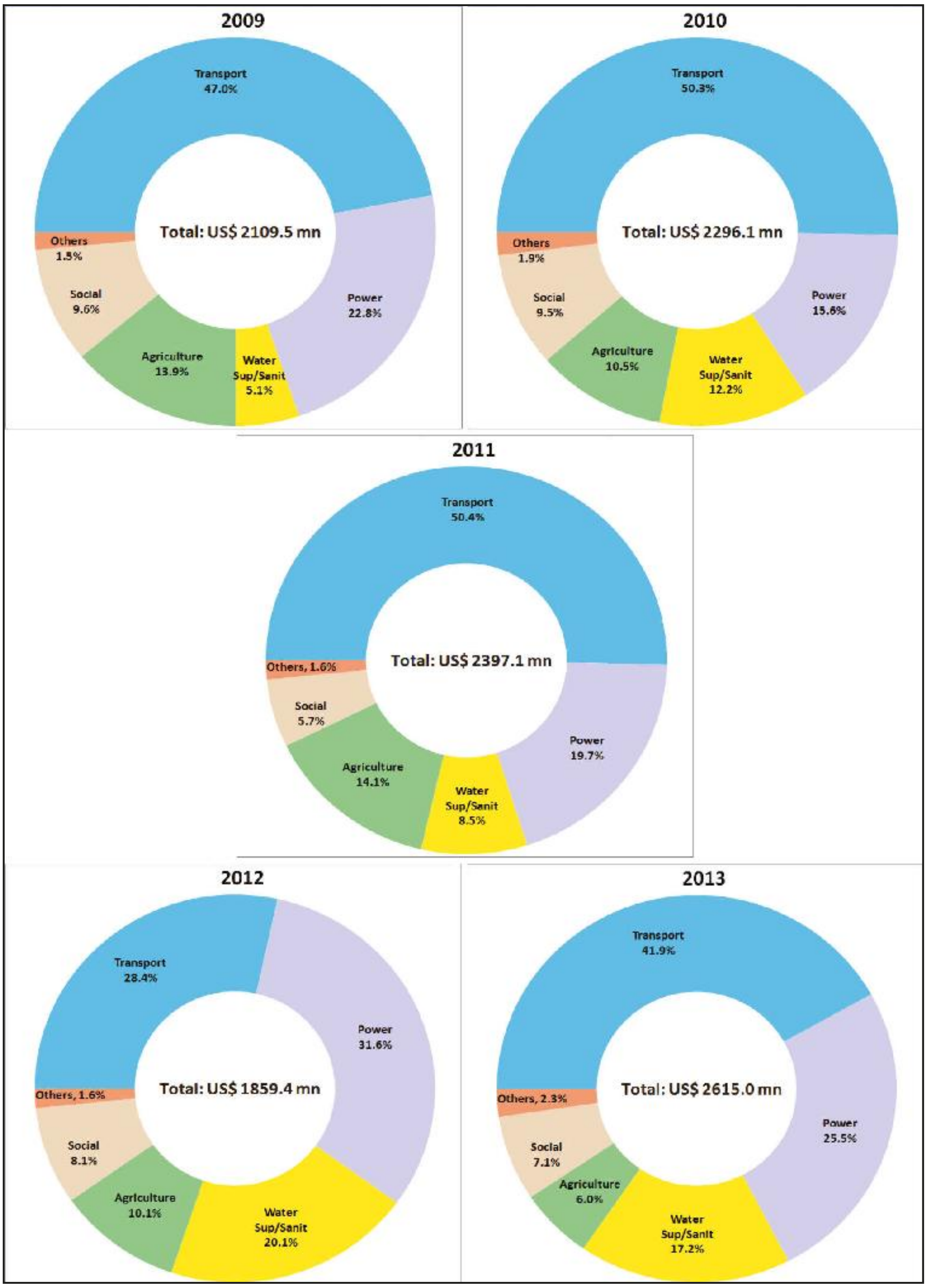
In terms of number of contracts: Nearly 70.7% of the total number of contract awards cumulatively from 2009 to 2013 were for agriculture and social projects (Exhibit 1.16). Year-wise analysis (Exhibit 1.17) reveals that share of agriculture projects have reduced over the years from 48.5% in 2009 to 40.9% in 2011, and further to 31.8% in 2013. However, the share of the water supply and water sanitation projects have improved from 6.3% in 2009 to 11.8% in 2012, and further to 21.7% in 2013, reflecting increased approval of operations in this sector.

Exhibit 1.16: Contracts Awarded: Sectorwise



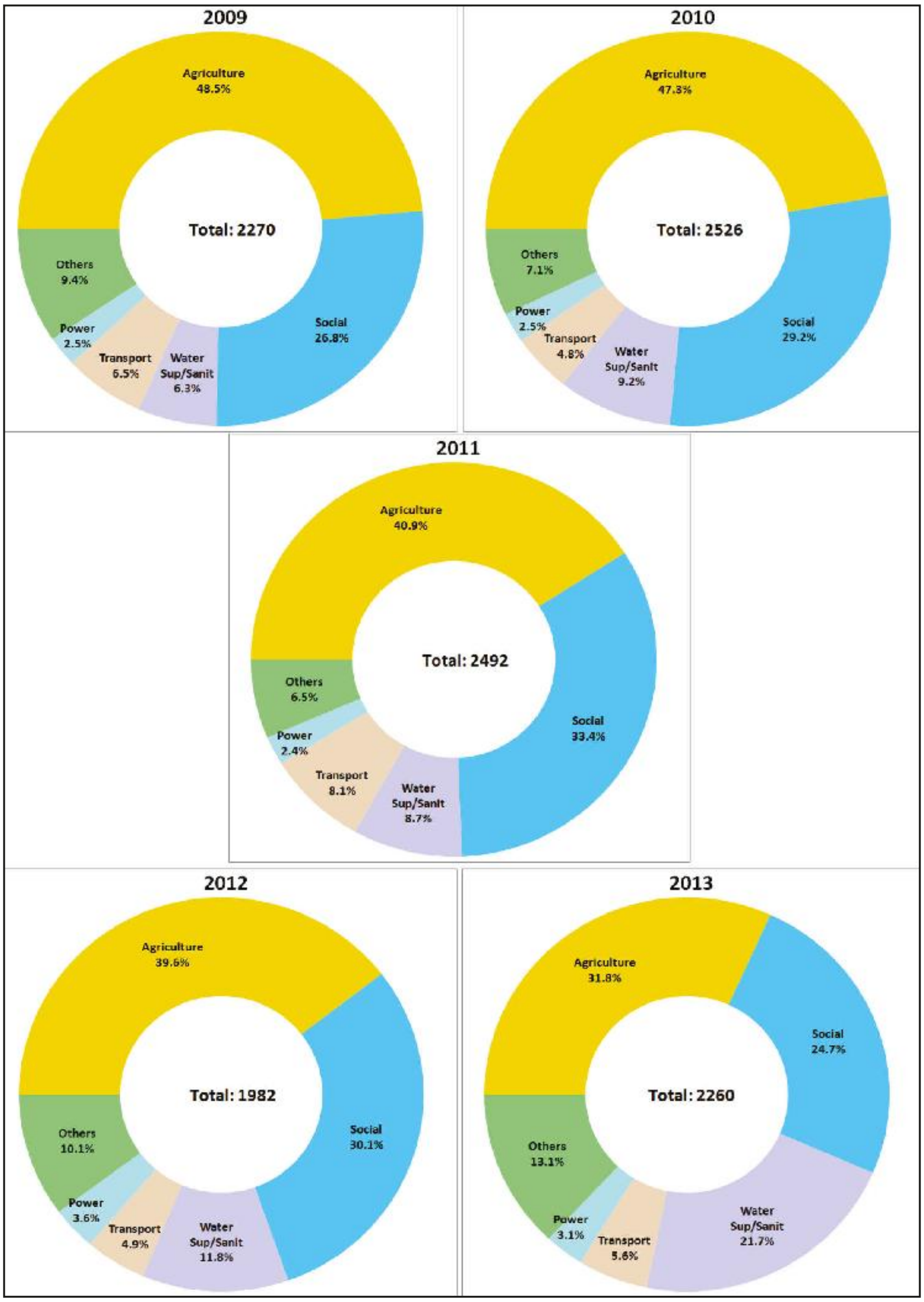
Others include: Multi-sector, Environment, Finance, Industry/Mining/Quarrying, and Communications
Source: AfDB

Exhibit 1.17: Contracts Awarded: Sectorwise In Terms of Value (US$ mn)



Others include: Multi-sector, Environment, Finance, Industry/Mining/Quarrying, and Communication
Source: AfDB

Exhibit 1.18: Contracts Awarded: Sectorwise In Terms of Number of Contracts

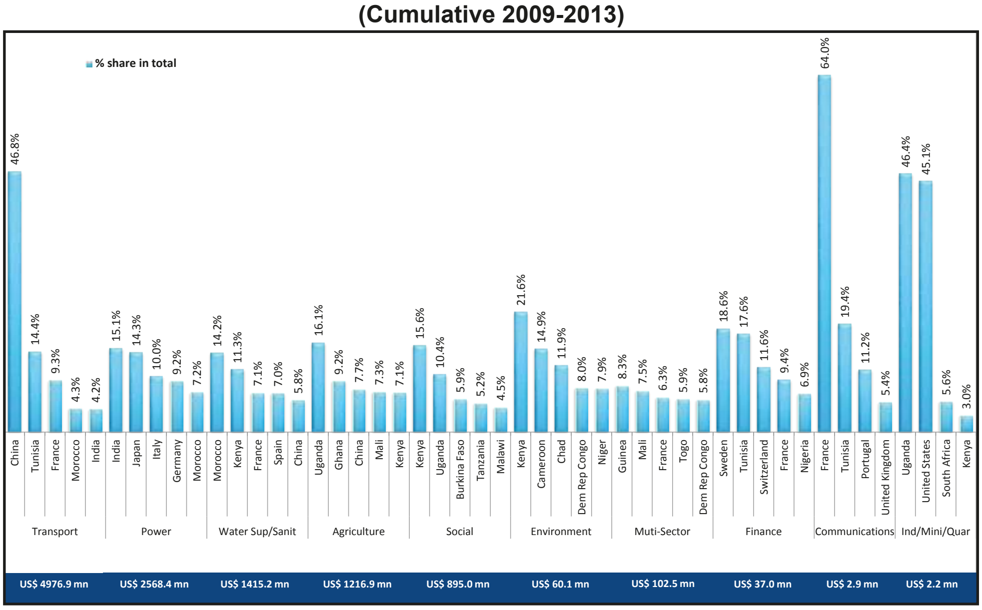


Others include: Multi-sector, Environment, Finance, Industry/Mining/Quarrying, and Communications
Source: AfDB

ANALYSIS: SECTORWISE TOP 5 COUNTRIES THAT SECURED CONTRACTS

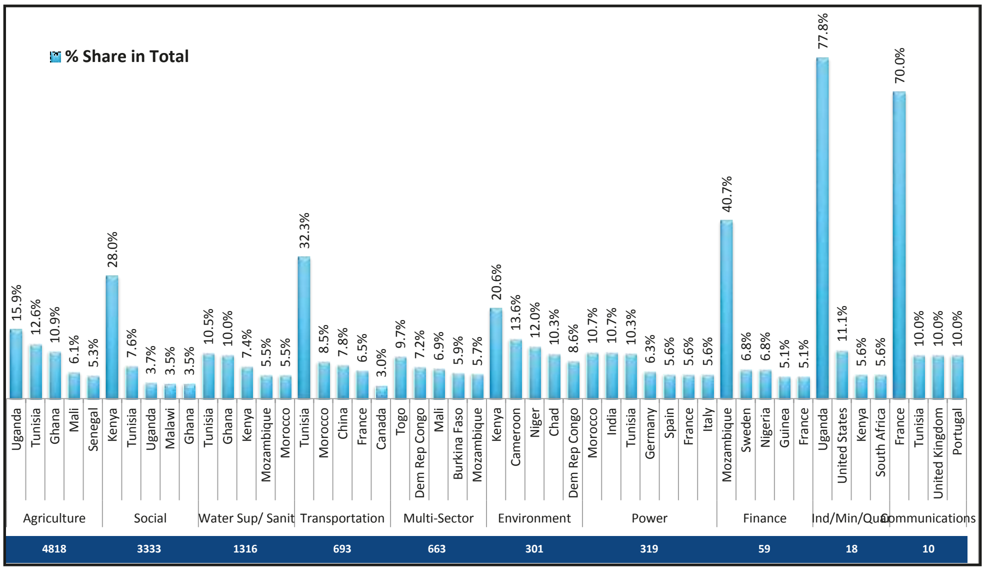
In terms of value: Cumulatively, China secured the largest amount of contracts in the transport sector accounting for a share of 46.8% of the total contracts awarded in the sector. China was followed by Tunisia (14.4%), France (9.3%), Morocco (4.3%) and India (4.2%). India secured the highest value of contracts in the power sector, accounting for a share of 15.1%. Japan (share of 14.3%), Italy (10.0%), and Germany (9.2%) were the other major non regional countries which secured contracts in the power sector. Some of the other non regional countries which were among the top 5 countries to have secured contracts in other sector projects were France, Spain and China in water supply and water sanitation; China in agriculture; France in multi-sector projects; Sweden, Switzerland and France in finance; France, Portugal and United Kingdom in communications and United States in industry/ mining and quarrying. Social and environment sectors were the two sectors where top 5 countries that secured contracts were all regional member countries (Exhibit 1.19).

Exhibit 1.19: AfDB Contracts Secured Sectorwise in Terms of Value - Top 5 Countries (Cumulative 2009-2013)



Source: AfDB

Exhibit 1.20: AfDB Contracts Secured Sector-wise in Terms of Number of Contracts - Top 5 Countries (2009- 2013 Cumulative)



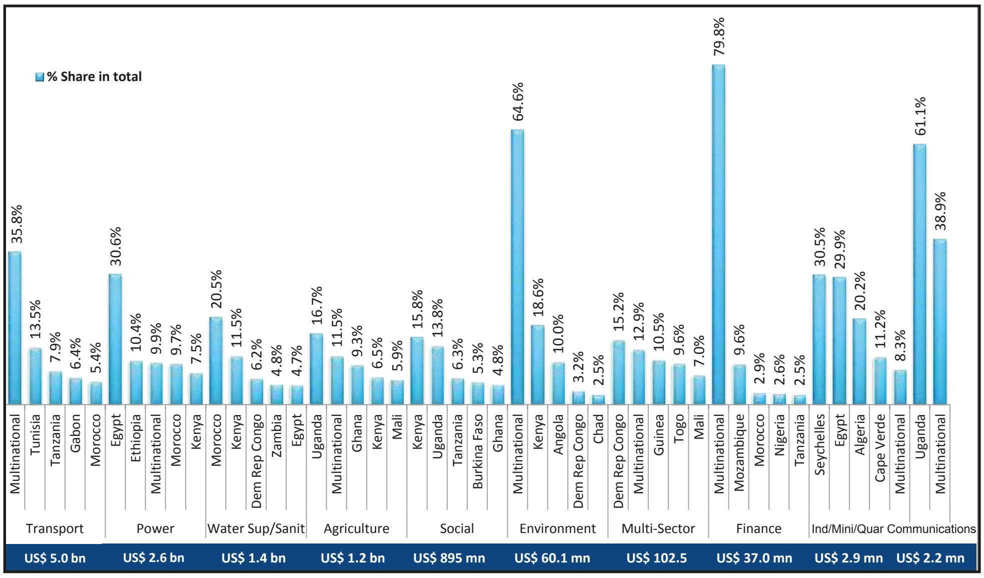
Source: AfDB

In terms of number of contracts: Regional member countries dominated majority of the projects in all the sectors except transportation, power, finance, industry/mining/quarrying and communications. In transportation sector, China, France and Canada were among the top 5 countries that secured contracts. In the power sector, India, Spain, Germany, France and Italy were among the top 5 countries that secured contracts. Sweden and France were among the top 5 in securing finance sector projects. Industry/mining/quarrying had USA as a non-regional member country and communication sector had France, UK and Portugal as non-regional countries that have secured contracts (Exhibit 1.20).

ANALYSIS: SECTORWISE TOP 5 BORROWERS

In terms of value: The largest value of contracts in the transport, environment, and finance sector were for multinational projects, with shares of 35.8%, 64.6%, and 79.8%, respectively. In the power sector, maximum value of procurements was by Egypt (share of 30.6%). In water supply and sanitation projects, Morocco was the biggest project country, accounting for 20.5% of the total value of procurements made using AfDB funds during 2009-2013 (Exhibit 1.21).

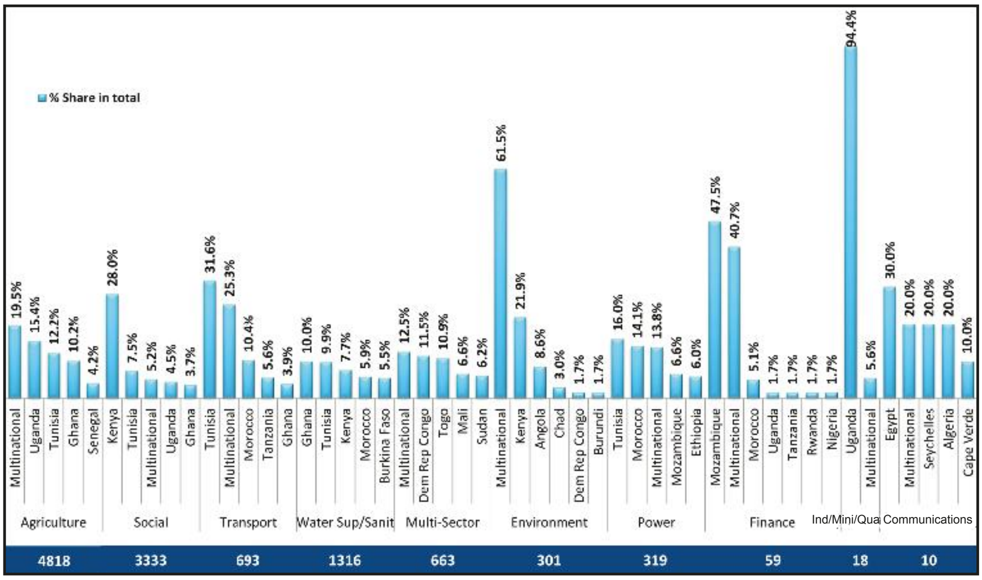
Exhibit 1.21: AfDB Sector-wise Top Borrower Countries in Terms of Value of Contracts - Top 5 Countries (2009- 2013 Cumulative)



Source: AfDB

In terms of number of contracts: Maximum number of contracts in agriculture, environment, and multi-sector were for multinational projects. Uganda, with a share of 15.4% was the second largest borrower in the agriculture sector followed by Tunisia (12.2%), Ghana (10.2%), and Senegal (4.2%). Out of the total of 3333 projects in the social sector, 28.0% were floated by Kenya, followed by Tunisia (7.5%), multinational (5.2%), Uganda (4.5%) and Ghana (3.7%) (Exhibit 1.22).

Exhibit 1.22: AfDB Sector-wise Top Borrower Countries in Terms of Number of Contracts - Top 5 Countries (2009- 2013 Cumulative)



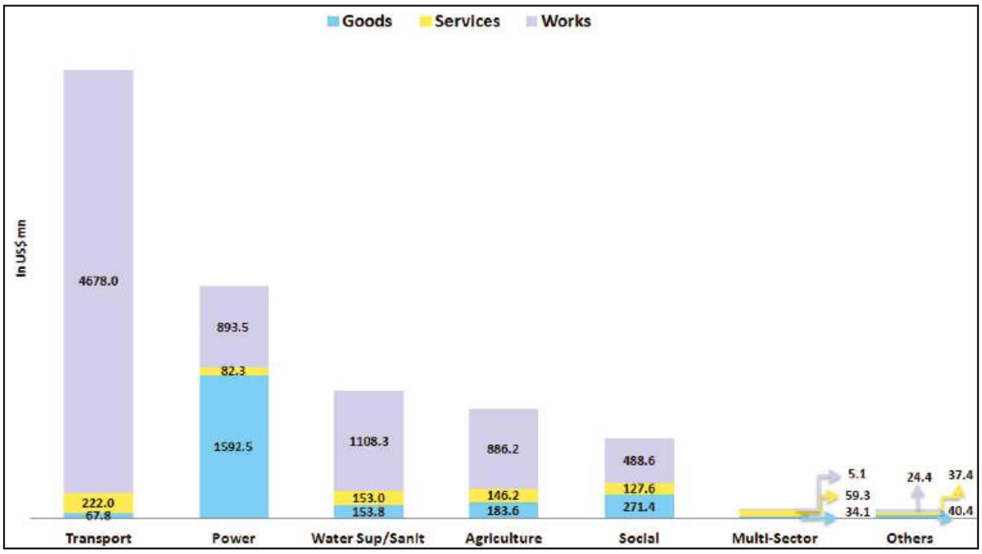
Source: AfDB

ANALYSIS: SECTORWISE, TYPE OF PROCUREMENT

In terms of value: Civil work contracts accounted for the highest share in most sectors. With shares of 94.0%, civil works projects held the highest share under transport sector followed by services (4.5%) and goods (1.4%). Other sectors where civil works accounted for a high share included water supply and sanitation (78.3%), agriculture (72.8%) and social sectors (54.6%). In the case of power sector, goods contracts held the highest share of 62.0% followed by works (34.8%) and services (3.2%) (Exhibit 1.23).

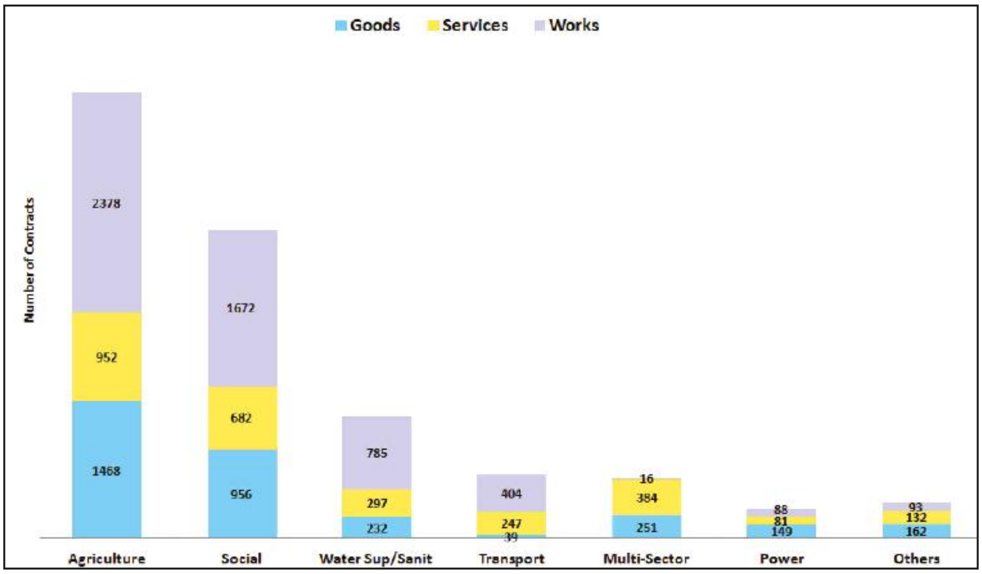
In terms of number of contracts: Here also, civil work contracts accounted for the highest share in most sectors. With a share of 49.4%, civil works projects held the highest share in the agriculture sector followed by goods (30.5%) and services (19.8%). Civil works contracts held high shares in water supply and sanitation (59.7%), transport (58.3%) and social sectors (50.2%). In the case of power sector, goods contracts accounted for the highest share with 46.7% share followed by works (27.6%) and services (25.4%) (Exhibit 1.24).

Exhibit 1.23: Sectorwise: By Type of Procurement (Cumulative Value 2009-2013)



Note: Food crisis, operating cost, personnel and miscellaneous are the other type of AfDB procurements. Analysis in this study is restricted to analysis of goods, works and services contracts.
Other sectors includes Finance, Environment, Ind/Mini/Quar, and Communications
Source: AfDB

Exhibit 1.24: Sectorwise: By Type of Procurement (Cumulative Number of Contracts 2009-2013)



Note: Food crisis, operating cost, personnel and miscellaneous are the other type of AfDB procurements. Analysis in this study is restricted to analysis of goods, works and services contracts.
Other sectors includes Finance, Environment, Ind/Mini/Quar, and Communications
Source: AfDB

ANALYSIS: SECTORWISE, MODE OF PROCUREMENT

In terms of value

Transport: Out of US$ 5.0 billion worth of contracts, 99.5% were awarded through competition, i.e. International Competitive Bidding (ICB) or National Competitive Bidding (NCB); or shopping by comparing quotations in the case of small purchases. Only 0.5% of contracts, in terms of value were done through direct negotiations (DNP). Among the contracts awarded through competition, ICB constituted 89.9% of the total contracts followed by NCB (5.9%) and Short list (SHL) (3.7%) (Exhibit 1.25).

Power: Virtually all the contracts awarded in the power sector (99.7%) were through competition. As was the case in transport sector, in power sector also, among the contracts awarded through competition, ICB constituted the largest share (89.5%) followed by NCB (6.5%) and SHL (2.8%) (Exhibit 1.25).

Water supply and sanitation: While 1.1% contracts were awarded through direct negotiations, majority (98.9%) were awarded through competition. Among the contracts awarded through competition, ICB was the largest mode of procurement (69.3%) followed by SHL (14.4%) and NCB (14.3%) (Exhibit 1.25).

Agriculture: Of the US$ 1.2 billion contracts, 96.2% were awarded through competition and 3.8% were awarded through direct negotiations. Among the contracts awarded through competition, NCB constituted the largest mode of procurement with a share of 40.9%, followed by ICB (38.6%) and others [SHL, National Shopping (NSH), International Shopping (ISH), Limited International Competition (LIC)] (16.7%) (Exhibit 1.25).

Social: 11.1% of the total contracts were awarded through direct negotiations and the rest through competition. Among the contracts awarded through competition 40.4% contracts were awarded through ICBs, 37.5% through NCBs and 11% through other modes (Exhibit 1.25).

Multi-sector: Total contracts under multi-sector were cumulatively valued at US$ 102.5 million. Out of this, 34.2% was awarded through SHL, 21.3% through ICBs and 14.6% through NCBs. 26.3% was awarded through direct negotiations (Exhibit 1.25).

Environment: In the environment sector, NCBs constituted the largest mode of procurement (45.4%), followed by short lists (16.5%), NSH (6.5%), ISH (5.9%) and ICB (4.3%) among the contracts under competition. Direct negotiations constituted 21.4% of the total contracts (Exhibit 1.25).

Finance: Of the total of US$ 37 mn, LIC (38.1%) constituted the largest mode of procurement followed by direct negotiations (24.7%), NCBs (15.7%), ICB (14.1%), SHL (6.4%) shopping (NSH, ISH) (1.1%) (Exhibit 1.25).

Communications: Under the communication sector, 8.3% of the contracts were awarded through direct negotiations and the rest through competition. Among competition, ICB constituted the largest mode of procurement with 66.1% shares followed by short list (25.6%) (Exhibit 1.25).

Industry/mining/quarrying: Under this sector, contracts were mainly awarded through competition. The two modes of procurement were ISH constituting 61.1% and ICBs constituting 38.9% of the total contracts (Exhibit 1.25).

Given that ICB is the most prominent made of procurement in the cases of transport, power, water supply and sanitation, social sector and communications, Indian players have significant opportunities in these sectors.

In terms of number of contracts

Transport: Out of 693 contracts, 93.6% were awarded through competition. Nearly 6.4% of contracts were procured through direct negotiations DNP. Among the contracts awarded through competition, ICB constituted 39.5% of the total contracts followed by NCB (25.9) and SHL (27.2%) (Exhibit 1.26).

Power: Almost 95.9% contracts were awarded through competition in the power sector, with the remaining 4.1% were awarded by direct negotiations. Within the contracts awarded through competition, ICB constituted the largest share (63.0%) followed by SHL (17.2%), NCB (13.8%) and shopping (NSH, ISH) (1.9%) (Exhibit 1.26).

Water supply and sanitation: Around 2.7% contracts were awarded through direct negotiations and 97.3% were awarded through competition. Among the contracts awarded through competition, NCB was the largest mode of procurement (52.7%) followed by SHL (19.2%) and ICB (17.2%) (Exhibit 1.26).

Agriculture: Of the 4818 contracts, 93.7% were awarded through competition and 6.3% were awarded through direct negotiations. Among the contracts awarded through competition, NCB constituted the largest share with 58.0% of the total contracts followed by NSH (14.1%), SHL (13.7%) and ICB (6.2%) (Exhibit 1.26).

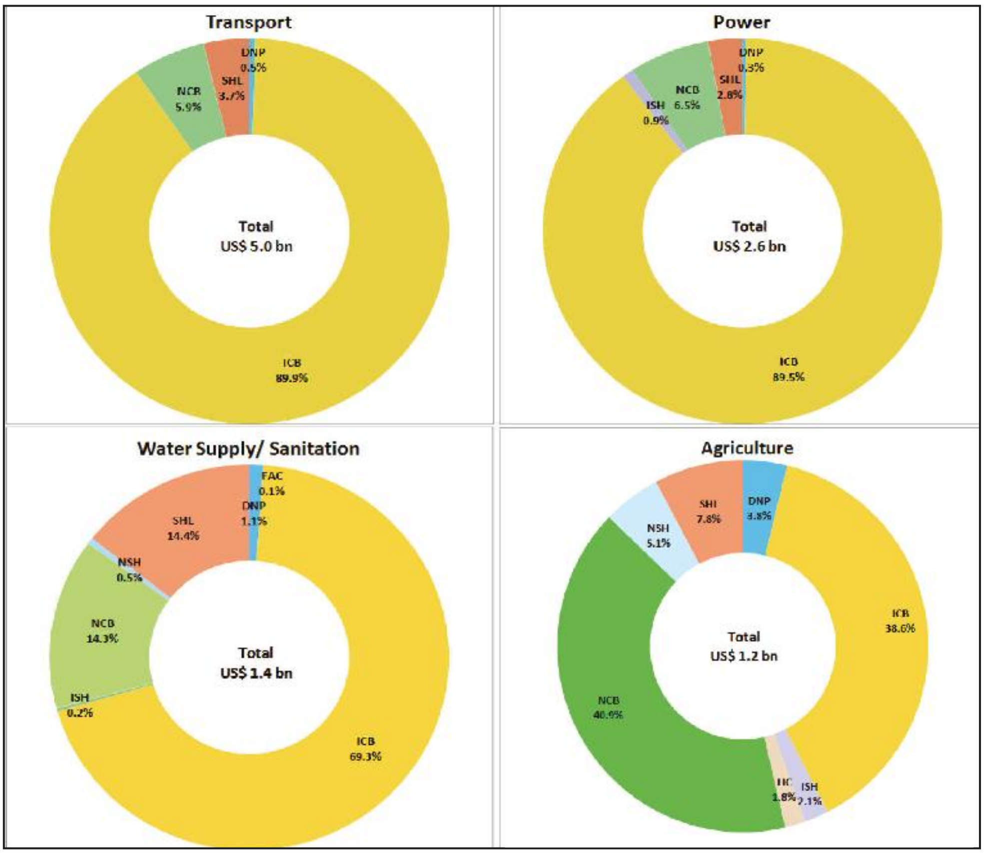
Social: Nearly 9.8% of the total contracts were awarded through direct negotiations and the rest through competition. Among the contracts awarded through competition, 57.6% were awarded through NCBs, 14.1% through ICBs and 11.0% though SHL (Exhibit 1.26).

Multi-sector: Total contracts under multi-sector were 663. Out of this, 42.1% was awarded through short lists 20.4% through NCBs, 9.4% through ICB and 9.0% through NSH. Direct negotiations constituted 17.3% of the total contracts awarded (Exhibit 1.26).

Environment: Under the environment sector, NCBs constituted the largest mode of procurement (47.8%), followed by short lists (15.3%), NSH (10.3%), ISH (8.0%) and ICBs (0.7%). Direct negotiations constituted 17.9% of the total contracts (Exhibit 1.26).

Finance: Of the total of 59 contracts, NCBs constituted the largest mode of procurement (27.1%) followed by direct negotiations (25.4%) (Exhibit 1.26).

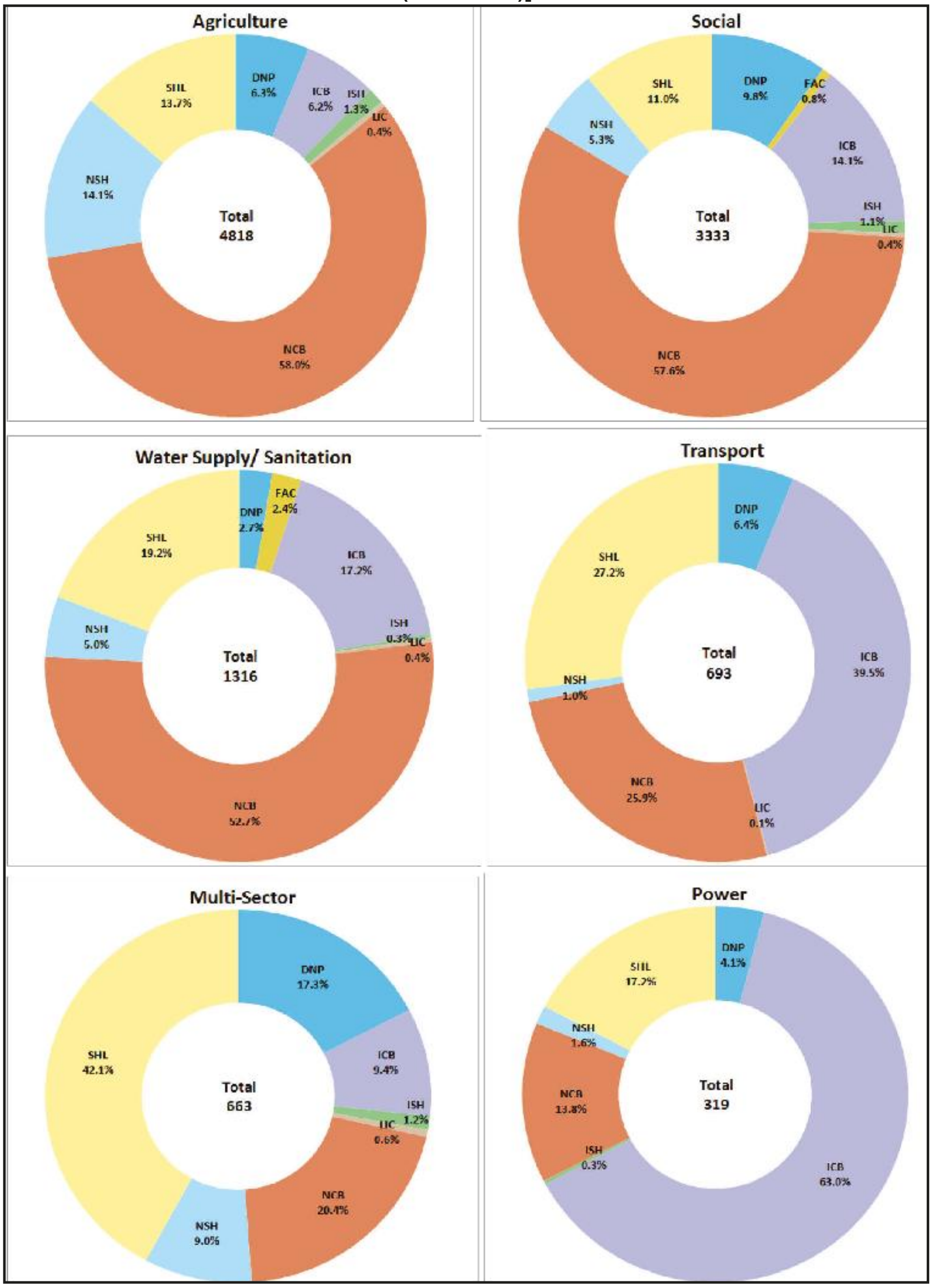
Exhibit 1.25: Sectorwise: Procurement Mode [Cumulative Value (2009-2013)]

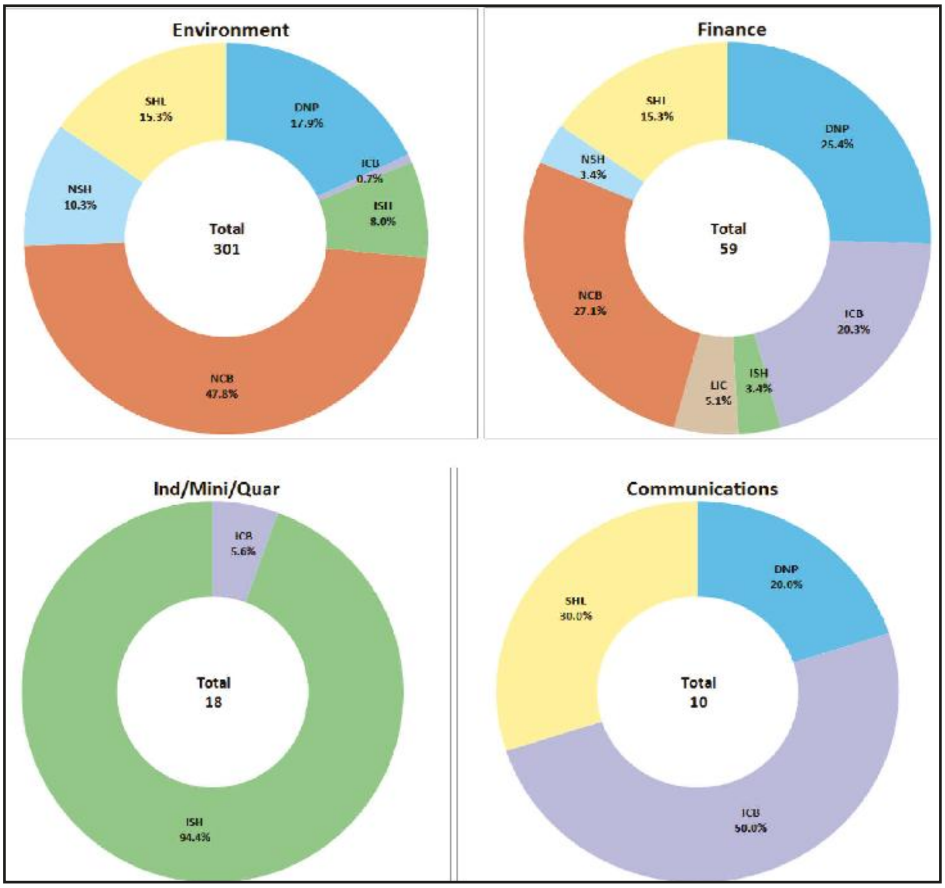



Social
SHL 7.6%
NSH 1.5%
DNP 11.1%
FAC 0.3%
Total US$ 895.0 mn
NCB 37.5%
ICB 40.4%
ISH 0.8%
LIC 0.8%
Multi-Sector
DNP 26.3%
SHL 34.2%
Total US$ 102.5 mn
NSH 2.9%
ICB 21.3%
NCB 14.6%
LIC 0.2%
ISH 0.5%
Environment
SHL 16.5%
DNP 21.4%
NSH 6.5%
ICB 4.3%
Total US$ 60.1 mn
ISH 5.9%
NCB 45.4%
Finance
NSH 0.2%
SHL 6.4%
NCB 15.7%
DNP 24.7%
Total US$ 37.0 mn
ICB 14.1%
LIC 38.1%
ISH 0.9%
Communications
DNP 8.3%
SHL 25.6%
Total US$ 2.9 mn
ICB 66.1%
Industry/Mining/Quarrying
ICB 38.9%
Total US$ 2.2 mn
ISH 61.1%

Source: AfDB

Exhibit 1.26: Sectorwise: Procurement Mode [Cumulative Number of Contracts (2009-2013)]





Source: AfDB

Communications: Under the communication sector, 20.0% contracts were awarded through direct negotiations and the rest through competition. Among competition, ICB constituted the largest mode of procurement with 50.0% share followed by short list at 30.0% (Exhibit 1.26).

Industry/mining/quarrying: Under this sector, contracts were mainly awarded through competition. The two modes of procurement were ISH constituting 94.4% and ICB constituting 5.6% of the total contracts (Exhibit 1.26).

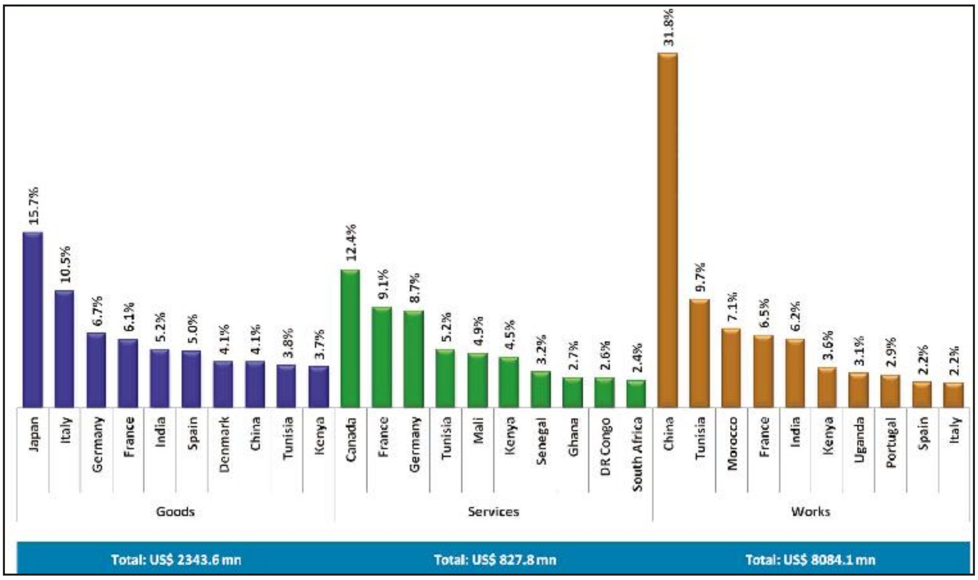
In terms of number of contracts as well, ICB is the most used mode of procurement in the case of transport, power, and communication sector, indicative of significant opportunities for Indian companies in these sectors.

ANALYSIS: TYPE OF PROCUREMENT, COUNTRYWISE CONTRACTS SECURED

In terms of value: As was highlighted earlier, contracts for civil works accounted for the highest share during the period 2009-2013, followed by contracts for goods and services.

Further analysis reveals that China, was by far, the country that secured the highest share of contracts for civil works during the period 2009-2013, accounting for more than one-fourth (31.8%) of the total value of US$ 8.1 bn worth of contracts for work awarded during this period. Tunisia (9.7%), Morocco (7.1%), France (6.5%) and India (6.2%) were the other major countries that secured the largest contracts under works. Under goods contracts, Japan secured the largest share of contracts, constituting a share of 15.7% followed by Italy (10.5%), Germany (6.7%), France (6.1%) and India (5.2%). Under services contracts, Canada secured the maximum value of contract with a share of 12.4% of the total (US$ 827.8 mn), followed by France (9.1%), Germany (8.7%), Tunisia (5.2%) and Mali (4.9%) (Exhibit 1.27).

Exhibit 1.27: AfDB Contracts Secured by Type of Procurement: Top 10 Countries in Terms of Value (% Share) (Cumulative 2009-2013)

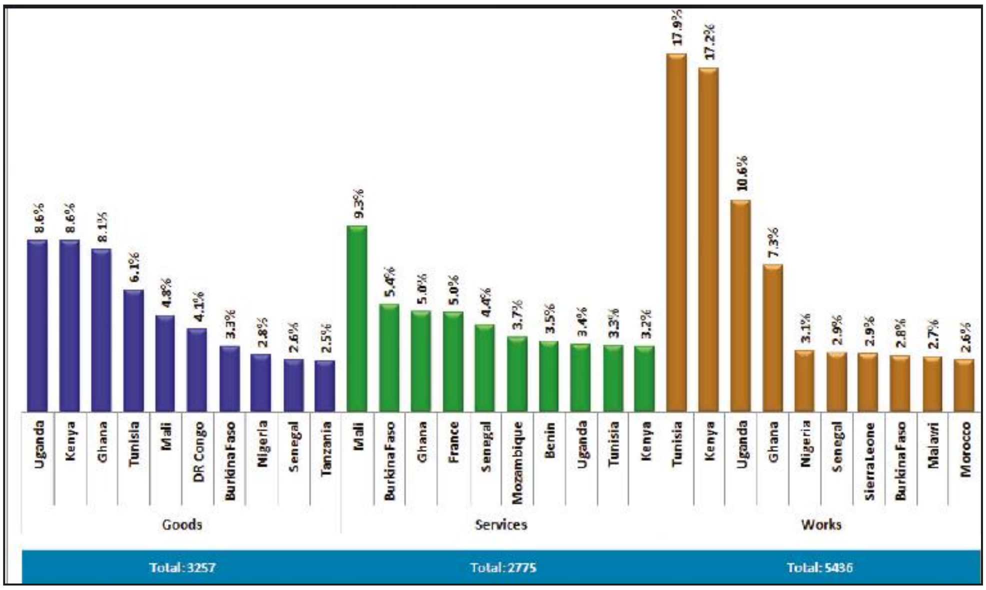


Source: AfDB

In terms of number of contracts: Contracts for civil works accounted for the highest share during the period 2009-2013, followed by contracts for goods, and services contracts.

Further analysis reveals that under goods contracts, regional member countries secured the largest number of contracts. Uganda (8.6%), Kenya (8.6%), Ghana (8.1%), Tunisia (6.1%), and Mali (4.8%) were the countries that secured the maximum number of contracts for goods. Under services contracts, Mali secured the largest number of contracts with a share of 9.3% of the total (2775), followed by Burkina Faso (5.4%), Ghana (5.0%), France (5.0%) and Senegal (4.4%). Of the total contracts of 5436 under civil works, Tunisia secured 17.9% of the contracts. Kenya (17.2%), Uganda (10.6%), Ghana (7.3%) and Nigeria (3.1%) were the other top countries that secured the highest number of contracts for civil works (Exhibit 1.28).

Exhibit 1.28: AfDB Contracts Secured by Type of Procurement: Top 10 Countries in Terms of Number of Contracts (% Share) (Cumulative 2009-2013)



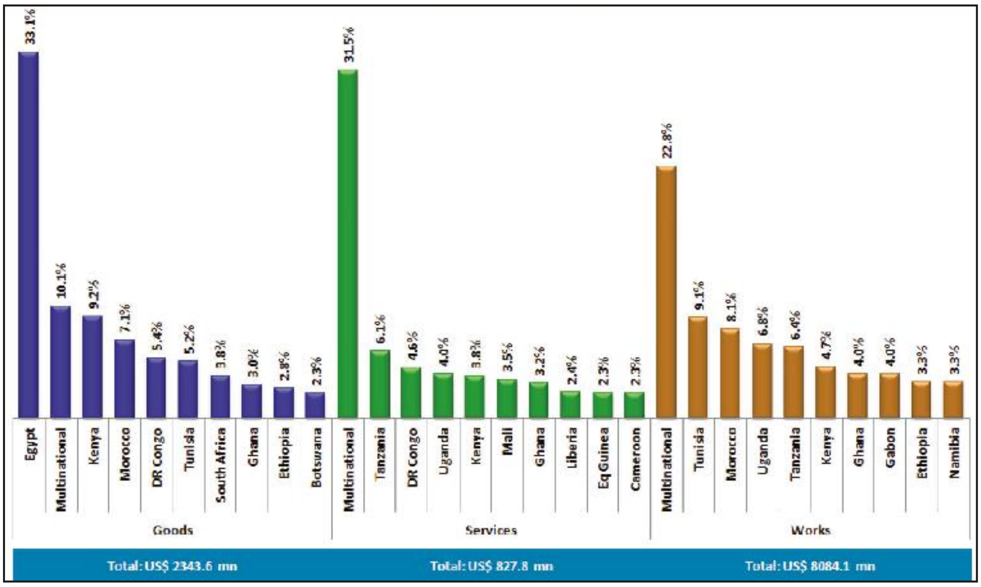
Source: AfDB

Thus, it can be deduced that most of the contracts secured by regional member countries have been of low value, in all the three segments, viz civil works, goods and services. As against this, most of the large value contracts have been secured by non-regional member countries, especially in the contracts for goods.

ANALYSIS : TYPE OF PROCUREMENT, BORROWER COUNTRYWISE

In terms of value: The major borrowers where AfDB funds were used for procurement of goods were Egypt (33.1%), Multinational projects (10.1%), Kenya (9.2%), Morocco (7.1%) and Democratic Republic of Congo (5.4%). Maximum value of procurement for services was for multinational projects, with a share of 31.5% of the total (US$ 827.8 mn), followed by Tanzania (6.1%), Democratic Republic of Congo (4.6%), Uganda (4.0%) and Kenya (3.8%). Of the total contracts of US$ 8.1 billion under civil works, maximum procurements were for multinational projects, having a share of 22.8%. Tunisia (9.1%), Morocco (8.1%), Uganda (6.8%) and Tanzania (6.4%) were the other top borrowers of AfDB funds used for procurement of civil works (Exhibit 1.29).

Exhibit 1.29: Borrowers by Type of Procurement: Top 10 Countries in Terms of Value (% Share) (Cumulative 2009-2013)



Source: AfDB

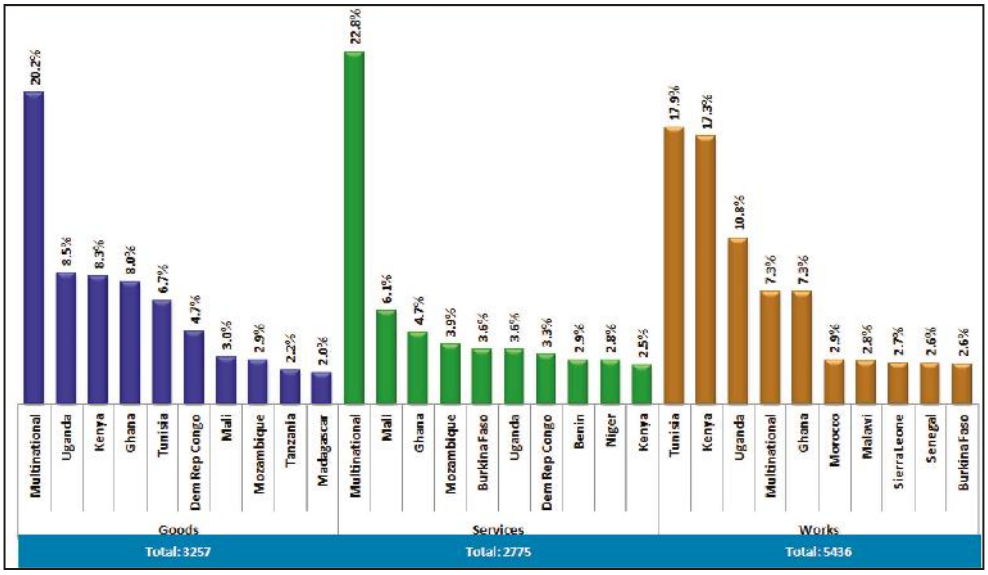
In terms of number of contracts: Analysis reveals that for procurement of goods, multinational projects (20.2%) Uganda (8.5%), Kenya (8.3%), Ghana (8.0%) and Tunisia (6.7%) were the major borrowers. Multinational projects were the largest borrower of AfDB funds used for procurement of services, accounting for 22.8% of the total number of contracts, followed by Mali (6.1%), Ghana (4.7%), Mozambique (3.9%) and Burkina Faso (3.6%). Tunisia was the largest borrower of AfDB funds used for procurement of civil works contracts, with a share of 17.9%. Kenya (17.3%), Uganda (10.8%), multinational projects (7.3%) and Ghana (7.3%) were the other top borrowers (Exhibit 1.30).

A comparison of segment and borrower wise procurement reveals that the countries floating the maximum numberof contracts for procurement were also the top countries in terms of the number of contracts secured, especially those pertaining to goods and civil works.

ANALYSIS: TYPE OF PROCUREMENT, SECTOR-WISE

In terms of value: Around 68% of the total amount of contract awards for procurement of goods cumulatively during the period 2009 to 2013 were for power projects (Exhibit 1.31), followed by social (11.6%), agriculture (7.8%) and water supply and sanitation projects (6.6%). Under the procurement

Exhibit 1.30: Borrowers by Type of Procurement: Top 10 Countries in Terms of Number of Contracts (% Share) (Cumulative 2009-2013)

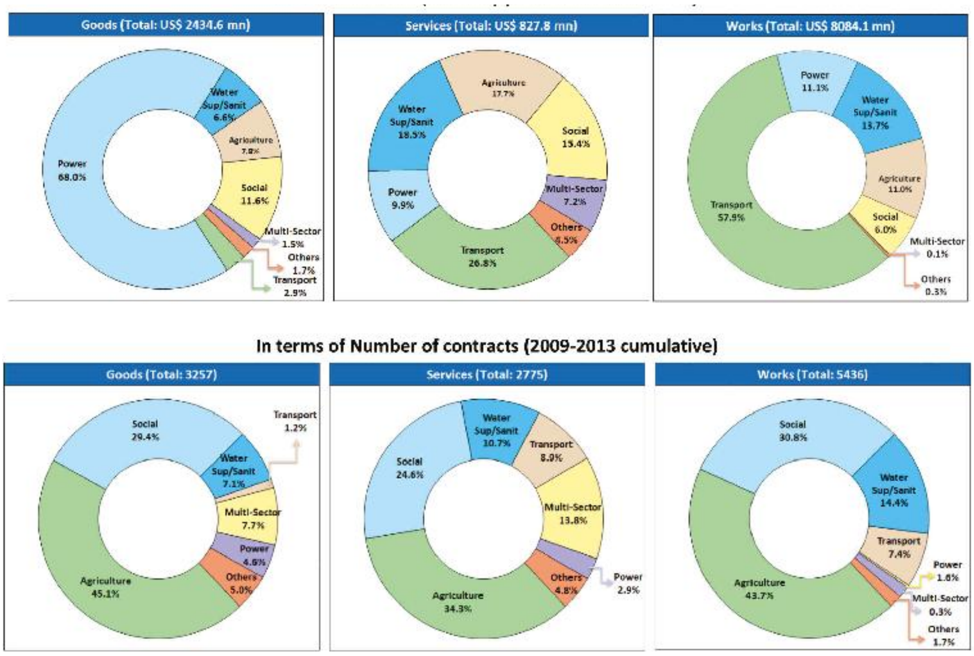


Source: AfDB

of services, transport sector had the largest value of contracts with a share of 26.8% in the total (US$ 827.8 mn), followed by water supply and sanitation projects (18.5%), agriculture (17.7%), and social projects (15.4%). Of the total contracts of US$ 8.1 billion for procurement of civil works, transport sector again accounted for the largest share of 57.9%. Water supply and sanitation projects (13.7%), power (11.1%), agriculture (11.0%) and social sector (6.0%) were the other main sectors of procurement under civil works contracts.

In terms of number of contracts: Nearly 45.1% of the total number of contract awards under the procurement of goods cumulatively during the period 2009 to 2013 were for agriculture projects (Exhibit 1.31), followed by social sector (29.4%), multi-sector (7.7%), water supply and sanitation (7.1%), and power (4.6%). Under the procurement of services, agriculture sector bagged the largest number of contracts with a share of 34.3% in the total (2775), followed by social sector (24.6%), multi-sector (13.8%), water supply and sanitation projects

Exhibit 1.31: Type of Procurement: Sector-wise Analysis
In Terms of Value (US$ mn) (2009-2013 Cumulative)



Others includes environment, industry / mining / quarrying, finance and communications
Source: AfDB

(10.7%), and transport (8.9%). Of the total number of 5436 contracts under civil works, agriculture sector again secured the largest number, with a share of 43.7%. Social sector (30.8%), water supply and sanitation projects (14.4%), and transport (7.4%) were the other main sectors under civil work contracts.

Analysis reveals that agriculture and social sectors are the dominant sectors across all types of prourement. However, the value of contracts in these sectors is relatively small, making their share in value terms lower.

ANALYSIS: TYPE OF PROCUREMENT, MODE OF PROCUREMENT-WISE

In terms of value

Goods: Out of US$ 2.3 billion worth of contracts awarded for goods, 98.5% were awarded through competition, i.e. ICB or NCB; or shopping by comparing quotations in the case of small purchases. Only 1.5% of contracts in terms of value were procured through direct negotiations. Among the contracts awarded through competition, ICB constituted 85% of the total contracts followed by NCB (6.8%) and shopping (NSH, ISH) (5.7%) (Exhibit 1.32).

Services: Almost 84.9% service contracts were awarded through competition, while direct negotiations accounted for the remaining 15.1%. Under contracts awarded through competition, Short List (SHL) constituted the largest share (68.6%) followed by ICB (12.5%) and NCB (1.8%) (Exhibit 1.32).

Works: Nearly 0.8% of contracts were awarded through direct negotiations and 99.2% were awarded through competition. Among the contracts awarded through competition, ICB constituted the largest mode of procurement (80.7%) followed by NCB (16.9%) and SHL (1.2%) (Exhibit 1.32).

In terms of number of contracts

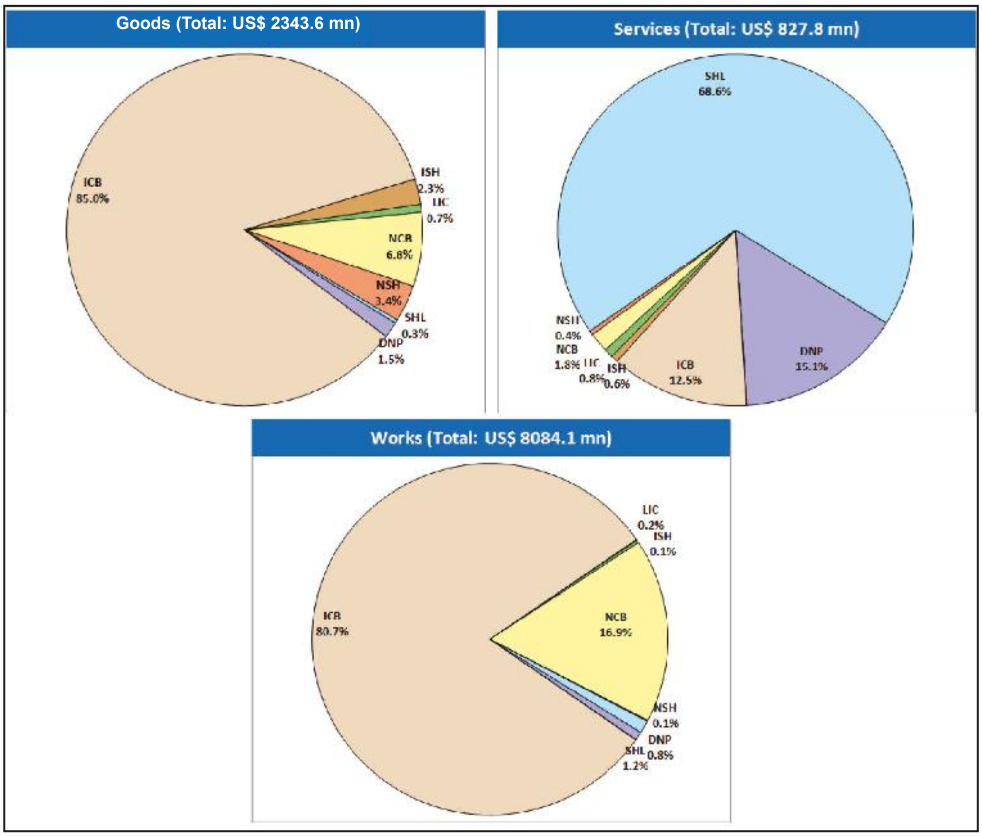
Goods: Out of 3257 contracts, 96.6% were awarded through competition, i.e. NCB (42.6%), NSH (26.6%), ICB (21.0%), ISH (3.9%), SHL (1.7%), LIC (0.7%) and FAC (0.1%). Only 3.4% of the total number of contracts was procured through direct negotiations (Exhibit 1.32).

Services: Almost 76.5% of contracts for services were awarded through competition, with direct negotiations accounting for 23.5%. Under contracts awarded through competition, Short List constituted the largest share (62.7%) followed by ICB (6.0%) and NCB (5.3%) (Exhibit 1.32).

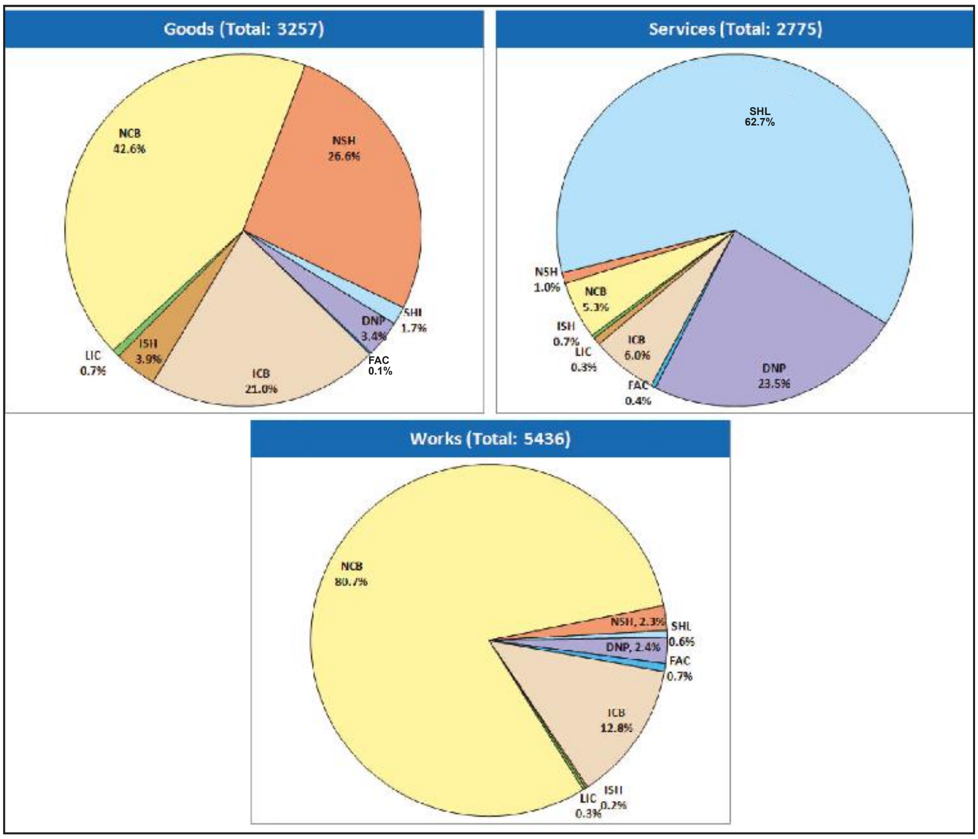
Works: About 2.4% of contracts for civil works were awarded through direct negotiations and 97.6% were awarded through competition. Among the contracts awarded through competition, NCB constituted the largest mode of procurement (80.7%) followed by ICB (12.8%) and NSH (2.3%).

While ICB contracts have relatively lower share in goods and works contracts, they are the predominant mode of procurement in terms of value. Hence, ICB contracts are usually of much higher value and firms need to be well equipped to handle such large value of contracts.

Exhibit 1.32: Type of Procurement: By Mode of Procurement In Terms of Value (US$ mn) (2009-2013 cumulative)



In Terms of Number of Contracts (2009-2013 cumulative)



Source: AfDB

AfDB CONTRACTS SECURED: ANALYSIS OF TOP COUNTRIES

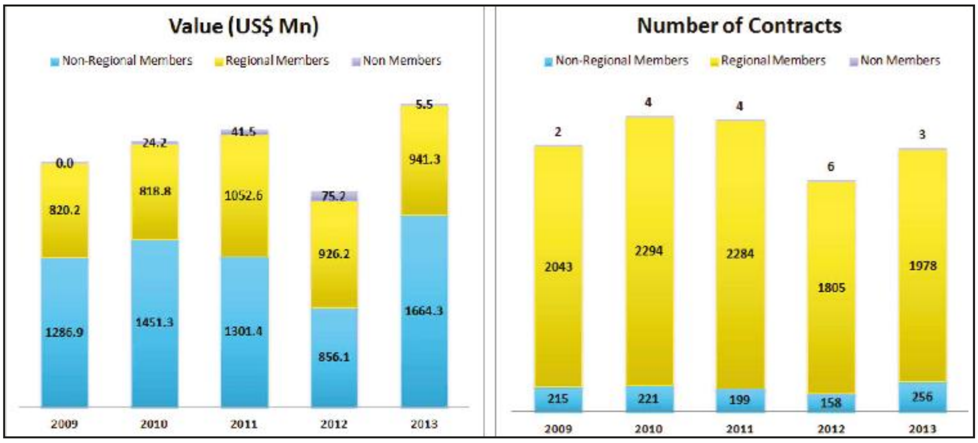
Majority of the contracts from 2009 to 2013, except in 2012 were awarded to non regional member countries in terms of value, followed by regional member countries and non member countries[3]. However in terms of number of contracts, regional member countries secured majority of contracts (around 90%) followed by non regional member countries and non member countries (Exhibit 1.33). The following sections present an analysis of the top five member countries and non-regional member countries which secured contracts.

AfDB CONTRACTS SECURED: ANALYSIS OF TOP 5 NON MEMBER COUNTRIES

Share of Top 5 Non Members in Total Contracts Secured

The top 5 non-regional member countries which secured the largest value of contracts in AfDB funded projects during 2009-2013 period were China, France, India, Italy and Japan. It terms of number of contracts secured, France, China, Canada, India and United Kingdom were the top non-member countries during the period under consideration. In terms of value, China was the country which secured

Exhibit 1.33: Distribution of Contracts between Member Countries*



*doesn't include multinational projects
Source: AfDB

[3]Procurement from non-member countries is permitted, provided there are special circumstances making this appropriate and such procurement is sanctioned by a vote of the Board of Directors representing at least two-thirds of the total voting power of its members.

the largest value of contracts. In 2009, China held a share of 25% and in 2010 around 29.8%. However, the country's share fell down to 11.4% in 2012, before recovering to 27.4% in 2013. France was another country which showed a decline in its share in total value of contracts, from 13.9% in 2009 to 1.8% in 2012, before recovering to 3.6% in 2013. Unlike these countries, in the case of India, the share of contracts secured in AfDB funded projects increased from 1.2% in 2009 to 8.0% in 2013. In fact, India's position among all bidder countries improved from 16th in 2009 to 3rd in 2013.

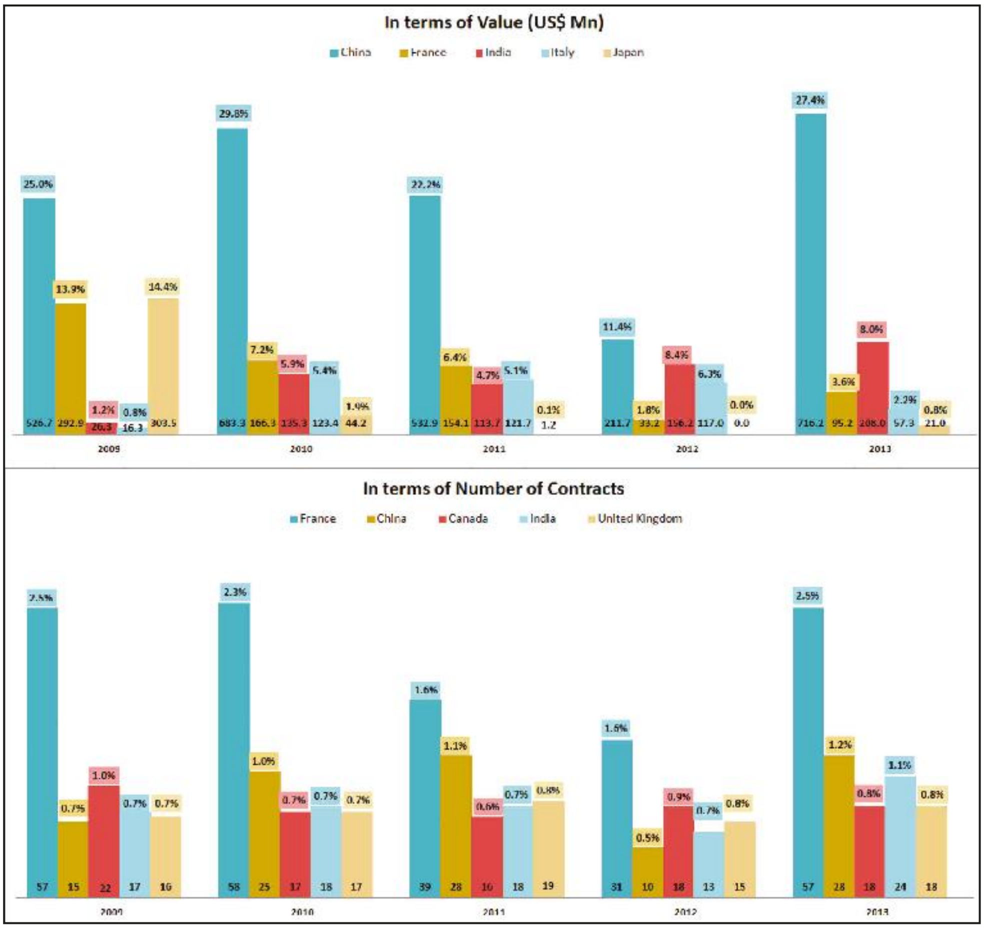
In terms of number of contracts, France topped the list in each year during the period 2009-2013, with its share in 2013 being 2.5%. India's share in number of contracts increased from 0.7% to 1.1% during the period under consideration (Exhibit 1.34).

Analysis: By Type of Procurement

In terms of value: China, with contracts secured cumulatively during the period 2009-2013, valued at US$ 2670.8 mn, was predominanrly engaged in contracts for civil works (96.4% share). France also secured maximum contracts in civil works (70.4%), followed by supply of goods (19.3%) and services (10.1%). India had a similar profile with 77.9% contracts under civil works, 19.0% under supply of goods and 3.0% under services contracts. However, Italy and Japan differed, with contracts for supply of goods accounting for the largest share [Italy (56.3%), Japan (99.7%)]. Japan did not secure any contracts under civil works (Exhibit 1.35).

In terms of number of contracts: China, with a total of 106 contracts, secured 83.0% contracts under civil works, 16.0% under supply of goods and 0.9% under services. In case of France, where in terms of value the share of contracts secured for civil works was the highest; in terms of number of contracts, 57.0% out of the 242 contracts secured were services contracts, 28.1% were for supply of goods, and 13.6% were works contracts. With a share of 47.8%, contracts for supply of goods were the largest type of contracts secured by India, followed by works (35.6%) and services (16.7%). United Kingdom had the largest share of contracts for supply of goods (67.1%), followed by services (32.9%) and didn't secure any civil works contracts during the 2009-2013 period. In case of Canada as well, there were no contracts secured for civil works, and services contracts accounted for the largest share of contracts (96.7%) (Exhibit 1.36).

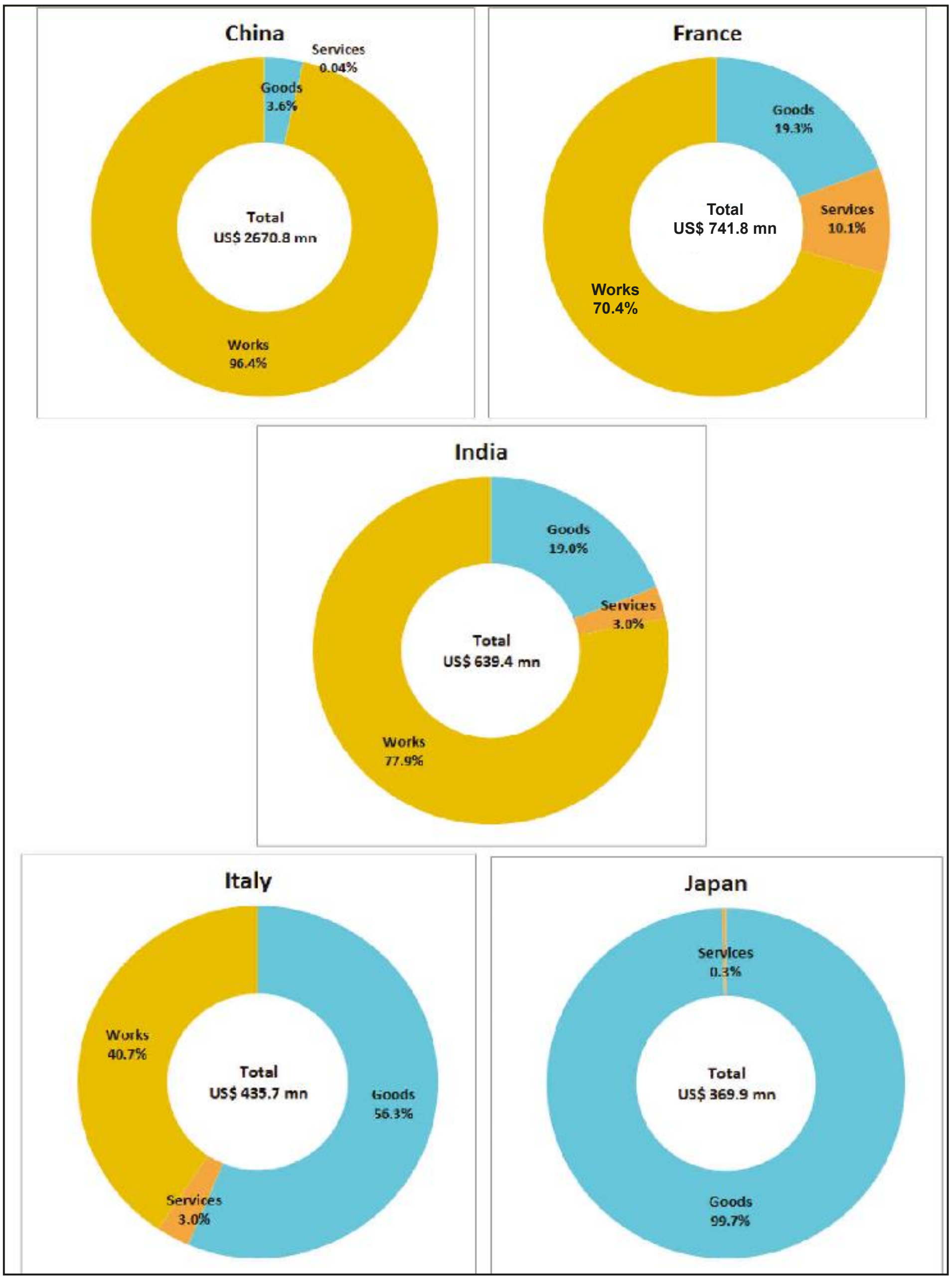
Exhibit 1.34: AfDB Contracts Secured: Share of Top 5 Non-Regional Members in Total Contracts Secured



Source: AfDB

Exhibit 1.35: AfDB Contracts Secured by Top 5 Non- Regional Members: By Type of Procurement

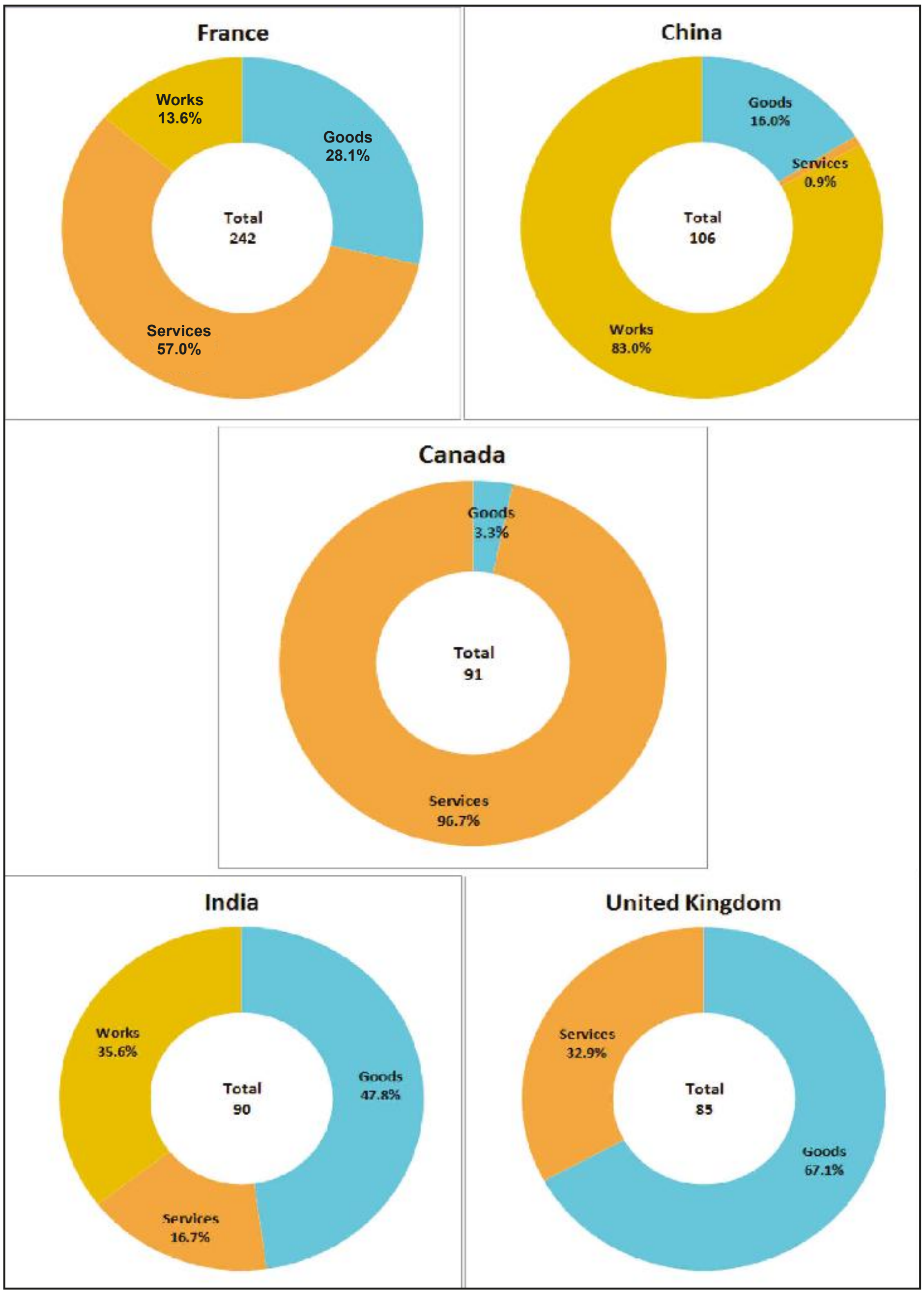
[Cumulative Value (US$ mn), 2009-2013]



Source: AfDB

Exhibit 1.36: AfDB Contracts Secured by Top 5 Non-Regional Members: By Type of Procurement

(Cumulative Number of Contracts, 2009-2013)



Source: AfDB

Analysis: By Mode of Procurement

<u>In terms of value</u>

For all the top 5 countries, more than 90% were secured through competition, i.e. ICB or NCB; or shopping by comparing quotations in the case of small purchases. Less than 1% of contracts, in terms of value were secured through direct negotiations (Exhibit 1.37).

<u>In terms of number of contracts</u>

France: Out of 242 contracts, 86.8% were awarded through competition, i.e. ICB or NCB; or shopping by comparing quotations in the case of small purchases. Around 13.2% of contracts were secured through direct negotiations. Among the contracts awarded through competition, ICB constituted 40.1% of the total contracts followed by SHL (38.8%), and NCB (5.8%) (Exhibit 1.38).

China: Almost 99.1% contracts were awarded through competition, with direct negotiations accounting for the remaining 0.9%. Under the contracts awarded through competition, ICB constituted the largest share (91.5%) followed by NCB (4.7%), and NSH (1.9%) (Exhibit 1.38).

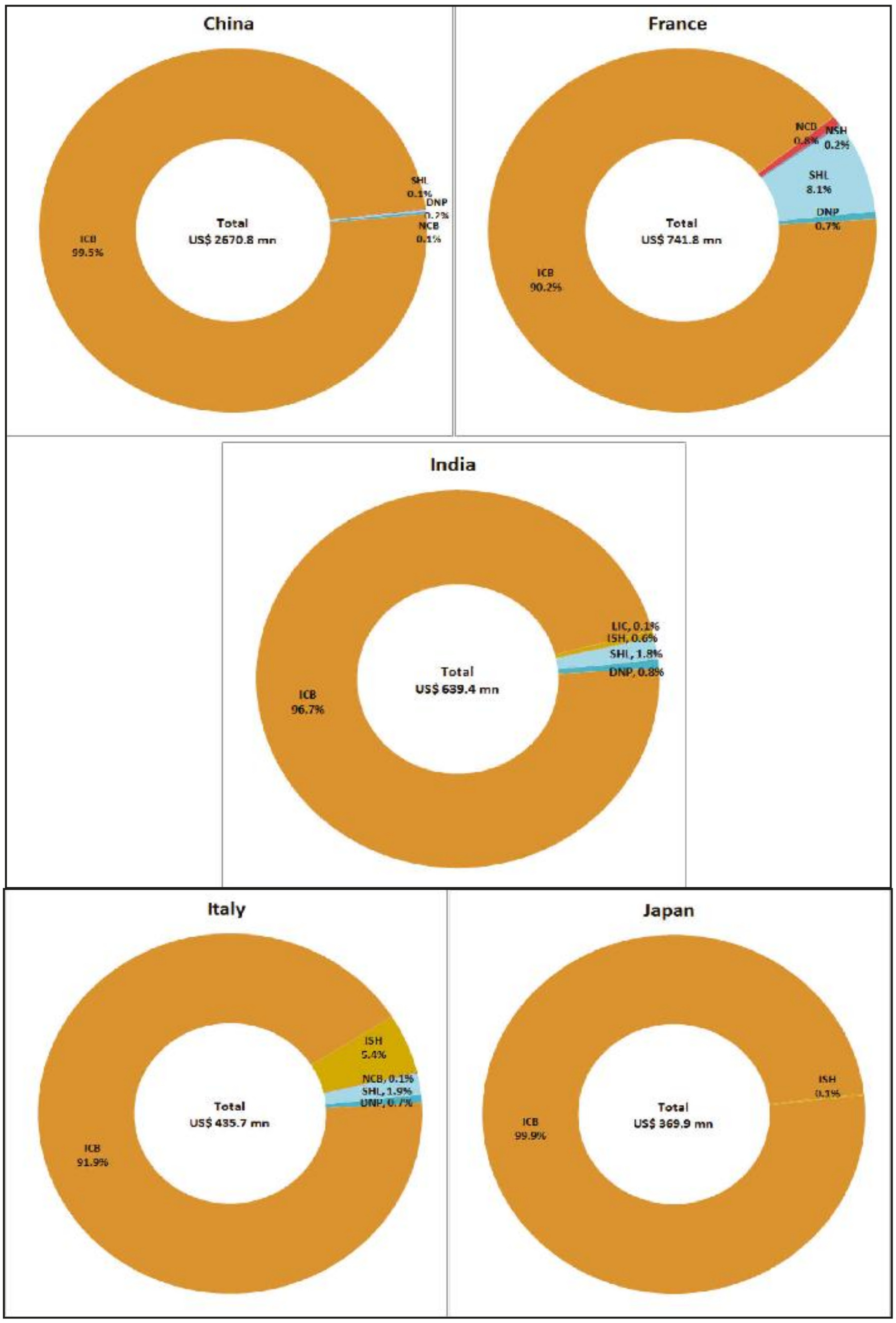
Canada: Nearly 18.7% contracts were awarded through direct negotiations and 81.3% were awarded through competition. Among the contracts awarded through competition, SHL was the primary mode of procurement, accounting for a share of 67%, followed by ICB (11.0%) and LIC (3.3%) (Exhibit 1.38). The large share of contracts secured through shortlist is concurrent with the fact that nearly 96.7% of the total number of contracts secured by Canada was for consulting services.

India: Out of 90 contracts, 97.8% were awarded through competition, i.e. ICB (70.0%), SHL (13.3%) and ISH (8.9%). About 2.2% of contracts were awarded through DNP (Exhibit 1.38).

United Kingdom: Almost 97.6% contracts were awarded through competition, while direct negotiations accounted for the remaining 2.4%. Under the contracts awarded through competition, ICB (55.3%), SHL (27.1%), and NCB (12.9%) were the major modes of procurement. (Exhibit 1.38).

Exhibit 1.37: Top 5 AfDB Contracts Secured by Top 5 Non-Regional Members: By Mode of Procurement

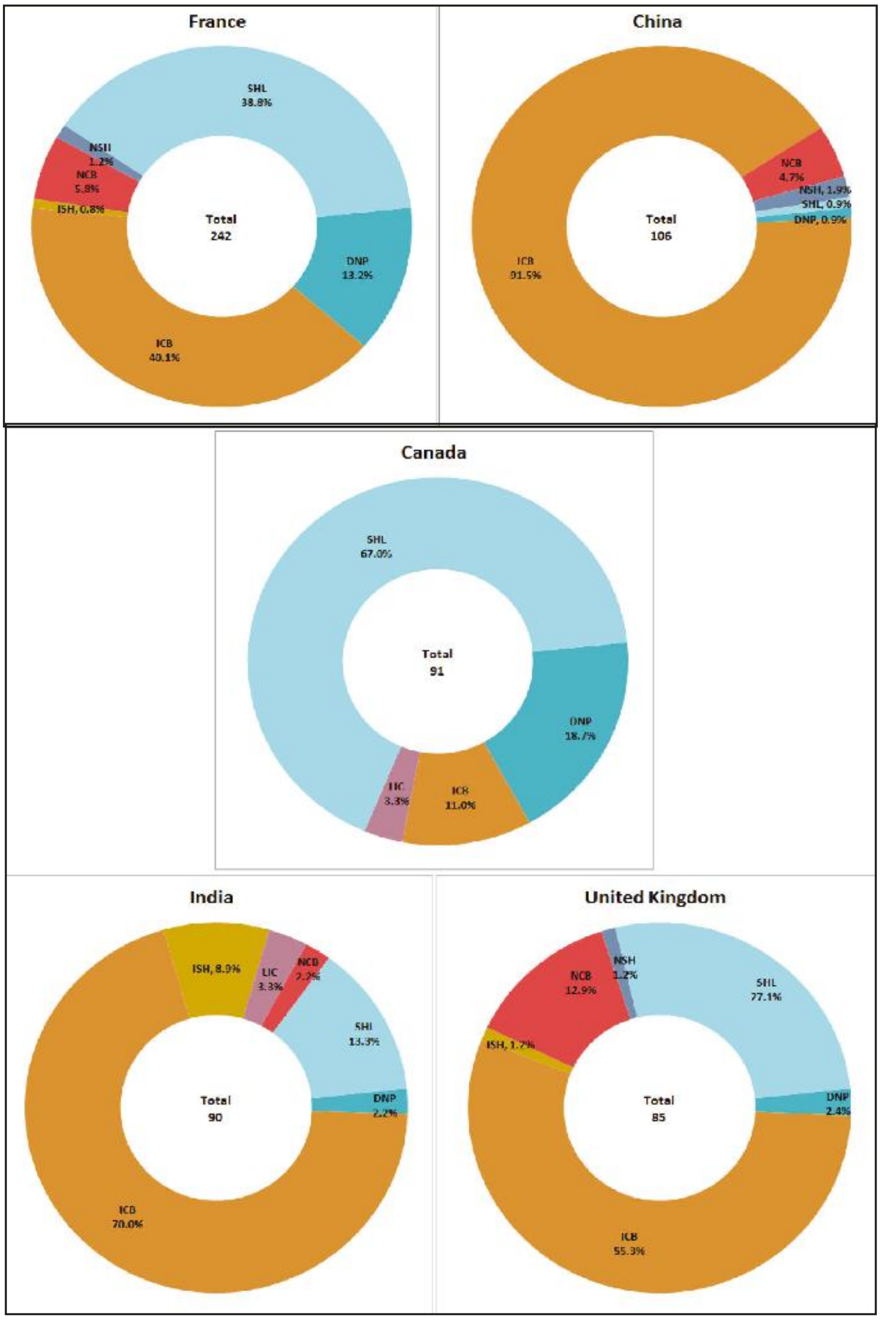
[Cumulative Value (US$ mn) 2009 - 2013]



Source: AfDB

Exhibit 1.38: AfDB Contracts Secured by Top 5 Non-Regional Members: By Mode of Procurement

(Cumulative Number of Contracts, 2009 - 2013)



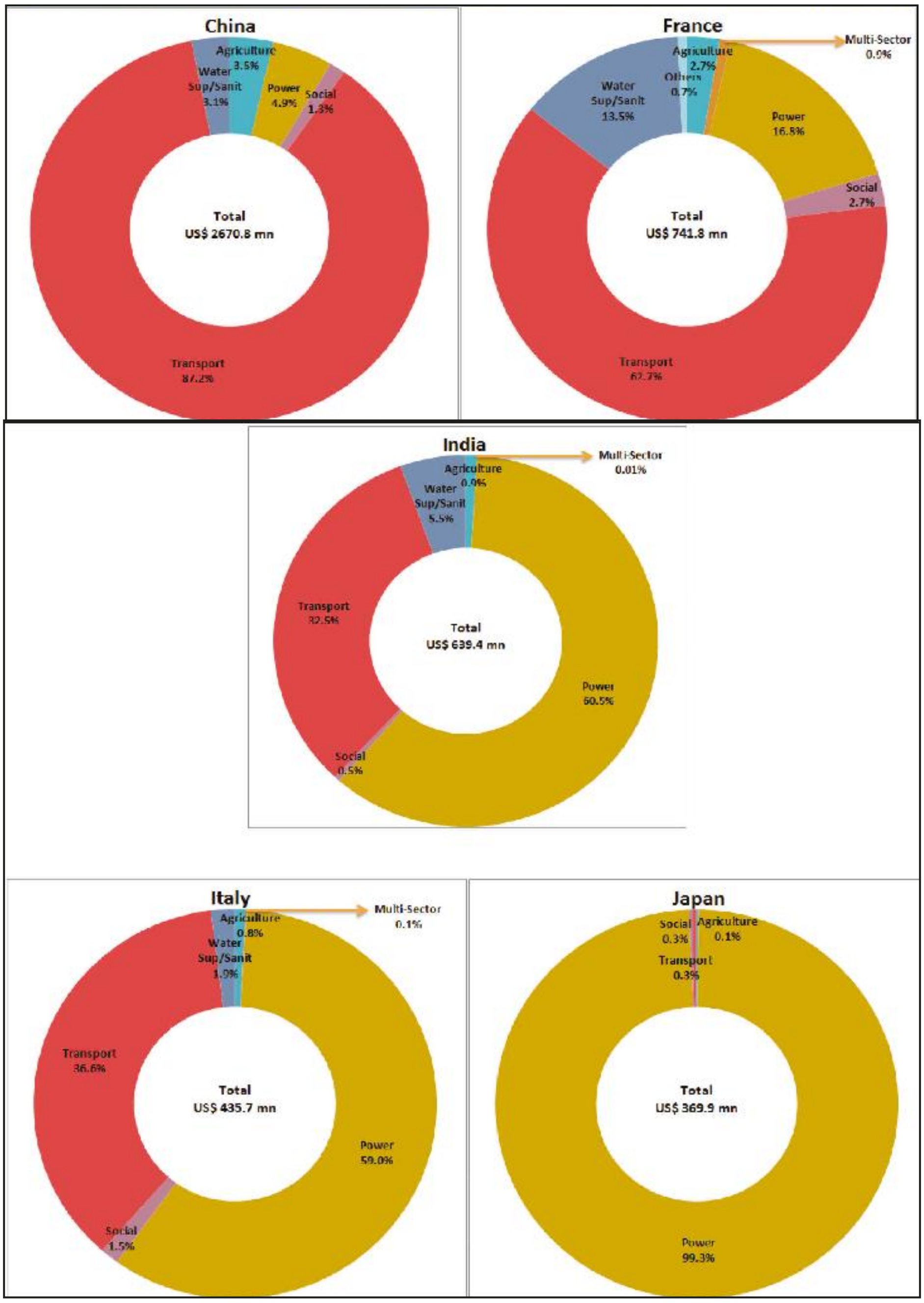
Source: AfDB

Sector-wise analysis

In terms of value: Nearly 87.2% of the total value of contracts secured by China cumulatively during the period 2009 to 2013 were for transport projects (Exhibit 1.39), followed by power (4.9%), agriculture (3.5%), water supply and sanitation (3.1%) and social sectors (1.3%). For France as well, transport sector accounted for the largest share (62.7%) of the total contracts secured (US$ 741.8 mn), followed by power (16.8%), water supply and sanitation projects (13.5%), agriculture (2.7%) and social sector (2.7%). Of the total contracts worth US$ 639.4 million secured by India, power sector accounted for the largest share (60.5%). Transport (32.5%), water supply and sanitation projects (5.5%) were the other main sectors for India. In the case of Italy also, power sector projects had the largest share, constituting 59.0% of the total value of contracts secured by the country, followed by transport (36.6%), water supply and sanitation (1.9%) and social sector (1.5%). Power was the predominant sector in terms of value for Japan (99.3%).

In terms of number of contracts: About 27.7% of the total number of contracts secured by France cumulatively during the period 2009 to 2013 were for social projects (Exhibit 1.40), followed by transport (18.6%), agriculture (15.3%), multi-sector (14.0%), and water supply and sanitation (11.6%). For China, the largest number of contracts were bagged in the transport sector, with a share of 50.9% in the total (106), followed by water supply and sanitation (14.2%), power (14.2%), agriculture and social sectors (10.4% each). Of the total 91 contracts secured by Canada, transport sector accounted for the maximum number of contracts with a share of 23.1%. Social sector (22.0%), agriculture (20.9%), multi-sector (14.3%), power (11.0%) were the other main sectors for Canada. In the case of India, power was the largest sector, accounting for 37.8% of the total contracts secured, followed by social sector (18.9%), transport (17.8%), agriculture and water supply and sanitation (11.1% each) and multi-sector (3.3%). United Kingdom bagged the maximum number of projects in the social sector (51.8%). Hence, there is a clear dominance of power sector projects in India's portfolio of AfDB contracts secured both in terms of vlue and number of contracts.

Exhibit 1.39: AfDB Contracts Secured by Top 5 Non-Regional Members: By Sector [Cumulative Value (US$ mn), 2009-2013]



Others includes communications, environment, finance and industry/mining/quarrying
Source: AfDB

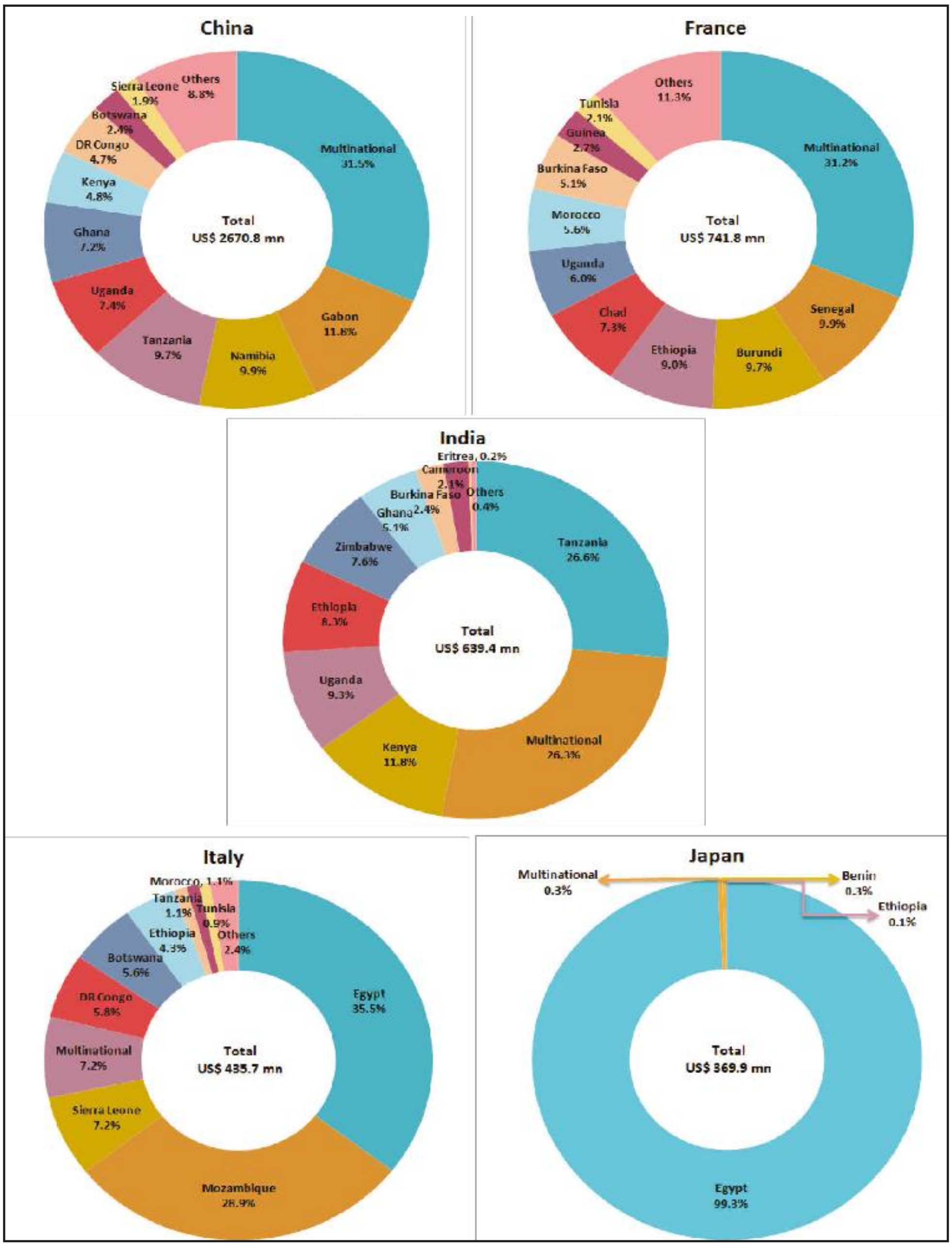
Exhibit 1.40: AfDB Contracts Secured by Top 5 Non-Regional Members: By Sector (Cumulative Number of Contracts, 2009-2013)

Others includes communications, environment, finance and industry/mining/quarrying

Source: AfDB

Exhibit 1.41: AfDB Contracts Secured by Top 5 Non-Regional Members: By Project Country

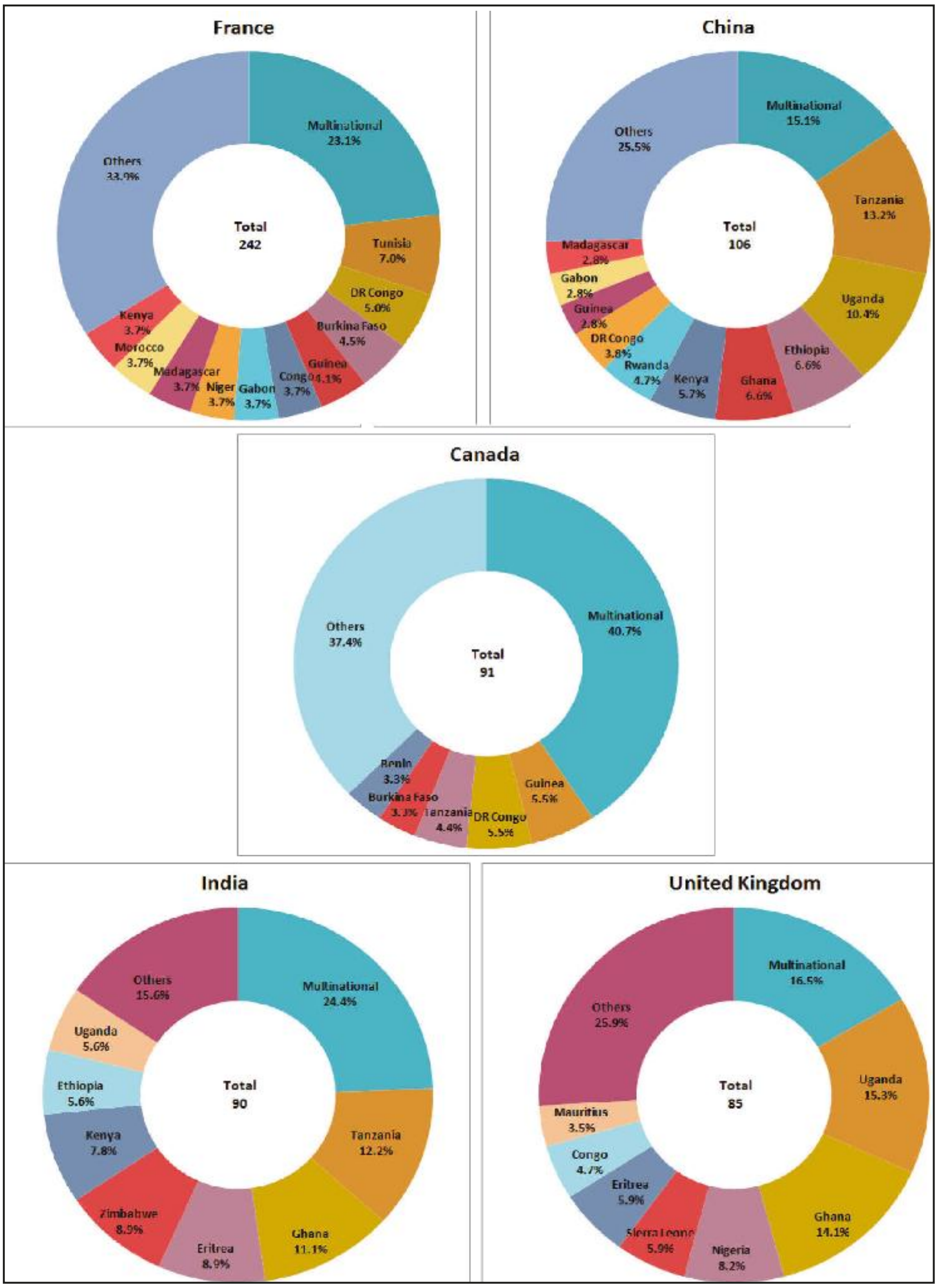
[Cumulative Value (US$ mn) 2009-2013]



Source: AfDB

Exhibit 1.42: AfDB Contracts Secured by Top 5 Non-Regional Members: By Project Country

[Cumulative Number of Contracts, 2009-2013]



Source: AfDB

Project Country-wise Analysis

In terms of value

China secured contracts largely in multinational projects (31.5%), followed by Gabon (11.8%), Namibia (9.9%), Tanzania (9.7%), and Uganda (7.4%) (Exhibit 1.41). Out of the US$ 741.8 million contracts secured by France, 31.2% contracts were in multinational projects followed by Senegal (9.9%), Burundi (9.7%), Ethiopia (9.0%) and Chad (7.3%). India secured contracts largely in the East African countries, viz. Tanzania with a share of 26.6%, followed by multinational projects (26.3%), Kenya (11.8%), Uganda (9.3%), Ethiopia (8.3%), and Zimbabwe (7.6%). Egypt (35.5%) and Mozambique (28.9%) accounted for the largest share of contracts secured by Italy. The other countries where Italy had secured contracts were Sierra Leone (7.2%), multinational (7.2%), Democratic Republic of Congo (5.8%) and Botswana (5.6%). Around 99.3% of the contracts secured by Japan were in Egypt.

In terms of number of contracts

France secured the highest number of contracts in multinational projects (23.1%), Tunisia (7.0%), DR Congo (5.0%), Burkina Faso (4.5%) and Guinea (4.1%) (Exhibit 1.42). Out of the 106 contracts secured by China, 15.1% were in multinational projects followed by Tanzania (13.2%), Uganda (10.4%), and Ethiopia (6.6%). Canada secured nearly 40.7% of the contracts in multinational projects. Other major countries where Canada secured contracts were Guinea (5.5%), DR Congo (5.5%), Tanzania (4.4%) and Burkina Faso and Benin (3.3% each). Apart from multinational projects which accounted for nearly 25% of the contracts secured by India, the other major countries were Tanzania (12.2%), Ghana (11.1%), Eritrea and Zimbabwe (8.9% each), and Kenya (7.8%). Multinational (16.5%), Uganda (15.3%), Ghana (14.1%), Nigeria (8.2%) and Sierra Leone (5.9%) were the countries where United Kingdom secured majority of contracts in terms of numbers.

AfDB CONTRACTS SECURED: ANALYSIS OF TOP 5 REGIONAL MEMBER COUNTRIES

Share of Top 5 Regional Members in Total Contracts Secured

The top 5 regional member countries which secured the maximum value of contracts funded by AfDB during the 2009-2013 period were Tunisia, Morocco, Kenya, Uganda and Ghana[4]. Tunisia secured the largest share of contracts among regional member countries in all the years except 2012. Morocco, with a share of 10.8% in total contracts secured, accounted for the largest share of contracts in 2012. Kenya's share in total value of AfDB contracts registered a consistent increase during the period 2009-2012, before falling to 2.4% in 2013. The shares of Uganda followed a bell curve, increasing from 1.3% in 2009 to 4.4% in 2011, before declining to 1.6% in 2013. Ghana was the only country to register a consistent decline in its share (save in 2012) from 2.6% in 2009 to 0.6% in 2013 (Exhibit 1.43).

In terms of number of contracts, the top 5 member countries which secured contracts were Kenya, Tunisia, Uganda, Ghana and Mali. Tunisia secured the largest share (7.9%) of contracts in 2013 (Exhibit 1.43).

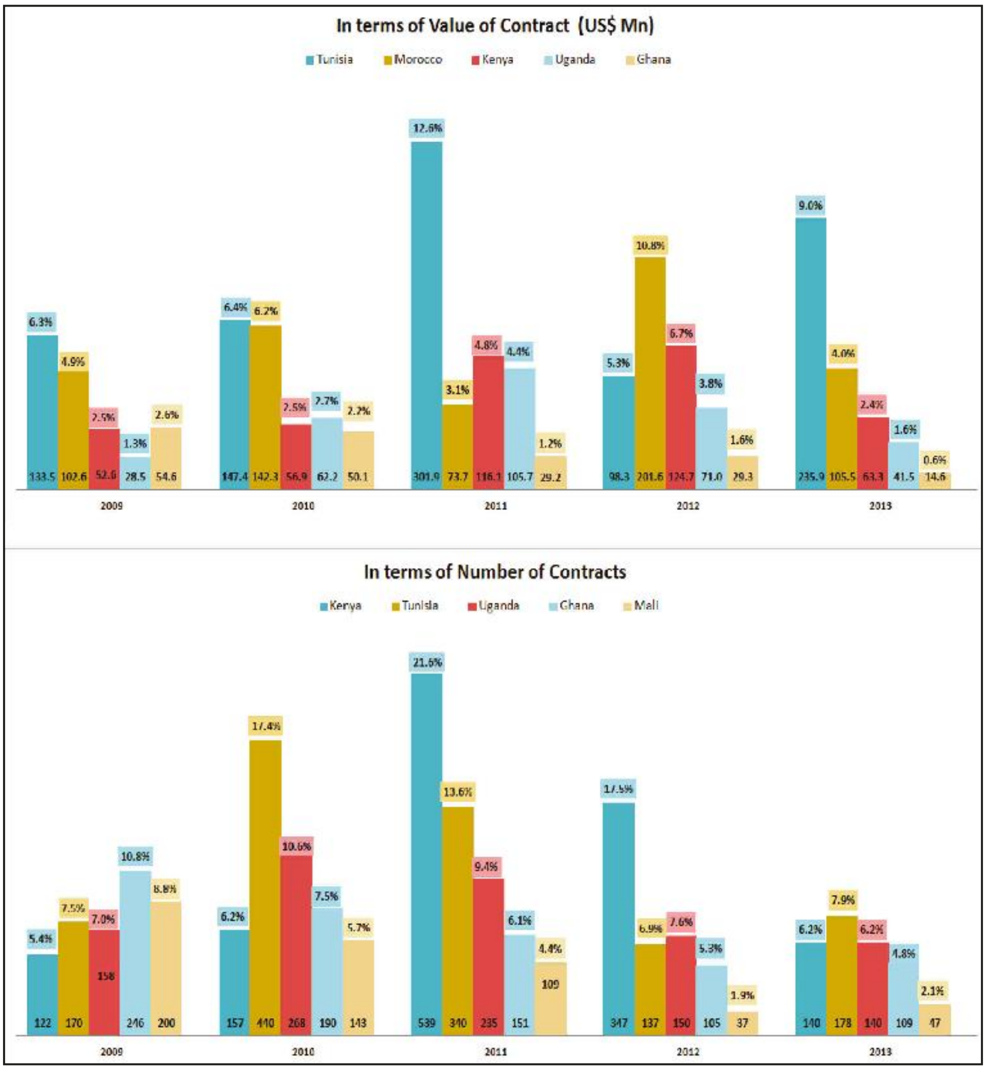
An interesting inference that can be drawn by comparing the contracts secured by the regional member countries in terms of numbers with the contracts secured in terms of value is that Morocco has secured fewer contracts during the 2009-2013 period, which are of relatively high value.

Analysis: By Type of Procurement

An analysis by type of procurement for contracts secured by regional member countries in projects funded by AfDB reveals that majority of the projects both in terms of value as also in terms of number, were related to contracts for civil works, with its share (by value) ranging from 67.7% in the case of Ghana to 91.3% in the case of Morocco. In terms of number of contracts, the share ranged from 22.8% for Mali to a high of 77.1% for Tunisia. Contracts for goods was the other major type of procurement with its share being 20.7% (by value) in Kenya, 19.9% in Ghana and 13.7% in Uganda (although in terms of number, it was 33.0% in Ghana, and 29.5% in Uganda). Contracts for services were the major type of procurement for contracts secured by Mali; accounting for 48.1% of the total number of contracts (Exhibit 1.44 and 1.45).

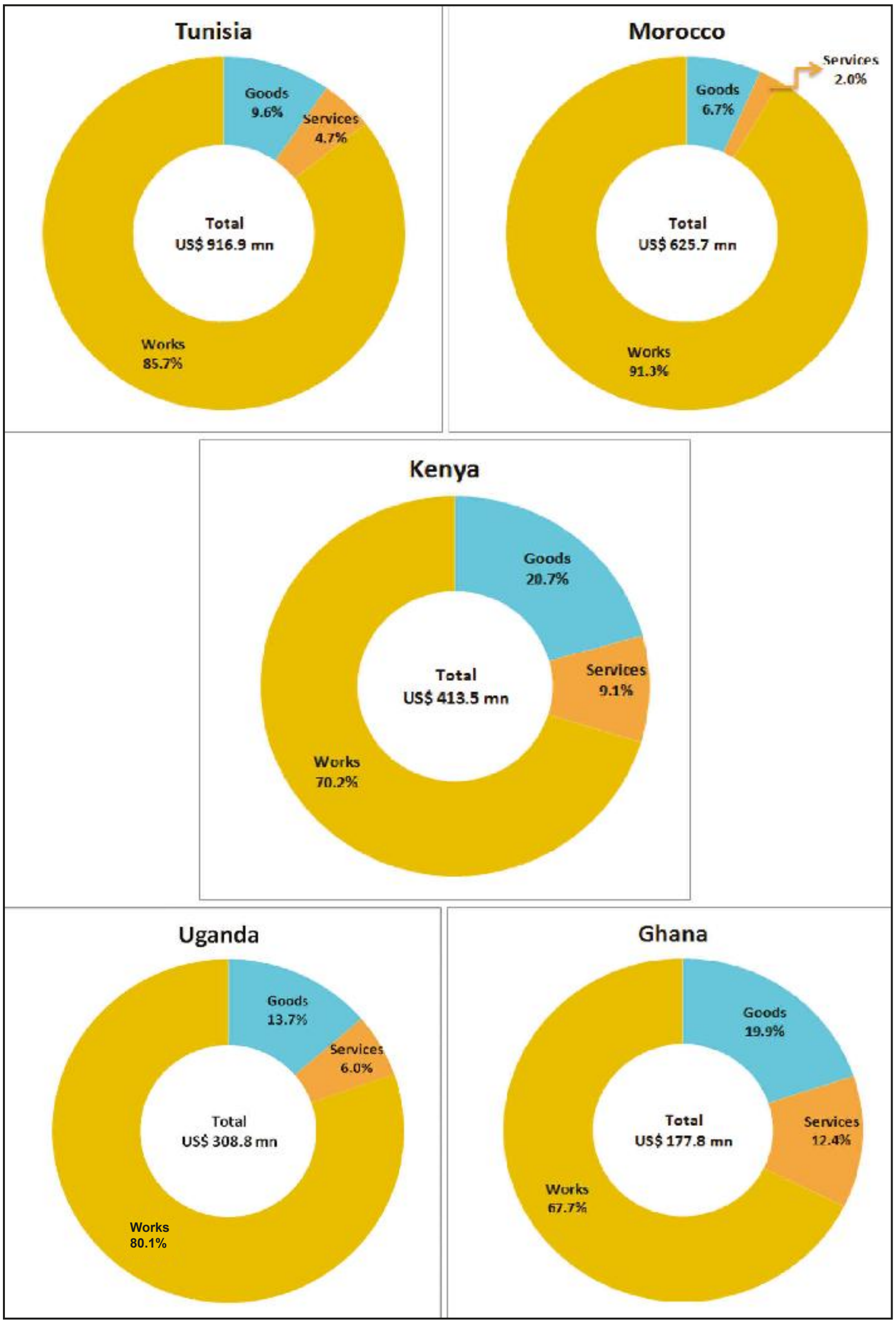
[4]Not including multinational projects

Exhibit 1.43: AfDB Contracts Secured: Share of Top 5 Regional Members in Total Contracts Secured



Source: AfDB

Exhibit 1.44: AfDB Contracts Secured by Top 5 Regional Members: By Type of Procurement [Cumulative Value (US$ mn), 2009-2013]



Source: AfDB

Exhibit 1.45: AfDB Contracts Secured by Top 5 Regional Members: By Type of Procurement (Cumulative Number of Contracts, 2009-2013)

Source: AfDB

Analysis: By Mode of Procurement

In terms of value

For all the top 5 regional member countries, out of the total contracts valued at US$ 2.4 bn, secured during the period 2009-2013, majority of contracts were awarded through competition, i.e. ICB or NCB; or shopping by comparing quotations in the case of small purchases. Only around 2% or less of contracts, in terms of value were secured through direct negotiations. For Tunisia, Morocco, Kenya and Uganda, majority of the contracts secured under competition were through ICBs followed by NCBs. Rest of the modes of procurement such as SHL, NSH, ISH constituted small shares in the total contracts. However in the case of Ghana, majority of the contracts secured under competition were through NCBs (58.8%), followed by ICBs (20.7%), NSH (10.6%) and SHL (6.7%) (Exhibit 1.46).

In terms of number of contracts

Kenya: Out of 1305 contracts secured by Kenya during 2009-2013 period, 98.7% were awarded through competition. NCB constituted 76.6% of the total contracts secured followed by NSH (7.6%), ICB (7.4%) and SHL (5.0%). Only 1.3% of contracts were secured through direct negotiations (Exhibit 1.47).

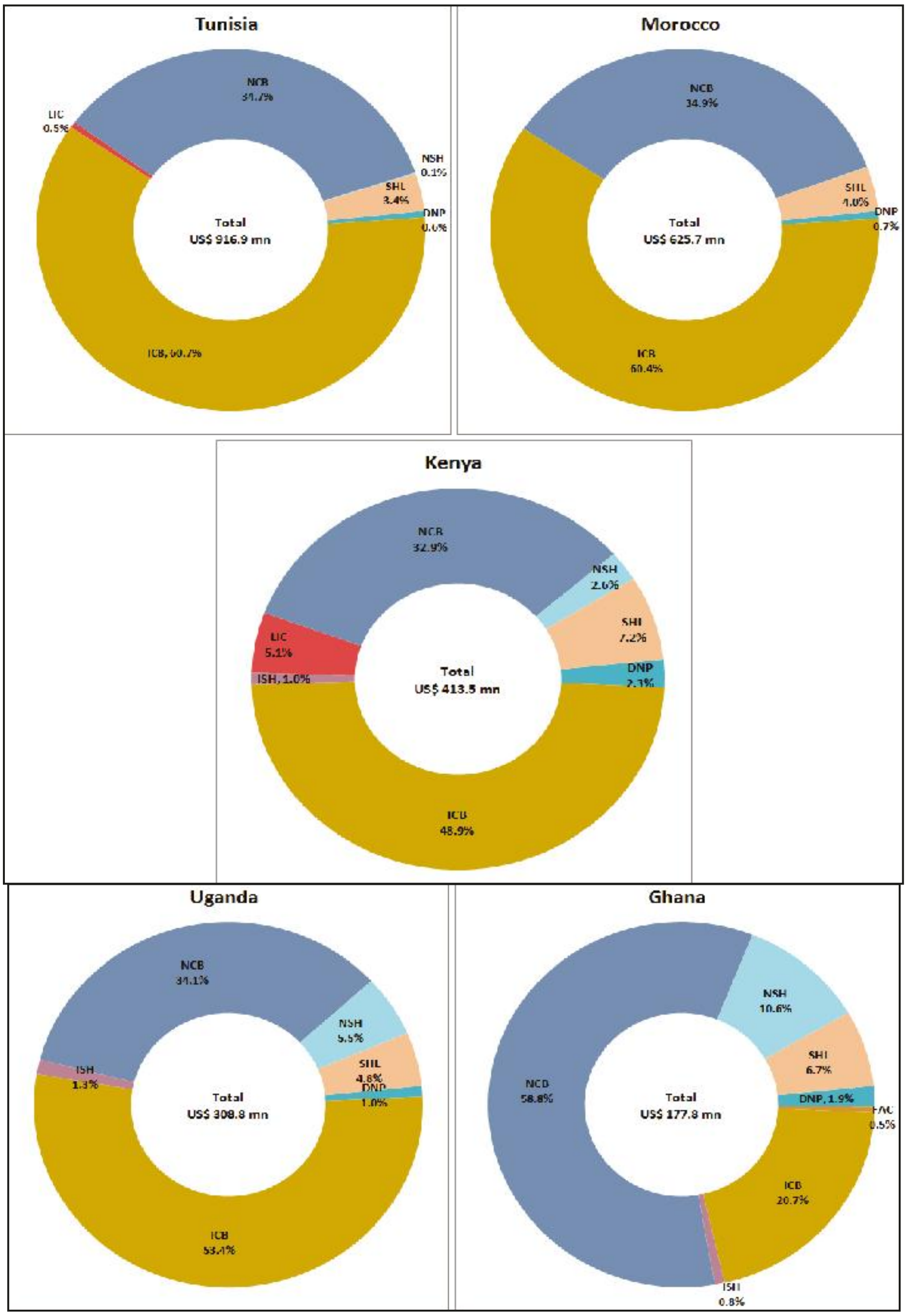
Tunisia: Almost 95.7% of the total 1265 contracts secured by Tunisia were awarded through competition, with direct negotiations accounting for only 4.3%. Under contracts awarded through competition, NCB constituted the largest share (79.6%) followed by ICB (10.4%), and SHL (4.1%) (Exhibit 1.47).

Uganda: Nearly 1.8% contracts were awarded through direct negotiations and 98.2% were awarded through competition. Among the contracts awarded through competition, NCB constituted the largest mode of procurement (57.1%) followed by NSH (21.1%), ICB (9.5%), SHL (7.3%) and ISH (3.3%) (Exhibit 1.47).

Ghana: Out of 801 contracts, 96.1% were awarded through competition. Among competition, NCB accounted for 59.1% of the contracts, followed by NSH (17.1%), SHL (8.2%), ICB (7.1%) and FAC (3.5%). Remaining 3.9% of contracts were awarded through direct negotiations (Exhibit 1.47).

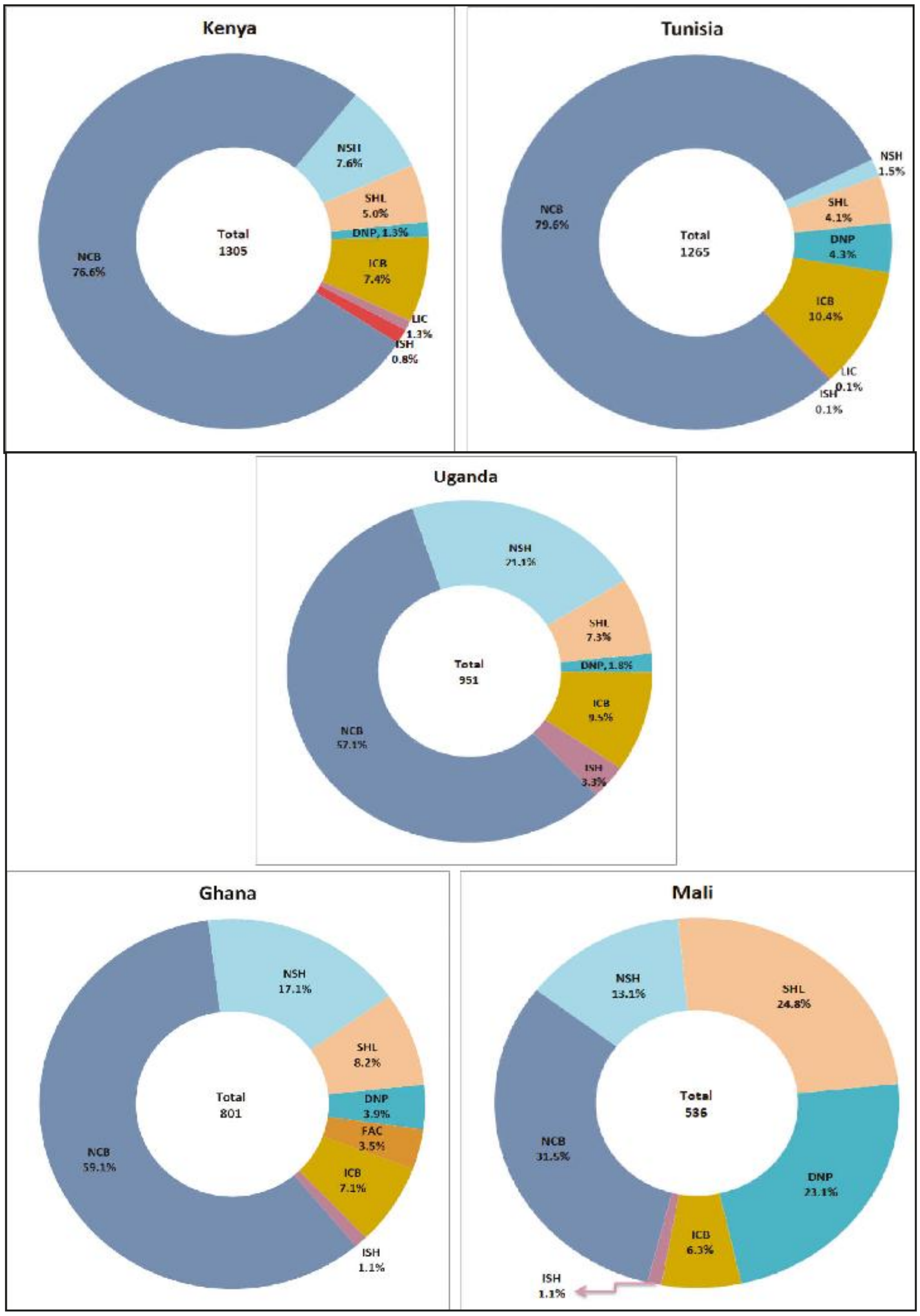
Mali: Almost 23.1% of the total 536 contracts were awarded through direct negotiations, with competition constituting the remaining 76.9%. Under contracts awarded through competition, NCB constituted the largest share (31.5%) followed by SHL (24.8%), NSH (13.1%), ICB (6.3%), and ISH (1.1%) (Exhibit 1.47).

Exhibit 1.46: AfDB Contracts Secured by Top 5 members: By Mode of Procurement [Cumulative Value (US$ mn), 2009-2013]



Source: AfDB

Exhibit 1.47: AfDB Contracts Secured by Top 5 members: By Mode of Procurement (Cumulative Number of Contracts, 2009-2013)



Source: AfDB

Sector-wise Analysis

In terms of value: Almost 78.4% of the total value of contract secured by Tunisia cumulatively during the period 2009 to 2013 were for transport projects (Exhibit 1.48), followed by power sector (7.3%), water, supply and sanitation (6.0%), agriculture (4.1%), and social (3.4%). For Morocco, transport sector accounted for the largest share of contracts secured constituting 34.1% of the total (US$ 625.7 mn), followed by water supply and sanitation projects (32.2%) power (29.6%), and agriculture (3.8%). Of the total contracts of US$ 413.5 million secured by Kenya, water supply and sanitation sector constituted the maximum value of contracts with a share of 38.5%. Social sector (33.7%) and agriculture (20.9%) were the other main sectors where Kenya secured contracts. In the case of both Uganda and Ghana, largest share of contracts were secured in the agriculture sector, with shares of 63.3% and 63.1%, respectively.

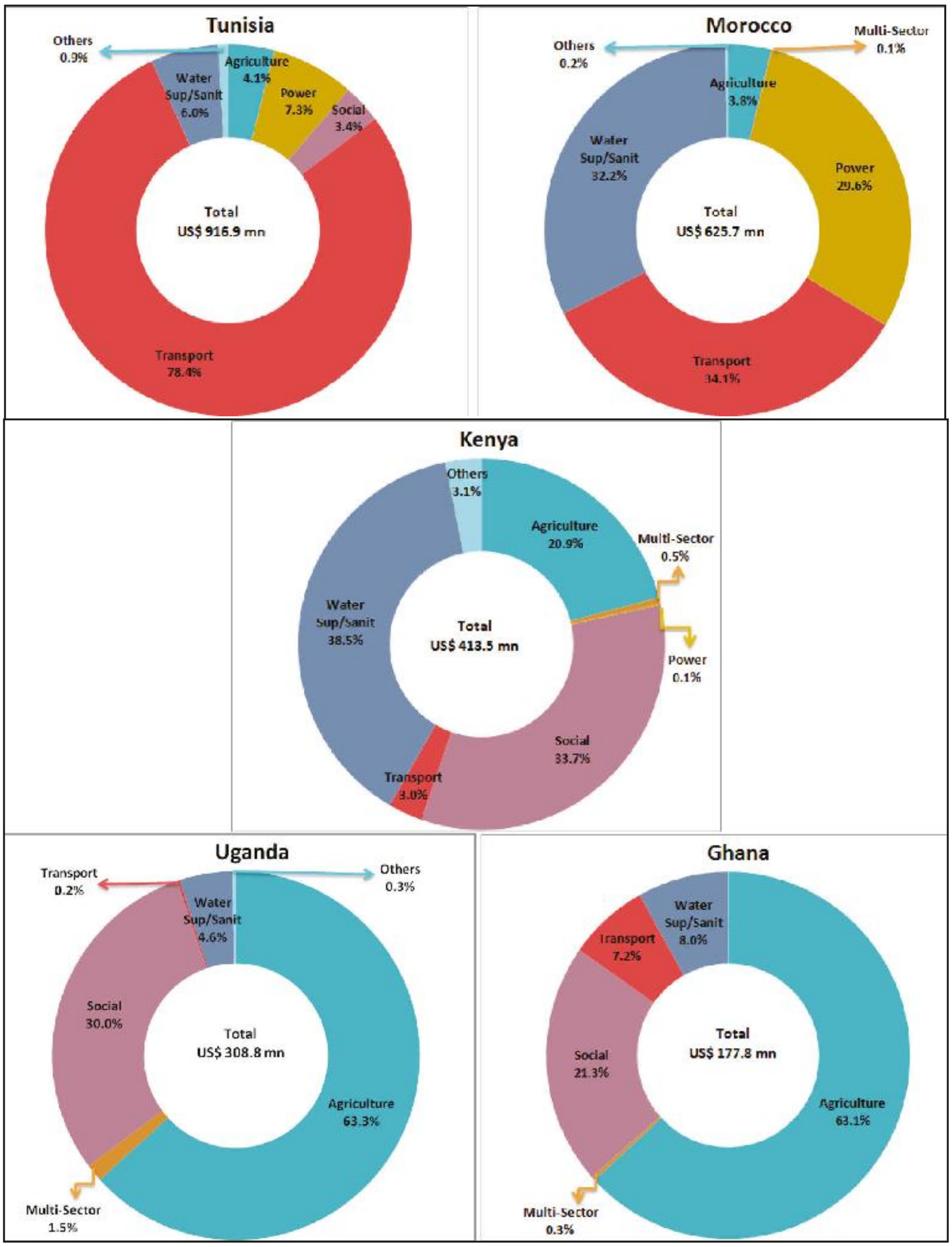
In terms of number of contracts: About 71.5% of the 1305 contracts secured by Kenya cumulatively during the period 2009 to 2013 were for social projects (Exhibit 1.49), followed by agriculture (14.1%), and water supply and sanitation (7.5%). For Tunisia, agriculture sector constituted the largest number of contracts secured with a share of 48.0% of the total (1265), followed by social (19.9%), transport (17.7%), water supply and sanitation projects (10.9%) and power (2.6%). Of the total 951 contracts for Uganda, highest number of contracts were secured in the agriculture sector with a share of 80.3%. In the case of Ghana, agriculture sector projects had the largest share of 65.3%, followed by water supply and sanitation (16.5%), social (14.6%) and transport (2.5%). Agriculture (55.0%) and social sectors (21.6%) were the ones which accounted for the largest number of projects secured by Mali.

Analysis reveals that unlike the top five non-regional member countries which secured maximum contracts in sectors like transport and power, top five regional member countries had significant share in areas such as agriculture and social sectors.

Project Country-wise Analysis

A country wise analysis in terms of value and number of projects reveals that majority of the projects secured by regional member countries were in their home country with only a handful being in other African countries (Exhibit 1.50 and 1.51). Only in the case of Mali, 174 of the 536 contracts awarded to the country were for multinational projects (Exhibit 1.51).

Exhibit 1.48: AfDB Contracts Secured by Top 5 Regional Members: By Sector [Cumulative Value (US$ mn), 2009-2013]



Others includes communications, environment, finance and industry/mining/quarrying

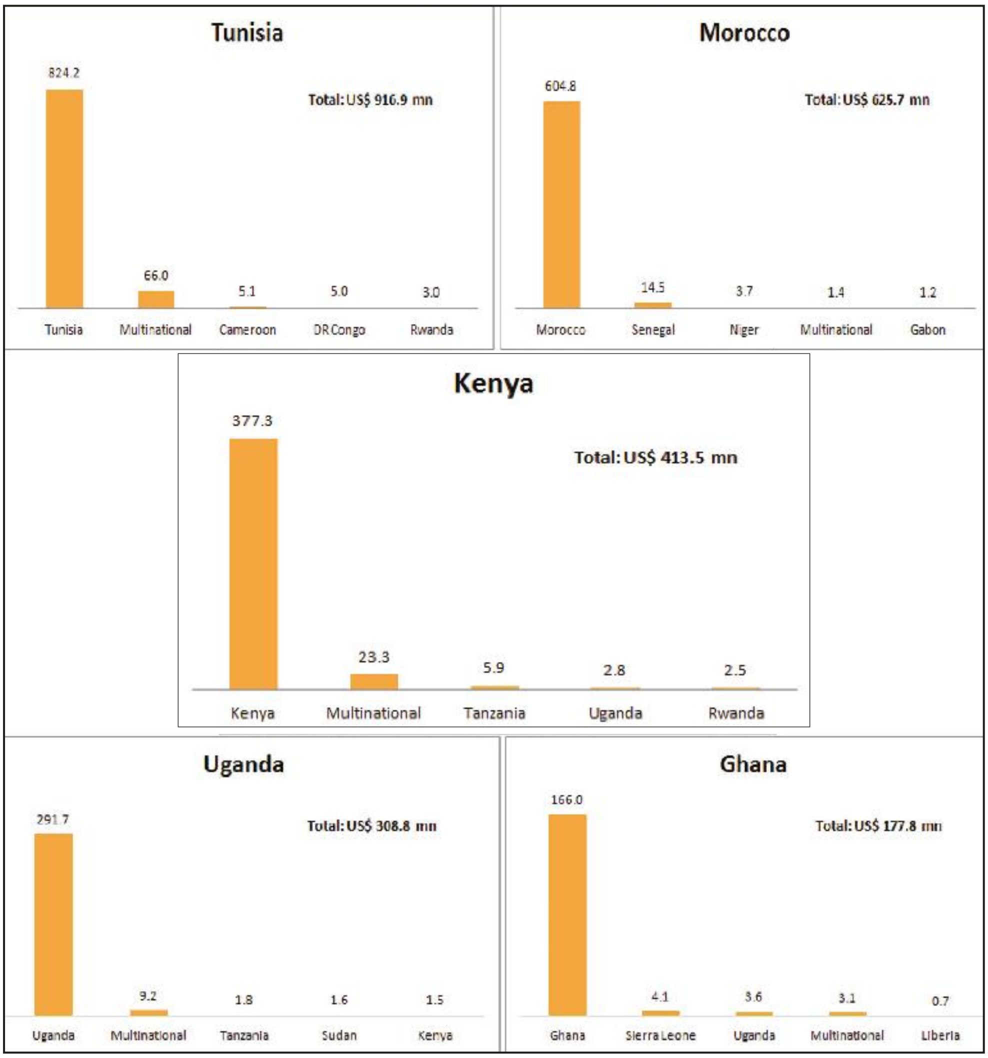
Source: AfDB

Exhibit 1.49: AfDB Contracts Secured by Top 5 members: By Sector (Cumulative Number of Contracts, 2009-2013)

Others includes communications, environment, finance and industry/mining/quarrying

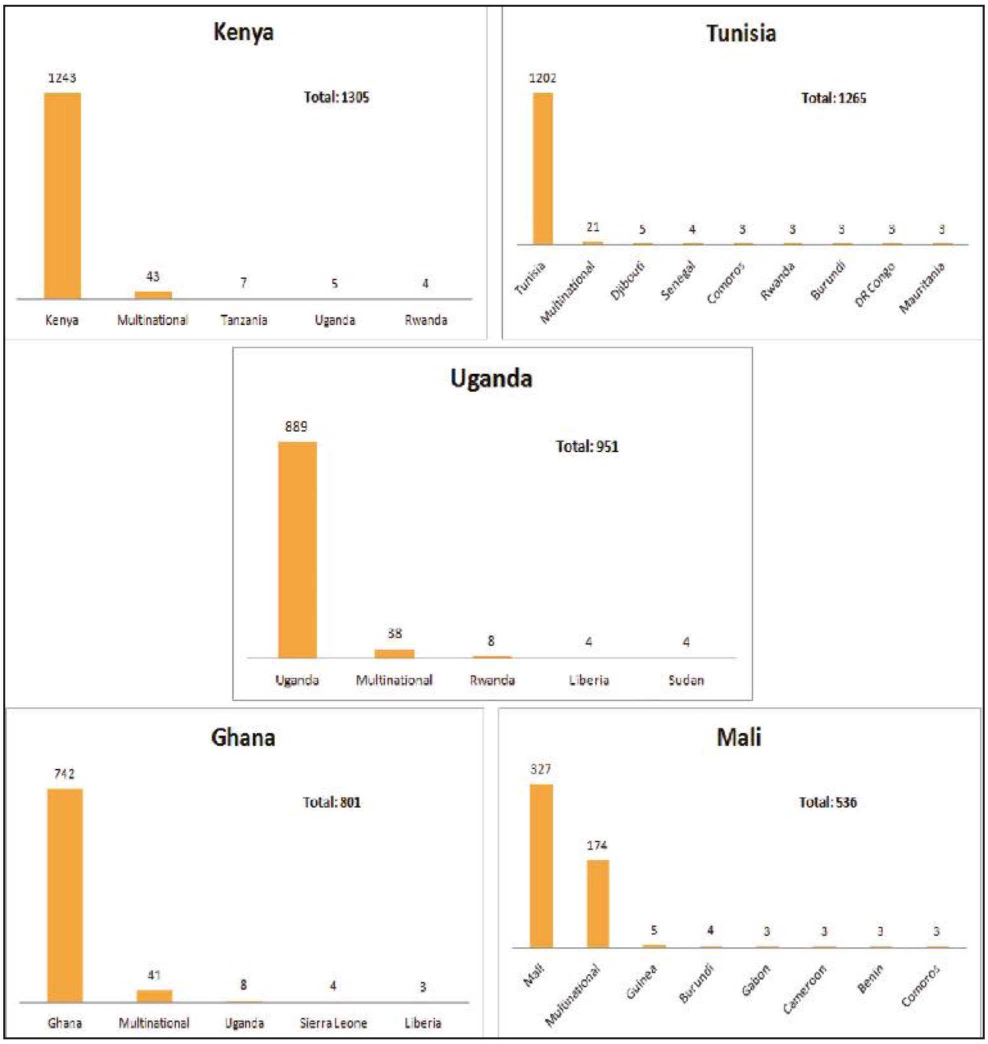
Source: AfDB

Exhibit 1.50: AfDB Contracts Secured by Top 5 Regional Members: By Top Borrowing Countries (Cumulative Value (US$ mn), 2009-2013)



Source: AfDB

Exhibit 1.51: AfDB Contracts Secured by Top 5 Regional Members: By Top Borrowing Countries (Cumulative Number of Contracts, 2009-2013)



Source: AfDB

BORROWERS: ANALYSIS OF TOP 5 COUNTRIES[5]

Share of Top 5 countries in Total Contracts Secured

The top 5 borrower countries of AfDB funds used for procurement of civil works, goods and services during the 2009-2013 period in terms of value were Tunisia, Egypt, Morocco, Uganda and Kenya. In terms of number of contracts, the top 5 borrower countries were Kenya, Tunisia, Uganda, Ghana and Mali.

The largest value of contracts in 2013 were floated by Kenya (share of 8.1%), registering a consistent increase from 2009 onwards. Nearly 7.3% of the value of contracts in 2013 were floated by Tunisia. Share of Egypt and Morocco in total value of procurements declined from 12.8% and 18.0%, respectively in 2012 to 4.8% and 4.7%, respectively in 2013. (Exhibit 1.52).

In terms of number of contracts, Tunisia had the highest share in procurements during 2013. Kenya, which accounted for the largest number of contracts during the period under consideration, witnessed an increase in volume of contracts during the period 2009 to 2011, before registering decline in the following two years (Exhibit 1.52).

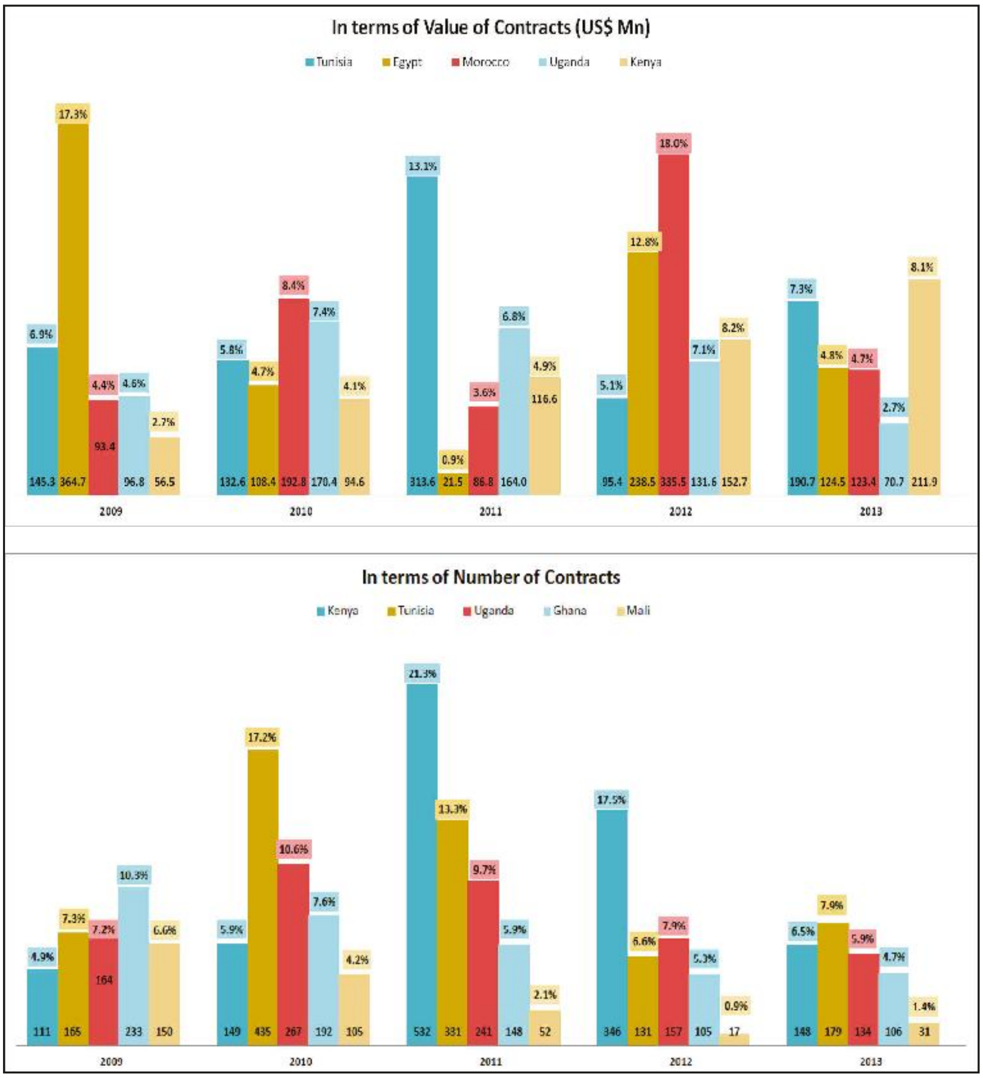
Analysis: By Type of Procurement

In terms of value: The top five countries borrowing for procurements had majority of contracts in the work category, except Egypt which borrowed AfDB funds previously for procurement of contracts for goods (Exhibit 1.53).

In terms of number of contracts: All the countries except Mali had majority of procurements for work contracts. Mali's borrowings were mainly for services contracts (47.6%), followed by goods (27.9%) and works (24.5%) (Exhibit 1.54).

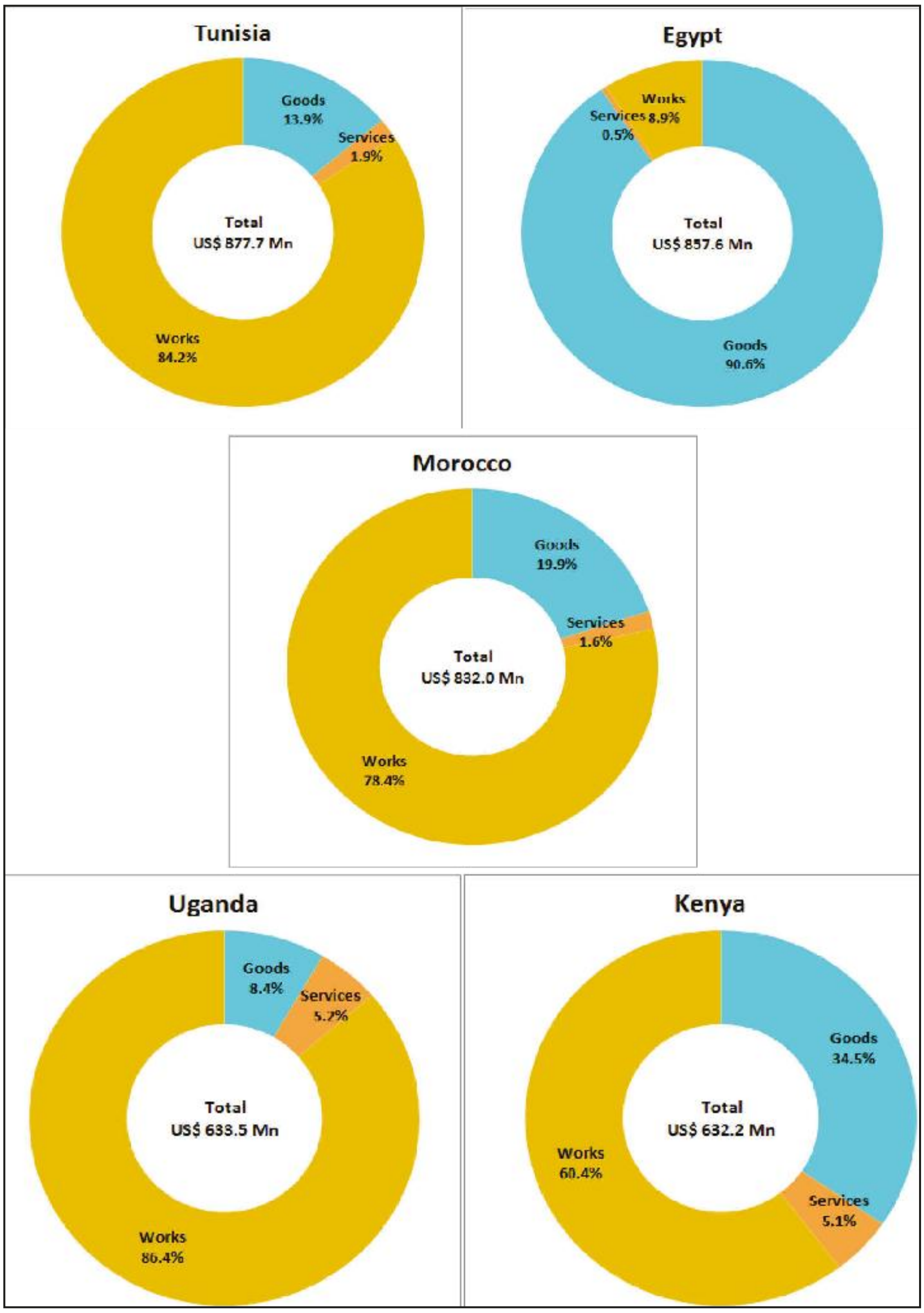
[5] Not including multinational projects

Exhibit 1.52: Top 5 Borrowers for Procurement: Share in Total Contracts



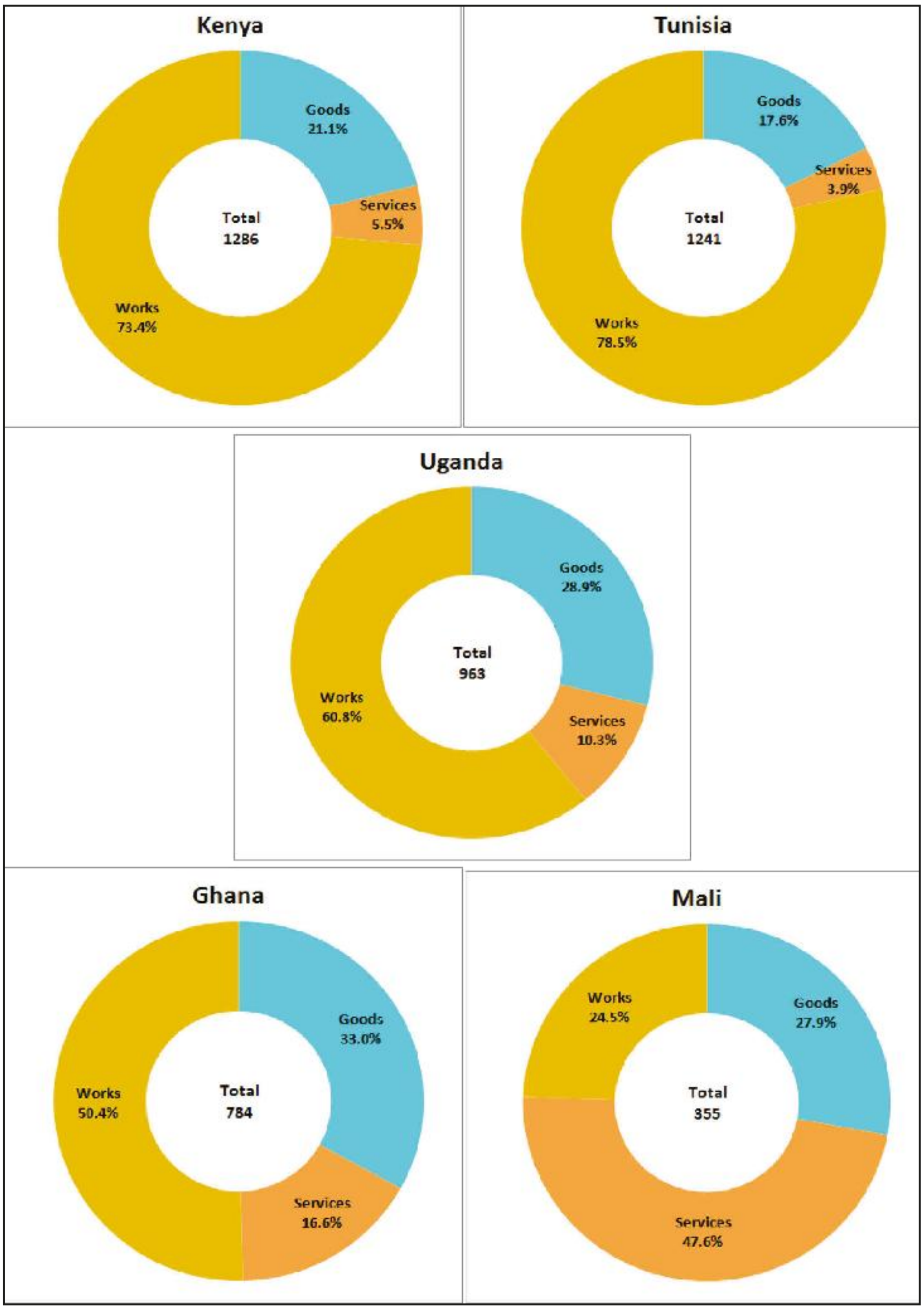
Source: AfDB

Exhibit 1.53: Top 5 Borrowers for Procurement: By Type of Procurement (Cumulative Value of Contracts (US$ mn), 2009-2013)



Source: AfDB

Exhibit 1.54: Top 5 Borrowers for Procurement: By Type of Procurement (Cumulative Number of Contracts, 2009-2013)



Source: AfDB

Analysis: By Mode of Procurement

In terms of value

For all the top 5 borrower countries of AfDB funds used for procurement of goods, works and services, majority of the contracts were awarded through competition, i.e. ICB or NCB; or shopping by comparing quotations in the case of small purchases. DNP was less than 2.0% of the value of contracts in the top 5 borrowing countries. For all the top five borrowers, majority of the contracts were awarded through ICB (Exhibit 1.55).

In terms of number of contracts

Kenya: Out of 1286 contracts, 98.9% were awarded through competition. Of the contracts awarded through competition, NCB constituted 78.1% of the total contracts, followed by ICB (8.3%), NSH (6.8%), SHL (4.4%), LIC (1.2%) and ISH (0.1%). Only 1.1% of contracts were done through DNP (Exhibit 1.56).

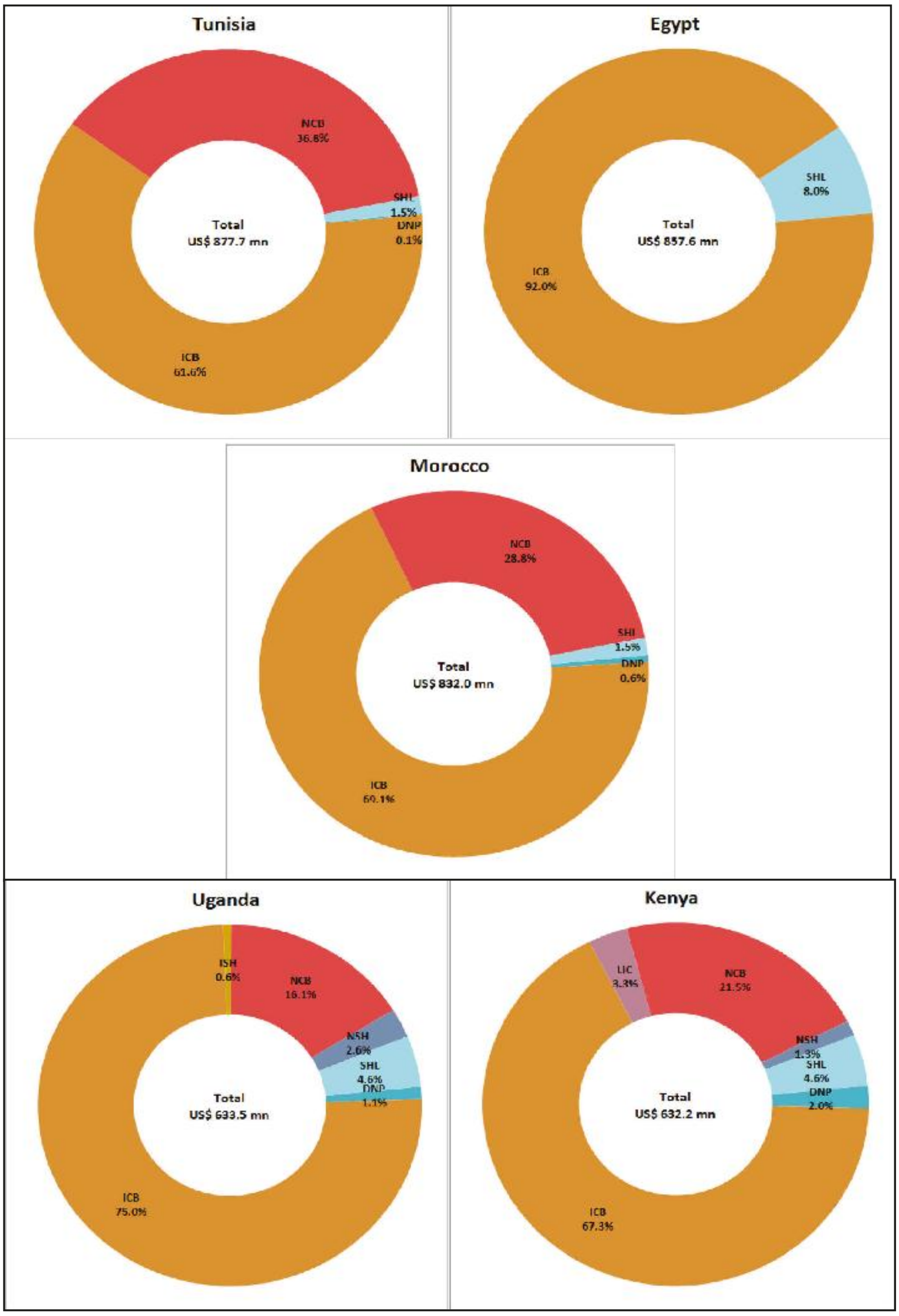
Tunisia: Almost 96.4% contracts were awarded through competition, while direct negotiations accounted for the remaining 3.6%. Under contracts awarded through competition, NCB constituted the largest share (81.1%) followed by ICB (12.2%), NSH and SHL (1.5%) each (Exhibit 1.56).

Uganda: Around 2.2% contracts were awarded through direct negotiations and 97.8% were awarded through competition. Among the contracts awarded through competition, NCB was the most important mode of procurement (55.8%) followed by NSH (19.9%), ICB (11.5%), and SHL (8.0%) (Exhibit 1.56).

Ghana: Out of 784 contracts, 96% were awarded through competition, i.e. NCB (58.5%), NSH (14.3%), ICB (11.5%), SHL (7.0%), FAC (3.6%), and ISH (1.1%). Nearly 4.0% of contracts were awarded through direct negotiations (Exhibit 1.56).

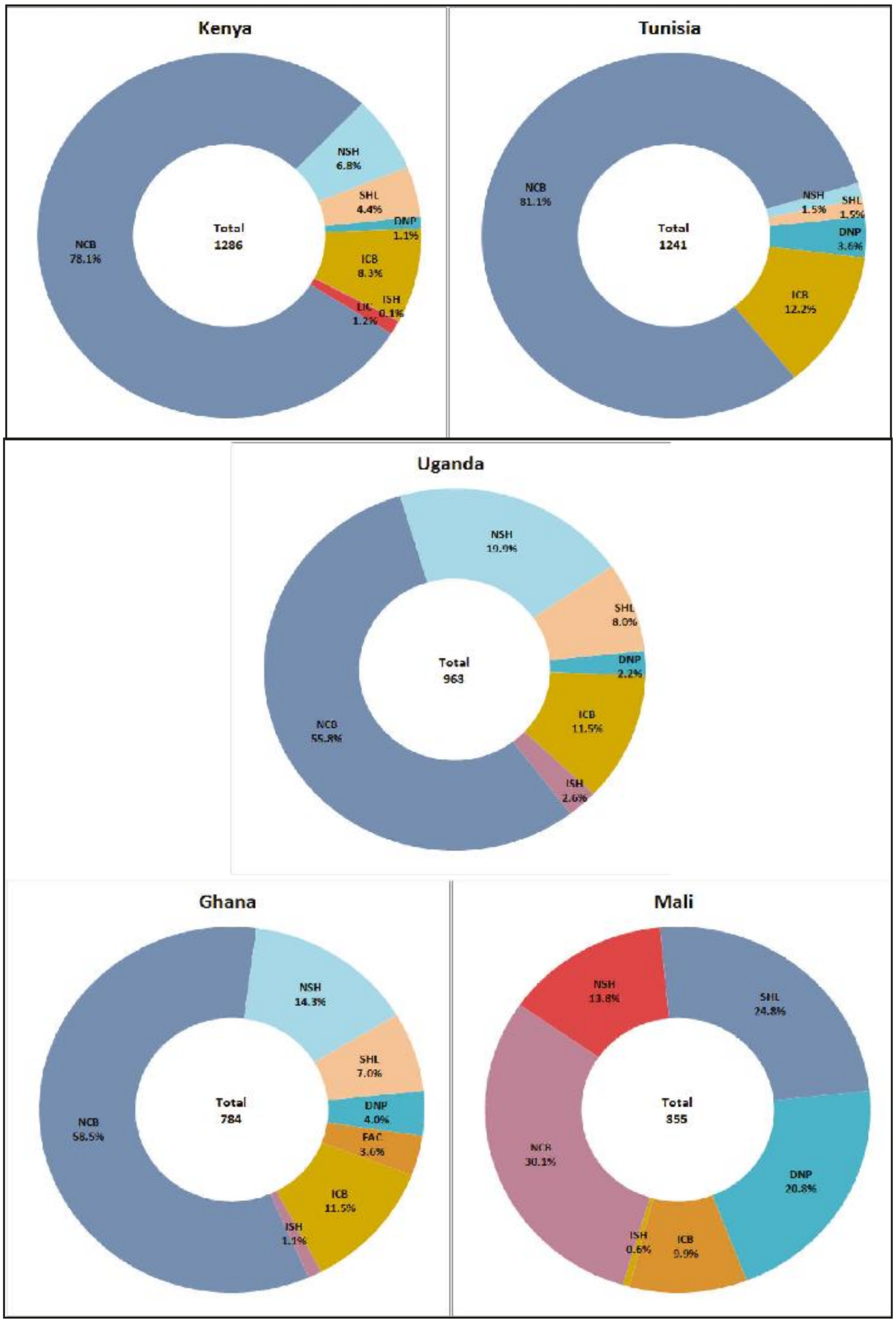
Mali: Almost 79.2% contracts were awarded through competition, while direct negotiations accounted for the remaining 20.8%. Under contracts awarded through competition, NCB constituted the largest share (30.1%) followed by SHL (24.8%), NSH (13.8%), ICB (9.9%) and ISH (0.6%) (Exhibit 1.56).

Exhibit 1.55: Top 5 Borrowers for Procurement: By Mode of Procurement (Cumulative Value of Contracts (US$ mn, 2009-2013)



Source: AfDB

Exhibit 1.56: Top 5 Borrowers for Procurement: By Type of Procurement (Cumulative Number of Contracts, 2009-2013)



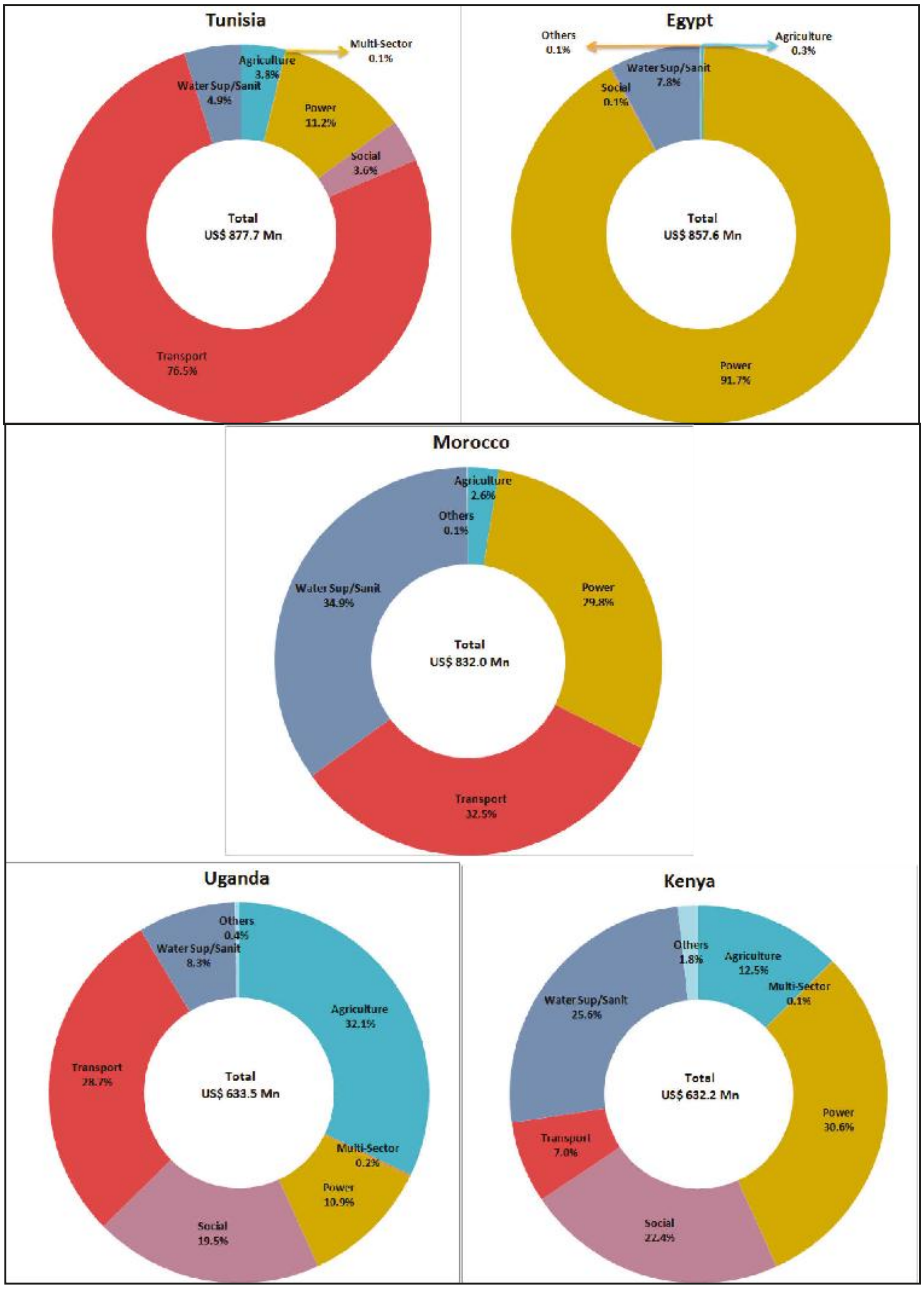
Source: AfDB

Sector-wise analysis

In terms of value: Procurements by Tunisia was largely for contracts in the transport sector, accounting for a share of 76.5% during the period 2009-2013 cumulatively, followed by power projects (11.2%) and water supply and sanitation (4.9%). Nearly 91.7 percent of procurements by Egypt were for the power sector, followed by water supply and sanitation projects which accounted for another 7.8% of the value of contracts. Water supply and sanitation accounted for the largest share (34.9%) in the procurements by Morocco, followed closely by the transport sector (32.5%) and power (29.8%). Procurements by Uganda were the largest in the agriculture sector, with a share of 32.1% during the period under consideration. In case of Kenya, the largest value of contracts were in the power sector, with a share of 30.6% (Exhibit 1.57).

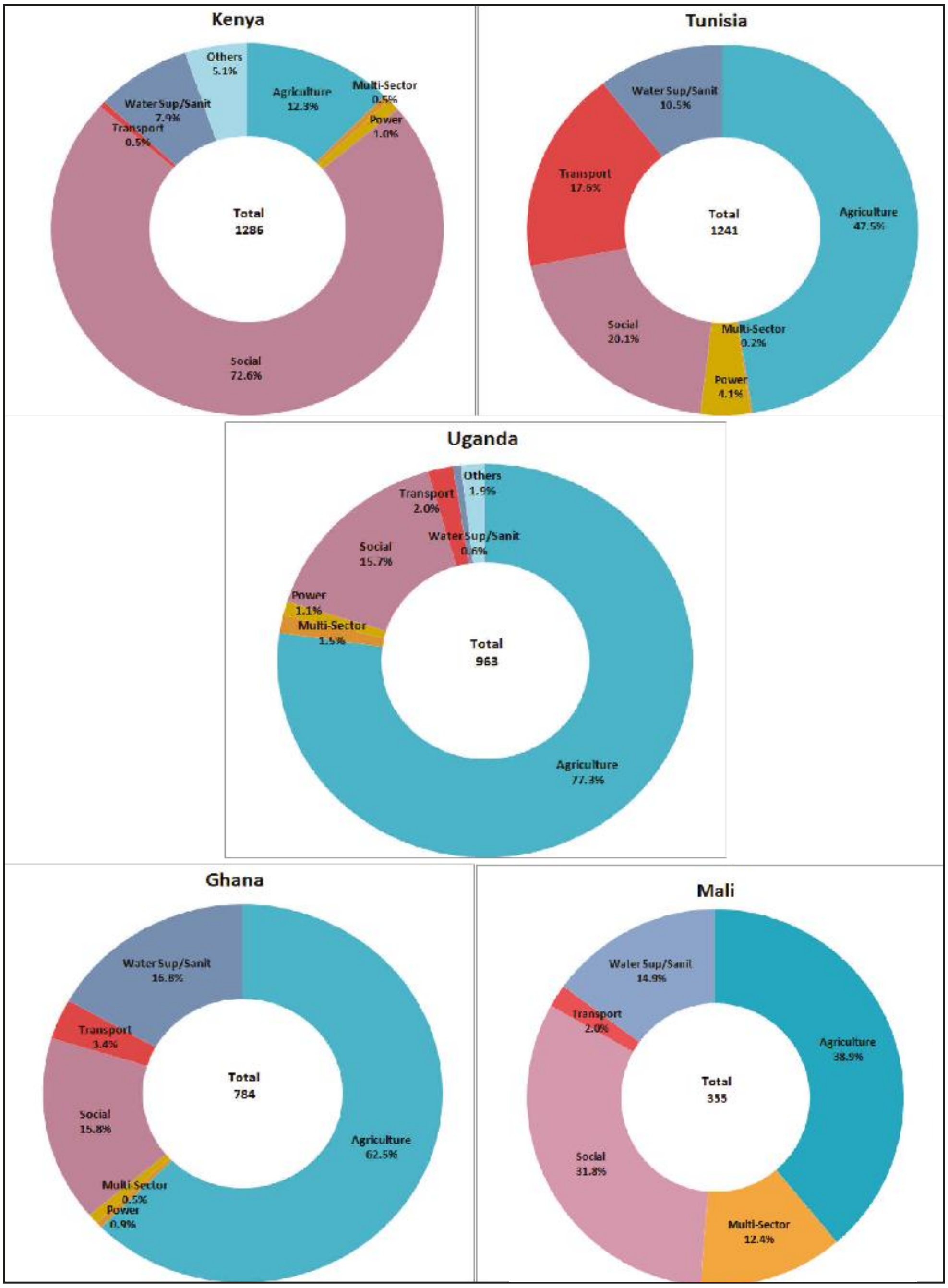
In terms of number of contracts: Majority of the procurements for Kenya cumulatively from 2009 to 2013 were for social projects (72.6%), followed by agriculture (12.3%), and water supply and sanitation (7.9%). For Tunisia, agriculture sector accounted for the largest number of contracts with a share of 47.5%, followed by social (20.1%), transport (17.6%), water supply and sanitation projects (10.5%) and power (4.1%). Of the total 963 contracts floated by Uganda, the largest number of contracts were in the agriculture sector with a share of 77.3%. In the case of Ghana, agriculture sector projects accounted for 62.5% of total procurements, followed by water supply and sanitation (16.8%), social (15.8%), and transport (3.4%). Agriculture (38.9%), social (31.8%), water supply and sanitation (14.9%) and multi-sector projects (12.4%) were the important sectors of procurement by Mali (Exhibit 1.58).

Exhibit 1.57: Top 5 Borrowers: By Sector (Cumulative Value (US$ mn), 2009-2013)



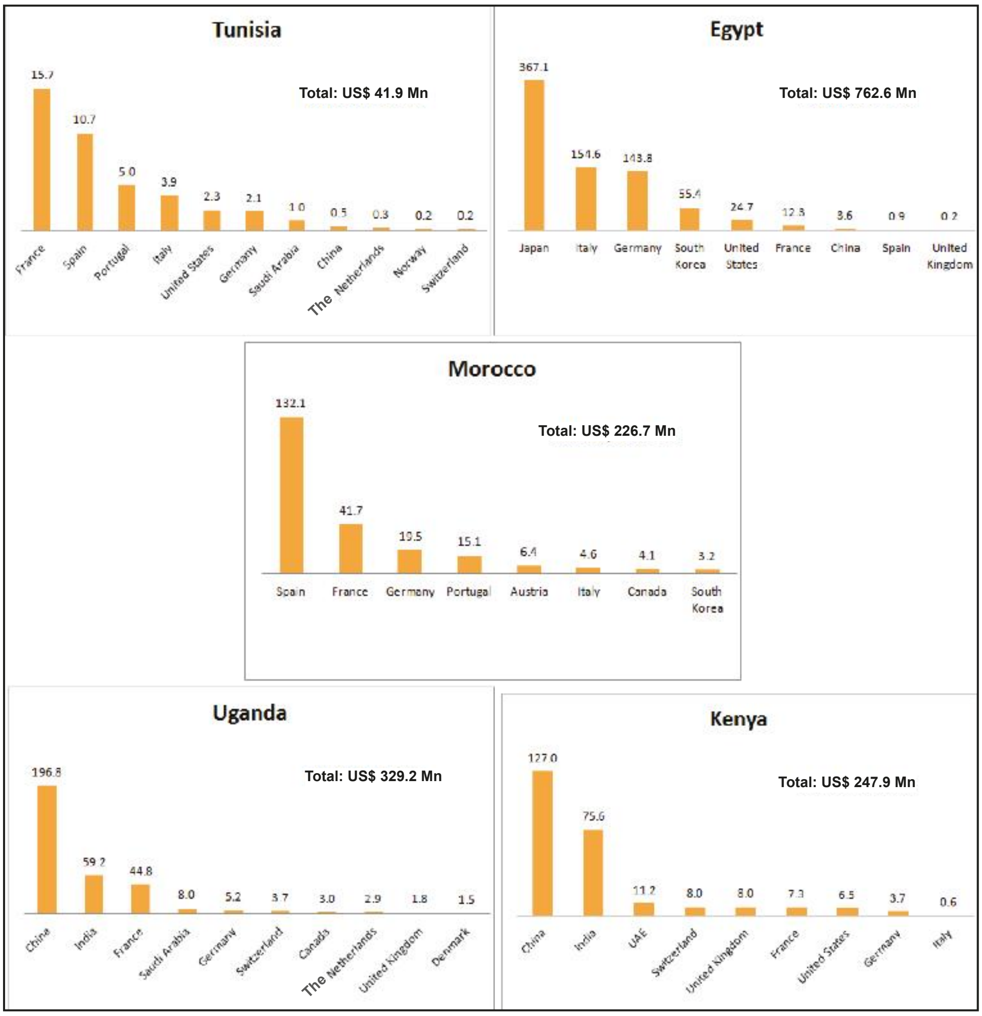
Source: AfDB

Exhibit 1.58: Top 5 Borrowers: By Sector (Cumulative Number of Contracts, 2009-2013)



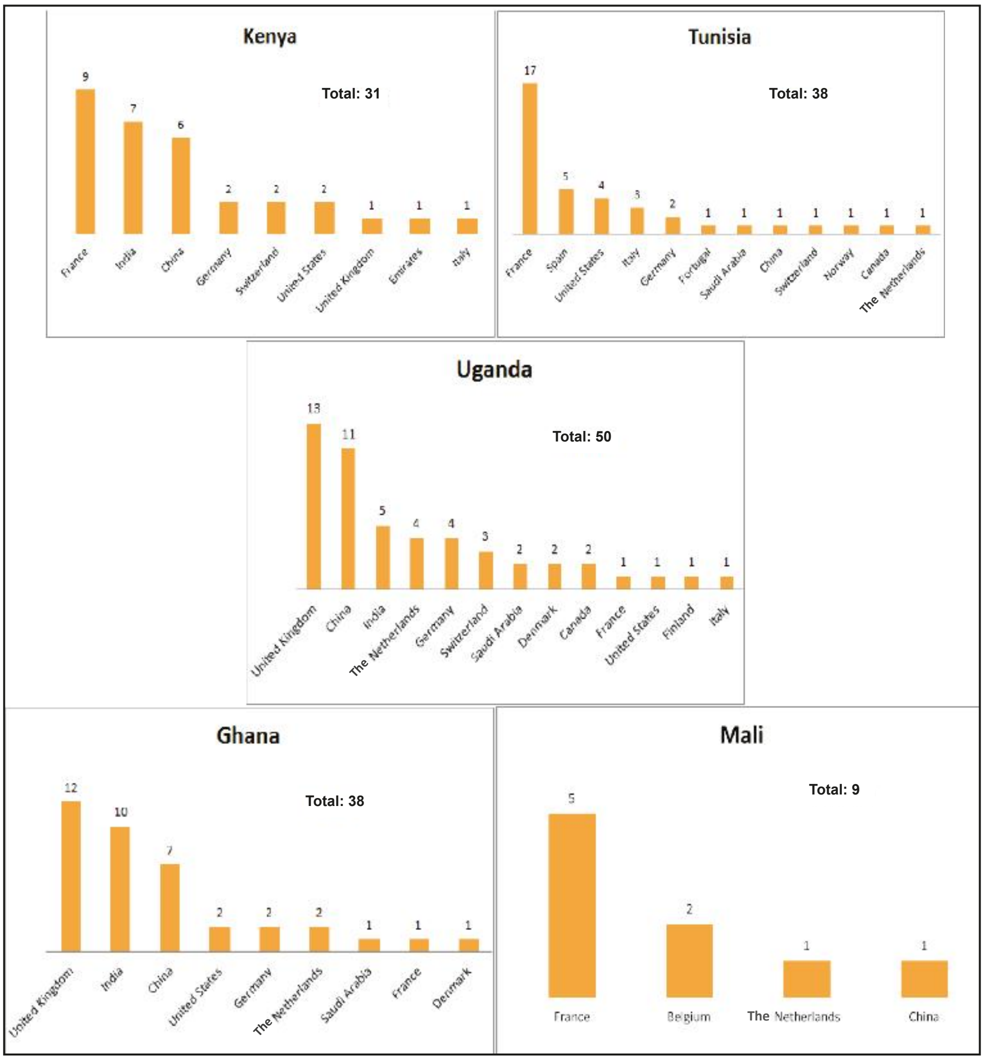
Source: AfDB

Exhibit 1.59: Top 5 Borrowers: Non Regional Member Countries Securing Contracts (Cumulative Value US$ mn, 2009-2013)



Source: AfDB

Exhibit 1.60: Top 5 Borrowers: Non Regional Member Countries Securing Contracts (Cumulative Number of Contracts, 2009-2013)



Source: AfDB

Analysis of Contracts not Secured Domestically

In terms of value

Tunisia: Of the total US$ 877.7 mn worth of contracts floated by Tunisia, majority were secured by domestic suppliers, while US$ 41.9 mn worth of contracts were secured by non-regional member countries. France (1.8%) and Spain (1.2%) were the major non-regional member countries which secured contracts in Tunisia (Exhibit 1.59).

Egypt: About 88.9% of the US$ 857.6 mn worth of contracts were secured by non-regional members. Nearly 42.8% of the contracts floated by the country were secured by Japan, followed by Italy (18.0%), Germany (16.8%), South Korea (6.5%) and USA (2.9%) (Exhibit 1.59).

Morocco: Of the total US$ 832 mn worth of contracts floated by the country, majority were secured by suppliers in the home country itself and only US$ 226.7 mn were secured by non-regional members. About 15.9% of the contracts were secured by Spain, followed by France (5.0%), Germany (2.3%), Portugal (1.8%) and Austria (0.8%) (Exhibit 1.59).

Uganda: China secured the largest value of contracts floated by Uganda, accounting for 31.1% of the total borrowings for procurement (US$ 633.5 mn), followed by India (9.4%), France (7.1%), Saudi Arabia (1.3%) and Germany (0.8%) (Exhibit 1.59).

Kenya: Nearly 20.1% of the contracts floated by the country were secured by China, followed by India (12.0%) and UAE (1.8%) (Exhibit 1.59).

In terms of number of contracts

Majority of the contracts in volume terms were secured by home countries and regional member countries. However some of the non-regional member countries which secured contracts in the top five borrowing countries were France, China, India and United Kingdom (Exhibit 1.60).

Analysis reveals that while share of non regional member countries in total value of contracts floated by regional member countries was significant, the share in terms of number of contracts was low. Hence, it can be deduced that a contracts secured by non-regional members are usually of higher value.

3. ASIAN DEVELOPMENT BANK: PROCUREMENT ASSESSMENT

Asian Development Bank (ADB) extends loans and provides technical assistance to its developing member countries for a broad range of development projects and programs. Procurement of goods, works and services from external suppliers forms an integral part of these projects. Five basic principles generally guide ADB requirements:

- except in any case in which the Board of Directors determines otherwise, (i) loans or grants from Special Funds resources can be used only for procurement of goods, works, and services produced in, and supplied from, developed member countries that have contributed to such resources or developing member countries; and (ii) loans or grants from ADB's ordinary capital resources or ADB-administered funds can be used only for procurement of goods, works, and services produced in, and supplied from, member countries;
- the need for economy and efficiency in the implementation of the project, including the procurement of the goods and works involved;
- ADB's interest in giving all eligible bidders from developed and developing countries the same information and equal opportunity to compete in providing goods and works financed by ADB;
- ADB's interest in encouraging the development of domestic contracting and manufacturing industries in the country of the borrower; and
- the importance of transparency in the procurement process.

Apart from this, ADB also engages individual consultants and consulting entities for various assignments. These consultants provide expert advice and help ADB to prepare studies, appraisals and reports. In this case as well, six main considerations guide the ADB's policy:

- need for high-quality services,
- need for economy and efficiency,
- need to give all qualified consultants an opportunity to compete in providing the services financed by ADB,
- ADB's interest in encouraging the development and use of national consultants from developing member countries,
- need for transparency in the selection process, and
- need for increasing focus on anticorruption and observance of ethics.

Most of the ADB's lending comes from its ordinary capital resources (OCR), offered at near-market terms to lower- to middle-income countries. Funding sources for OCR include paid-in capital, retained earnings, and proceeds from debt issuance. ADB's debt securities have the highest possible investment ratings. ADB also provides loans and grants from Special Funds. It also administers several financing partnership facilities, trust funds and other funds. Of these, Asian Development Fund is one of the most important sources for loans and grants. The Asian Development Fund offers loans at very low interest rates and grants that help reduce poverty in ADB's poorest borrowing countries.

In the following sections, an analysis of ADB's procurement statistics is undertaken for observing the recent trends in contracts awarded. Data pertains to listing of contracts awarded as published on ADB's website in July, 2014.

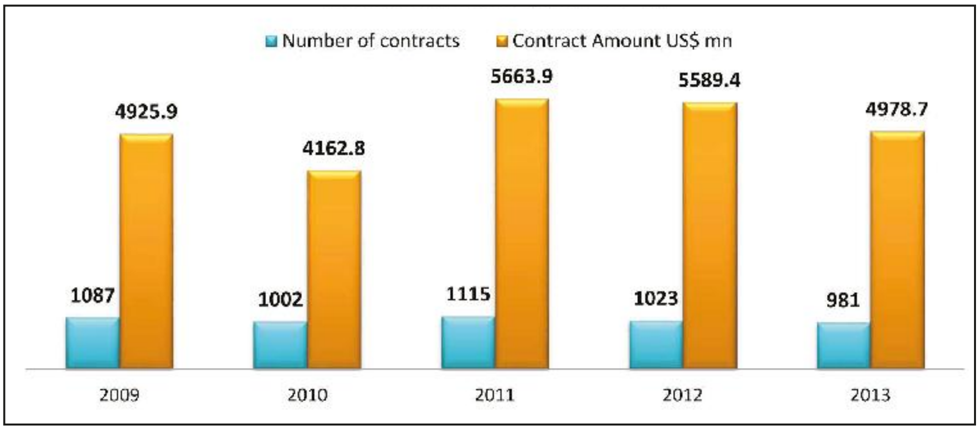
TREND IN BUSINESS VOLUME

A total of 981 contracts, valued at US$ 4978.7 million were awarded in 2013 for projects financed by ADB. The value of the contract amount as well as the number of contract awards peaked in 2011 at US$ 5663.9 million for 1115 contracts (Exhibit 2.1). Thereafter, both the number and value of contracts registered a declining trend. On the whole, over the period 2009-2013, while contract amounts recorded a marginal CAGR of 0.3%, the number of contracts witnessed a decline [CAGR of (-) 2.5%], indicating an increase in the average contract size over this period.

A breakup by the type of procurement, i.e. goods, works, turnkey, consulting services and others is shown in Exhibit 2.2[6]. In terms of numbers, contracts

[6]Works includes construction, construction supervision consultancy and civil works. Others includes fellowship/training and others.

Exhibit 2.1: Contract Awards (2009-2013)



Source: ADB

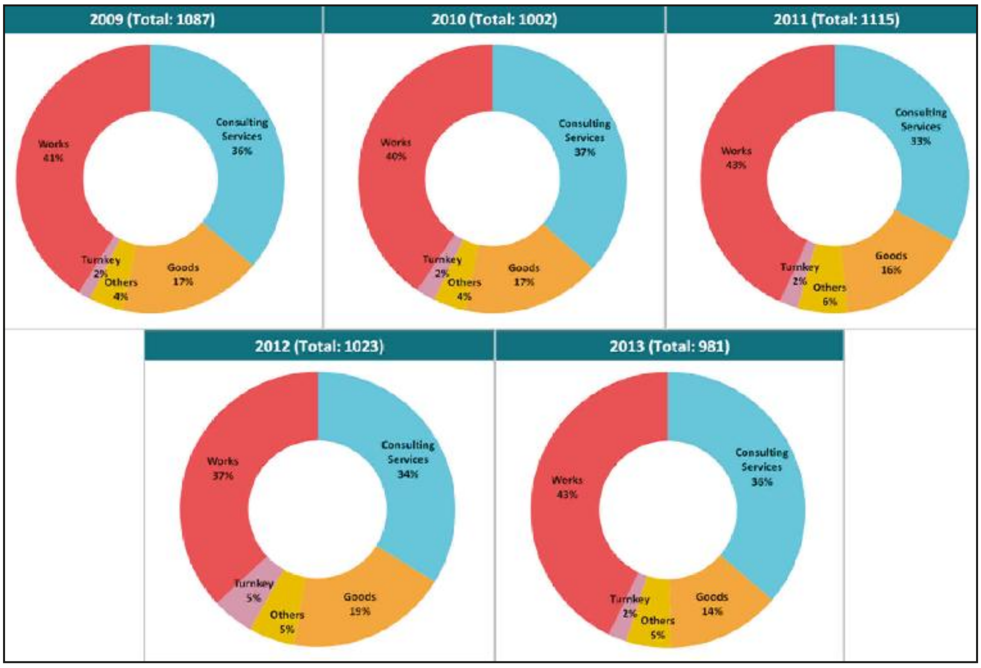
for works accounted for the highest shares every year during the 2009-2013 period, followed by contracts for consulting services and contracts for goods. The share of contracts for works increased by two percentage, points from 41% in 2009 to 43% in 2013, while the shares of contracts for goods declined from 17% in 2009 to 14% in 2013. Turnkey contracts, whereby the project is handed over to the government, once it is fully operational, accounted for only a small share of the total contracts in volume terms (2% in 2013; peaking at 5% in 2012). Such contracts are beneficial in fragile states as these yield results without compromising principles of governance, transparency, competition, and efficiency.

Even in terms of value, contracts for works accounted for the highest share over the 2009-2013 period, followed by contracts for goods and consulting services contracts. The share of contracts for goods declined significantly from 26% in 2009 to 20% in 2013. On the other hand, the share of turnkey contracts increased during the same period, with the share reaching its peak in 2011 (20%), primarily on account of significant borrowings by Vietnam in the conventional energy segment.

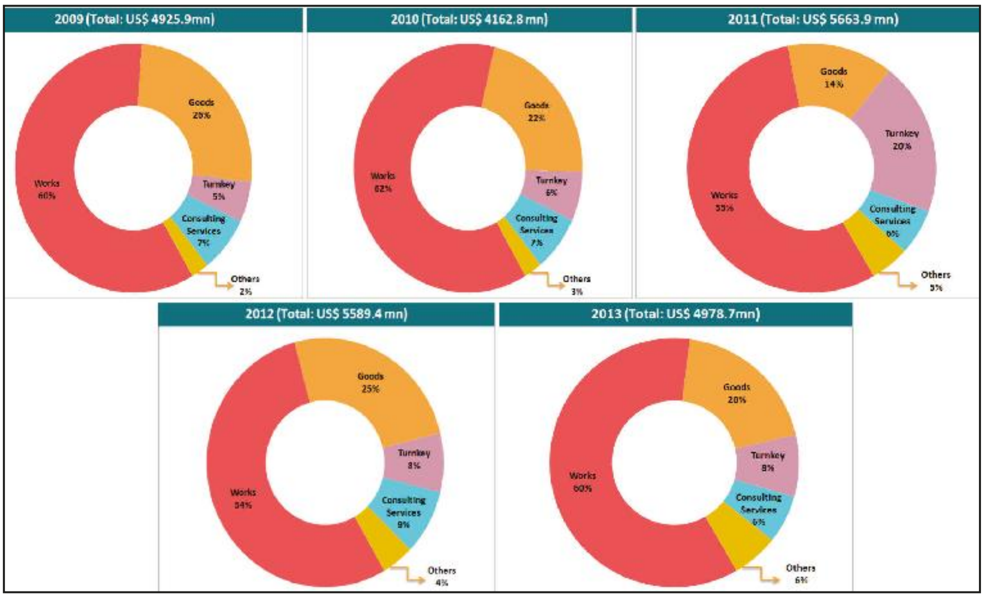
Due to the larger size of turnkey contracts, their share in value terms is much more than their share in volume terms. A reverse trend is noted in the case of contracts for consulting services. While consulting services contracts had a larger share in volume terms (36% in 2013), they had a fairly low share in value terms (6% in 2013).

Exhibit 2.2: Type of Procurement

Number of Contracts



Value of Contracts (US$ mn)



Source: ADB

In most cases, ADB requires its borrowers to obtain goods, works and services through International Competitive Bidding (ICB), with allowance for preferences for domestically manufactured goods, and where appropriate, for domestic contractors for works. However, there are other methods of procurement as well which are used in cases where ICB is not the most appropriate method of procurement.

Other modes of procurement which are used by ADB are: Limited International Bidding, National Competitive Bidding, Shopping, Direct Contracting, Force Account, Procurement from Specialized Agencies, Procurement Agents, Inspection Agents, Procurement in Loans to Financial Intermediaries, Procurement under BOO/BOT/BOOT[7], Concessions and Similar Private Sector Arrangements, Performance-Based Procurement, Procurement under Loans Guaranteed by ADB, Community Participation in Procurement, and Procurement under Disaster and Emergency Assistance.

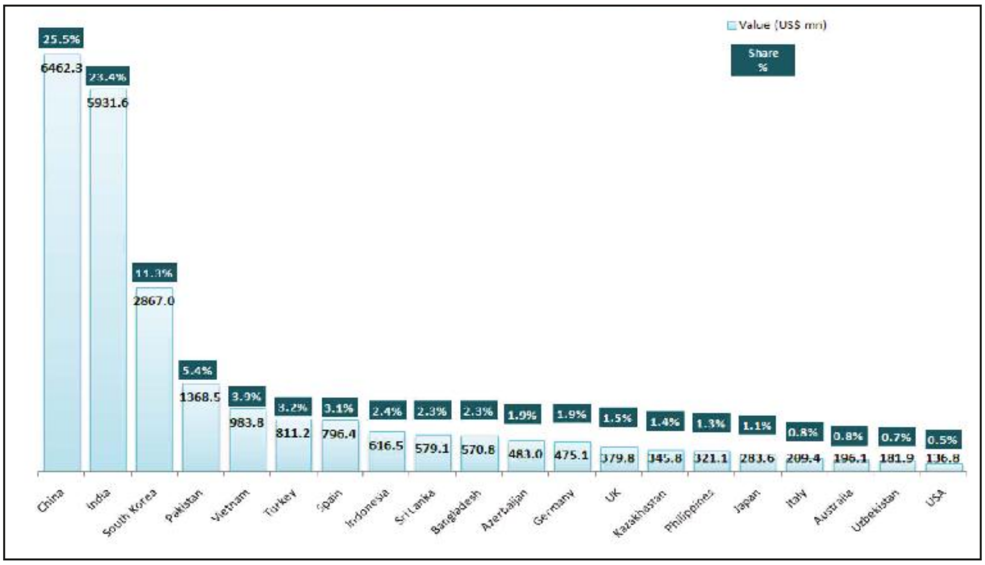
A margin of preference can be given to domestic manufactured goods and domestic contractors upon the borrower's request. The eligibility for goods contracts is conditional upon local manufacturing of the good, and not on the bidder's nationality. For contracts for works, a margin of preference of 7.5% can be given to domestic contractors if the borrower country meets ADB's eligibility criteria based on per capita GNP. However, ADB's policies with respect to margins of preference for domestically manufactured goods and works contracts do not apply to methods of procurement other than ICB.

ADB CONTRACTS SECURED: AN ANALYSIS

In terms of value: During the period 2009 to 2013 cumulatively, China secured the largest value of contracts (a share of 25.5%) followed by India (23.4%), South Korea (11.3%), Pakistan (5.4%) and Vietnam (3.9%) (Exhibit 2.3).

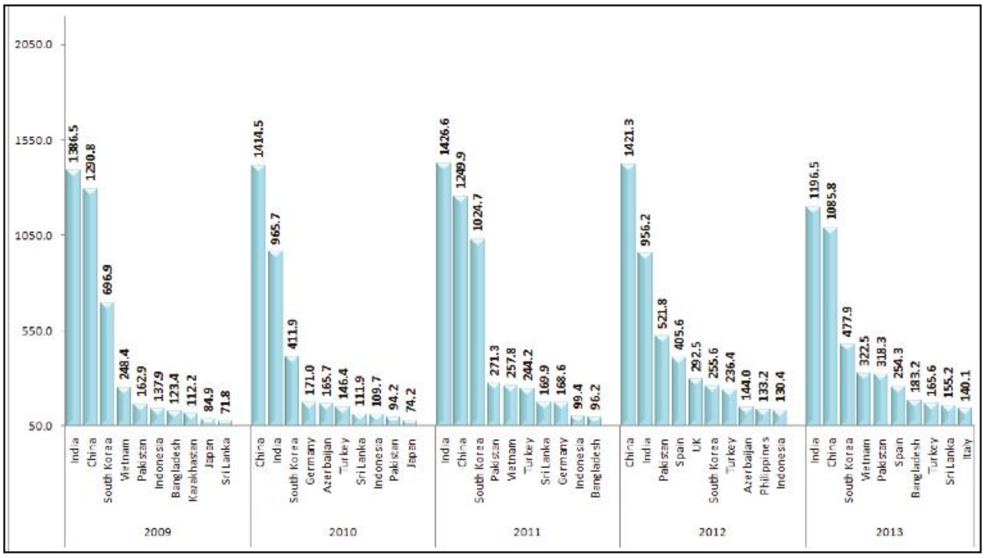
[7]BOO = build, own, operate; BOT = build, operate, transfer; BOOT = build, own, operate, transfer.

Exhibit 2.3: ADB Contracts Secured: Top 20 Countries by Value (Cumulative 2009-2013)



Source: ADB

Exhibit 2.4: ADB Contracts Secured: Top 10 Countries Yearwise by Value (2009-2013; Values in US$ mn)



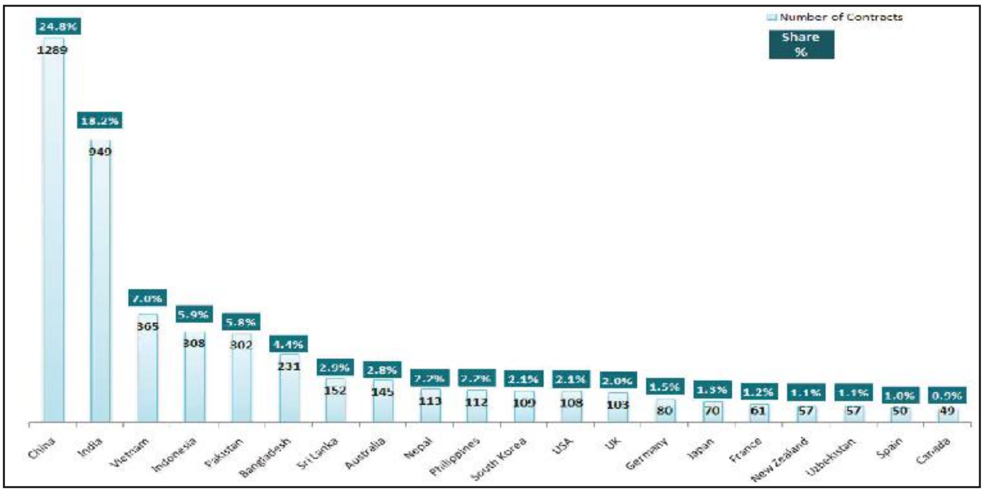
Source: ADB

A trend analysis of top ten countries in terms of value, over the past 5 years (Exhibit 2.4) reveals that India and China secured the maximum ADB contracts. While India secured maximum value of contracts in the years 2009, 2011 and 2013, China secured the largest value of contracts during 2010 and 2012. South Korea remained at the third position throughout the period, except in the year 2012 when it slipped to the sixth position. There are marked variations in the standing of other countries with several countries featuring only intermittently among the top ten suppliers in ADB funded projects.

In terms of number of contracts: During the period 2009-2013, China secured the largest number of contracts (1289) cumulatively, accounting for 24.8% of the total number of contracts awarded during the period. China was followed by India (18.2%), Vietnam (7.0%), Indonesia (5.9%) and Pakistan (5.8%) (Exhibit 2.5).

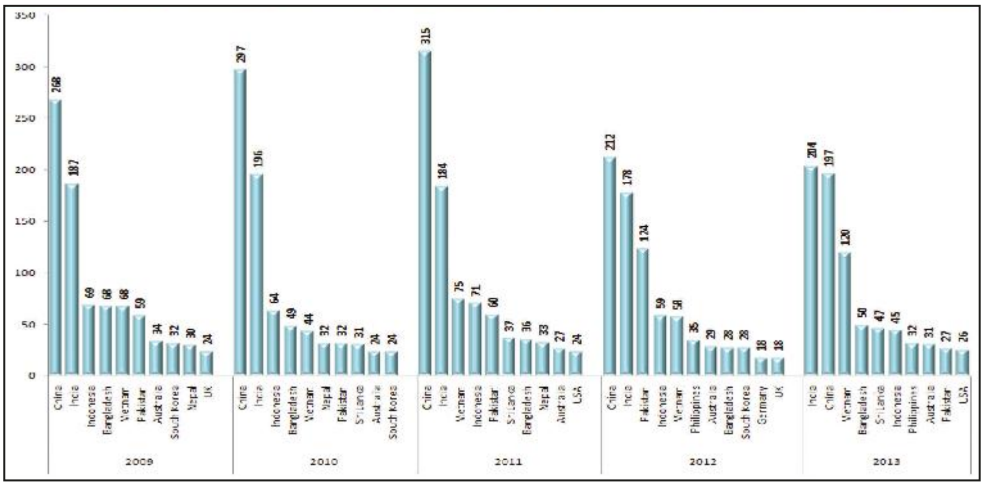
China secured the maximum number of contracts in all the years during 2009-2012, but was ousted by India in 2013. The number of contracts secured by India in 2013 was 204 – the highest achieved by the country during 2009-2013 period (Exhibit 2.6). As observed earlier, even in the case of number of contracts secured, several countries featured among the list of top ten supplier countries intermittently without being able to maintain a consistent ranking among the top suppliers during this period.

Exhibit 2.5: ADB Contracts Secured: Top 20 Countries by Number of Contracts (Cumulative 2009-2013)



Source: ADB

Exhibit 2.6: ADB Contracts Secured: Top 10 Countries Yearwise by Number of Contracts (2009-2013)



Source: ADB

During 2009-2013, while China and India secured 48.9% of total contracts in value terms, their share in terms of number of contracts amounted to only 43.0%. South Korea, which was the third largest supplier, accounting for 11.3% of total value of contracts during 2009-2013, stood 11th in terms of number of contracts during the same period with a share of 2.1%. Spain also witnessed a similar trend, with its share in total value of contracts being 3.1% during the period under consideration, while its share in total number of contracts being 1.0%. This can be attributed to relatively large value of contracts bagged by these countries.

BORROWERS: AN ANALYSIS

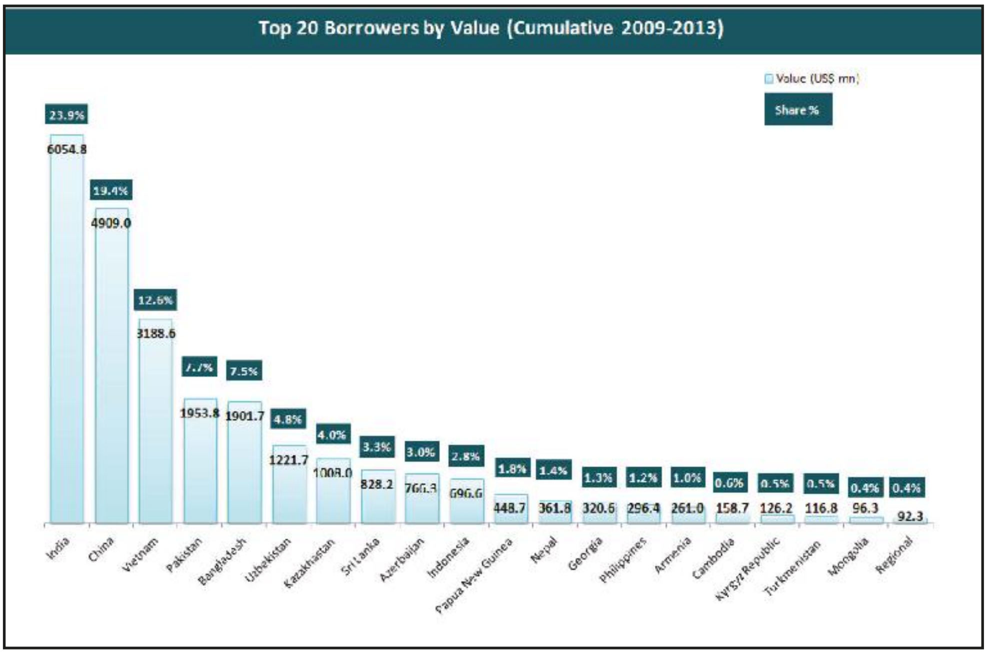
In terms of value: India and China were the biggest borrowers during the 2009 to 2013 period, with their borrowings amounting to US$ 6.0 billion (a share of 23.9% of the total value of contracts) and US$ 4.9 billion (19.4%), respectively. The other major countries using ADB funding for procurements were Vietnam (12.6%), Pakistan (7.7%) and Bangladesh (7.5%) (Exhibit 2.7).

India floated the highest value of contracts for procurement in all but one year during the 2009-2013 period, although the value of procurements registered a decline in the last two years. The procurements by Uzbekistan has gradually improved, with its procurements in value terms being the fourth largest in 2013 (Exhibit 2.8).

In terms of number of contracts: During the period 2009-2013 cumulatively, maximum number of bids were floated by China (1259), with the highest number of contracts achieved in the year 2011 (Exhibit 2.9 and 2.10). China was followed by India (911), Vietnam (528), Pakistan (380) and Bangladesh (359) (Exhibit 2.9). Year-wise analysis of top ten countries (Exhibit 2.10) reveals that during all the years under consideration, China made the largest number of procurements, followed by India.

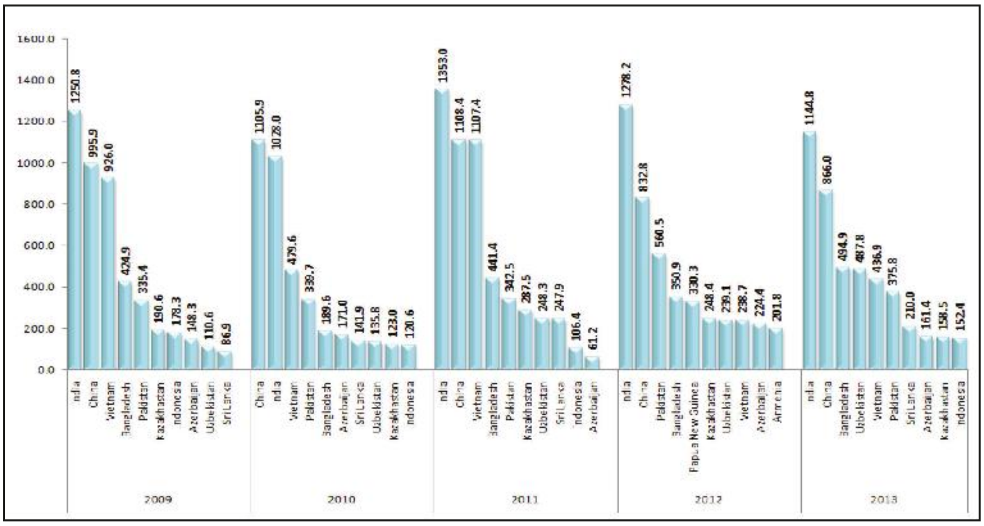
While India accounted for nearly 17.3% of the number of bids floated in 2013, its share in value terms was higher at 23.9% of the total value of contracts during the same year.

Exhibit 2.7: Top 20 Borrowers by Value (Cumulative 2009-2013)



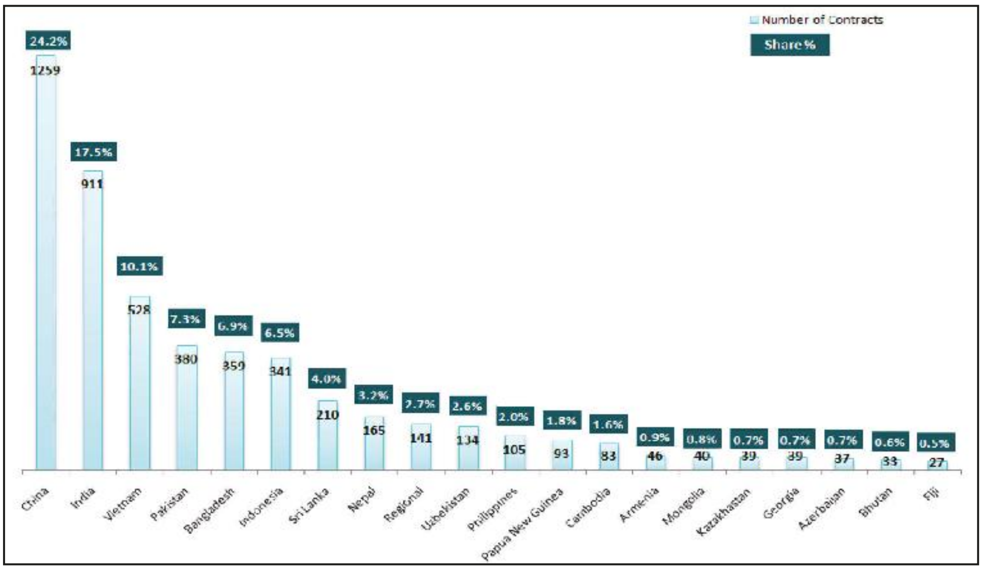
Source: ADB

Exhibit 2.8: Top 10 Borrowers by Value Yearwise (2009-2013; Values in US$ mn)



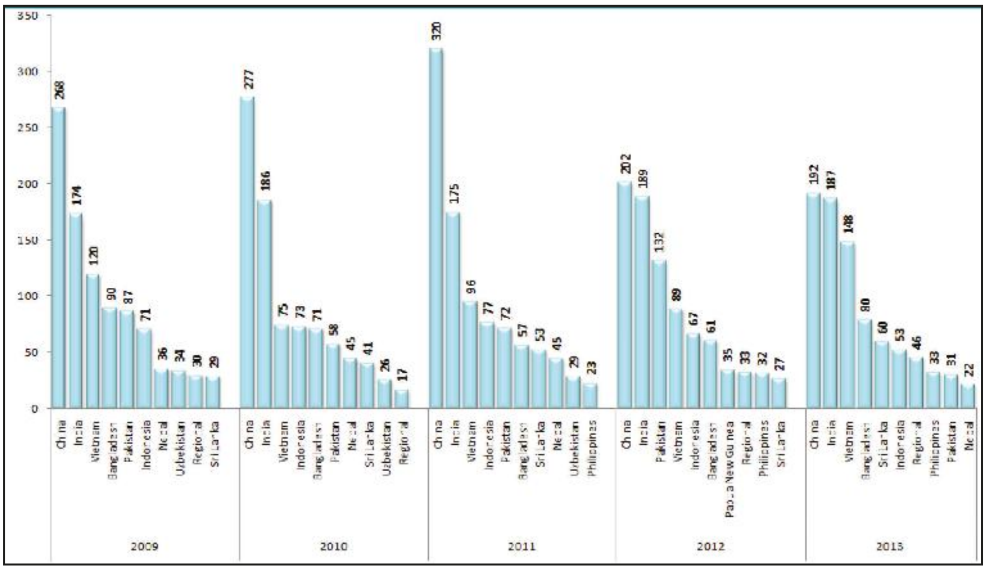
Source: ADB

Exhibit 2.9: Top 20 Borrowers by Number of Contracts (Cumulative 2009-2013)



Source: ADB

Exhibit 2.10: Top 10 Borrowers by Number of Contracts Yearwise (2009-2013)



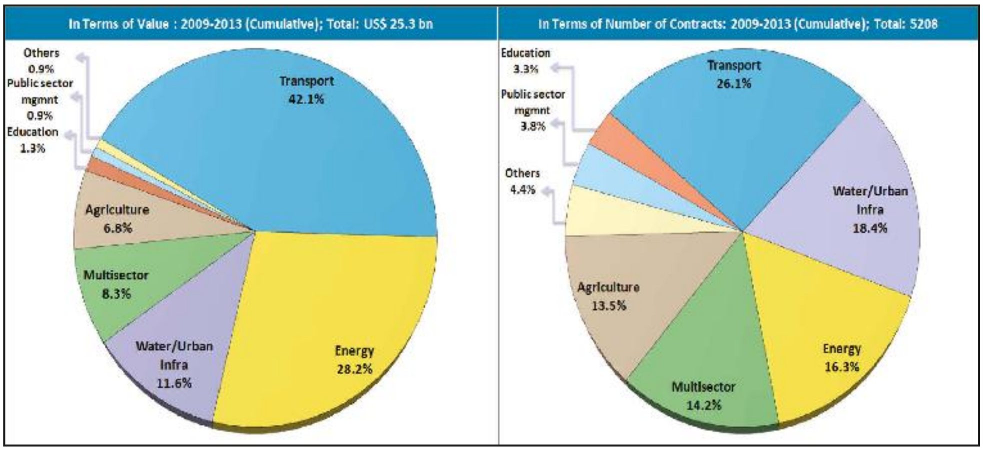
Source: ADB

SECTOR-WISE ANALYSIS

In terms of value: During the period 2009-2013 (cumulative), transport sector accounted for the largest share of contracts awarded (42.1%), followed by energy (28.2%), and water and other urban infrastructure and services (11.6%) (Exhibit 2.11). This is partly a reflection of the focus of ADB on the development of infrastructure in emerging and developing member countries. Apart from this, the large share of these sectors in value terms is also due to the fact that cost for infrastructure projects, particularly those in the transport and energy sector, are comparatively higher than those for agriculture and social sectors like education and health.

Year-wise analysis (Exhibit: 2.12) reveals that, while the transport sector accounted for the largest share in all the years during the period under consideration, its share reduced from 50.4% in 2009 to 35.1% in 2013. The share of energy sector, on the other hand, increased from 23.7% in 2009 to 28.0% in 2013.

Exhibit 2.11: Contracts Awarded: Sectorwise[8]



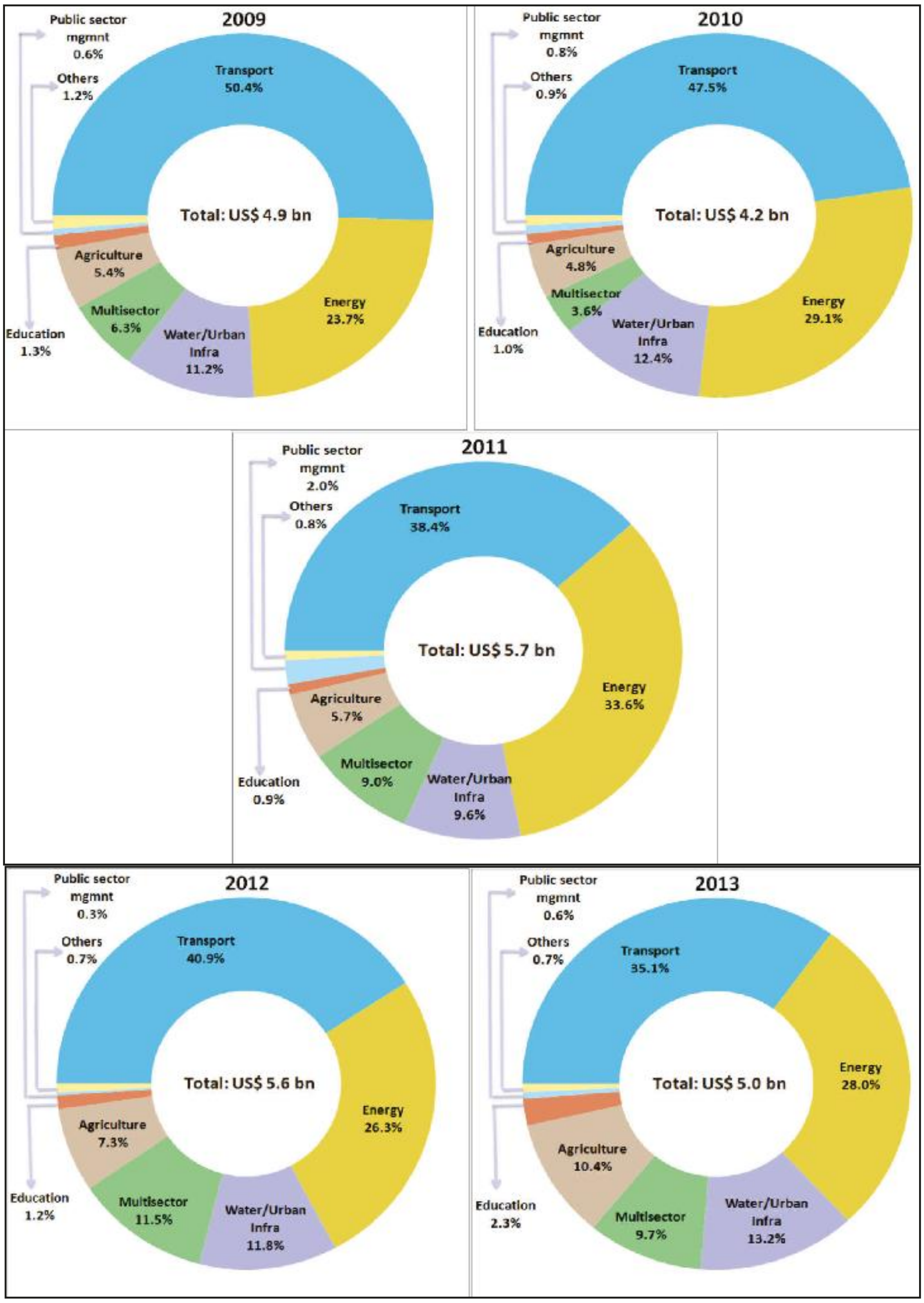
Source: ADB

In terms of number of contracts: Cumulatively, transport was the largest sector even in volume terms, with a share of 26.1% during the period 2009-2013, followed by water and other urban infrastructure and services (18.4%), and energy (16.3%) (Exhibit: 2.11). Year-wise analysis (Exhibit: 2.13) reveals that the share of transport sector reached a low of 20.1% in 2012 relegating it to the third position, before recovering in 2013 to account for a share of 26.5%. The water and energy sector were the other major sectors in terms of number of contracts for most of the 2009-2013 period.

All sectors other than transport and energy had greater shares in terms of number of contracts, as compared to their shares in terms of value of contracts, primarily on account of the relatively lower value of contracts in these sectors. While transport and energy sectors together accounted for 70.3% of contracts in value terms during the 2009-2013 period (cumulatively), they accounted for only 42.4% of contracts in terms of numbers.

[8]Others include: Health, Industry and Trade, Finance, and Information and Communication Technology
Agriculture refers to Agriculture, natural resources, and rural development; Water/Urban infra refers to Water and other urban infrastructure and services; Public sector mgmnt refers to Public sector management.

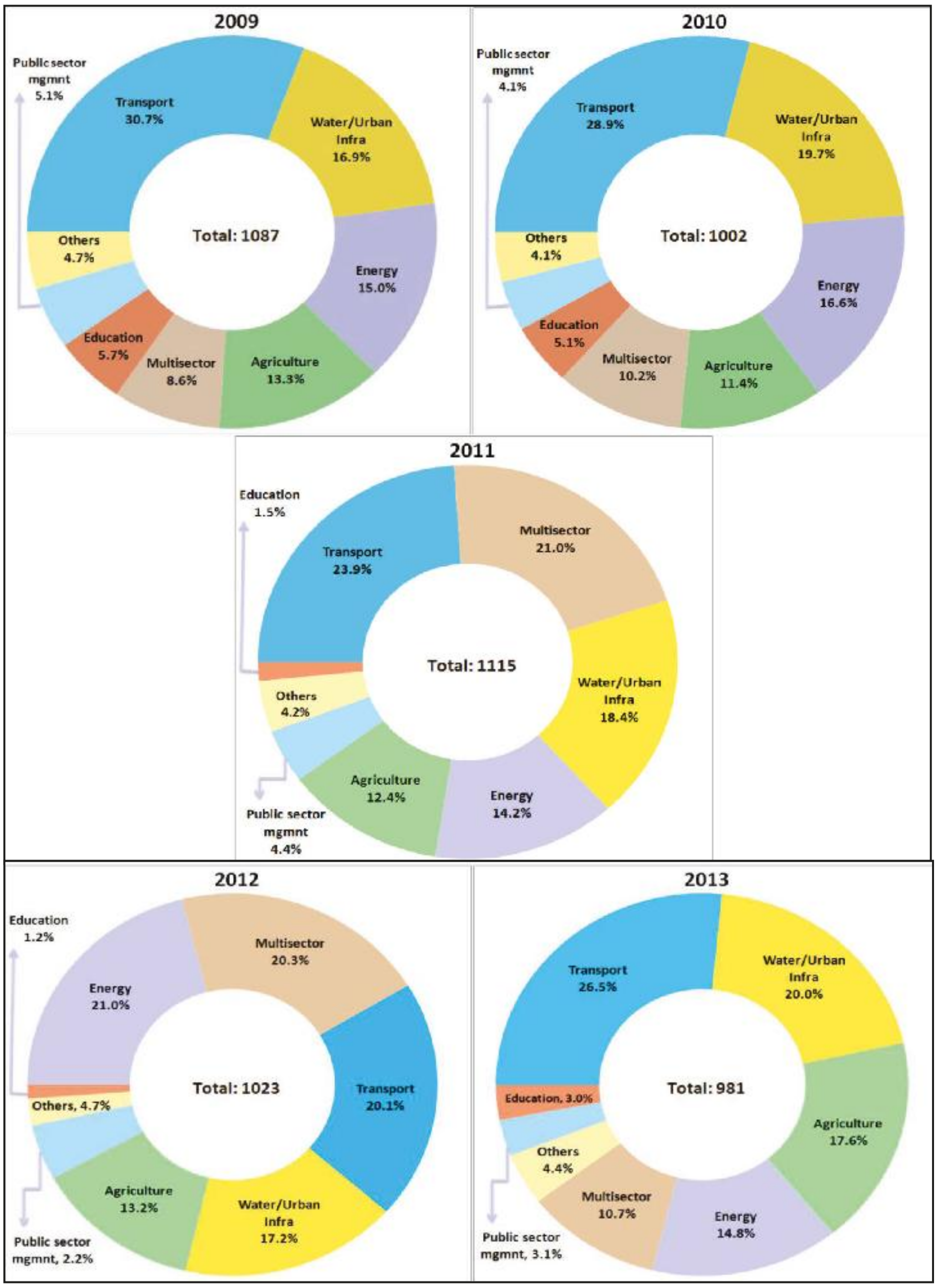
Exhibit 2.12: Contracts Awarded: Sectorwise[9] In Terms of Value (US$ mn)



Note: Others includes Health, Industry and Trade, Finance, and Information and Communication Technology
Source: ADB

[9] Ibid. 1

Exhibit 2.13: Contracts Awarded: Sectorwise[10] In Terms of Number of Contracts



Note: Others includes Health, Industry and Trade, Finance, and Information and Communication Technology
Source: ADB

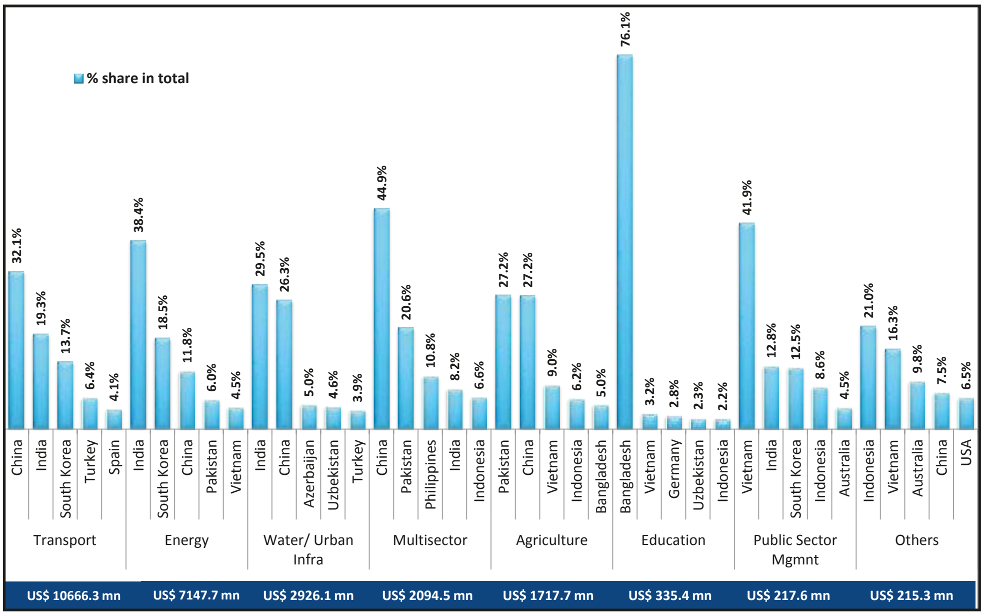
[10]Ibid. 1

ANALYSIS: SECTORWISE TOP 5 COUNTRIES THAT SECURED CONTRACTS

In terms of value: Cumulatively, China secured the largest value of contracts in the transport sector, accounting for 32.1% of the total value of contracts awarded in the sector during the 2009-2013 period. China was followed by India (19.3%), South Korea (13.7%), Turkey (6.4%) and Spain (4.1%). In multisector projects as well, China secured the largest value of contracts, with a share of 44.9% (Exhibit 2.14).

India secured the largest share of contracts in the energy sector (38.4%). India also had the largest share of contracts secured in the water and other infrastructure services sector (29.5%), closely followed by China with a share of 26.3% (Exhibit 2.14). Other countries securing the largest share of contracts were Pakistan and China in agriculture projects (27.2% share each), Bangladesh in education projects (76.1%) and Vietnam in public sector management projects (41.9%). However, these high shares were largely on account of projects secured domestically.

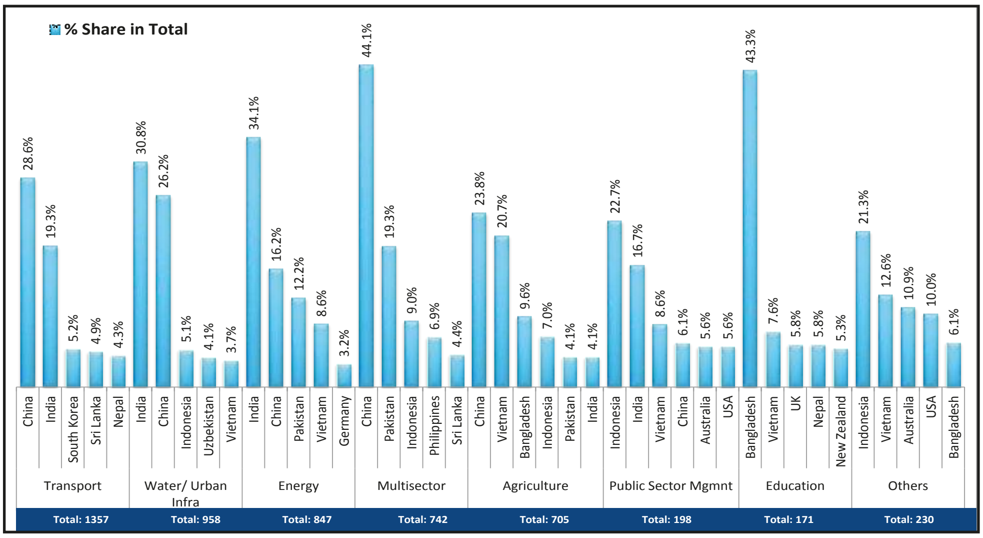
Exhibit 2.14: ADB Contracts Secured Sectorwise: Top 5 Countries in Terms of Value (Cumulative 2009-2013)



Note: Others includes Health, Industry and Trade, Finance, and Information and Communication Technology

Source: ADB

Exhibit 2.15: ADB Contracts Secured Sectorwise: Top 5 Countries in Terms of Number (Cumulative 2009-2013)



Note: Others includes Health, Industry and Trade, Finance, and Information and Communication Technology

Source: ADB

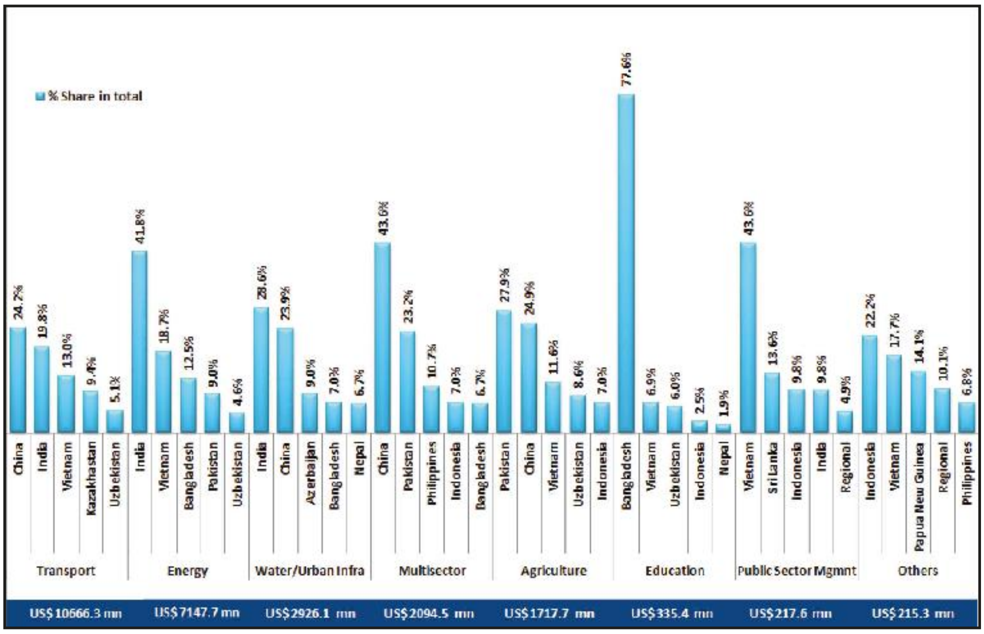
In terms of number of contracts: China secured the largest number of contracts in the transport sector, accounting for 28.6% of the total contracts, followed by India with a share of 19.3%. In multisector and agriculture projects as well, China secured the largest number of contracts. India had secured the maximum number of contracts in the sectors of water and other infrastructure and services sector, and energy sector, with shares of 30.8% and 34.1%, respectively (Exhibit 2.15). Other countries securing the largest number of contracts were Indonesia in public sector management projects (22.7% share), and Bangladesh in education projects (43.3%). However, domestic projects accounted for a significant share in these contracts.

While the shares of most countries (in value terms) across sectors has a strong one-to-one correlation to these countries being among the largest borrowers of ADB funds, contracts secured by relatively developed countries like South Korea, Spain, Australia and even Turkey were exceptions. These countries, despite not being among the major borrowers of ADB funds, were able to secure contracts and position themselves as leading suppliers, especially in sectors like transport, energy and public sector management. Yet another noteworthy point is that most of these countries do not figure among the major suppliers in terms of number of contracts secured across various sectors (save for South Korea for the transport sector and Australia for public sector management), thereby implying that the contracts secured by these relatively developed countries were large value contracts.

ANALYSIS: SECTORWISE TOP 5 BORROWERS

In terms of value: In the transport sector, maximum value of contracts through ADB borrowings were procured by China during the period under consideration, with a share of 24.2%, followed by India with a share of 19.8%. With a share of 43.6%, the largest value of contracts in multisector projects was also by China. India's share in procurement through ADB borrowings was high in the sectors of energy, and water and other urban infrastructure and services, accounting for 41.8% and 28.6% of the total value of contracts in these sectors, respectively. Pakistan, Bangladesh and Vietnam had the largest shares in procurements in the sectors of agriculture (27.9%), education (77.6%), and public sector management (43.6%), respectively (Exhibit 2.16).

Exhibit 2.16: ADB Sector-wise Top 5 Borrower Countries in Terms of Value of Contracts (Cumulative 2009- 2013)

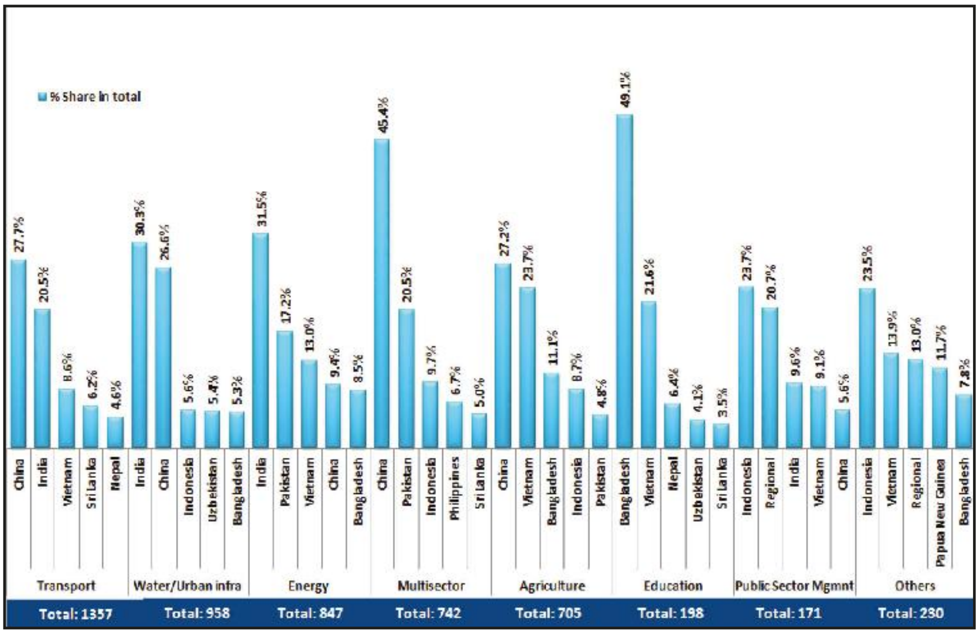


Source: ADB

In terms of number of contracts: In terms of number of contracts as well, maximum number of contracts through ADB borrowings in the sectors of transport, multisector and agriculture were procured by China, with shares of 41.0%, 52.0%, and 36.1%, respectively. As in the case of value of contracts, India was also the largest procuring country in terms of number of contracts in the categories of energy, and water and other urban infrastructure and services, with shares of 39.6% and 41.3%, respectively (Exhibit 2.17).

In the agriculture sector, while Pakistan was the largest procuring country in terms of value of contracts (27.9%), it was the fifth largest in terms of number of contracts (6.4%), indicative of the relatively larger contract size in this sector floated by the country. Similarly, the average contract size in the public sector management category in Vietnam was relatively higher than in other countries.

Exhibit 2.17: ADB Sector-wise Top 5 Borrower Countries in Terms of Number of Contracts (Cumulative 2009- 2013)



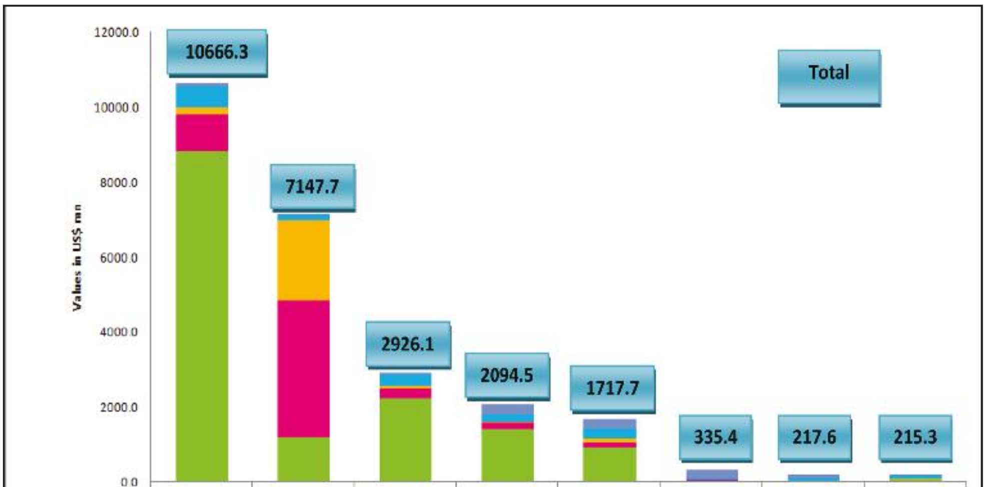
Source: ADB

ANALYSIS: SECTORWISE, TYPE OF PROCUREMENT

In terms of value: Contracts for works held the highest share in value terms in several sectors. With shares of 82.8%, works contracts held the highest share under transport sector, followed by supply of goods (9.2%) and consulting services (5.5%). Works contracts also accounted for the highest shares in water and other urban infrastructure and services (76.3%), multisector (67.5%) and agriculture sectors (54.1%). In the case of energy sector, goods contracts held the highest share of 51.3%, followed by turnkey (29.7%) and works (16.6%) (Exhibit 2.18). Procurements in the nature of turnkey are largely employed in the sectors of energy, and information and communication technology.

In terms of number of contracts: Consulting services contracts held the highest share in volume terms in several sectors. In the agriculture, public sector management, and education sectors, consulting services contracts accounted for the largest shares of 48.9%, 88.4% and 73.1%, respectively (Exhibit 2.19).

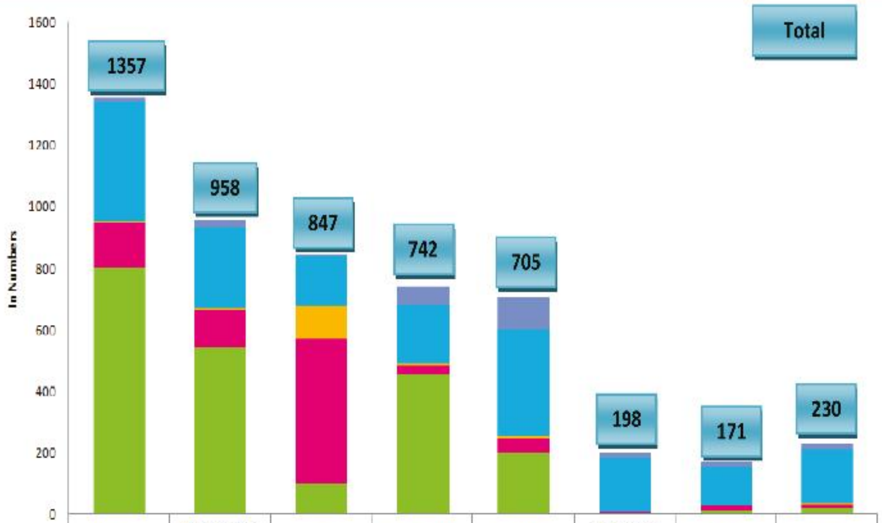
Exhibit 2.18: Sector-wise by Type of Procurement (Cumulative 2009-2013; In Terms of Value of Contract in US$ Mn)



	Transport	Energy	Water/Urban Infra	Multisector	Agriculture	Education	Public Sector Mgmnt	Others
Others	99.3	8.7	48.2	269.4	275.0	215.8	108.0	35.7
Consulting Services	585.0	166.7	314.3	206.1	277.5	52.5	76.6	96.6
Turnkey	176.0	2123.0	52.5	21.0	107.9	0.0	0.0	1.0
Goods	977.8	3663.5	277.5	184.2	127.5	34.6	33.0	31.3
Works	8828.2	1185.7	2233.5	1413.9	929.9	32.5	0.0	50.6

Other sectors includes health, industry and trade, finance and information and communication technology.
Source: ADB

Exhibit 2.19: Sector-wise by Type of Procurement (Cumulative 2009-2013; In Terms of Number of Contract)



	Transport	Water/Urban Infra	Energy	Multisector	Agriculture	Public Sector Mgmnt	Education	Others
Others	17	23	4	58	104	14	17	20
Consulting Services	386	265	163	194	345	175	125	173
Turnkey	2	8	109	6	9			1
Goods	149	118	470	31	46	9	16	17
Works	803	544	101	453	201		13	19

Other sectors includes health, industry and trade, finance and information and communication technology.
Source: ADB

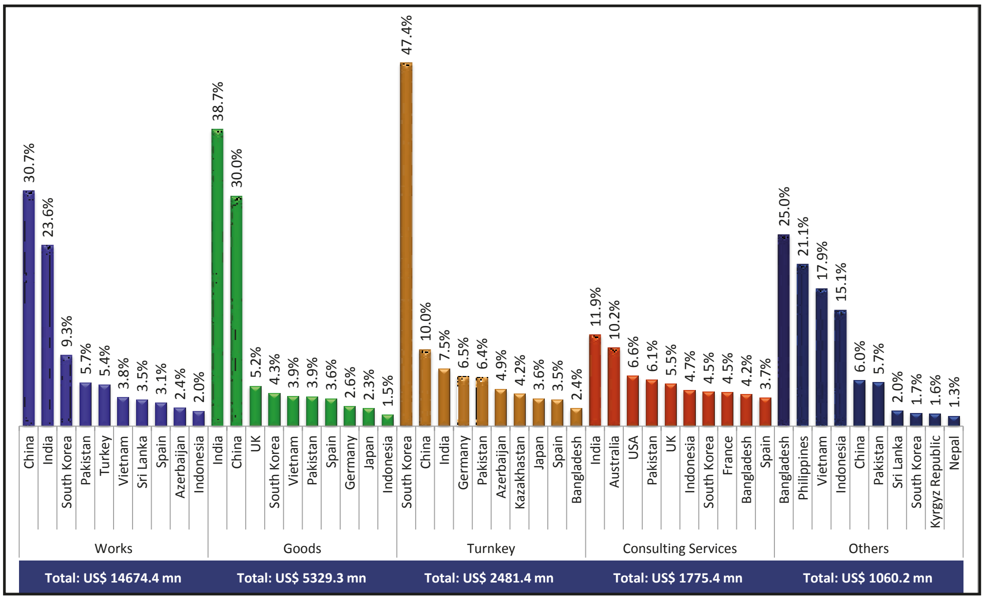
In the agriculture sector, while consulting services is the most common type of procurement, works contracts accounts for the largest share in total value of contracts. In the energy sector, the most common procurement is for goods contracts, but the highest value of contracts are in the nature of works contracts.

ANALYSIS: TYPE OF PROCUREMENT, COUNTRYWISE CONTRACTS SECURE

In terms of number of contracts: Contracts for civil works accounted for the highest share during the 2009-2013 period, followed by contracts for consulting services and contracts for goods.

Further analysis reveals that, of the total US$ 14.7 billion worth of contracts awarded during 2009-2013 for works, China secured 30.7% of the contracts, followed by India (23.6%), South Korea (9.3%), Pakistan (5.7%) and Turkey (5.4%). Under contracts for supply of goods, India secured the maximum value of contracts, accounting for a share of 38.7%, followed by China (30.0%), UK (5.2%), South Korea (4.3%) and Vietnam (3.9%). India also secured the largest value of contracts in consulting services, with a share of 11.9% in the total (US$ 1775.4 mn), followed by Australia (10.2%), USA (6.6%), Pakistan (6.1%) and UK (5.5%). South Korea secured nearly half (47.4%) of the contracts under turnkey projects category during the period under consideration, followed by China and India with shares of 10.0% and 7.5%, respectively. (Exhibit 2.20).

Exhibit 2.20: ADB Contracts Secured by Type of Procurement: Top 10 Countries in Terms of Value (% Share; Cumulative 2009-2013)

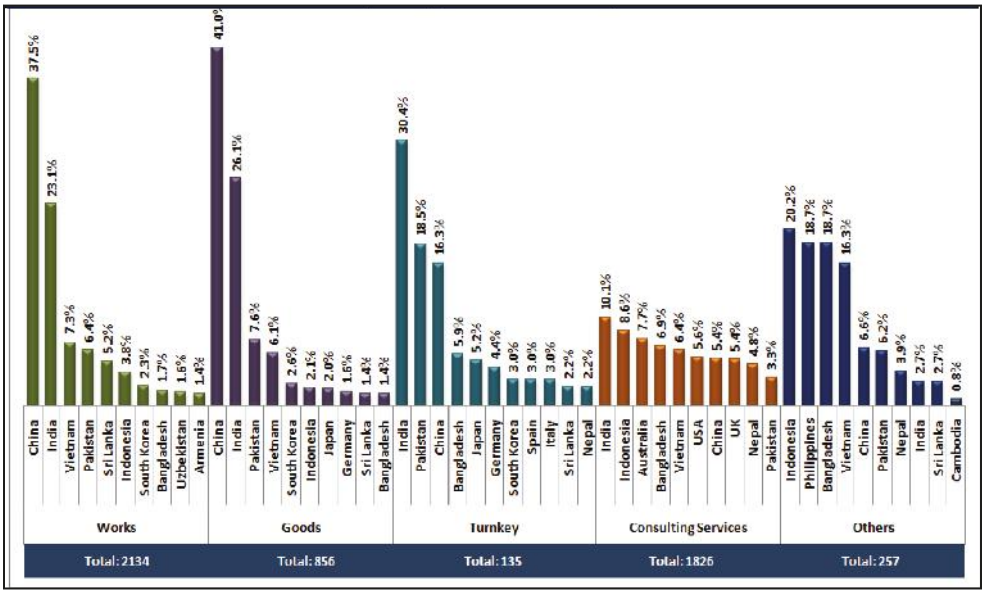


Source: ADB

In terms of value: As was highlighted earlier, contracts for works accounted for the highest share during the period 2009-2013. Contracts for supply of goods had the second largest share in all the years under consideration, except in 2011 when turnkey contracts emerged as the second largest procurement category.

Further analysis reveals that under consulting services contracts, India secured the largest number of contracts, with a share of 10.1%, followed by Indonesia (8.6%), Australia (7.7%), Bangladesh (6.9%) and Vietnam (6.4%). India also secured the maximum number of turnkey contracts with a share of 30.4%, followed by Pakistan (18.5%), China (16.3%), Bangladesh (5.9%) and Japan (5.2%). As far as contracts for civil works were concerned, China was amounted the maximum number of contracts with a share of 37.5%, followed by India (23.1%), Vietnam (7.3%), Pakistan (6.4%) and Sri Lanka (5.2%). China also had the largest share in goods contracts (41%), with India (26.1%), Pakistan (7.6%), Vietnam (6.1%) and South Korea (2.6%) being the other major suppliers .

Exhibit 2.21: ADB Contracts Secured by Type of Procurement: Top 10 Countries in Terms of Number of Contracts (% Share; Cumulative 2009-2013)



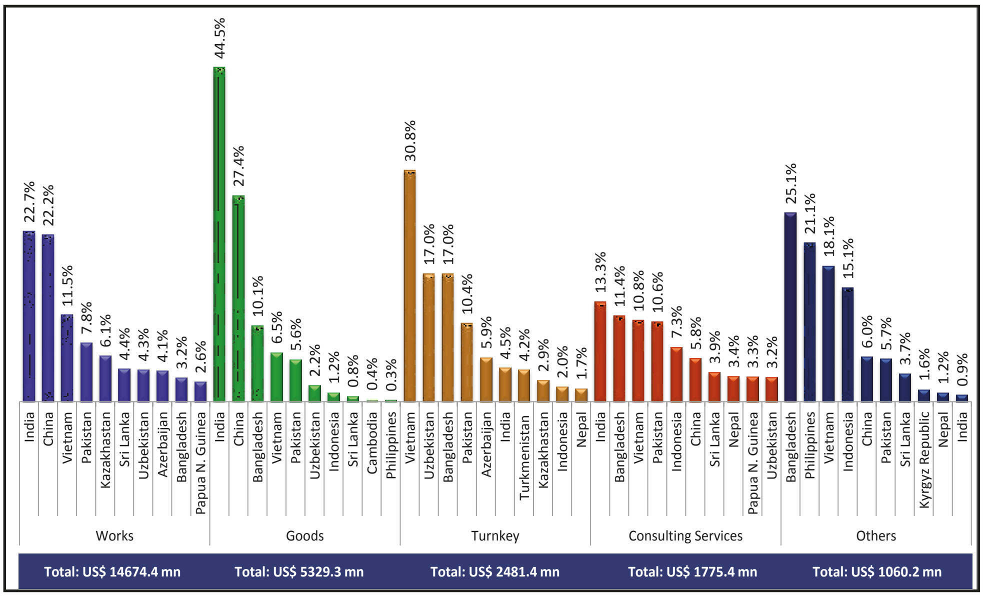
Source: ADB

It can be deduced from the data that, on an average, South Korea secured higher value of contracts as compared to other countries in the category of civil works and turnkey projects, reflected in the country's share being low in terms of number of contracts, but significantly high in value terms.

ANALYSIS: TYPE OF PROCUREMENT, BORROWER-WISE

In terms of value: India undertook the largest value of procurement contracts for civil works during the period 2009-2013, with a share of 22.7%, closely followed by China (22.2%). In the case of procurement of contracts for goods as well, India had the largest share of 44.5%, followed by China (27.4%), Bangladesh (10.1%), Vietnam (6.5%) and Pakistan (5.6%). Vietnam (30.8%), Uzbekistan (17.0%), Bangladesh (17.0%), Pakistan (10.4%) and Azerbaijan (5.9%) were the top countries engaged in procurement for turnkey projects. Along with being the largest supplier of consulting services, India also had the largest share (13.3%) in procurement of consulting services contracts. Bangladesh (11.4%), Vietnam (10.8%), Pakistan (10.6%) and Indonesia (7.3%) were the other major project countries for consulting services contracts in terms of value (Exhibit 2.22).

Exhibit 2.22: Borrowers by Type of Procurement: Top 10 Countries in Terms of Value (% Share; Cumulative 2009-2013)

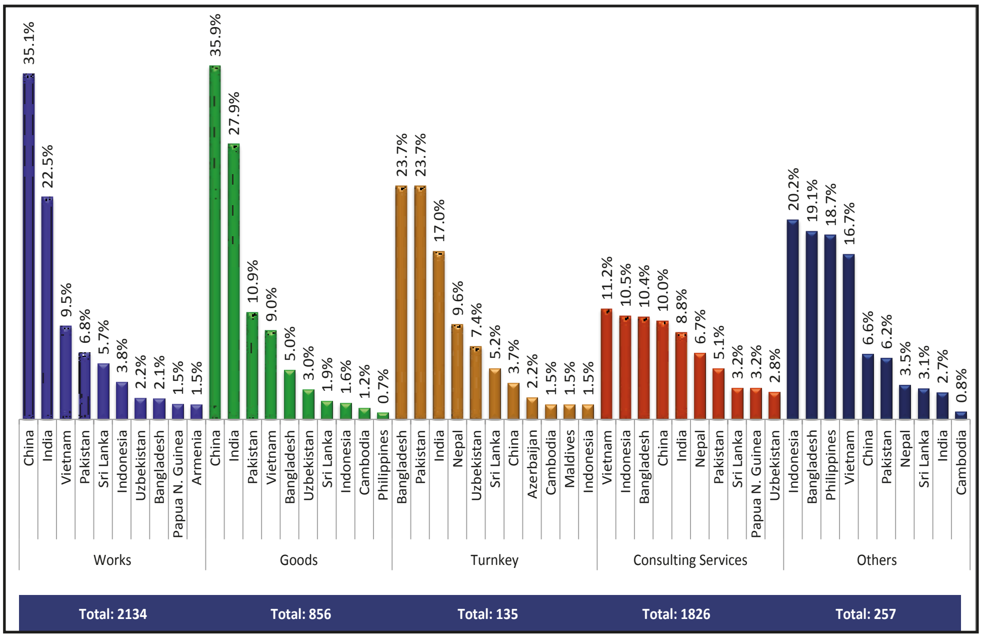


Source: ADB

In terms of number of contracts: In terms of number of contracts, China had a much larger share of 35.1% in procurement of works contracts, followed by India (22.5%), Vietnam (9.5%), Pakistan (6.8%) and Sri Lanka (5.7%). China also floated the largest number of bids for goods contracts, with a share of 35.9% in total procurements under this category, followed by India (27.9%), Pakistan (10.9%), Vietnam (9.0%) and Bangladesh (5.0%). Bangladesh and Pakistan had the largest number of contracts under the turnkey category, with shares of 23.7% each, followed by India (17.0%), Nepal (9.6%) and Uzbekistan (7.4%). Vietnam had the largest share of 11.2% in procurement of consulting services contracts, largely undertaken for projects in the agriculture sector (Exhibit 2.23).

In most segments, the leading countries procuring goods, and civil works, using ADB funds, in volume terms and value terms were similar. However, under the turnkey projects, while Vietnam had the largest share in value terms, it did not feature among the top ten borrowing countries in terms of number of contracts..

Exhibit 2.23: Borrowers by Type of Procurement: Top 10 Countries in Terms of Number of Contracts (% Share; Cumulative 2009-2013)



Source: ADB

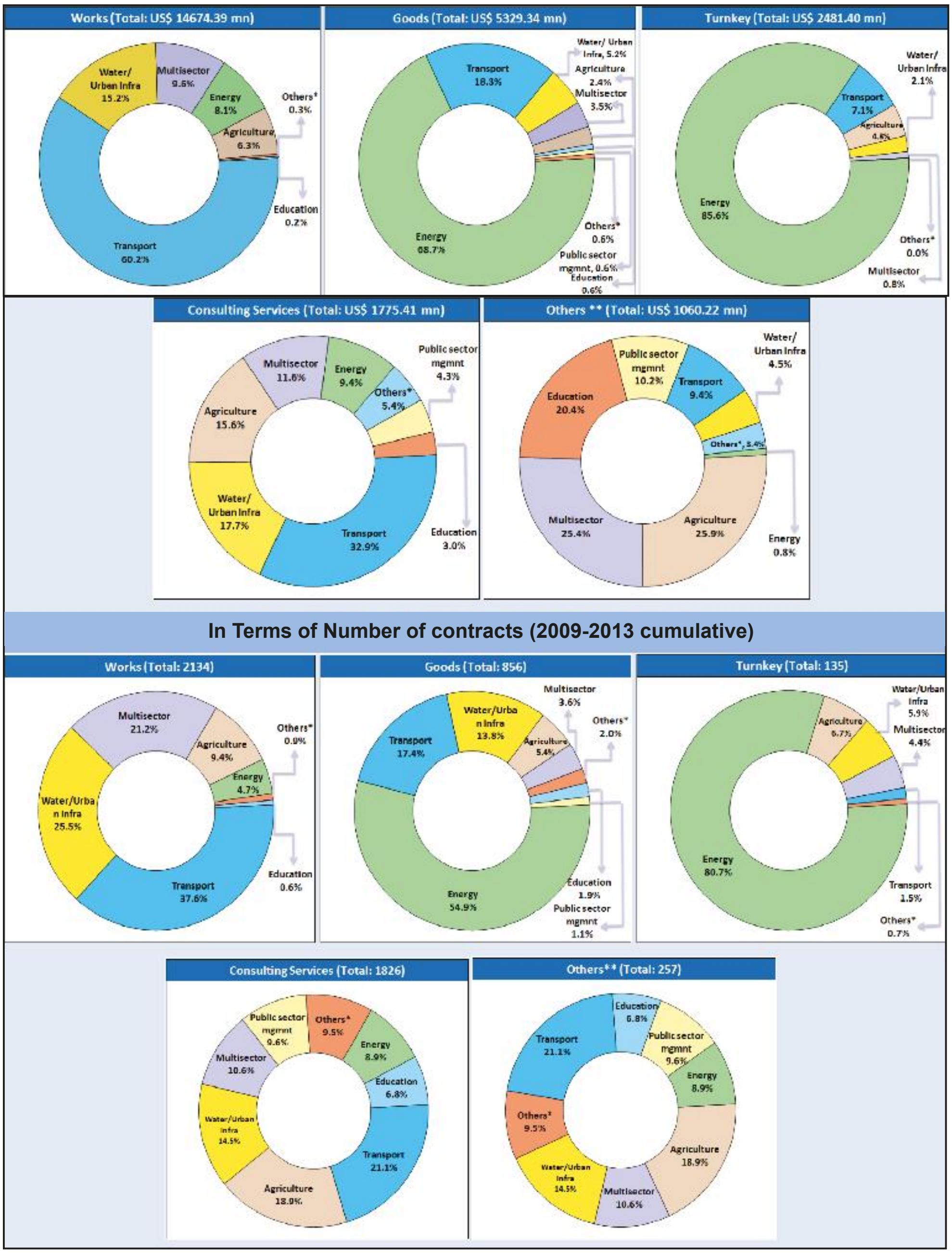
ANALYSIS: TYPE OF PROCUREMENTS, SECTOR-WISE

In terms of value: During the 2009-2013 period, the transport sector accounted for a bulk of the value of contracts procured under the works category (60.2%), followed by water and other infrastructure and services (15.2%). In both goods and turnkey contracts, energy was the predominant sector, with a share of 68.7% and 85.6%, respectively. In consulting services, transport was the major sector, with a share of 32.9%, followed by water and other infrastructure and services (17.7%), agriculture (15.6%) and multisector (11.6%). Agriculture, multisector and education sector feature more prominently in other contracts (which includes fellowship and training) with their shares being 25.9%, 25.4% and 20.4%, respectively (Exhibit 2.24).

In terms of number of contracts: In volume terms as well, the largest number of contracts awarded under civil works were for transport sector. However, the share of transport sector (37.6%) in total civil works contracts was significantly lower than its share of 60.2% in value terms. Of the total number of 856 contracts under the category for supply of goods, energy sector had the largest share of 54.9%, followed by transport (17.4%) and water and other infrastructure and services (13.8%). The energy sector also accounted for 80.7% of the total 135 turnkey contracts awarded during the 2009-2013 period. Transport was the largest sector under consulting services contracts, but its share in volume terms (21.1%) was relatively lesser than its share in value terms (32.9%) on account of the comparatively larger size of projects under this sector. Transport was the largest sector in other contracts with a share of 21.1%, followed by agriculture (18.9%) (Exhibit 2.24).

Exhibit 2.24: Type of Procurement: Sector-wise Analysis

In Terms of Value (2009-2013 cumulative)



*Others include Health, Industry and Trade, Finance, and Information and Communication Technology.

** Others include fellowship/training and others.

Source: ADB

BORROWERS: ANALYSIS OF TOP 5 COUNTRIES

Share of Top 5 countries in Total Contracts

The top 5 countries utilizing ADB borrowings for procurement under various contract categories during the period 2009-2013 were India, China, Vietnam, Pakistan and Bangladesh. While India had the largest procurements in value terms, China had awarded the largest number of contracts.

India's share in total value of procurements has been range bound, although it witnessed a consistent decline from 2010 onwards, before recovering in 2013. China's share in total value of procurements also witnessed a declining trend from 2011 onwards, but registered improvements in 2013, with the country's share reaching a level of 17.4% in 2013. Vietnam witnessed wide fluctuations, intermittently recording high shares in total value of procurements, during the period under consideration. The share of Bangladesh in value of procurements increased to 9.9% in 2013 from 4.6% in 2010. Pakistan's share on the other hand, declined in 2013 to 7.5% from 8.2% in 2010 (Exhibit 2.25).

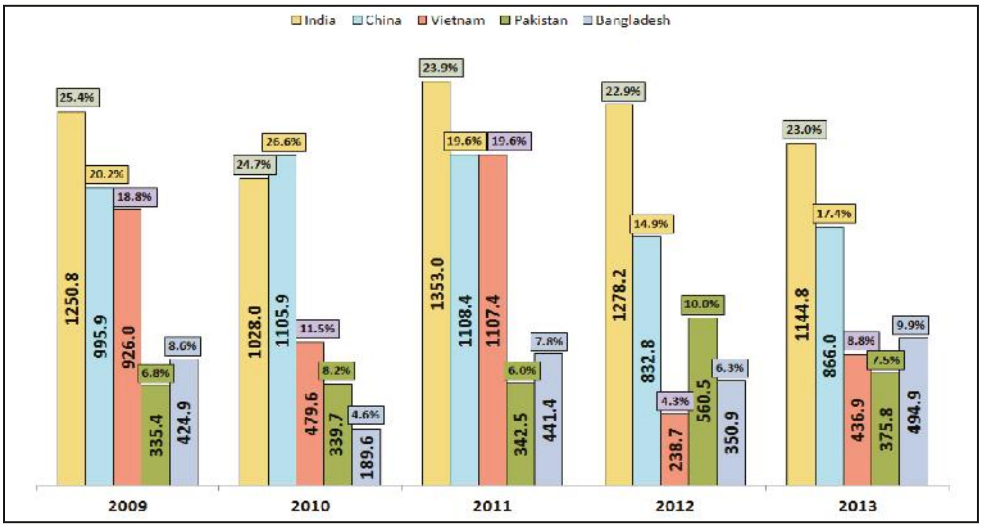
In terms of number of contracts, China's share in borrowings from ADB for procurement of contracts for its various projects witnessed an increase in the years 2010 and 2011, but declined thereafter. Similarly, the share of Pakistan dipped to 3.2% in 2013, reaching its nadir over the period under consideration. India's share, on the other hand, increased over the last two years, reaching a high of 19.1% in 2013. In case of Vietnam as well, there has been a rising trend in the share of procurements in volume terms over the last four years (Exhibit 2.26).

Analysis: By Type of Procurement

In terms of value: An analysis of the top 5 procuring countries by type of procurement reveals that all the top five borrower countries except Bangladesh had majority of procurements for work contracts, with the shares ranging from 53.1% for Vietnam to 66.4% for China. In case of Bangladesh, majority of procurements made through ADB funding were for supply of goods whose share was 28.4%, followed by works contracts (24.7%) and turnkey contracts (22.2%) (Exhibit 2.27).

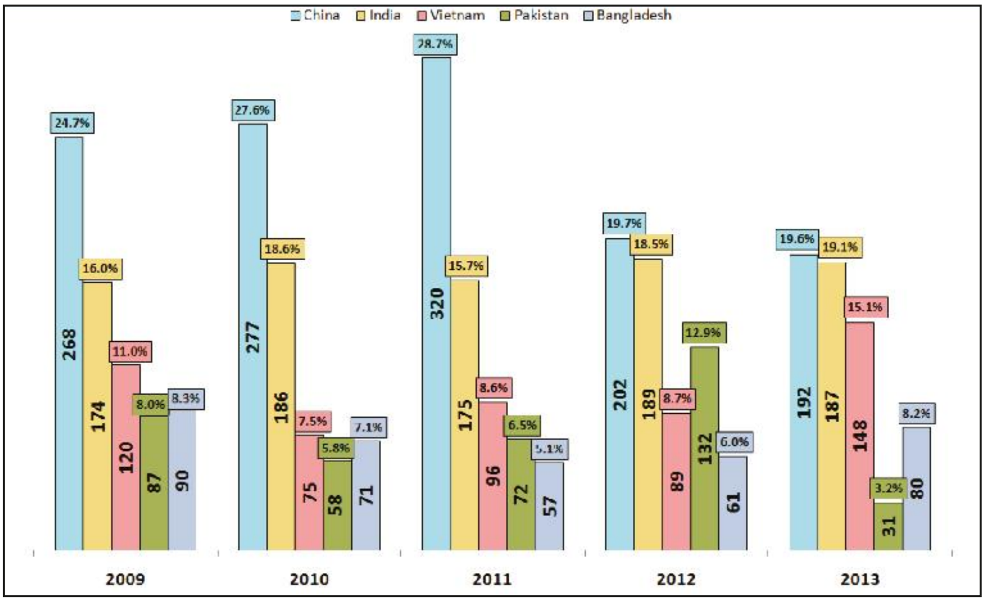
In terms of number of contracts: For China, India and Pakistan, the largest procurements were made in the category of works contracts, with

Exhibit 2.25: Top Borrowers' Share in Total Value of Contracts (Value in US$ mn)



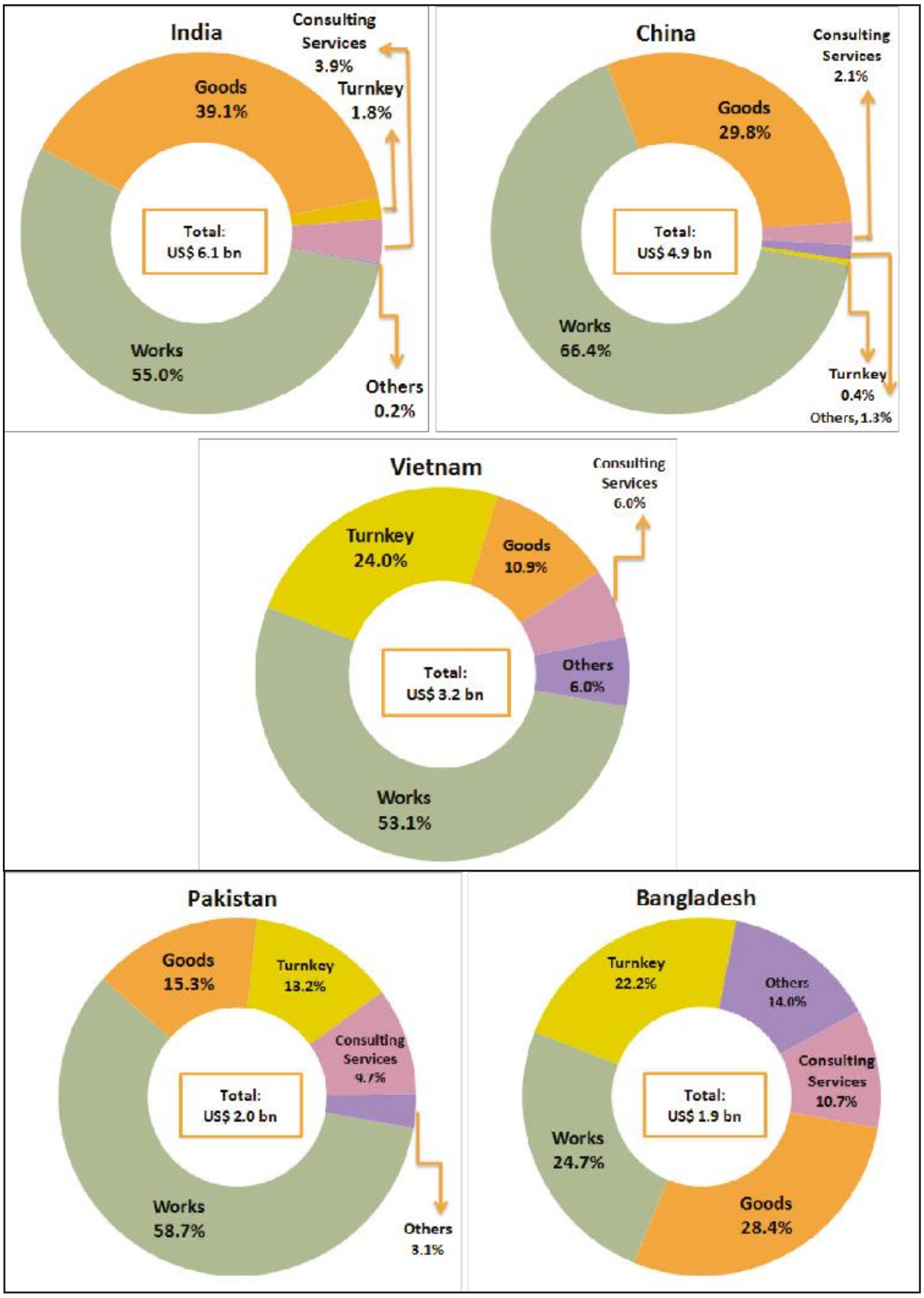
Source: ADB

Exhibit 2.26: Top 5 Borrowers' Share in Total Number of Contracts



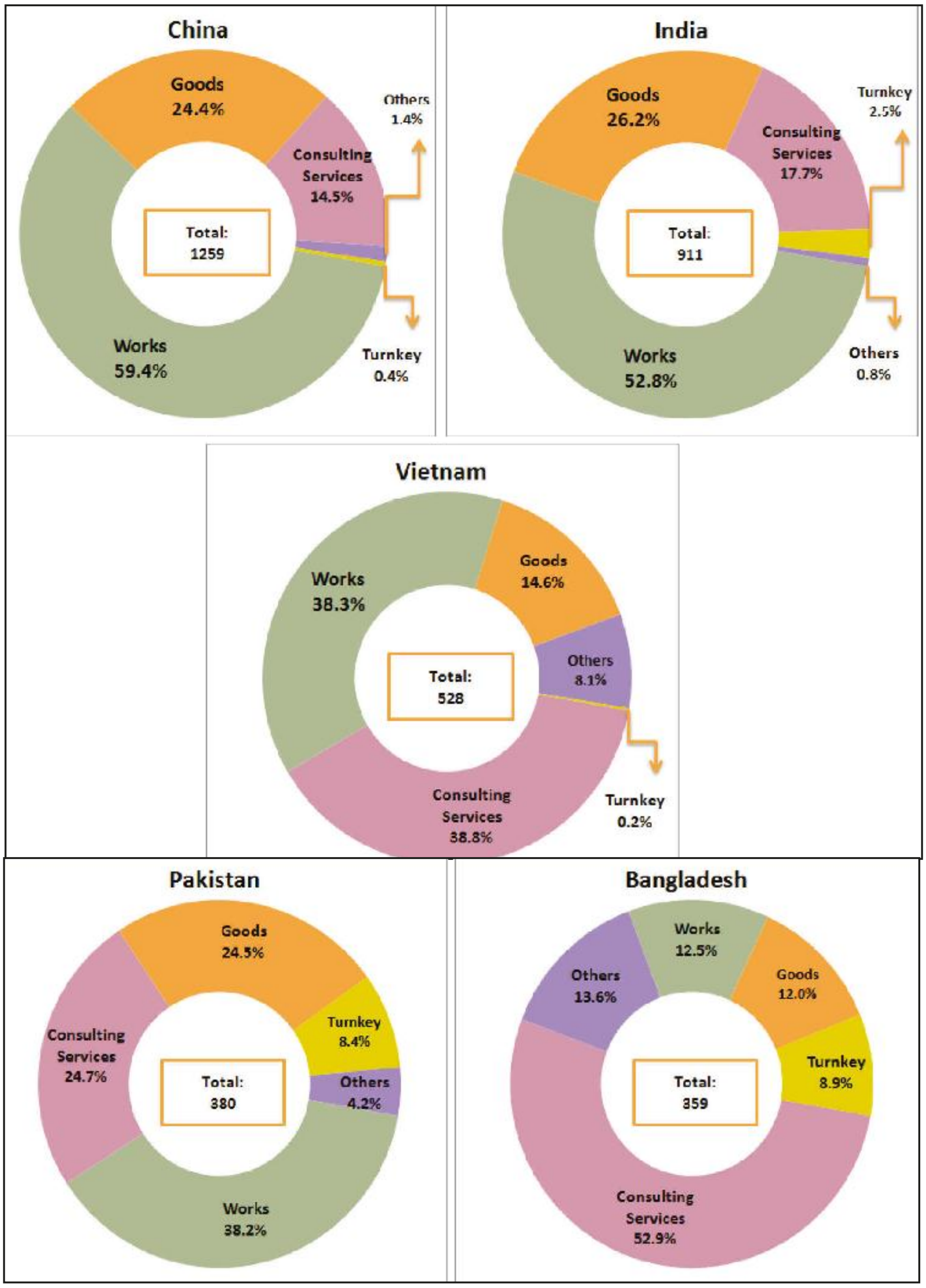
Source: ADB

Exhibit 2.27: Top 5 Borrowers: By Type of Procurement
(Value of Contracts (US$ mn) Cumulative 2009-2013)



Source: ADB

Exhibit 2.28: Top 5 Borrowers By Type of Procurement (Cumulative Number of Contracts, 2009-2013)



Source: ADB

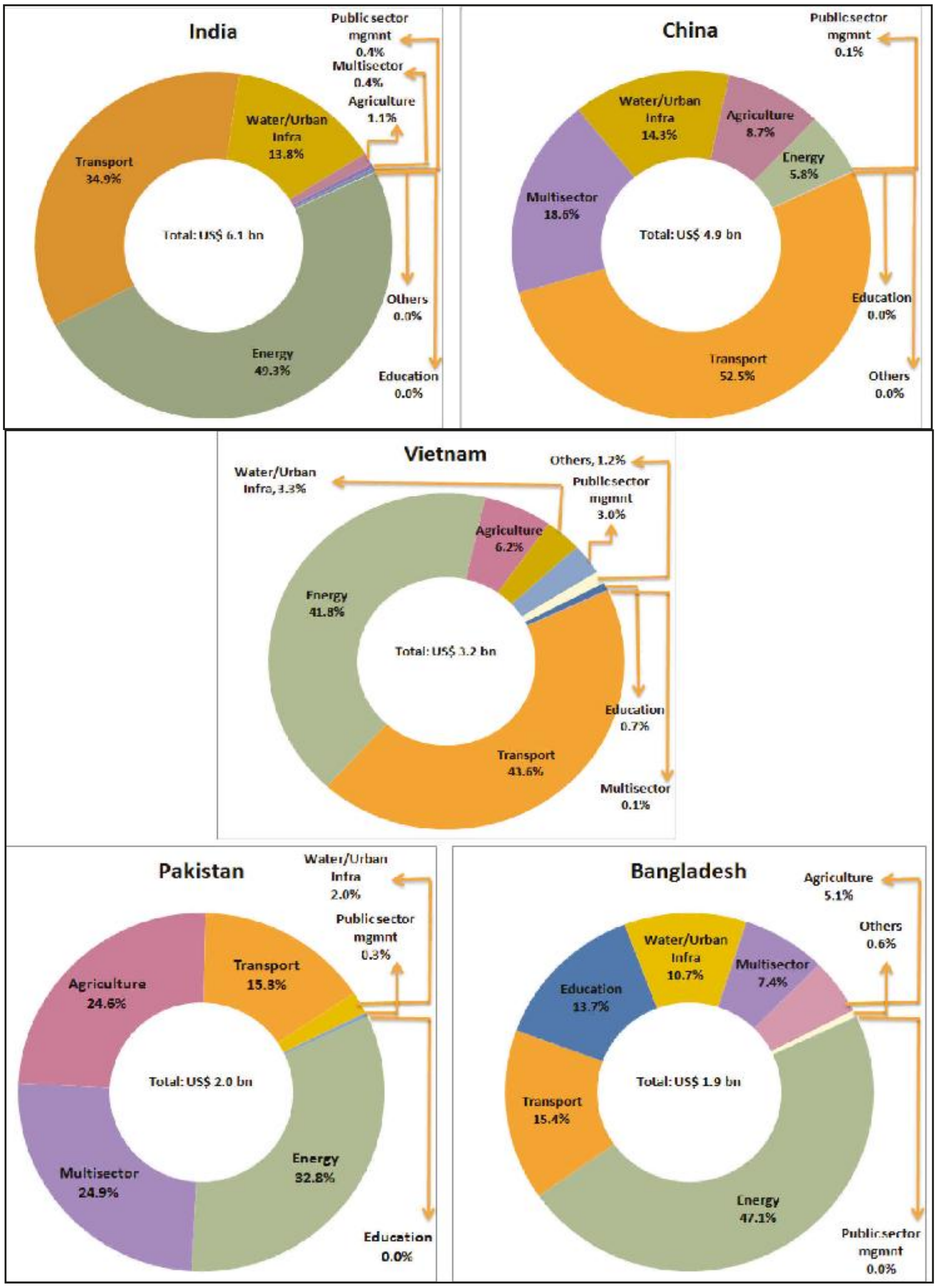
their shares being 59.4%, 52.8% and 38.2%, respectively. The largest number of procurement by Bangladesh was for consulting services (52.9%), followed by other contracts (13.6%) and works contracts (12.5%). In the case of Vietnam as well, the largest procurement made using ADB borrowings were for consulting services, whose share was 38.8%, closely followed by works contracts (38.3%) (Exhibit 2.28).

Sector-wise analysis

In terms of value: For most of the top 5 procuring countries, energy was the largest sector of procurement. The procurement of contracts for the energy sector accounted for 49.3% of the total procurement of US$ 6.1 billion using ADB funds by India cumulatively from 2009 to 2013. Transport sector accounted for another 34.9% of the total procurements, followed by water and other urban infrastructure and services (13.8%) and agriculture (1.1%). Transport was the largest sector of procurement in the case of China, with a share of 52.5%, followed by multisector (18.6%), water and other urban infrastructure and services (14.3%), agriculture (8.7%) and energy (5.8%). Vietnam had largest value of procurements in the transport and energy sectors, with their shares being 43.6% and 41.8%, respectively. The energy sector also accounted for 32.8% of Pakistan's total procurement for contracts of US$ 2.0 billion, with multisector, agriculture, and transport being the other major sectors, having shares of 24.9%, 24.6% and 15.3%, respectively. While energy was also the largest sector for Bangladesh's procurements using ADB funds, the country also had significant borrowings for procurements in the education sector (13.7%), unlike other major procuring countries (Exhibit 2.29).

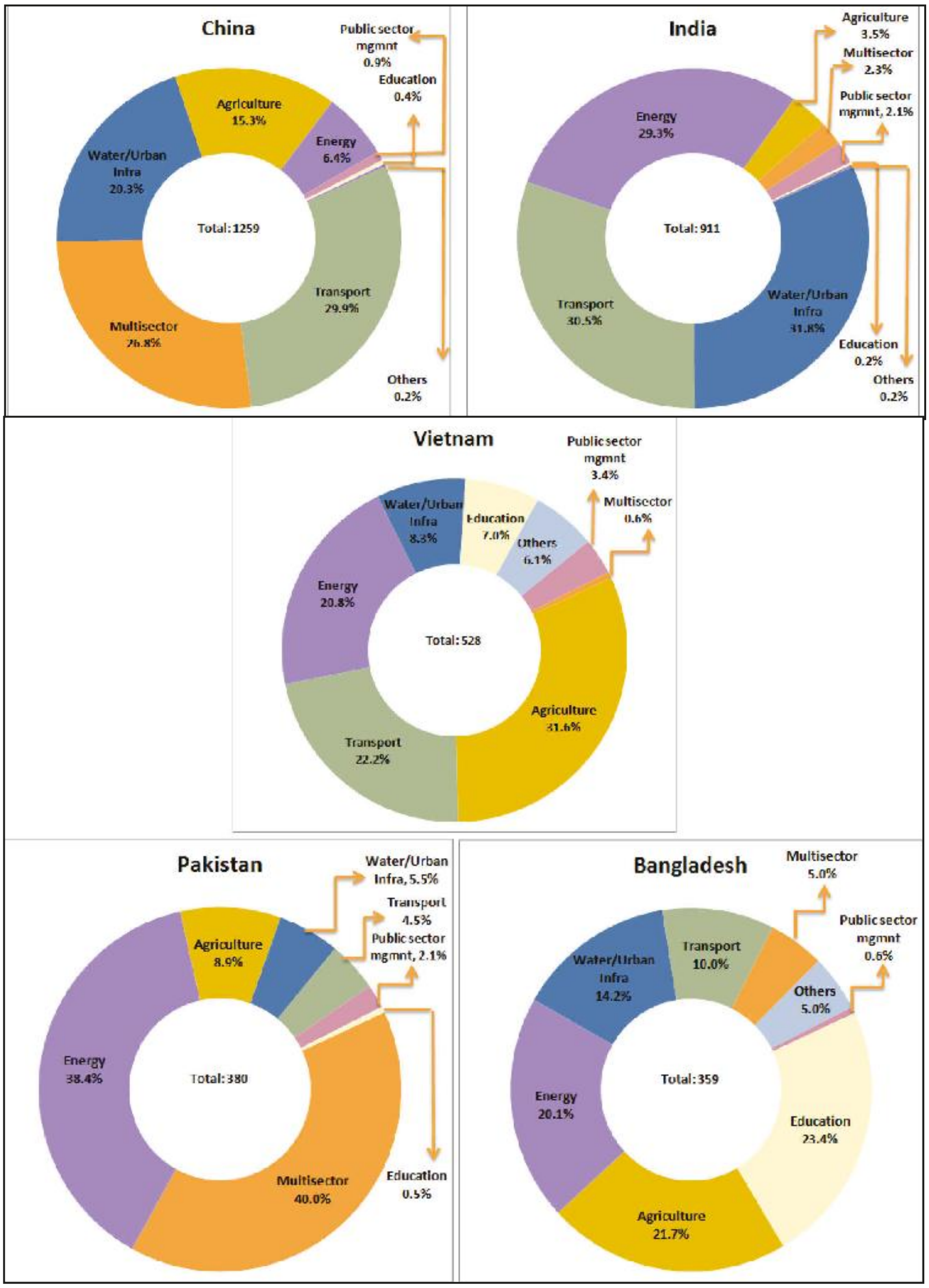
In terms of number of contracts: In volume terms, transport, multisector, water and other urban infrastructure and services, and agriculture were the important sectors for procurements by China using ADB funds, with their shares of 29.9%, 26.8%, 20.3% and 15.3%, respectively. Unlike procurement of contracts in value terms, water and other urban infrastructure and services was the largest sector in terms of number of contracts for India with a share of 31.8% in a total of 911 procurement contracts financed through borrowings from ADB during the 2009-2013 period. Other major sectors of procurement for India were transport (30.5%), energy (29.3%), and agriculture (3.5%). For Vietnam, agriculture was the largest sector of procurement with a share of 31.6%, followed by transport (22.2%), energy (20.8%), water and other

Exhibit 2.29: Top 5 Borrowers for Procurement:
By Sector (Cumulative Value (US$ mn), 2009-2013)



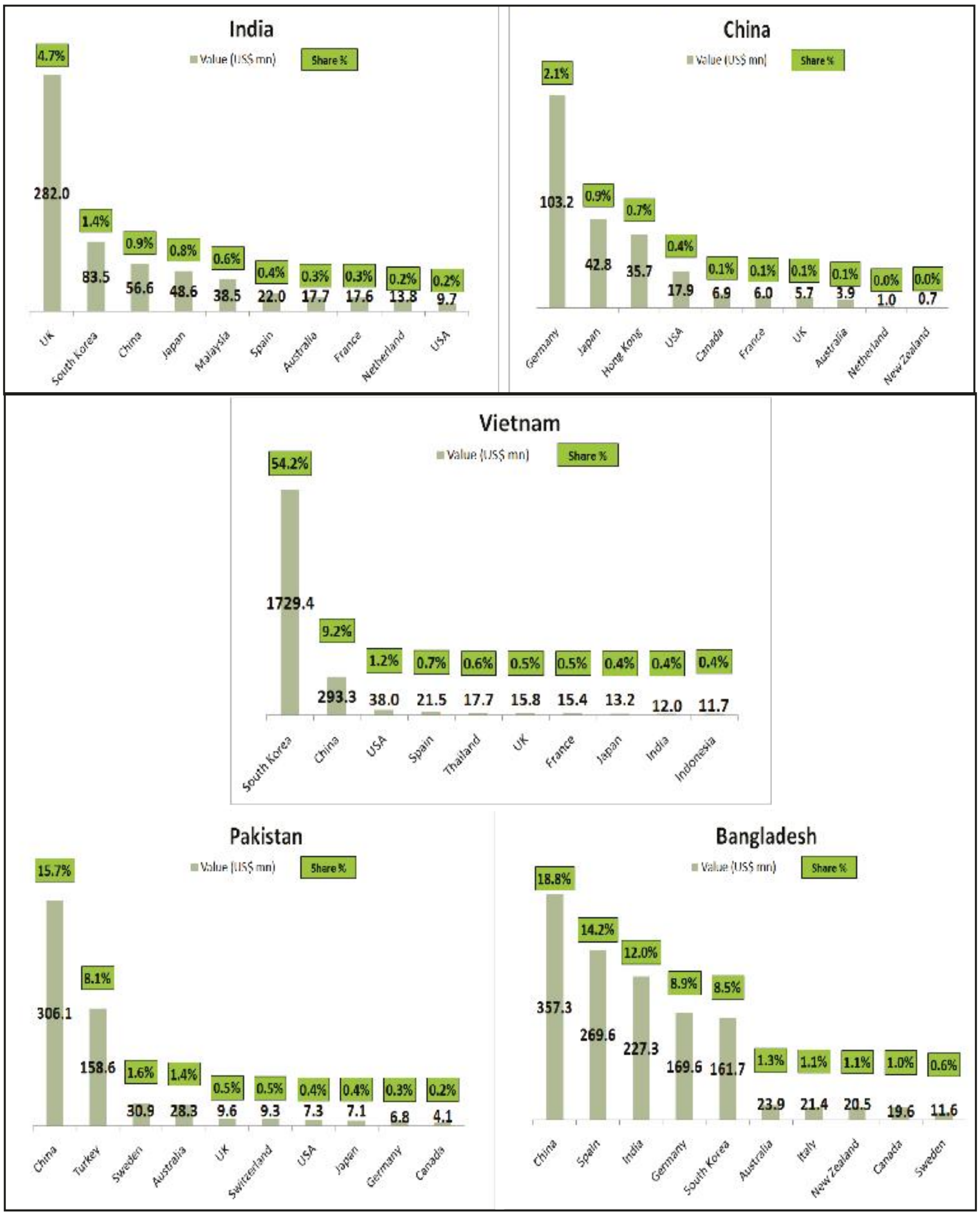
Source: ADB

Exhibit 2.30: Top 5 Borrowers for Procurement: By Sector (Cumulative Number of Contracts, 2009-2013)



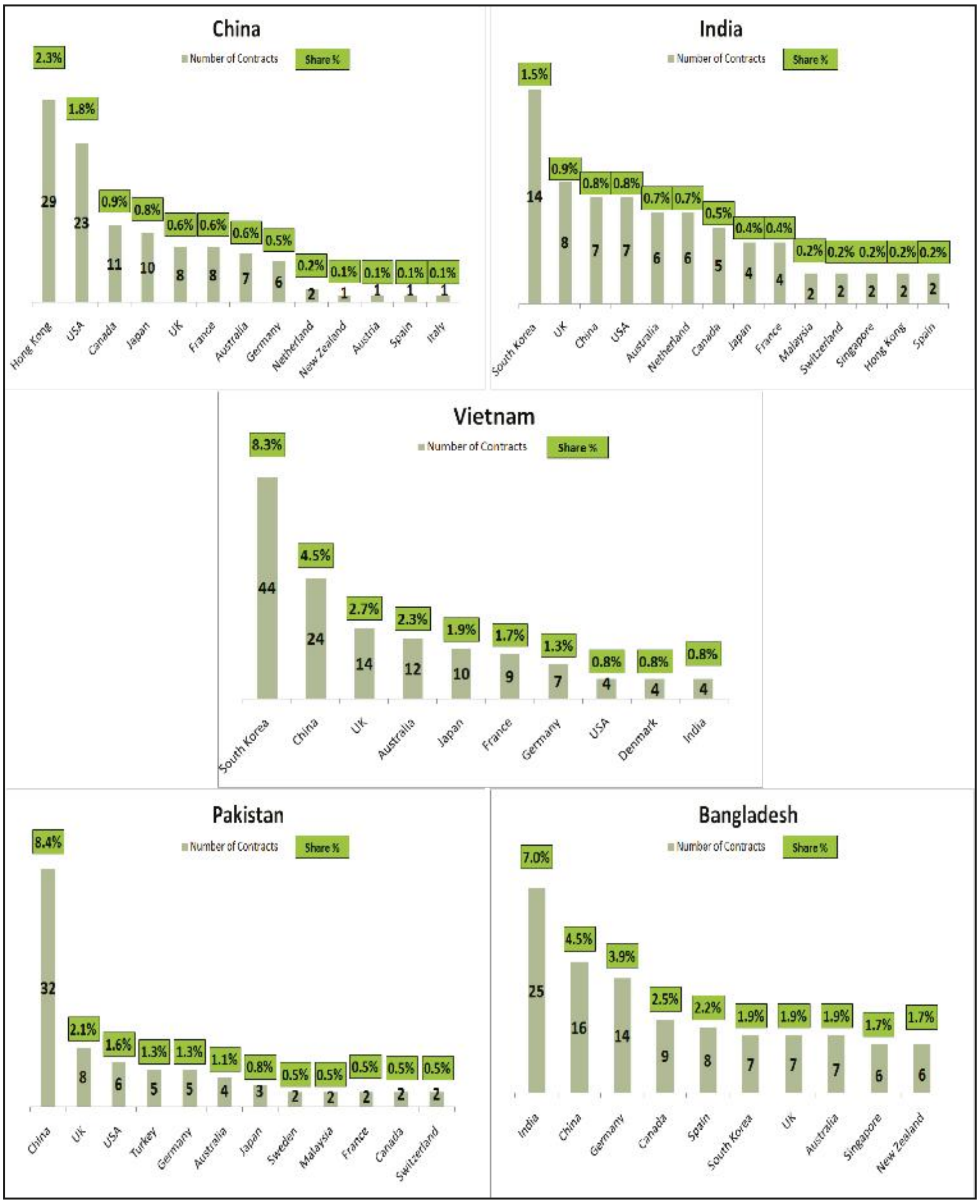
Source: ADB

Exhibit 2.31: Top 5 Borrowers for Procurement: Top 10 Foreign Countries Securing Contracts (Cumulative (Value US$ mn), 2009-2013)



Source: ADB

Exhibit 2.32: Top 5 Borrowers for Procurement: Top 10 Foreign Countries Securing Contracts (Cumulative Number of Contracts, 2009-2013)



Source: ADB

infrastructure and services (8.3%) and education (7.0%). Multisector, energy, agriculture, and water and other urban infrastructure and services were the major sectors in the case of Pakistan, with their shares being 40.0%, 38.4%, 8.9%, and 5.5%, respectively. Unlike other major borrowers, Bangladesh had its largest procurement in the education sector with a share of 23.4%, followed by agriculture (21.7%), energy (20.1%) and water and other urban infrastructure and services (14.2%) (Exhibit 2.30).

Analysis of Contracts not Secured Domestically

<u>In terms of value</u>

India: Of the total value of US$ 6.1 billion of procurement made by India, using ADB funds, during the 2009-2013 period, US$ 5.4 billion worth of procurement contracts (share of 89.8%) were secured by domestic firms. Of the remaining, UK secured the largest value of contracts in India constituting 4.7% of the total, followed by South Korea (1.4%), China (0.9%), Japan (0.8%) and Malaysia (0.6%) (Exhibit 2.31).

China: Of the total US$ 4.9 bn procurement contracts made by China, a large majority of the contracts were bagged by domestic companies. Nearly 2.1% of the contracts were secured by Germany, followed by Japan (0.9%), Hong Kong (0.7%), USA (0.4%) and Canada (0.1%) (Exhibit 2.31).

Hence, while China was the third largest foreign country securing contracts in India, India's success in securing ADB contractsin China has been fairly limited.

Vietnam: Unlike India and China where a large share of contracts were secured by domestic firms, in the case of Vietnam, a significant majority of contracts amounting to US$ 1.72 billion were bagged by South Korea representing a share of 54.2% during the period under consideration. Around 9.2% of the the contracts were bagged by China, followed by USA (1.2%), Spain (0.7%), Thailand (0.6%) and UK (0.5%) (Exhibit 2.31). India secured 0.4% of the ADB contracts in Vietnam.

Pakistan: Of the total US$ 2.0 bn procurement contracts floated by Pakistan, during the 2009-2013 period, 15.7% were secured by China, followed by Turkey (8.1%), Sweden (1.6%), Australia (1.4%) and UK (0.5%) (Exhibit 2.31).

Bangladesh: About 18.8% of the contracts were bagged by China, followed by Spain (14.2%), India (12.0%), Germany (8.9%) and South Korea (8.5%) (Exhibit 2.31).

In terms of number of contracts

For all the top procuring countries, majority of the contracts in terms of numbers were bagged by domestic companies (Exhibit 2.32).

China: Of the total 1259 ADB financed procurement contracts floated by China during 2009-2013, only 108 contracts were secured by firms from foreign countries. Hong Kong (2.3%), USA (1.8%), Canada (0.9%), Japan (0.8%), and UK (0.6%) were the major foreign countries which secured contracts in China during this period (Exhibit 2.32).

India: South Korea secured the maximum number of contracts in India with a share of 1.5%, followed by UK (0.9%), China (0.8%), USA (0.8%) and Australia (0.7%) (Exhibit 2.32).

Vietnam: As was the case in terms of value of contracts, South Korea secured the largest number of contracts in Vietnam with a share of 8.3%, followed by China (4.5%), UK (2.7%), Australia (2.3%) and Japan (1.9%) (Exhibit 2.32).

Pakistan: China was the largest country securing contracts in Pakistan with a share of 8.4% in volume terms, followed by UK (2.1%), USA (1.6%), Turkey (1.3%) and Germany (1.3%) (Exhibit 2.32).

Bangladesh: India secured the largest number of ADB funded contracts in Bangladesh during the 2009-2013 period, with a share of 7.0%, followed by China (4.5%), Germany (3.9%), Canada (2.5%) and Spain (2.2%) (Exhibit 2.32).

4. WORLD BANK: PROCUREMENT ASSESSMENT

Projects supported by the World Bank (IBRD and IFC) through loans are a source of business opportunities, as these projects require substantial goods, equipment, civil works and consulting services. Business opportunities exist at each stage of the project cycle – Identification, Preparation, Appraisal, Negotiation/Approval, Implementation, and Evaluation. However, it is during the implementation stage that the largest number and greatest value of contracts are awarded.

The responsibility for the implementation of a World Bank (WB) project, and the process of award and administration of contracts under the project, rests with the borrower. However, the WB is required to ensure that the loan granted is used for the concerned purpose, with due consideration to economy and efficiency, and without any regard to political or other non-economic influences or considerations. Four considerations usually guide the World Bank's requirements:

a) the need for economy and efficiency in the implementation of the project, including the procurement of goods, works, and non-consulting services involved;

b) the Bank's interest in giving all eligible bidders from developed and developing countries the same information and equal opportunity to compete in providing goods, works, and non-consulting services financed by the Bank;

c) the Bank's interest in encouraging the development of domestic contracting and manufacturing industries in the borrowing country; and

d) the importance of transparency in the procurement process.

To encourage competition, WB allows firms and individuals from all countries to compete for goods, works, consulting services and non-consulting services for WB financed projects[11]. Any conditions for participation are limited to those that are essential to ensure the firm's capability to fulfill the contract under consideration.

In the following sections, an analysis of WB's procurement statistics is undertaken for obsering the recent trends in contracts awarded. Data pertains to listing of contracts awarded released by World Bank as on 24-6-2014.

TREND IN BUSINESS VOLUME

The total value of contract awards in 2013 by the borrowers for projects financed by the World Bank was US$ 13238.3 million for 11,825 contracts. Both the number of contracts and the total contract amount registered a consistent growth from 2009 onwards, before dipping in 2013 (Exhibit 3.1). The contract amount and number of contracts in 2013 fell even below the level achieved in 2010.

Further breakdown by the type of procurement, i.e. goods, civil works and services[12] is shown in Exhibit: 3.2. In terms of number of contracts, services contracts held the highest share over the years (2009-2013). The share of services contracts steadily increased from 47% in 2009 to 64% in 2013. On the other hand, the share of goods contracts declined from 26%

Exhibit 3.1: Contract Awards(2009-2013)

Source: WB

[11]Consulting services, as opposed to non-consulting services are of an intellectual and advisory nature. Non-consulting services are those for which the physical aspects of the activity predominate, are bid and contracted on the basis of performance of a measurable physical output, and for which performance standards can be clearly identified and consistently applied.

[12]Includes consulting and non-consulting services

Exhibit 3.2: Type of Procurement
Number of Contracts

Value of Contracts (US$ mn)

Services include consulting services and non-consulting services.
Source: WB

to 22% during the same period. The share of civil works fell precipitously – from 27% in 2009 to only 14% in 2013.

In terms of value of contracts, contracts awarded for civil works held the highest share over the years (2009-2013), followed by goods contracts and services contracts. While the share of civil works in volume terms reached a low level of 14% in 2013, in value terms, the share of this sector was 65%, indicative of the large contract size in this segment. The share of services contracts in total value of contract has also expanded in the last two years, while the share of goods contracts declined significantly to 20% in 2013 from a relatively higher level of 29% registered in 2011 and 2012 (Exhibit 3.2).

World Bank considers open competition as the basis for efficient public procurement. In most cases, WB requires its borrowers to obtain goods, works and non-consulting services through International Competitive Bidding open to eligible suppliers, service providers and contractors. For consulting services, quality and cost based selection (QCS) is the most commonly recommended method. However, there are several other methods of selection in circumstances where ICB and QCS are not the most appropriate method of procurement. Other methods of procurements which can be used are Individual (IND), National Competitive Bidding (NCB), Single Source Selection (SSC), Selection based on the Consultants' Qualifications (CQS), Direct Contracting, Shopping, Least Cost Selection (LCS), Quality Based Selection (QBS), Selection under a Fixed Budget (SFB), Limited International Bidding (LIB) and Service Delivery Contracts (SDC). The World Bank Procurement Guidelines has recently been revised which provides for much more flexibility in the selection process (Box 3).

The borrower, with the agreement of WB, can grant a margin of preference in the evaluation of bids under ICB procedures to bids offering goods manufactured domestically in the country of the borrower, when compared to bids offering such goods manufactured elsewhere. The nationality of the manufacturer or supplier is not a condition for such eligibility. For contracts for works to be awarded on the basis of ICB, eligible borrowers can, with the agreement of the Bank, grant a margin of preference of 7.5% to domestic contractors, in accordance with, and subject to certain provisions as mentioned in the procurement guidelines of WB.

An analysis of the mode of procurement shows that, in terms of number of

Box 2: New World Bank Procurement Policy

The World Bank has approved a new Procurement Framework for its procurement policies, regulations, and procedures. These have been described by the World Bank as “a comprehensive modernization of the Bank’s entire procurement regime.

Several changes have been made in the procurement guidelines which include

1. Providing more flexibility during the source selection process: The borrowers can exercise greater flexibility in awarding contracts. A “Value for Money” approach has been adopted in the new framework which allows the selection process to include both price and non price factors into consideration. Currently, the procurement guidelines require that non-price considerations be expressed in monetary terms. As against this, the new guidelines allows for the use of “rated-type criteria” wherein ranking systems can be developed for awarding points on meeting or exceeding stated criteria.

   The current regulations do not allow for revision in bid’s substance or prices. However, under the new guidelines, there is scope for borrowers to request proposals, engage in discussions and then ask for a best and final offer (BAFO).

2. Streamlining the Bank’s review of low-risk/low-value contracts while increasing the Bank’s involvement in technically complex and risky contracts – Procurements of lower value or lower risk will not require Bank’s prior review. However, this doesn’t apply to contracts in fragile and conflict-areas; those that use BAFOs, negotiations, etc.

   The new framework also requires the borrower countries to develop a project procurement strategy for development document which examines the needs of the project and the risks associated with it. A summary of this analysis needs to be included in the appraisal document. Thereafter, the Bank will review the document.

   For the borrower’s to benefit from the framework, the Bank will “provide hands-on expanded implementation to projects where the borrower/

beneficiary or, as appropriate, the member country is deemed by the Bank to: (i) be in urgent need of assistance because of a natural or man-made disaster or conflict; or (ii) experience capacity constraints because of fragility or specific vulnerabilities." This support provided under the new Framework is a considerable expansion of the hands-on support already provided by the Bank to its borrowers.

3. Streamlining the process for borrowers to use Alternative Procurement Arrangements (APAs): The Bank has defined circumstances under which it will allow the following APAs to be used in any procurement financed by the Bank:

   a. Procurement arrangements of other development banks/agencies/organizations with which the Bank has concluded agreements (bilateral/cofinancing agreements and/or Memoranda of Understanding that set out partners' agreed roles and responsibilities) [including the United Nations];

   b. Procurement arrangements of full members of the Agreement on Government Procurement for covered expenditures/agencies, subject to review of borrower implementing agency capacity acceptable to the Bank; and

   c. Procurement arrangements of any borrower implementing agency that is found acceptable to the Bank according to the Bank's assessment framework.

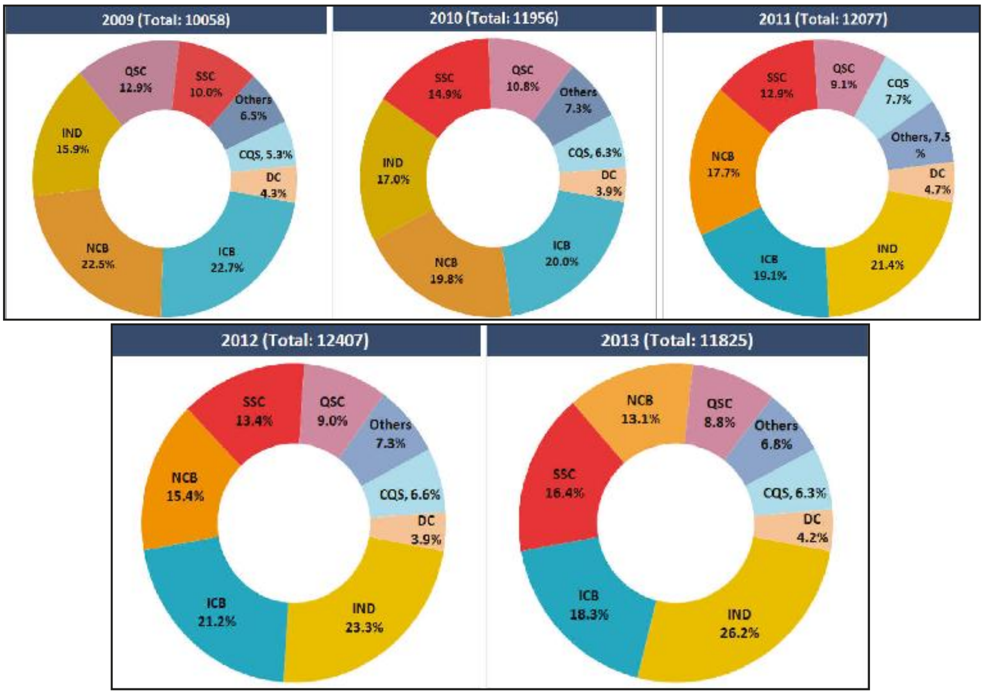
4. Revising aspects of the complaints process: A procurement complaints team will be formed, comprising Bank staff members which will examine, offer advice and track complaints. Complaint processing timelines have also been defined.

A standstill period of ten days is provided after the notification of intent to conclude a framework agreement, during which disappointed bidders could be provided relief. Borrowers have also been asked to "provide timely and sufficient information to bidders to enable meaningful complaints".

With the revised framework, procurements are increasingly expected to play the dual role of being a development instrument and a strategic policy tool for supporting a broad range of economic and social development objectives.

contracts, Individual was the main mode for attracting contracts followed by International Competitive Bidding and Single Source Selection in 2013. ICB was the most preferred procurement method in 2009 and 2010, but thereafter Individual has been the most preferred method (Exhibit 3.3). Greater share of contracts awarded to Individual in later years can be attributed to an increasingly larger number of contracts awarded in the services sector. In terms of value of contracts, International Competitive Bidding was the main mode followed by National Competitive Bidding and Quality and Cost-Based Selection. This is starkly different from the shares of the various modes of procurement in terms of absolute numbers, primarily due to predominance of contracts awarded for goods and civil works in terms of value. The share of ICB as a procurement method increased consistently from 2009 onwards, reaching a high of 76.0% in 2012 before falling by five percentage points to 71.1% in 2013 (Exhibit 3.4).

Exhibit 3.3: Mode of Procurement (Number of Contracts)

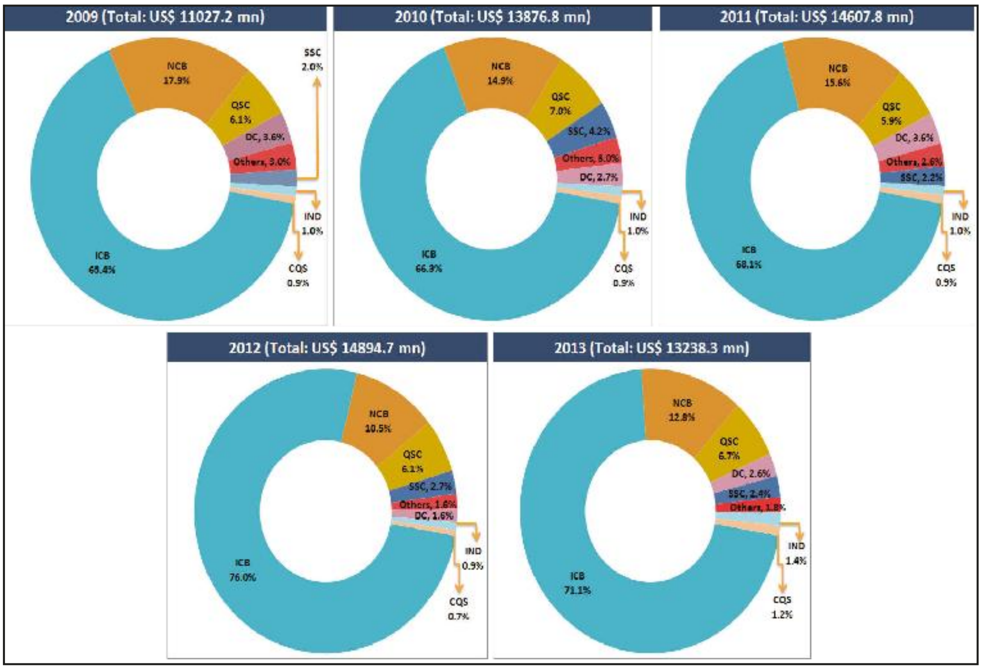


Note: Others include: SHOP, Least Cost Selection, Quality Based Selection, Selection Under a Fixed Budget, Limited International Bidding, and Service Delivery Contracts

Abbreviations stand for IND (Individual), International Competitive Bidding (ICB), National Competitive Bidding (NCB), Single Source Selection (SSC), Quality and Cost-Based Selection (QSC), Selection based on the Consultants' Qualifications (CQS), and Direct Contracting (DC)

Source: WB

Exhibit 3.4: Mode of Procurement [Value (US$ mn)]



Note: Others include: SHOP, Least Cost Selection, Quality Based Selection, Selection Under a Fixed Budget, Limited International Bidding, and Service Delivery Contracts

Abbreviations stand for IND (Individual), International Competitive Bidding (ICB), National Competitive Bidding (NCB), Single Source Selection (SSC), Quality and Cost-Based Selection (QSC), Selection based on the Consultants' Qualifications (CQS), and Direct Contracting (DC)

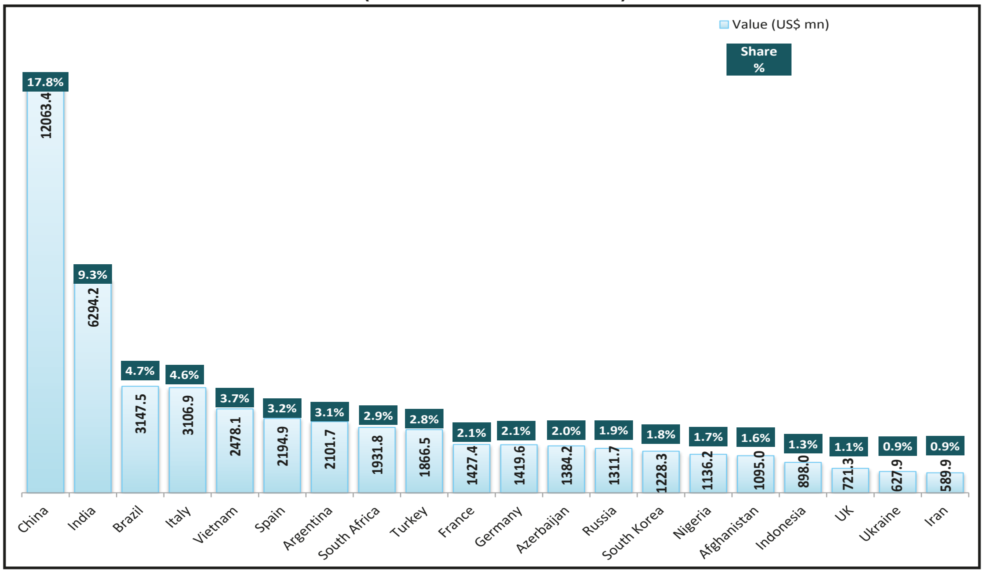
Source: WB

WB CONTRACTS SECURED: AN ANALYSIS

In terms of Value: During the period 2009 to 2013 cumulatively, China secured the largest share of contracts (in value terms 17.8% of the total contracts) followed by India (9.3%), Brazil (4.7%), Italy (4.6%) and Vietnam (3.7%) (Exhibit 3.5).

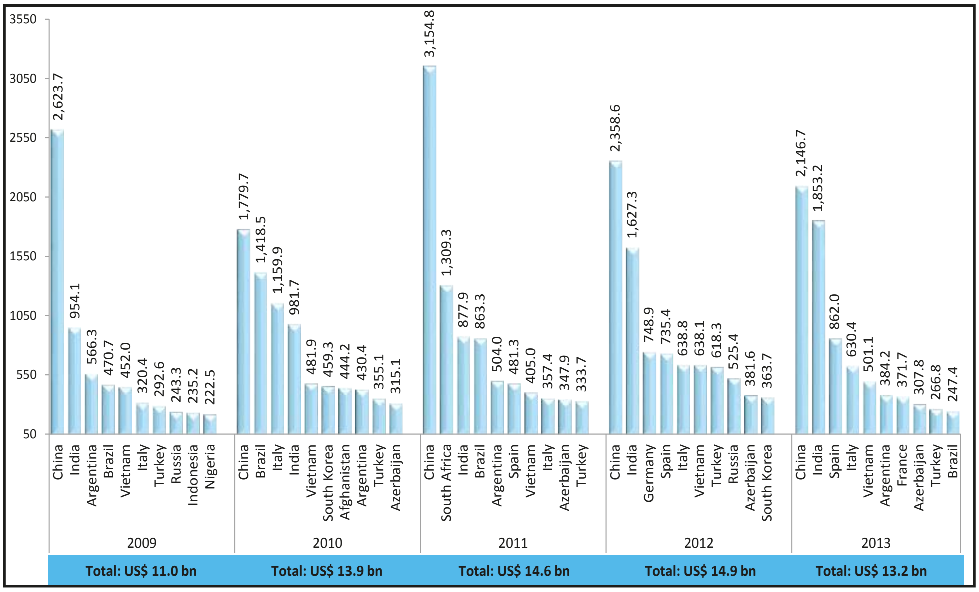
A trend analysis of top ten countries in terms of value, over the past 5 years (Exhibit: 3.6) reveals that the contracts secured by China have been showing a decline after 2011. China remained the topmost supplier country even after the decline in its contracts secured during 2012 and 2013 but the gap between the value of contracts secured by India and China has been

Exhibit 3.5: WB Contracts Secured: Top 20 Countries by Value (Cumulative 2009-2013)



Source: WB

Exhibit 3.6: WB Contracts Secured: Top 10 Countries Yearwise by Value (Cumulative Value (US$ mn), 2009-2013)

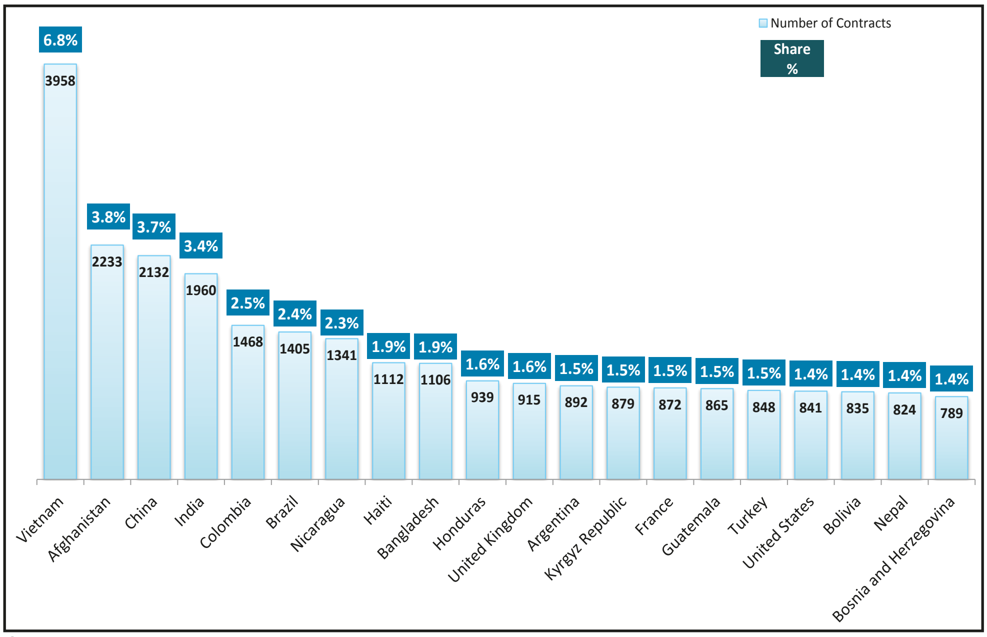


Source: WB

narrowing. Value of contracts secured by India has been rising from 2011 onwards. Several countries appeared intermittently among the top ten supplier countries during these years, with South Africa featuring only once, as the second largest supplier in 2011, on the back of domestic WB projects in the energy and mining sector.

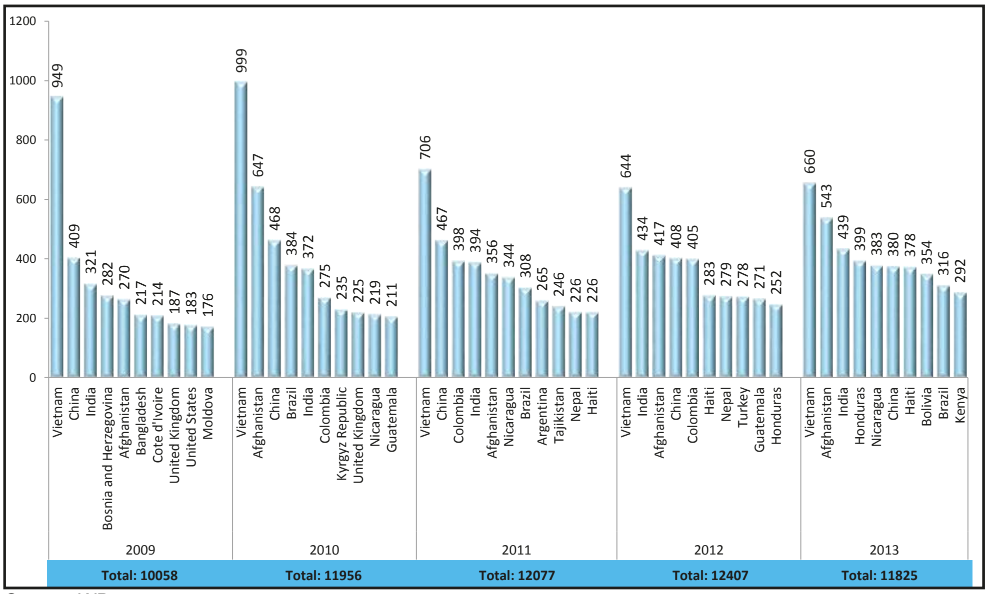
In terms of Number of contracts: During the period 2009-2013 cumulatively, Vietnam secured the largest number of contracts (3958 contracts accounting for a share of 6.8%). Vietnam was followed by Afghanistan (2233), China (2132), India (1960) and Colombia (1468) (Exhibit 3.7). The rank in value terms is different from that in terms of number of contracts as Vietnam and Afghanistan had secured relatively smaller size of contracts. Year-wise analysis of top ten countries (Exhibit: 3.8) reveals that Vietnam had the largest share in WB funded projects in all the years under consideration. Number of contracts secured by China has continuously decreased from 2011 onwards, while that of India has increased steadily from 2010 onwards. Consequently, China's position has slid from second in 2009 to sixth in 2013.

Exhibit 3.7: WB Contracts Secured: Top 20 Countries by Number of Contracts (Cumulative 2009-2013)



Source: WB

Exhibit 3.8: WB Contracts Secured: Top 10 Countries Yearwise by Number of Contracts (2009-2013)

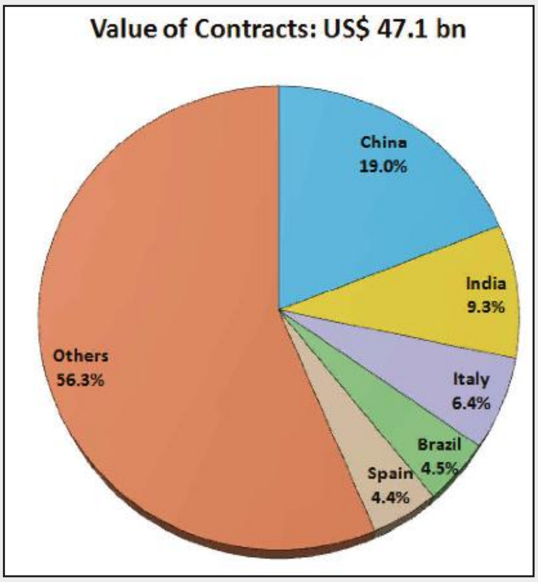


Source: WB

Box 3: International Competitive Bidding in World Bank (WB) funded Projects

The Implementing Agencies of borrowing countries can use a variety of procurement methods in World Bank-financed projects. The method selected depends on a number of factors including the types of goods or services being procured, the value of the good or service being procured, the potential interest of foreign bidders and even the cost of the procurement process itself. For the procurement of equipment and civil works, International Competitive Bidding (ICB) is the procurement method encouraged by the World Bank to its borrowers, which is used to use in the majority of cases. During 2009-2013, nearly 19.0% of the WB contracts through the ICB mode were secured by China. India secured another 9.3% of the WB contracts procured through the ICB mode (Exhibit 3.9).

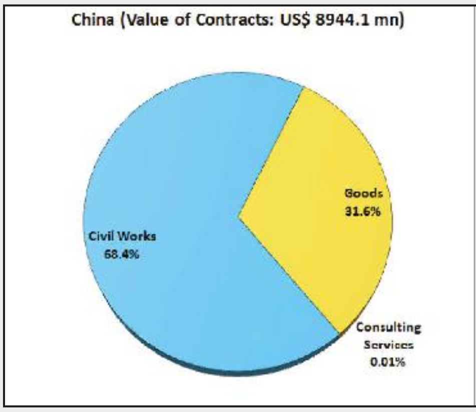
Exhibit 3.9: Share of Supplier Countries in ICB Contracts in WB Funded Projects (2009-2013)

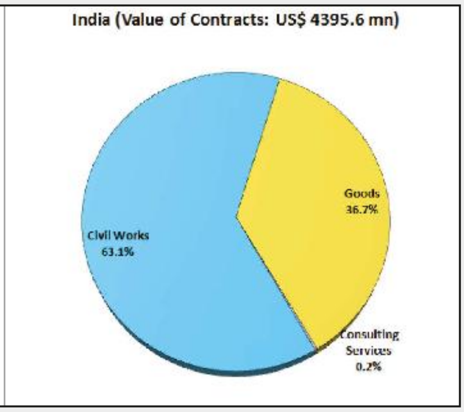


Source: WB

Civil works contracts accounted for the largest share in the ICB contracts secured by China (share of 68.4%) and India (63.1%) within the WB funded projects. Goods contracts had a share of 36.7% of ICB contracts secured by India, and 31.6% of ICB contracts secured by China (Exhibit 3.10).

Exhibit 3.10 Type of ICB Contracts Secured by China and India in WB Funded Projects (2009-2013)

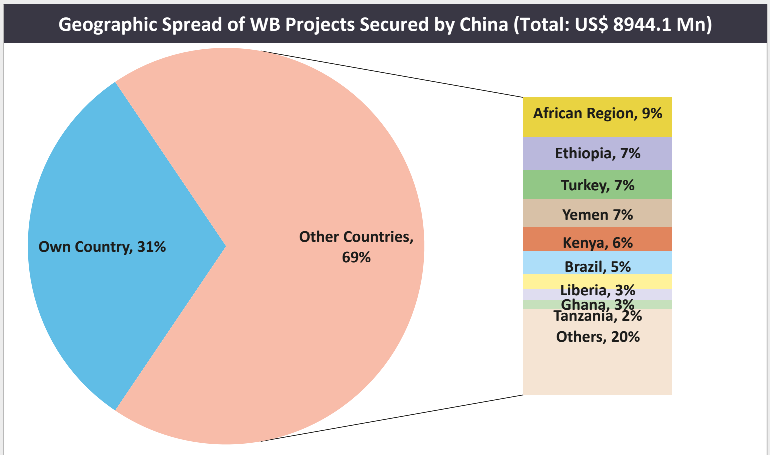


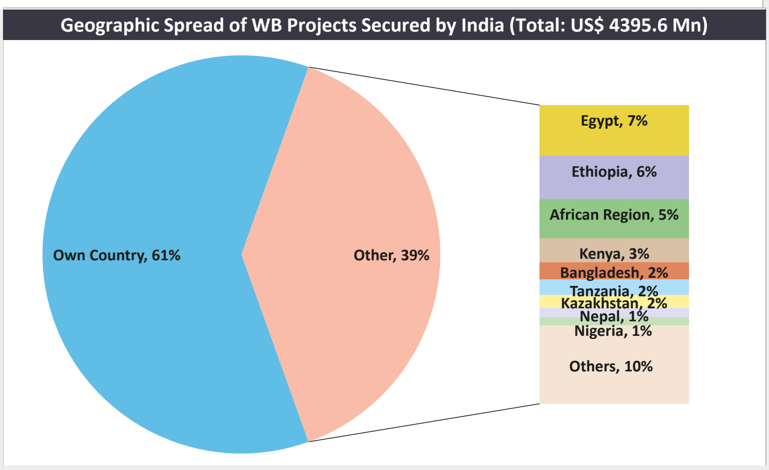


Source: WB

In WB funded projects, domestic projects accounted for around 31% of the ICB contracts secured by China, and 61% of the ICB contracts secured by India. Apart from domestic projects, China secured the highest value of ICB contracts in Africa, accounting for nearly 9% of the country's total ICB contracts. On the other hand, other than domestic projects, India secured the highest value of ICB contracts in Egypt (share of 7%). This alludes to the fact that while China and India may appear to be head to head in terms of absolute values and numbers of WB funded contracts secured a disection of data reveals that China has been far more successful in securing contracts overseas through open competition (ICB) as compared to India. (Exhibit 3.11).

Exhibit 3.11: Geograpbic Spread of WB Projects secured by China and India through ICB





Source: WB

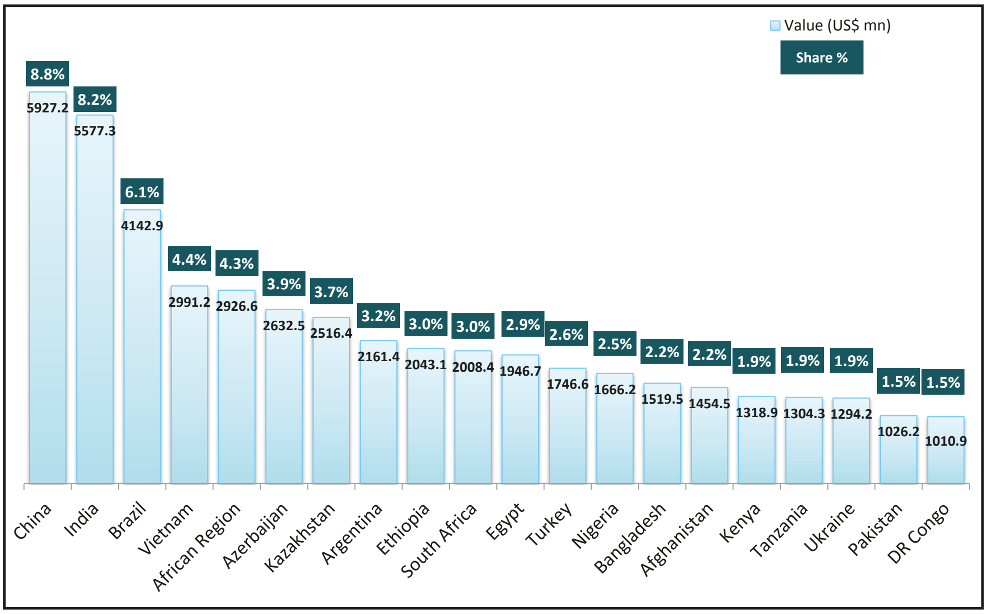
BORROWERS: AN ANALYSIS

In terms of Value: During the period 2009 to 2013 cumulatively, China was the largest borrower of WB funds (a share of 8.8%) for procurement of goods, works and services contracts followed by India (8.2%), Brazil (6.1%), Vietnam (4.4%) and African region (4.3%) (Exhibit: 3.12). Year-wise analysis reveals that India awarded the maximum value of contracts for domestic WB projects in 2012 and 2013. China, Brazil and South Africa had the largest value of procurements in 2009, 2010 and 2011, respectively (Exhibit 3.13).

In terms of Number of contracts: During the period 2009-2013 cumulatively, Vietnam was the largest borrower with 4338 contracts, followed by Afghanistan (2450), African region (1819), China (1708) and India (1588) (Exhibit 3.14). Year-wise analysis of top ten borrower countries (Exhibit: 3.15) reveals that Vietnam had the largest procurements in terms of number of contracts in all the years under consideration. India, which was the largest borrower in value terms, had a relatively lower position in volume terms, with its position in 2012 and 2013 being 5th and 10th respectively. Afghanistan was also a major borrower in volume terms with its position being second in all the years during 2010-2013.

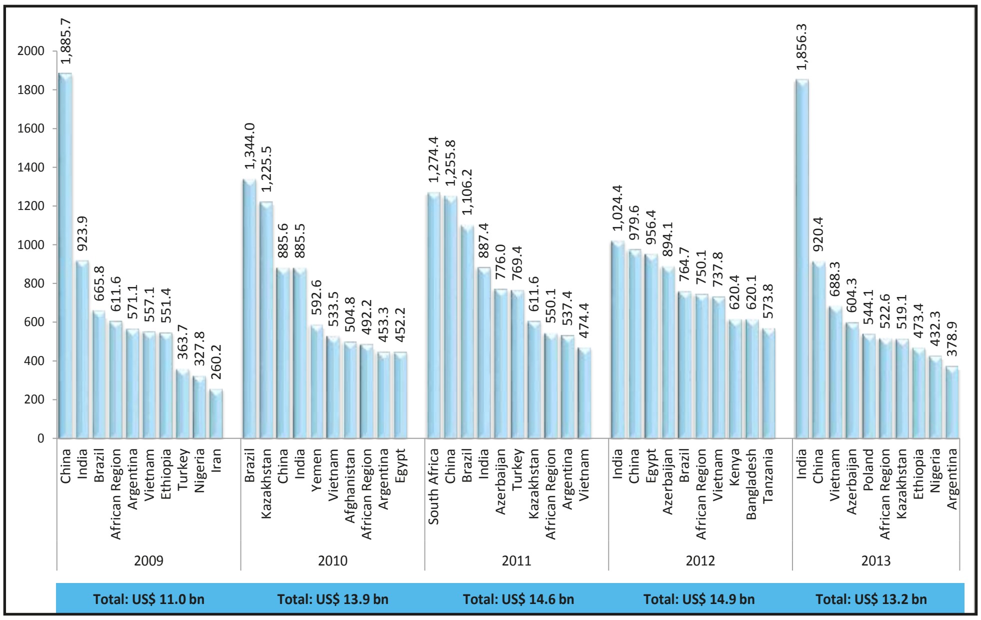
The World Bank has been a supporter of regional integration and its support in this area has significantly increased in recent years following the launch of the Africa Regional Integration unit in 2004. Hence, the African region had the fifth largest value of procurements of goods, services and works contracts during 2009-2013, The African region was also the third largest procuring country/region in terms of number of contracts floated during the period under consideration. According to World Bank, regional financing helps address “missing links” in Africa’s energy, transport and ICT infrastructure networks. Investments in trade facilitation projects and regional capital markets have considerably reduced the cost of doing business, thereby boosting trade and investment within the region. Regional financing is also proving beneficial in delivering regional public goods across the fields of health, agriculture and the environment.

Exhibit 3.12: Top 20 Borrowers by Value (Cumulative 2009-2013)



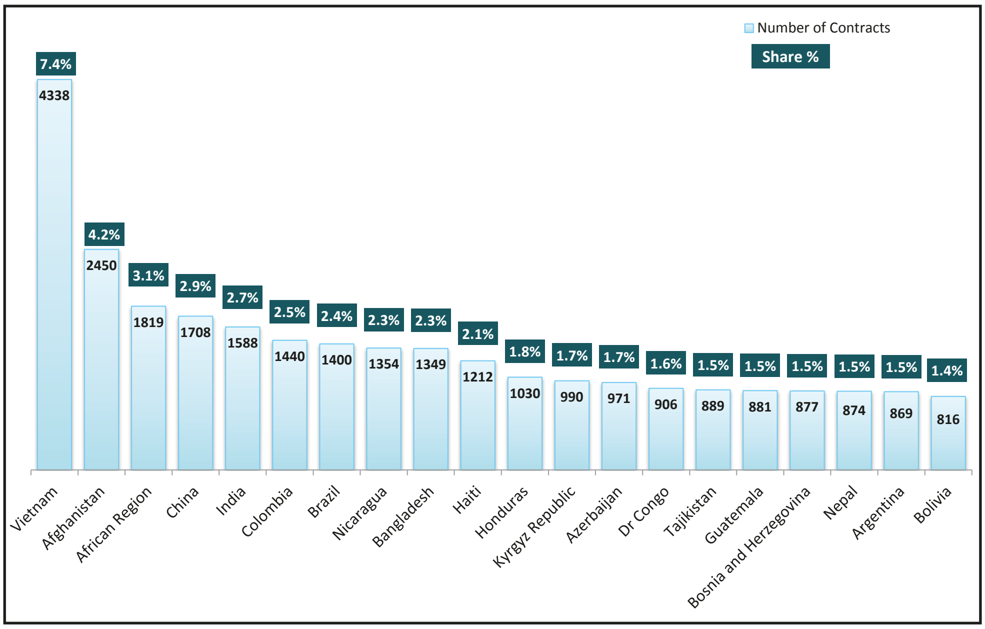
Source: WB

Exhibit 3.13: Top 20 Borrowers: by Value Yearwise (2009-2013; Values in US$ mn)



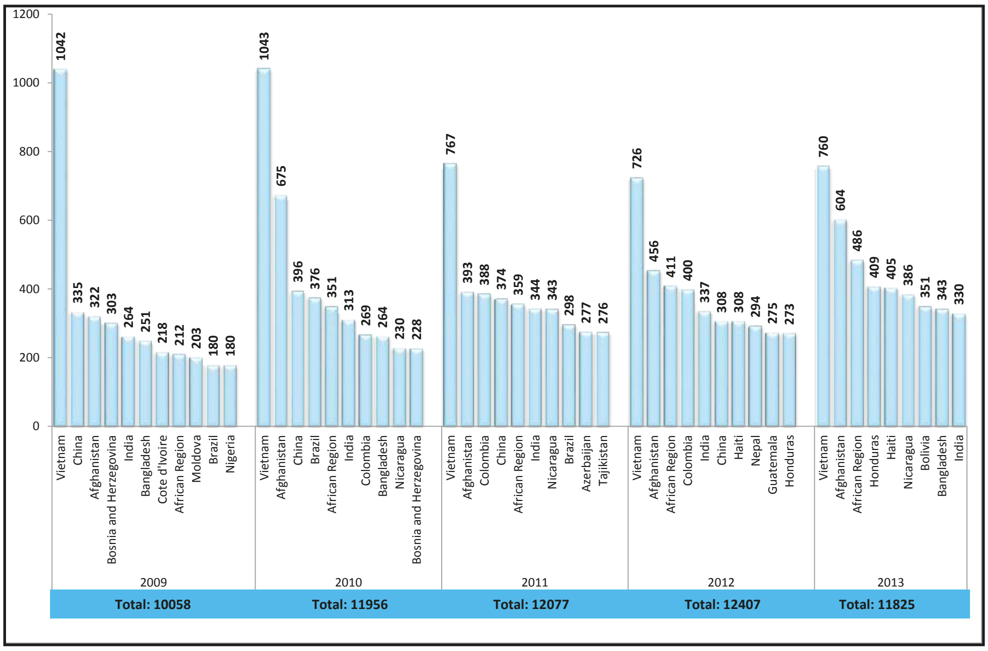
Source: WB

Exhibit 3.14: Top 20 Borrowers by Number of Contracts (Cumulative 2009-2013)



Source: WB

Exhibit 3.15: Top 10 Borrowers: by Number of Contracts Yearwise (2009-2013)



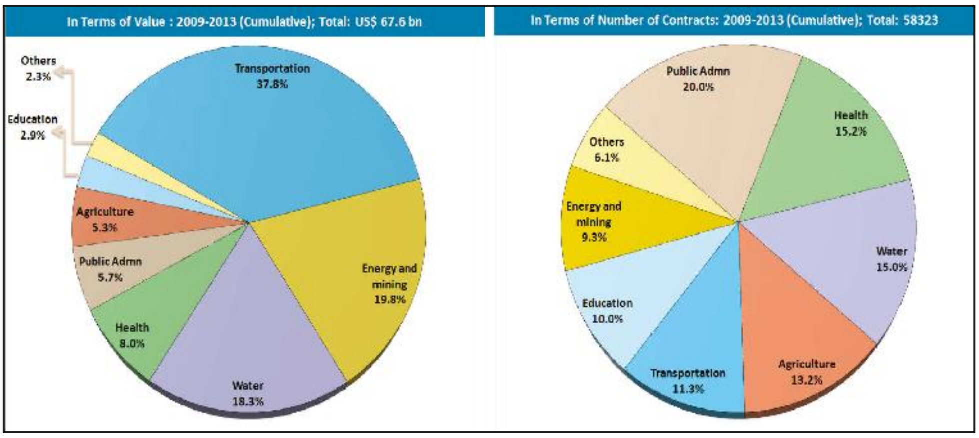
Source: WB

SECTOR-WISE ANALYSIS

In terms of value: On account of the large size of contracts, transportation, and energy and mining were the top two sectors where WB contracts were awarded cumulatively during the 2009-2013 period, with shares of 37.8% and 19.8%, respectively. Social sectors like education and health and other social services have smaller shares in value terms, of 2.9% and 8.0%, respectively (Exhibit 3.16). This is because these contracts are usually of smaller sizes. Year-wise analysis (Exhibit 3.17) shows that the share of transportation segment increased consistently during the last two years, while that of energy and mining segment declined. The share of water, sanitation and flood protection declined from 2011 onwards, before increasing in 2013 to 21.7%. The share of education segment has hovered around 2.5% - 3.5% during this period.

In terms of number of contracts: In terms of number of contract, during the 2009-2013 period, sectors of health and education had greater shares of 15.2% and 10.0%, respectively. Public administration, law, and justice was the largest category in terms of number of contracts awarded, during 2009-2013 with a share of 20.0%, followed by health and other social services (15.2%), water, sanitation and flood protection (15.0%) and

Exhibit 3.16: Contracts Awarded: Sector-wise

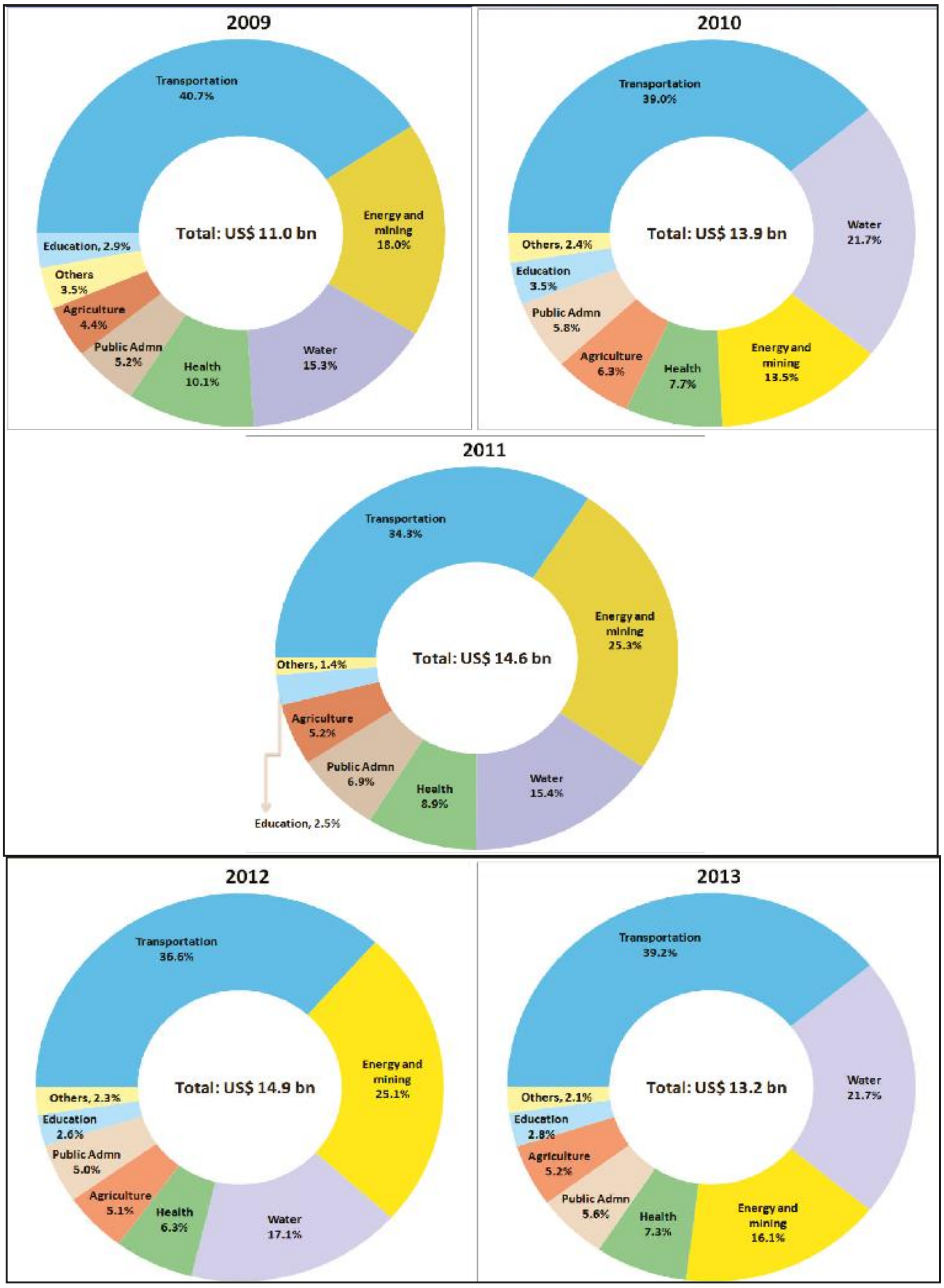


Water refers to water, sanitation and flood protection; Health refers to health and other social services; Public Admn refers to Public Administration, Law, and Justice; Agriculture refers to Agriculture, fishing, and fishery.

Others include: Finance, Industry and Trade, Information and Communications, and not assigned

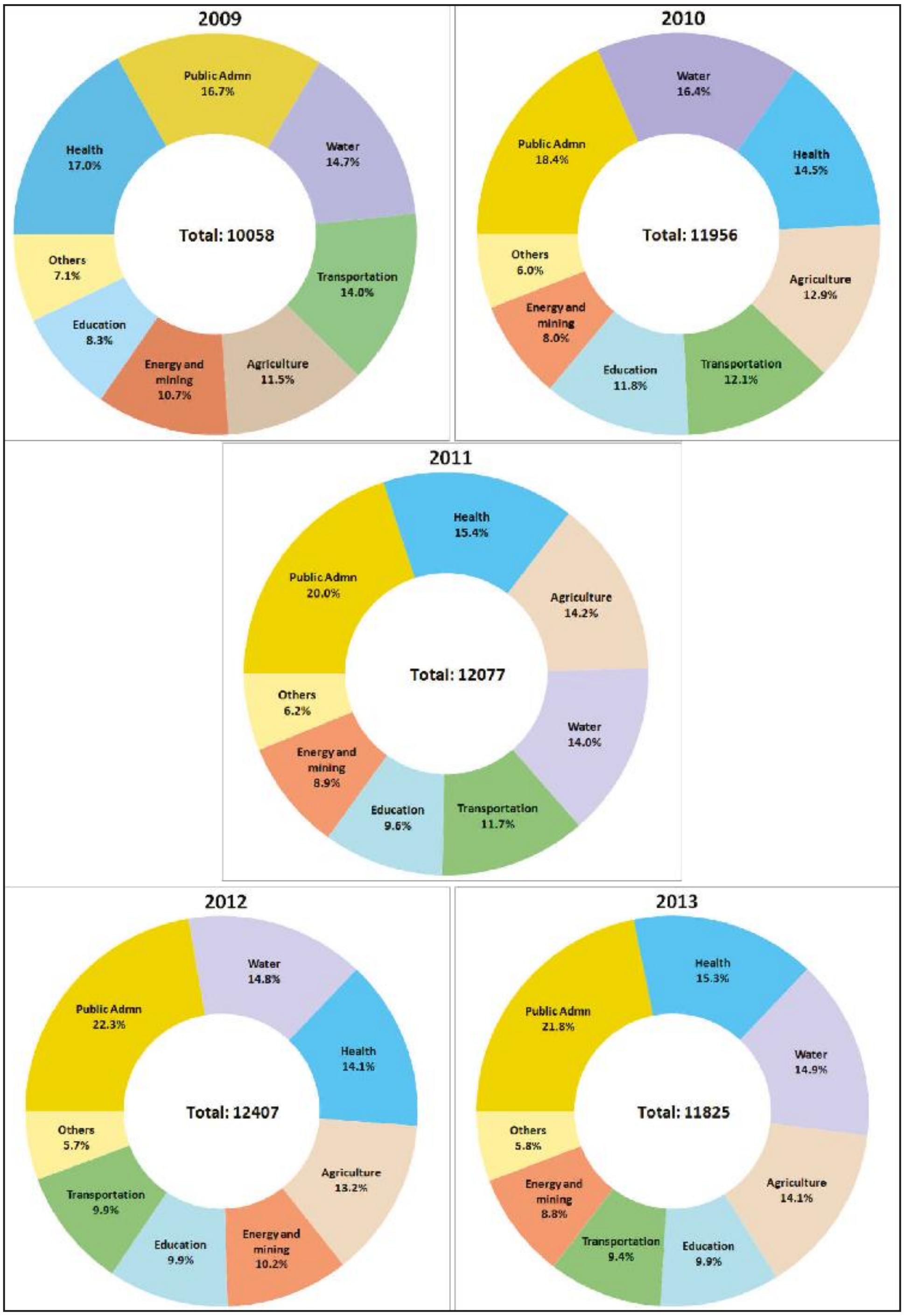
Source: WB

Exhibit 3.17: Contracts Awarded: Sectorwise In Terms of Value (US$ mn)



Source: WB

Exhibit 3.18: Contracts Awarded: Sectorwise In Terms of Number of Contracts



Source: WB

agriculture (13.2%) (Exhibit 3.16). Public administration, law and justice remained the top sector in volume terms in all the years under consideration, except 2009 when the health segment accounted for the maximum number of projects with a share of 17% (Exhibit 3.18).

ANALYSIS: SECTORWISE TOP 5 COUNTRIES THAT SECURED CONTRACTS

In terms of value: Cumulatively, China secured the largest value of contracts in the transport sector, with a share of 23.7% in the total transportation sector contracts awarded during the 2009-2013 period. China was, followed by Italy (9.6%), Brazil (9.4%), India (6.9%) and Argentina (4.9%). China also secured the largest value of contracts in the water, sanitation and flood protection segment, with a share of 24.8%. India secured the largest value of contracts in the energy and mining sector constituting a share of 17.5%, closely followed by China with a share of 16.0%. In the social sectors of education, and health as well, India secured the largest shares of 10.2% and 9.3%, respectively. Afghanistan was also among the major recipient of the contracts awarded in these social sectors. Afghanistan also had the largest share of 15.5% in agriculture, fishing, and forestry segment, closely followed by India with a share of 13.0%. Russia had the largest share in public administration, law and justice sector with a share of 15.6%, followed by Liberia (4.9%), Nigeria (4.6%), China (4.1%) and UK (3.2%) (Exhibit 3.19).

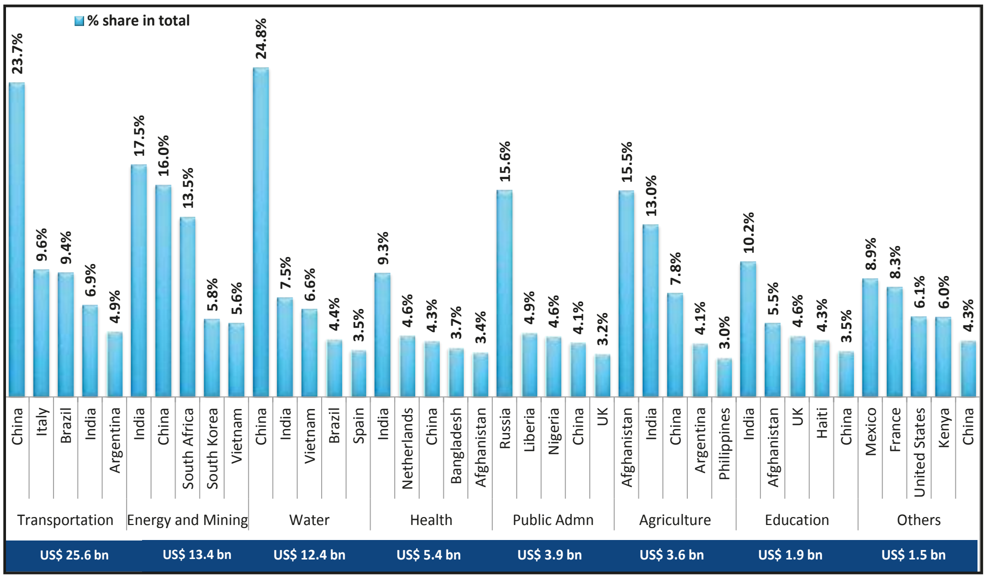
In terms of number of contracts: In the public administration, law and justice sector, Colombia secured the largest number of contracts, with a share of 6.9%, followed by Guatemala (5.7%), Afghanistan (5.6%), Russia (3.2%) and Uganda (2.4%). Vietnam had the largest share in contracts secured in the sectors of water, sanitation and flood protection (13.0%), transportation (8.1%), and energy and mining (22.0%). Afghanistan had the largest share in contracts secured in the sectors of agriculture (5.9%) and education (9.4%). Turkey (4.7%), India (4.0%), Bangladesh (3.9%), Vietnam (3.4%) and Serbia (2.9%) were the major countries securing contracts in the health sector (Exhibit 3.20).

Contracts awarded to India in the agriculture, health and education sector are of relatively larger size as compared to other countries.

ANALYSIS: SECTORWISE TOP 5 BORROWERS

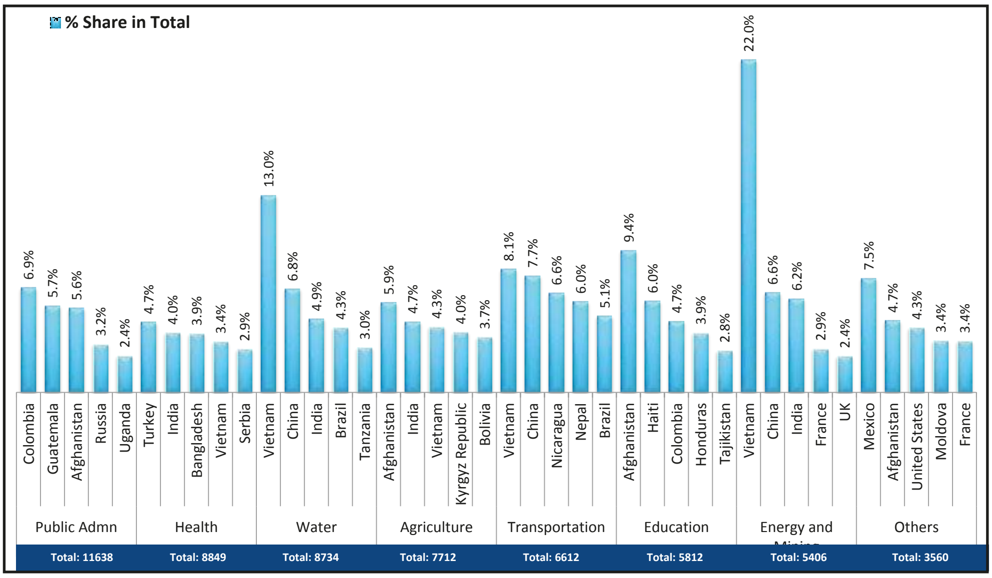
In terms of value: In the transportation sector, Brazil had the largest value of procurements using WB borrowings (share of 13.2%), closely followed by China with a share of 12.5%. The largest

Exhibit 3.19: WB Contracts Secured Sectorwise in Terms of Value of Contracts- Top 5 Countries (Cumulative 2009-2013)



Source: WB

Exhibit 3.20: WB Contracts Secured Sectorwise in Terms of Number of Contracts- Top 5 Countries (Cumulative 2009-2013)

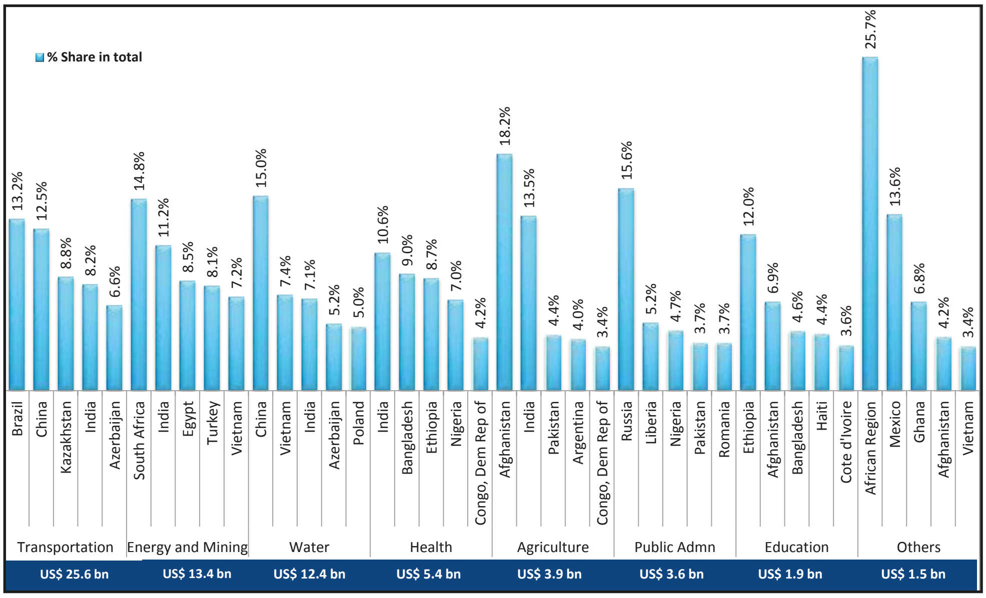


Source: WB

value of borrowings for procurements in the energy and mining sector was by South Africa, with a share of 14.8%, followed by India (11.2%), Egypt (8.5%), Turkey (8.1%) and Vietnam (7.2%). China had the largest value of WB borrowings for procurement only in the case of water, sanitation and flood protection with a share of 15%. India (10.6%), Bangladesh (9.0%), Ethiopia (8.7%), Nigeria (7.0%) and Democratic Republic of Congo (4.2%) were the major countries procuring in the sector of health and other social services. The maximum value of bids was floated by Afghanistan in agriculture, fishery and forestry (18.2%); Russia in public administration, law and justice (15.6%); Ethiopia in education (12.0%); and African region in other sectors (25.7%) (Exhibit 3.21).

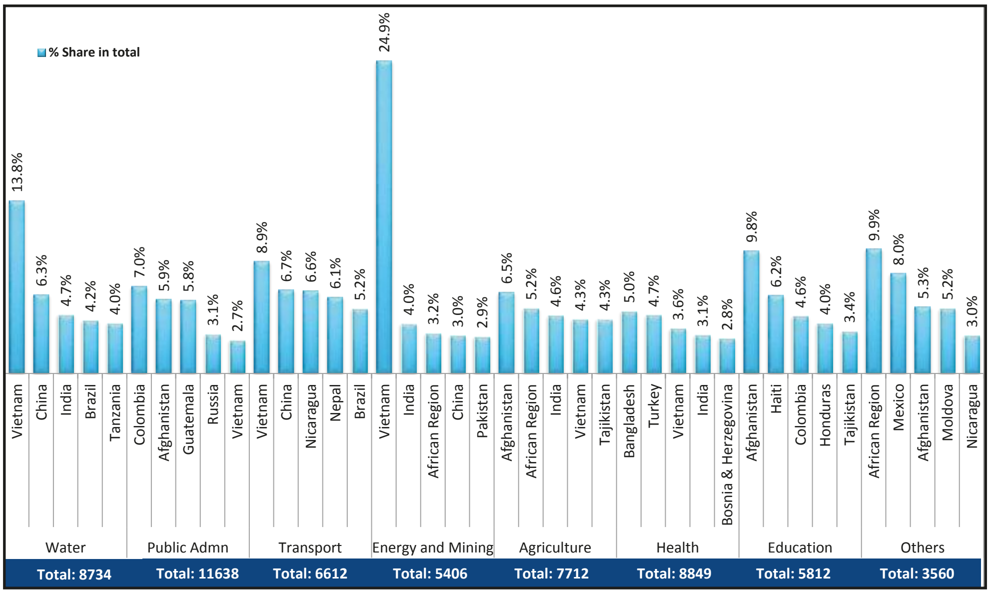
In terms of number of contracts: Among all countries, Vietnam had the largest number of procurements in the sectors of water, sanitation and flood protection (13.8%), transportation (8.9%), and energy and mining (24.9%). The largest number of projects in the sectors of agriculture, fishery and forestry, and education were in Afghanistan with shares of 6.5% and

Exhibit 3.21: WB Sector-wise Top Borrower Countries in Terms of Value of Contracts (2009- 2013 Cumulative)



Source: WB

Exhibit 3.22: WB Sector-wise Top Borrower Countries in Terms of Number of Contracts (2009- 2013 Cumulative)



Source: WB

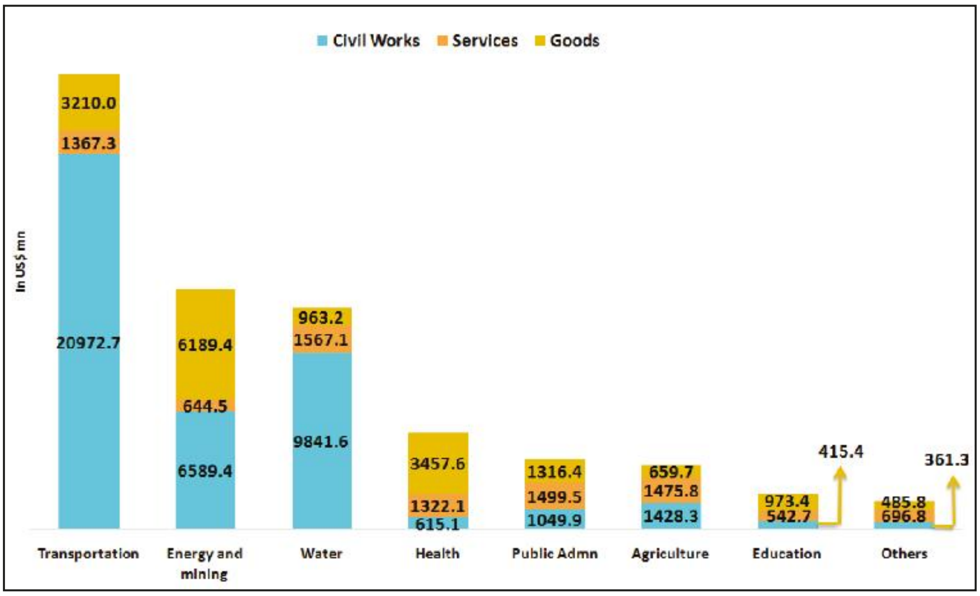
9.8% in the total projects under these sectors, respectively. In the segment of public administration, law and justice, Colombia (7.0%), Afghanistan (5.9%) and Guatemala (5.8%) were the top project countries. Bangladesh floated the maximum number of bids in the health sector, accounting for 5.0% of the total health sector contracts, closely followed by Turkey (4.7%), Vietnam (3.6%) and India (3.1%) (Exhibit 3.22).

Hence, while India secured the largest value of contracts in the health sector, it also had the largest share in terms of number of contracts.

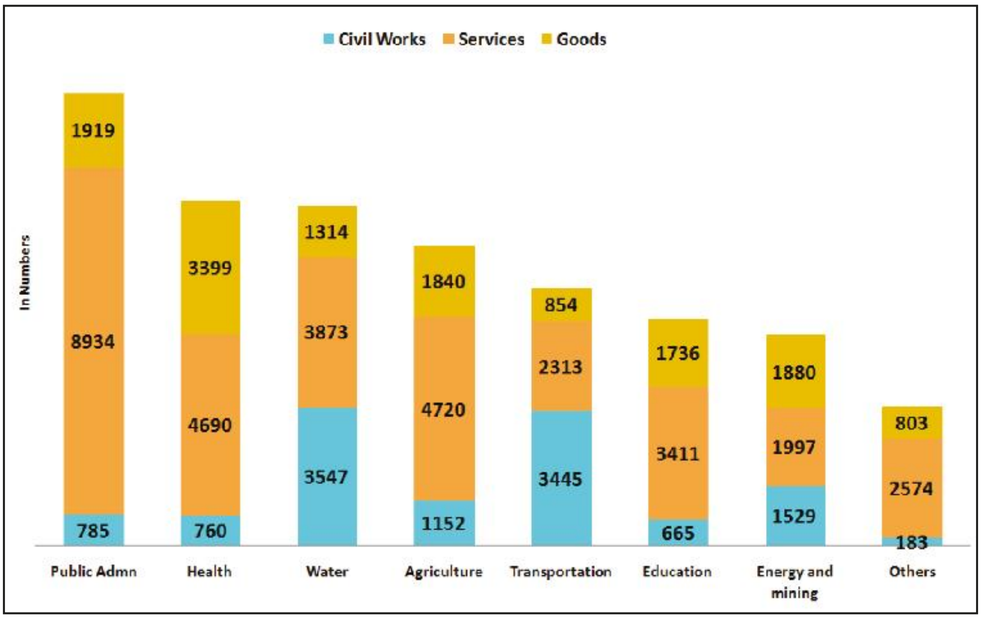
ANALYSIS: SECTORWISE, TYPE OF PROCUREMENT

In terms of value: In the sectors of transportation, and water, sanitation and flood protection, majority of the contracts were awarded for civil works, with shares of 82.1% and 79.5%, respectively. In the procurement of energy and mining sector, both civil works and goods had significant shares of 49.1% and 46.1%, respectively. In the education, and

Exhibit 3.23: Sectorwise: By Type of Procurement
(Cumulative Value 2009-2013)



(Cumulative Number of Contracts 2009-2013)



Source: WB

health and other social services sector, goods had a predominant share of 50.4% and 64.1%, respectively. In agriculture, fishery and forestry sector, services had the largest share of 41.4%, closely followed by civil works (40.1%). Services also had the largest share (38.8%) in the sector of public administration, law and justice (Exhibit 3.23).

In terms of number of contracts: Procurement for services accounted for the largest share in all sectors, except transportation where civil works had the largest share of 52.1%. In water, sanitation and flood protection sector, while services had the largest share of 44.3%, civil works also had a significant share of 40.6% (Exhibit 3.23).

ANALYSIS: SECTORWISE, MODE OF PROCUREMENT

In terms of Value

Transportation: Out of US$ 25.6 billion worth of contracts in the transportation sector awarded during the 2009-2013 period, majority were awarded through the competition mode - 81.4% of the total contracts were awarded through ICB, and another 11.9% were awarded through NCB. QSC accounted for 4.0% of the total value of procurement (Exhibit 3.24).

Energy and Mining: Among the major procurement modes for World Bank funded projects during 2009-2013, the share of ICB was the highest at 90.5% for the energy and mining sector. This indicates the immense opportunities that exist for foreign players in this segment. The share of NCB and QSC in the sector was 3.6% and 3.0%, respectively (Exhibit 3.24).

Water, sanitation and flood protection: Among the major procurement modes for World Bank funded projects during 2009-2013, the share of NCB was the highest at 31.1% in the water sector. Foreign firms would not normally bid for NCB contracts given their value and nature. However, foreign firms cannot be barred from competing for NCB contracts. The share of QSC was also relatively high at 9.8%, making the quality of proposals equally important (Exhibit 3.24). This is also due to the fact that consulting services are an important type of procurement in this sector.

Health and other social services: Contracts secured through ICB accounted for the largest share of

44.0%. Direct contracting had a significantly larger share of 19.7% in this sector (Exhibit 3.24). Direct contracting is used under the following circumstances: a) an existing contract for goods or works, awarded in accordance with procedures acceptable to the World Bank, may be extended for additional goods or works of a similar nature. It requires that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable; (b) standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original supplier; (c) the required equipment is proprietary, and obtainable only from one source; (d) the contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee; (e) and in exceptional cases, such as in response to natural disasters.

Public Administration, Law, and Justice: Out of US$ 3.9 billion contracts awarded in this sector, the ICB mode of procurement had a share of 47.9%, and NCB had a share of 15.4%. Here as well, consulting services is a major type of procurement with 14.9% of contracts procured through QSC (Exhibit 3.24).

Agriculture, fishing, and forestry: ICB, NCB and QSC modes of procurement had shares of 35.4%, 21.5%, and 9.0% in this sector, respectively. SSC had a considerably large share of 19.9% in this sector (Exhibit 3.24). SSC does not provide the benefits of competition in regard to quality and cost and lacks transparency in selection, but is used in exceptional cases (a) for tasks that represent a natural continuation of previous work carried out by the firm; (b) where a rapid selection is essential (for example, in an emergency operation); (c) for very small assignments; (d) or, when only one firm is qualified or has experience of exceptional worth for the assignment.

Education: Under the education sector, ICB was the largest procurement method with a share of 48.7%, followed by NCB (18.4%), QSC (6.7%), and SSC (5.4%) (Exhibit 3.24).

Finance: The ICB mode accounted for 65.0% of the total contracts secured in this segment, followed by QSC (15.4%) and SSC (8.6%). NCB had a very small share of 1.0% – the lowest among all the sectors (Exhibit 3.24).

Information and communications: Under this sector, award of contracts constituting US$ 0.5 bn in value terms, 64.2% were awarded though the ICB mode, followed by QSC (15.8%), CQS (5.1%), and IND (4.9%) (Exhibit 3.24).

Industry and trade: Under this sector as well, the ICB mode accounted for the largest share of 39.7%, followed by NCB (17.4%), QSC (17.3%), IND (8.8%), and DC (6.4%) (Exhibit 3.24).

In terms of number of contracts

Public Administration, Law, and Justice: Out of 11,638 contracts awarded under this sector during the 2009-2013 period, individual contracts accounted for the largest share (35.2%), followed by SSC (16.8%), ICB (9.9%), NCB (9.5%), QSC (9.1%) and CQS (8.4%) (Exhibit 3.25). Individual consultants are normally employed on assignments for which (a) teams of personnel are not required; (b) no additional outside (home office) professional support is required; and (c) the experience and qualifications of the individual are the paramount requirement.

Health and other social services: ICB was the largest procurement method in this sector, with a share of 25.5%, followed by IND (18.4%), SSC (16.7%), and NCB (11.3%). Direct contracting had a share of 5.4% in volume terms – much lower than its share of 19.7% in value terms (Exhibit 3.25).

Water, sanitation and flood protection: The NCB mode accounted for the largest share of 32.0% in this sector, followed by ICB (19.7%), and QSC (17.4%) (Exhibit 3.25). In both value and volume terms, NCB had the largest share in this sector, among all other sectors.

Agriculture, fishing and forestry: Of the 7,712 contracts awarded in this sector, 22.8% of contracts were awarded through IND, followed by SSC (18.9%), NCB (17.7%), and ICB (13.8%) (Exhibit 3.25).

Transportation: The NCB mode of procurement had the largest share in this sector, of 28.7%. Other major procurement methods were ICB (26.4%), QSC (13.8%), IND (10.4%) and DC (7.8%) (Exhibit 3.25).

Education: In this sector, IND accounted for the largest share of 23.1%, followed by ICB (19.0%), SSC (16.3%), NCB (15.9%) and CQS (8.2%) (Exhibit 3.25).

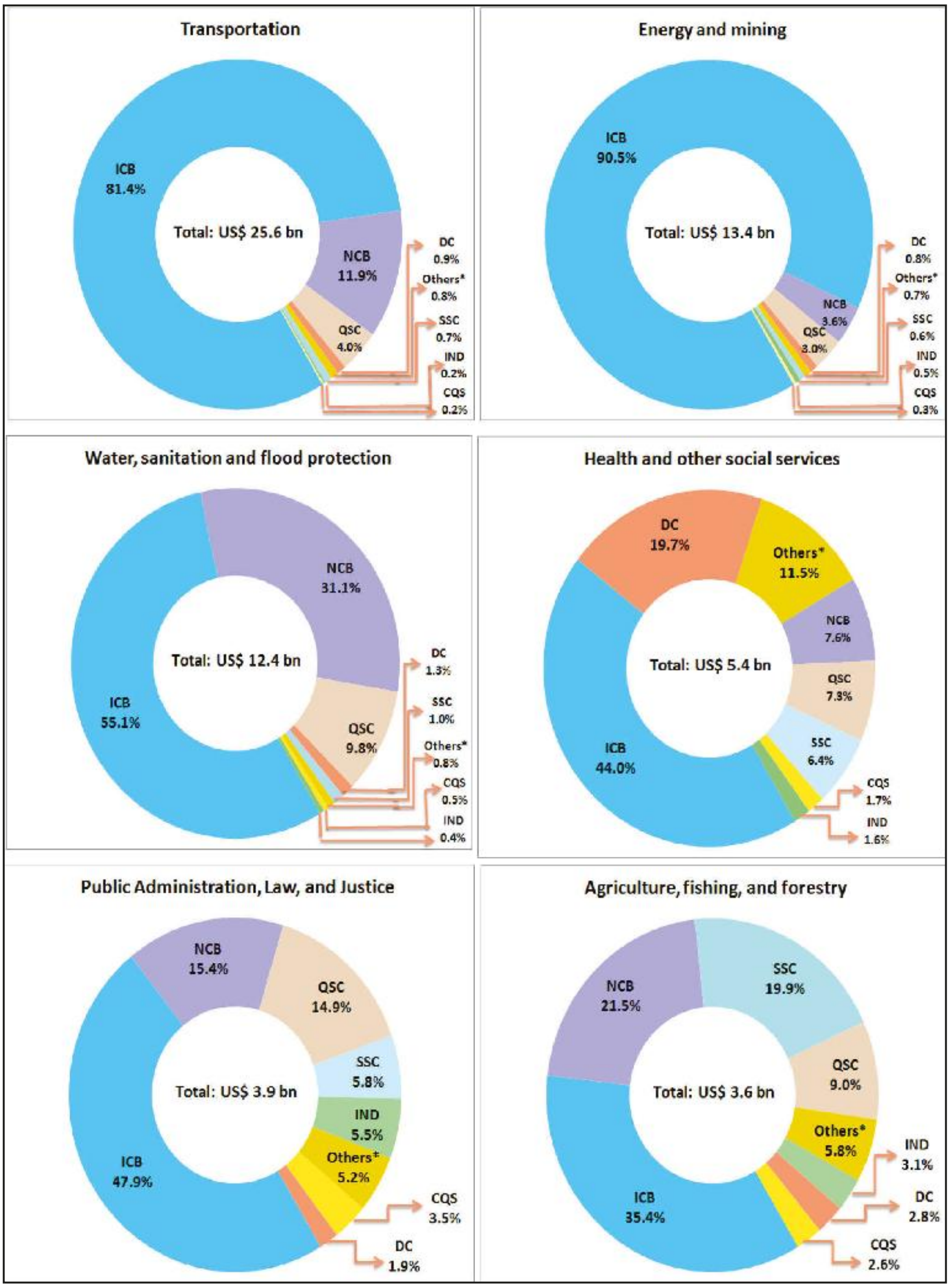
Energy and Mining: Of the 5,406 contracts awarded under the energy and mining sector, the ICB constituted the largest mode of procurement (41.9%), followed by NCB (17.5%), IND (12.3%), QSC (10.5%) and SSC (7.1%) (Exhibit 3.25).

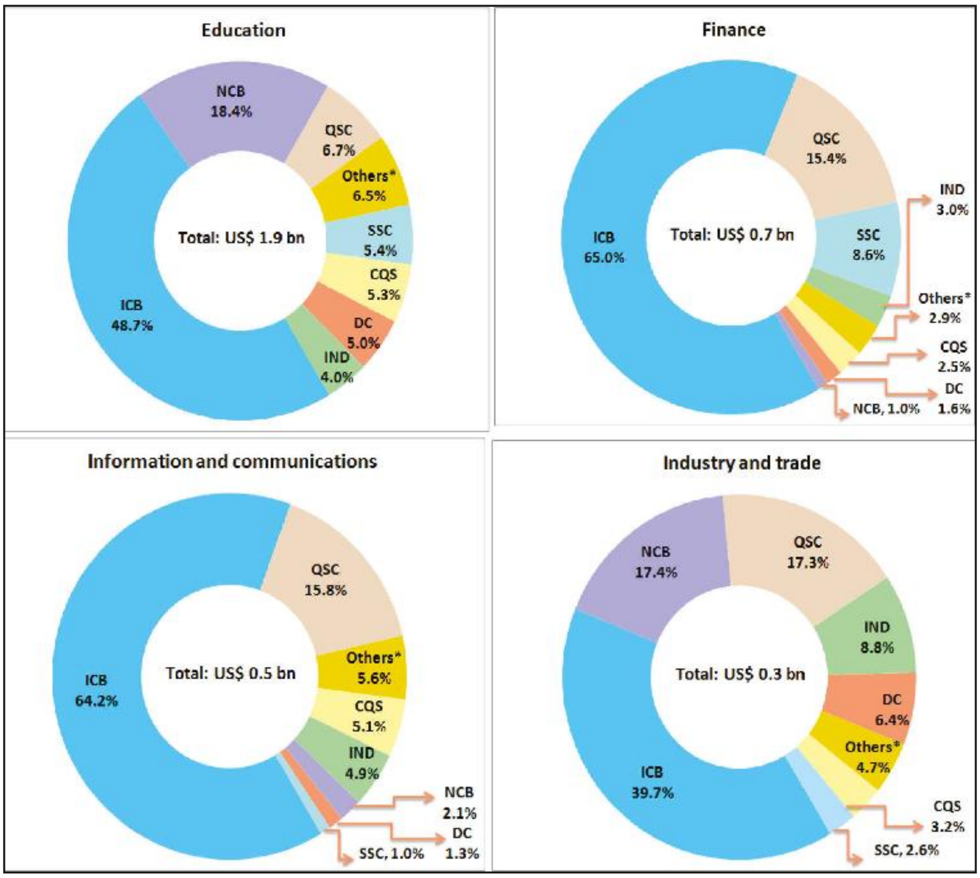
Finance: Of a total of 1325 contracts awarded in this segment, SSC accounted for the largest mode of procurement with a share of 29.1% in volume terms (Exhibit 3.25). The size of contracts awarded through SSC is by the nature of mode of procurement relatively small. In value terms the share of SSC was significantly lower at 8.6%. Other major modes of procurements were IND (22.9%), QSC (13.8%), ICB (11.0%) and CQS (9.1%).

Industry and trade: IND accounted for the largest share of 29.3% in this sector. SHOP, Quality based Selection and Least Cost Selection (classified under the residual category - others) were also important procurement methods in volume terms for this sector, taking the share of the procurement mode classified as “Others” to 12.6%. Other major procurement methods were ICB (11.7%), SSC (11.4%), NCB (10.1%) and QSC (8.9%) (Exhibit 3.25).

Information and communications: Under this sector as well, IND accounted for the largest share of 30.8%, followed by ICB (17.0%), QSC (16.3%), CQS (9.6%) and SSC (9.3%) (Exhibit 3.25).

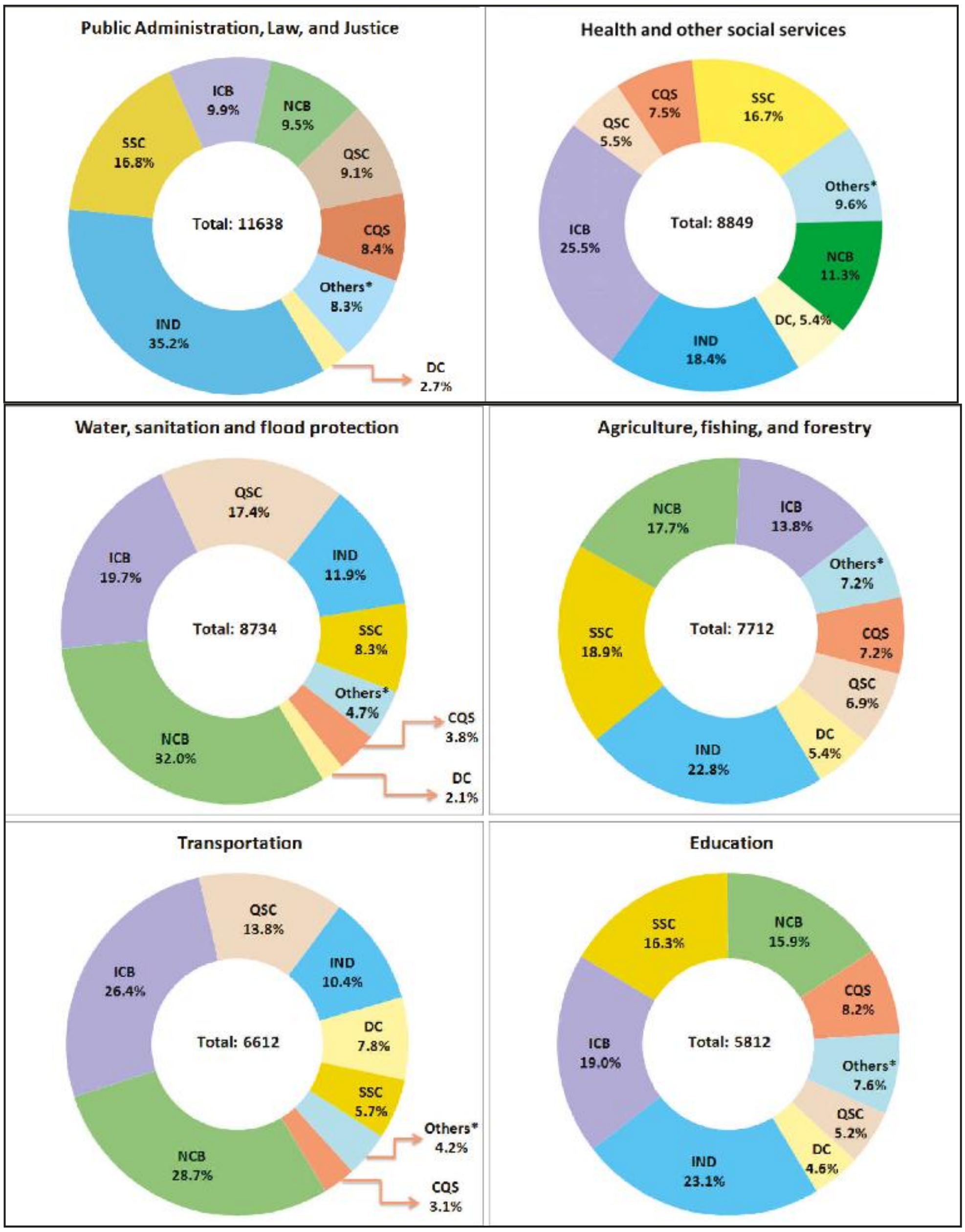
Exhibit 3.24: Sectorwise: Procurement Mode [(Cumulative Value (US$ mn), (2009-2013)]

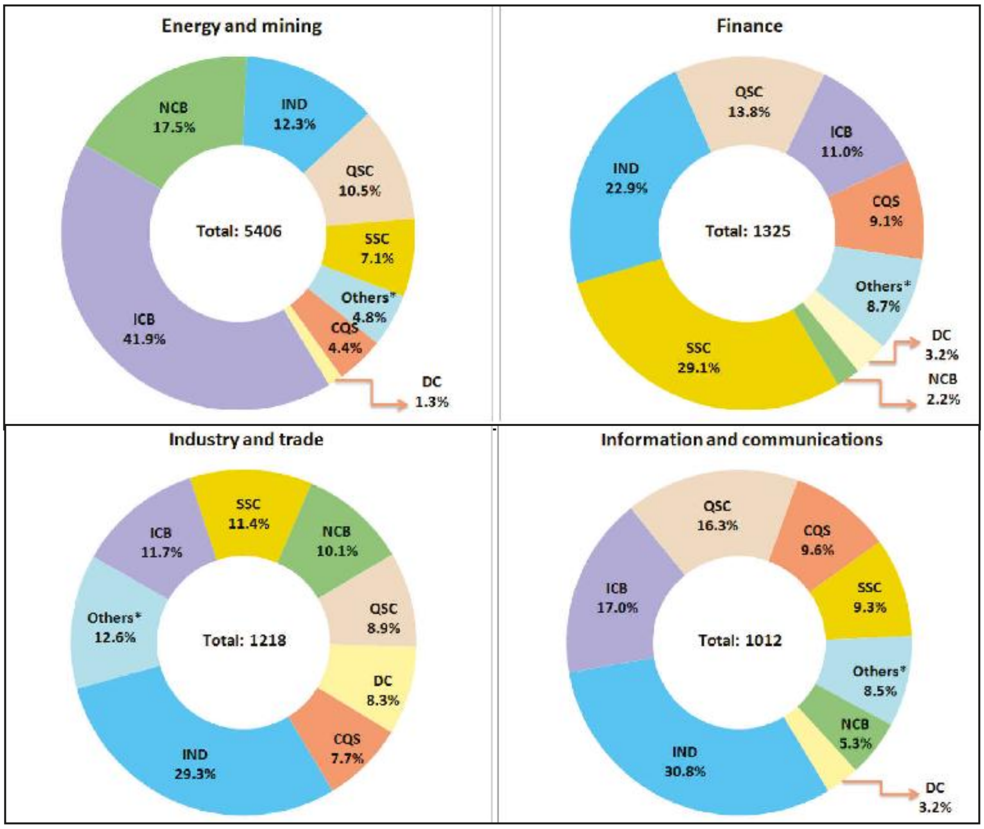




* Others includes Limited International Bidding, Quality based Selection, Selection under a Fixed Budget, SHOP, Least Cost Selection and Service Delivery Contracts.
Source: WB

Exhibit 3.25: Sectorwise: Procurement Mode (Cumulative Number of Contracts, 2009-2013)





* Others includes Limited International Bidding, Quality based Selection, Selection under a Fixed Budget, SHOP, Least Cost Selection and Service Delivery Contracts.
Source: WB

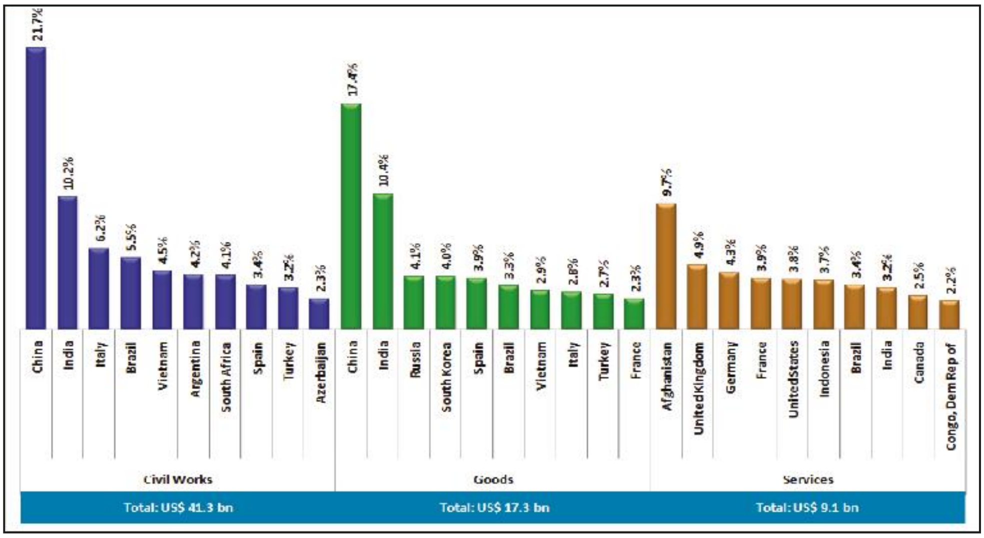
ANALYSIS: TYPE OF PROCUREMENT; CONTRACTS SECURED COUNTRYWISE

In terms of value: As highlighted earlier, contracts awarded for civil works held the highest share during the 2009-2013 period, followed by contracts for goods and finally services contracts. In 2013, while the share of contracts awarded for civil works and for services improved as compared to the previous period, the share of contracts awarded for goods reached its lowest level during the five year span between 2009 and 2013.

Further analysis reveals that under the contracts awarded for civil works, China secured the largest value of contracts, in value terms, constituting a share of 21.7%, followed by India (10.2%), Italy (6.2%), Brazil (5.5%) and Vietnam (4.5%). Even under contracts awarded for goods during the 2009-2013 period, amounting to US$ 17.3 bn, China secured the maximum contracts in value terms with a share of 17.4%, followed by India (10.4%), Russia (4.1%), South Korea (4.0%) and Spain (3.9%). Of the total contracts awarded of US$ 9.1 bn under services, Afghanistan secured 9.7% of the contracts. UK (4.9%), Germany (4.3%), France (3.9%) and USA (3.8%) were the other top countries that secured the maximum contracts under services in value terms (Exhibit 3.26).

In spite of significant prowess of Indian companies in the services sector, their

Exhibit 3.26: WB Contract Secured: Procurement-wise in Terms of Value of Contracts (Cumulative 2009-2013)



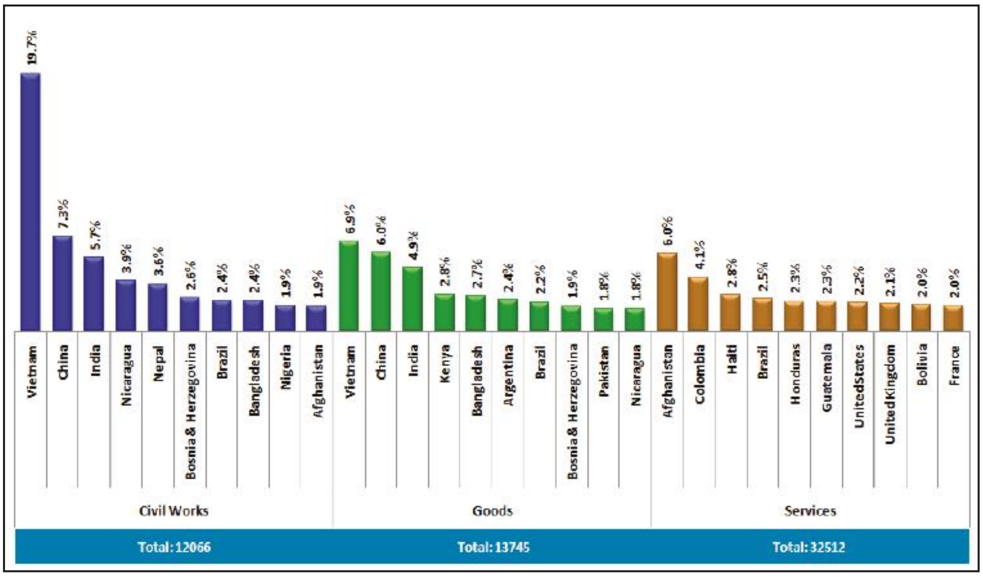
Source: WB

share in WB funded services contracts was lesser. This is in consonance with the trend for AfDB contracts, but is a deviation from the trend for ADB contracts, wherein India was the largest supplier of consulting services contracts.

In terms of number of contracts: As highlighted earlier, contracts for services accounted for the maximum number of contracts awarded during the period 2009-2013. The share of services contracts witnessed a consistent increase from 2011 onwards. On the other hand, the share of contracts awarded for civil works and goods experienced a declining trend to reach their lowest levels in 2013.

A granular analysis reveals that under the contracts awarded for civil works, Vietnam held the pole position and had a significantly large share of 19.7% in volume terms, although in value terms, the country stood at fifth place with a share of 4.5%. Other major supplier countries for civil work contracts in WB funded projects included China (7.3%), India (5.7%), Nicaragua (3.9%), and Nepal (3.6%). Under contracts awarded for goods as well, Vietnam secured the maximum number of contracts with a share of 6.9% out of a total 13,745 contracts, followed by China (6.0%), India (4.9%), Kenya (2.8%) and Bangladesh (2.7%). Of the 32,512 contracts awarded as services contracts, Afghanistan secured 6.0%

Exhibit 3.27: WB Contract Secured: Procurement-wise in Terms of Number of Contracts (% Share; Cumulative 2009-2013)



Source: WB

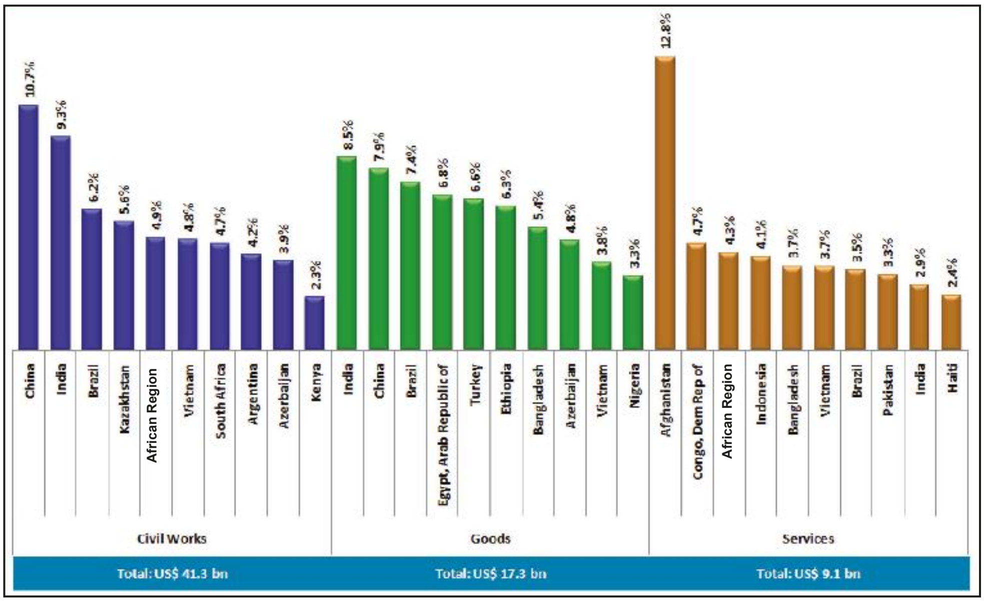
of the contracts. Colombia (4.1%), Haiti (2.8%), Brazil (2.5%) and Honduras (2.3%) were the other top countries that secured the highest number of contracts under services (Exhibit 3.27).

India had larger value of contracts in the goods and civil works segment as its share in terms of number of contracts secured is lesser than its share in terms of value.

ANALYSIS: TYPE OF PROCUREMENT; BORROWER

In terms of value: A majority of procurement under contracts awarded for civil works for WB funded projects were by China (10.7%), India (9.3%), Brazil (6.2%), Kazakhstan (5.6%) and the African region (4.9%). India had the largest share of 8.5% of the total value of procurement made for contracts for goods in WB funded projects (US$ 17.3 bn), followed by China (7.9%), Brazil (7.4%), Egypt (6.8%) and Turkey (6.6%). Of the total procurement of US$ 9.1 bn under services contracts, 12.8% were by Afghanistan. Democratic Republic of Congo (4.7%), African region (4.3%), Indonesia (4.1%) and Bangladesh (3.7%) were the other top procuring countries under services contracts (Exhibit 3.28).

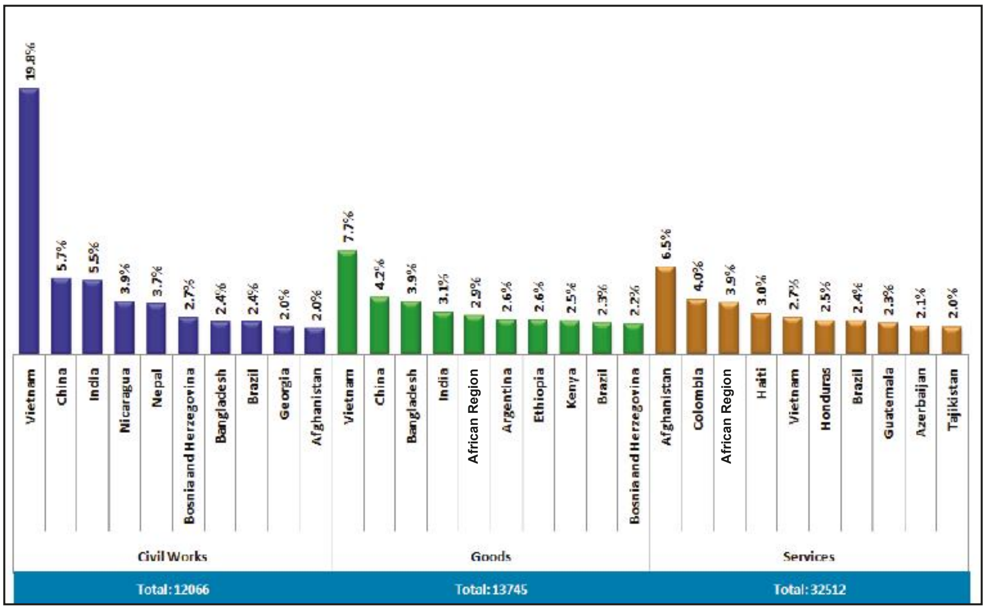
Exhibit 3.28: Borrowers: Procurement-wise in Terms of Value of Contracts (% Share; Cumulative 2009-2013)



Source: WB

In terms of number of contracts: Analysis reveals that under contracts awarded for civil works, a large portion of procurement was by Vietnam (19.8%) followed by China (5.7%), India (5.5%), Nicaragua (3.9%), and Nepal (3.7%). Even under contracts for goods, Vietnam led the procurement, accounting for a share of 7.7% in the total number of contracts awarded (13,745), followed by China (4.2%), Bangladesh (3.9%), India (3.1%) and the African region (2.9%). Of the total WB funded contracts of 32,512 awarded under services, Afghanistan had the largest number, accounting for 6.5% of the total procurements in this category. Colombia (4.0%), the African region (3.9%), Haiti (3.0%) and Vietnam (2.7%) were the other top borrowers (Exhibit 3.29).

Exhibit 3.29: Borrowers: Procurement-wise in Terms of Number of Contracts (% Share; Cumulative 2009-2013)



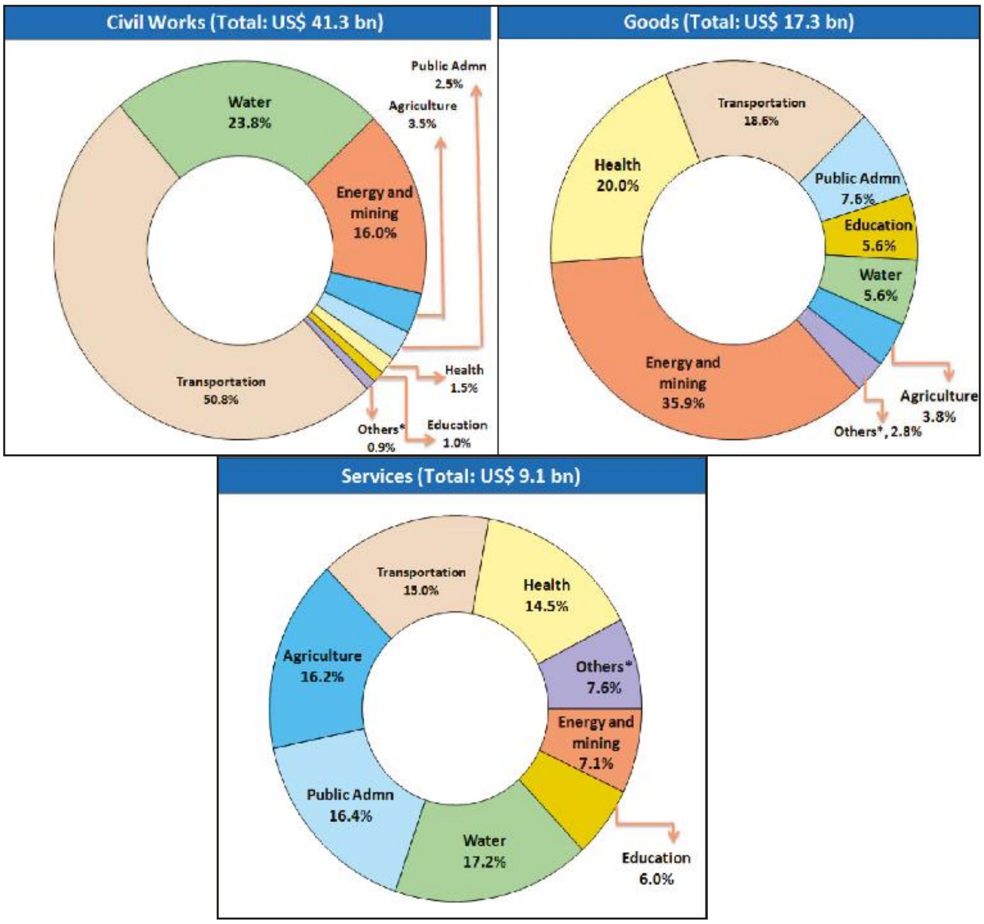
Source: WB

ANALYSIS: TYPE OF PROCUREMENT: SECTOR-WISE

In terms of value: Cumulatively during 2009-2013, more than half of the total value of contracts of US$ 41.3 bn secured under civil works were for transportation projects, followed by water, sanitation and flood protection (23.8%) energy and mining (16.0%), and agriculture, fishery and forestry (3.5%). Under goods contracts, energy and mining was the largest sector, accounting for 35.9% of the total value of contracts (US$ 17.3 bn), followed by health and other social services (20.0%), transportation (18.6%), and public administration, law, and justice (7.6%). Of the total contracts of US$ 9.1 bn awarded under services, water, sanitation and flood protection accounted for the largest share of contracts (17.2%). Other major sectors under services contracts were public administration, law and justice (16.4%), agriculture, fishery and forestry (16.2%), transportation (15.0%) and health and other social services (14.5%) (Exhibit 3.30).

In terms of number of contracts: About 29.4% of the total number of contracts awarded under civil works cumulatively during 2009-2013 were for water, sanitation, and flood protection projects. The other major sectors under civil works contracts were transportation (28.6%), energy and mining (12.7%), agriculture, fishery and forestry (9.5%), and public administration, law and justice (6.5%). Under contracts for supply of goods, health and other social services sector accounted for the largest number of contracts, with a share of 24.7% in the total number of contracts of 13,745, followed by public administration, law and justice (14.0%), energy and mining (13.7%), agriculture, fishery and forestry (13.4%) and education (12.6%). Of the total 32,512 contracts awarded under services, public administration, law and justice sector accounted for the largest numbers, with a share of 27.5%. Agriculture, fishery and forestry (14.5%), health and other social services (14.4%) and water, sanitation, and flood protection (11.9%) were the other main sectors under services contracts (Exhibit 3.31).

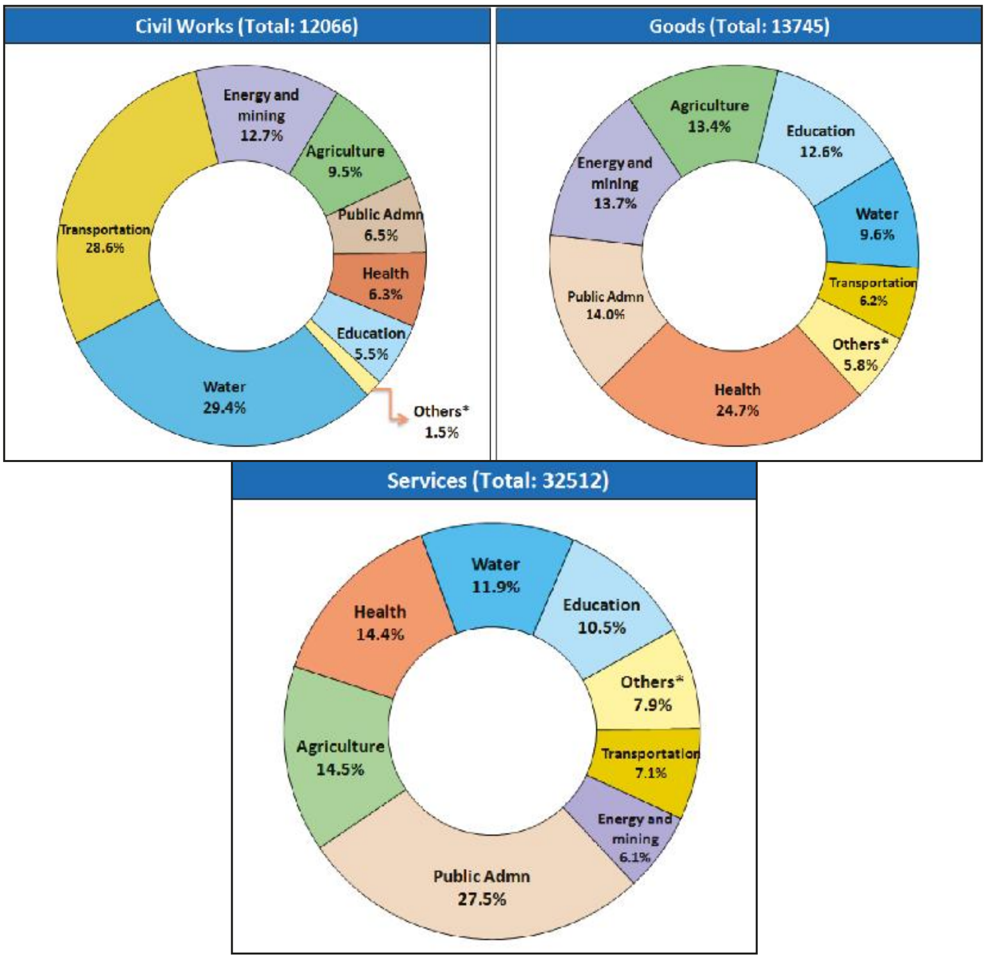
Exhibit 3.30: Type of Procurement: Sector-wise Analysis In Terms of Value (2009-2013 cumulative)



Note: Others include: Multi-sector, Environment, Finance, Industry/Mining/Quarrying, and Communications

Source: WB

Exhibit 3.31: Type of Procurement: Sector-wise Analysis In Terms of Number of Contracts (2009-2013 cumulative)



Note: Others include: Multi-sector, Environment, Finance, Industry/Mining/Quarrying, and Communications
Source: WB

ANALYSIS:TYPE OF PROCUREMENT; MODE OF PROCUREMENT

In terms of value

Civil Works: Out of US$ 41.3 billion contracts, 77.6% of contracts were awarded through the ICB mode and 21.0% of the contracts were awarded through the NCB method of procurement. DC accounted for a miniscule 1.0%, while limited international bidding and SHOP together accounted for 0.4% of the total civil works contracts. Other than these, no other procurement methods were used in the case of civil works during the 2009-2013 period (Exhibit 3.32).

Goods: Almost 84.7% of contracts for supply of goods were awarded through the ICB method of procurement, followed by DC (7.7%) and NCB (4.6%). Limited international bidding and SHOP together accounted for around 3.0% of the total goods contracts. Other than these, no other procurement methods were used here as well (Exhibit 3.32).

Services: QCS accounted for 47.3% of the value of contracts in case of services. SSC was the second largest procurement method in services contracts, with a share of 20.3% (Exhibit 3.32).

In terms of number of contracts

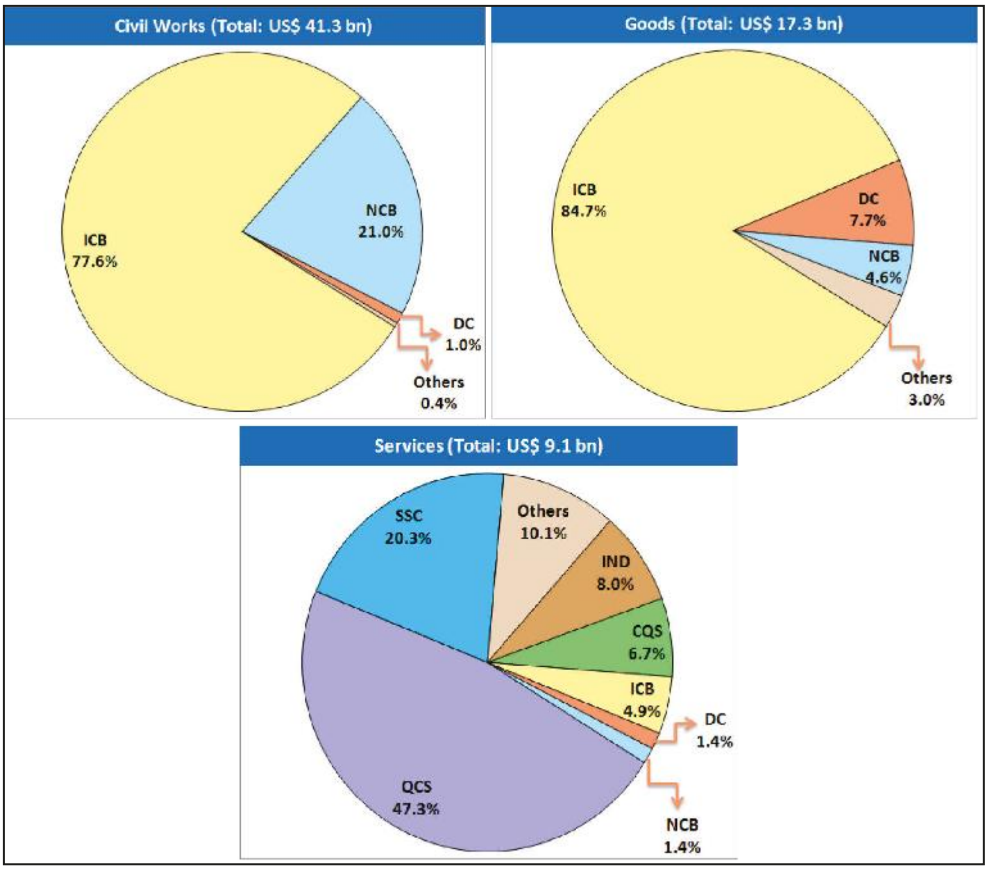
Civil Works: Out of 12,066 contracts, 61.7% were awarded through the NCB mode, while ICB and DC methods of procurement accounted for another 29.3% and 6.3%, respectively. Limited international bidding and SHOP accounted for the remaining 2.8% of the total civil works contracts in volume terms (Exhibit 3.32).

Goods: ICB mode of procurements accounted for the largest share (58.2%) under contracts for supply of goods, followed by NCB (17.6%), others (limited international bidding, quality based selection, selection under a fixed budget, shop, least cost selection, and service delivery contracts) at 14.3%, and DC (9.8%). Within the others category, SHOP accounted for the largest share of 12.8% in total contracts awarded for goods (Exhibit 3.32).

Services: The IND mode of procurement had the largest share (37.5%) in services contracts, followed by SSC (24.4%), QSC (18.0%), CQS (11.6%), and others (limited international bidding, quality based selection, selection under a fixed budget, shop, least cost selection, and service delivery contracts) at 5.6%. Within the others category, the least cost selection method (2.3%) and quality based selection (1.9%) method accounted for the largest shares (Exhibit 3.32).

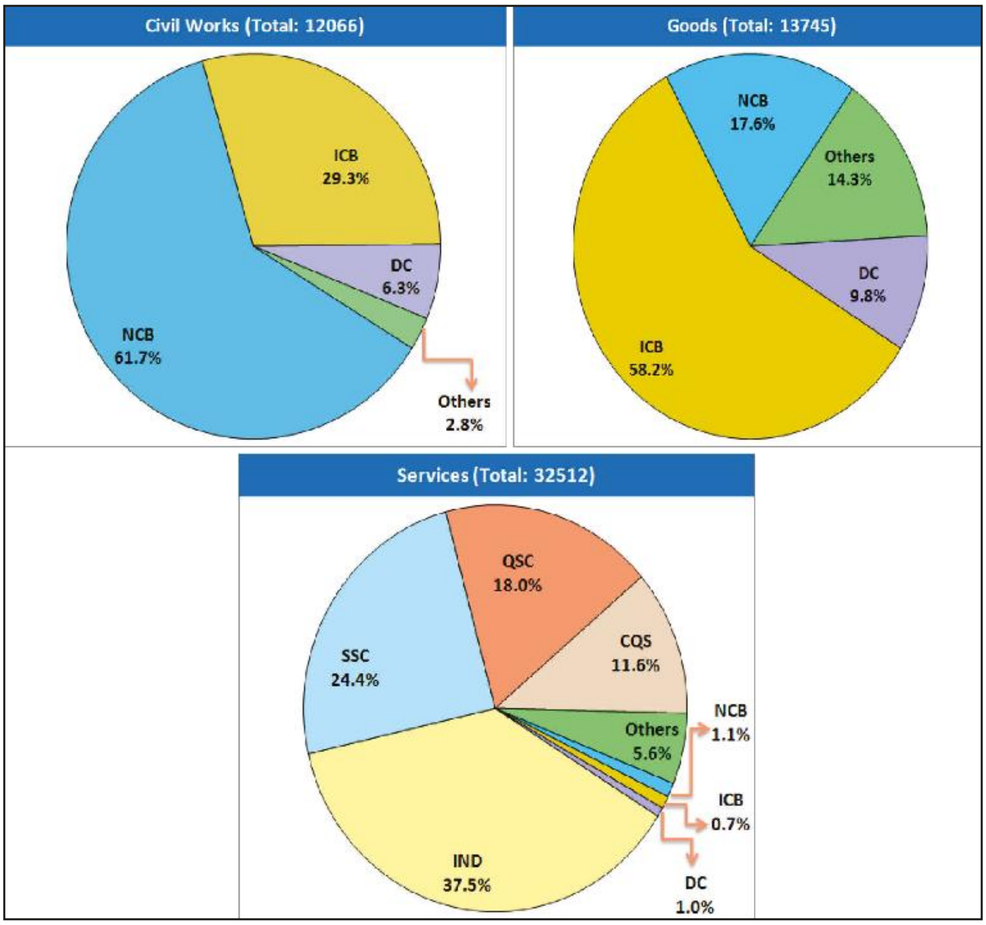
There exists substantial opportunities for Indian companies in projects funded by World Bank, as ICB and QSC are the major mode of procurement in value terms. However, ICB and QSC opportunities are not abundantly available as their share in volume terms is relatively lower. Hence, mechanism should be in place to timely inform Indian companies about the contracts. Advance leads for such contracts can also be beneficial for the companies.

Exhibit 3.32: Type of Procurement: By Mode of Procurement In Terms of Value (US$ mn) (2009-2013 Cumulative)



Source: WB

In Terms of Number of Contracts (2009-2013 cumulative)



Others includes Limited International Bidding, Quality based Selection, Selection under a Fixed Budget, SHOP, Least Cost Selection and Service Delivery Contracts.

Source: WB

BORROWERS: ANALYSIS OF TOP 5 COUNTRIES

Share of Top 5 countries in Total Contracts

In this section, an analysis of top five borrowing countries of the World Bank, who have used the funds for procuring various goods and services through different modes of procurement, has been undertaken. Analysis reveals that the top 5 countries during the 2009-2013 period were China, India, Brazil, Vietnam and the African region in value terms, and Vietnam, Afghanistan, African region, China and India in terms of number of contracts awarded.

In 2009, nearly 17.1% of the total procurements of US$ 11.0 bn were by China. This reduced to merely 7.0% in 2013. India's share in World Bank borrowings, on the other hand, increased from 8.4% in 2009 to 14.0% in 2013. Brazil's procurements through WB borrowings witnessed a secular decline from 2011 onwards, reaching a low of 2.0% in 2013. The share of Vietnam ranged between a low of 3.2% in 2011 to a high of 5.2% in 2013. The African region had a relatively lower share of 3.9% in 2013, after witnessing an expansion in share in the previous two years (Exhibit 3.33).

Vietnam had the largest share in terms of the number of procurement contracts funded through the World Bank during all the years under consideration. However, the country's share has been dwindling since 2010, when it was 10.4% to 5.9% in 2012 before recovering slightly in 2013 to 6.4%. The second largest number of WB funded contracts in 2013 were floated by Afghanistan, whose share has risen in the last two years. For the African region, the share in terms of number of contracts procured has been consistently increasing from 2.1% in 2009, reaching a level of 4.1% in 2013. The share of China has been in the range of 2.5- 3.3% while that of India has been in the range of 2.6-2.8% during this entire period (Exhibit 3.33).

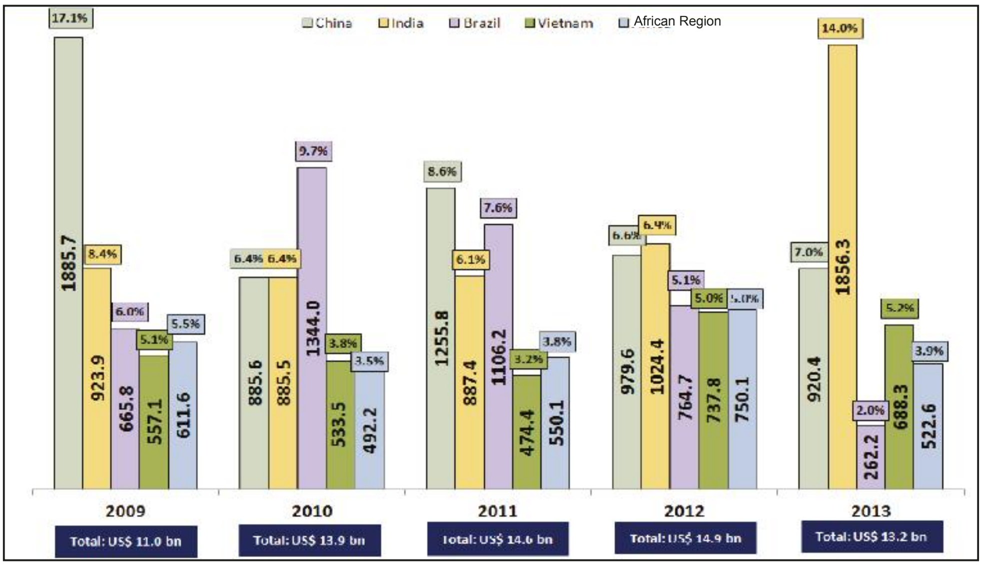
Analysis: By Type of Procurement

In terms of value: All the major recipients of WB funding (during the analysed period 2009-2013) had majority of procurements for civil works contracts with its share ranging between 61.6% for Brazil to a high of 74.7% for China, followed by contracts for procurement of goods (16.9 to 30.7%) and contracts for procurement of services (2.2 to 13.3%) (Exhibit 3.34).

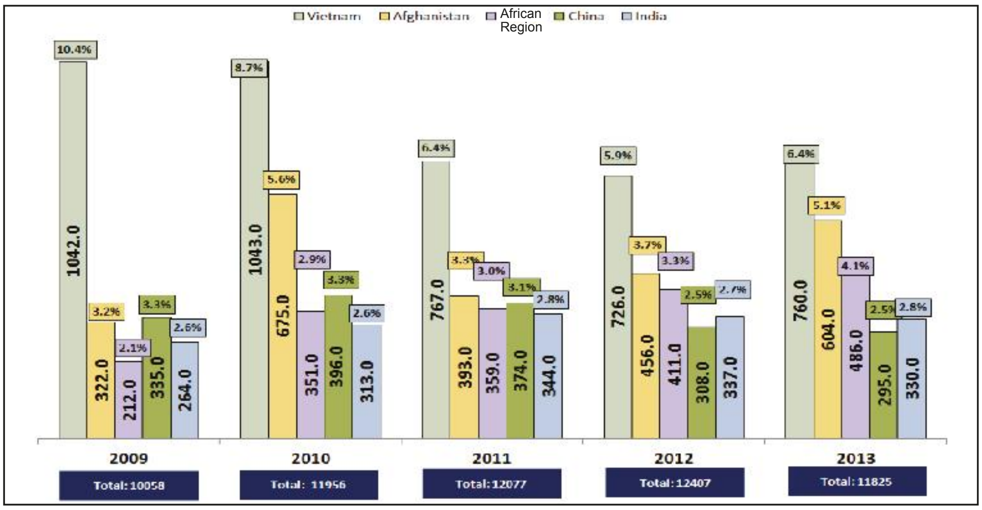
In terms of number of contracts: Among the top 5 countries receiving WB funding for various projects (during the analysed period 2009-2013), Vietnam, China and India floated the largest number of bids for civil works contracts, with shares of 55.0%, 40.0% and 41.9%, respectively. Afghanistan and the African region had the largest volume of procurement in the services sector, with shares of 86.8% and 68.9%, respectively. Afghanistan had only 3.6% of its procurements for supply of goods. For the other four countries, the share of contracts for supply of goods was in the range of 21.6 to 34.0% (Exhibit 3.35).

Analysis reveals that while most WB projects floated in the African region and Afghanistan are in the nature of services contracts, the highest value of contracts has been in the civil works segment, largely because of the lower size of services contracts.

Exhibit 3.33: Top 5 Borrowers' Share in Total Contracts
Total Value of Contracts (US$ mn)

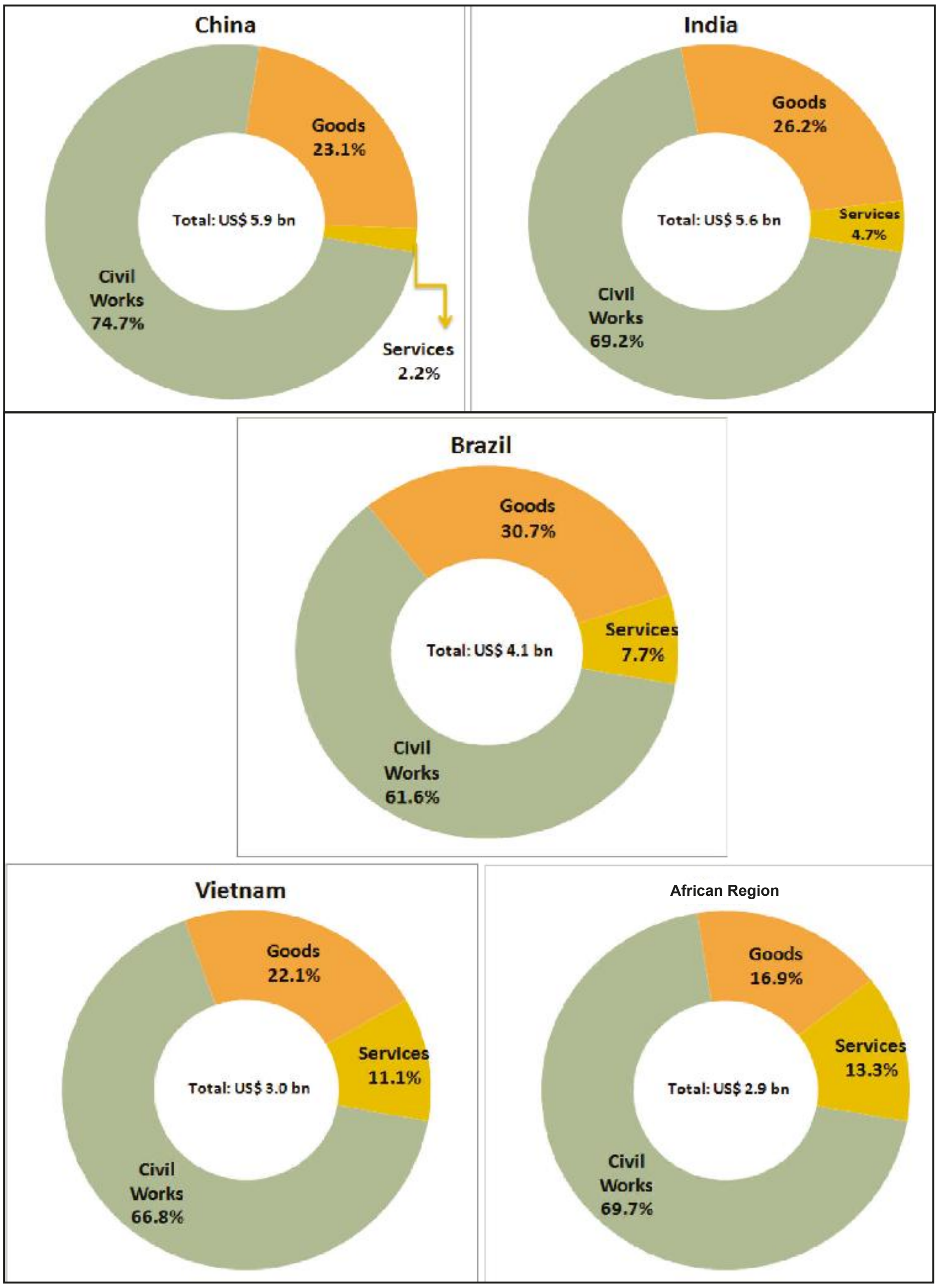


Total Number of Contracts



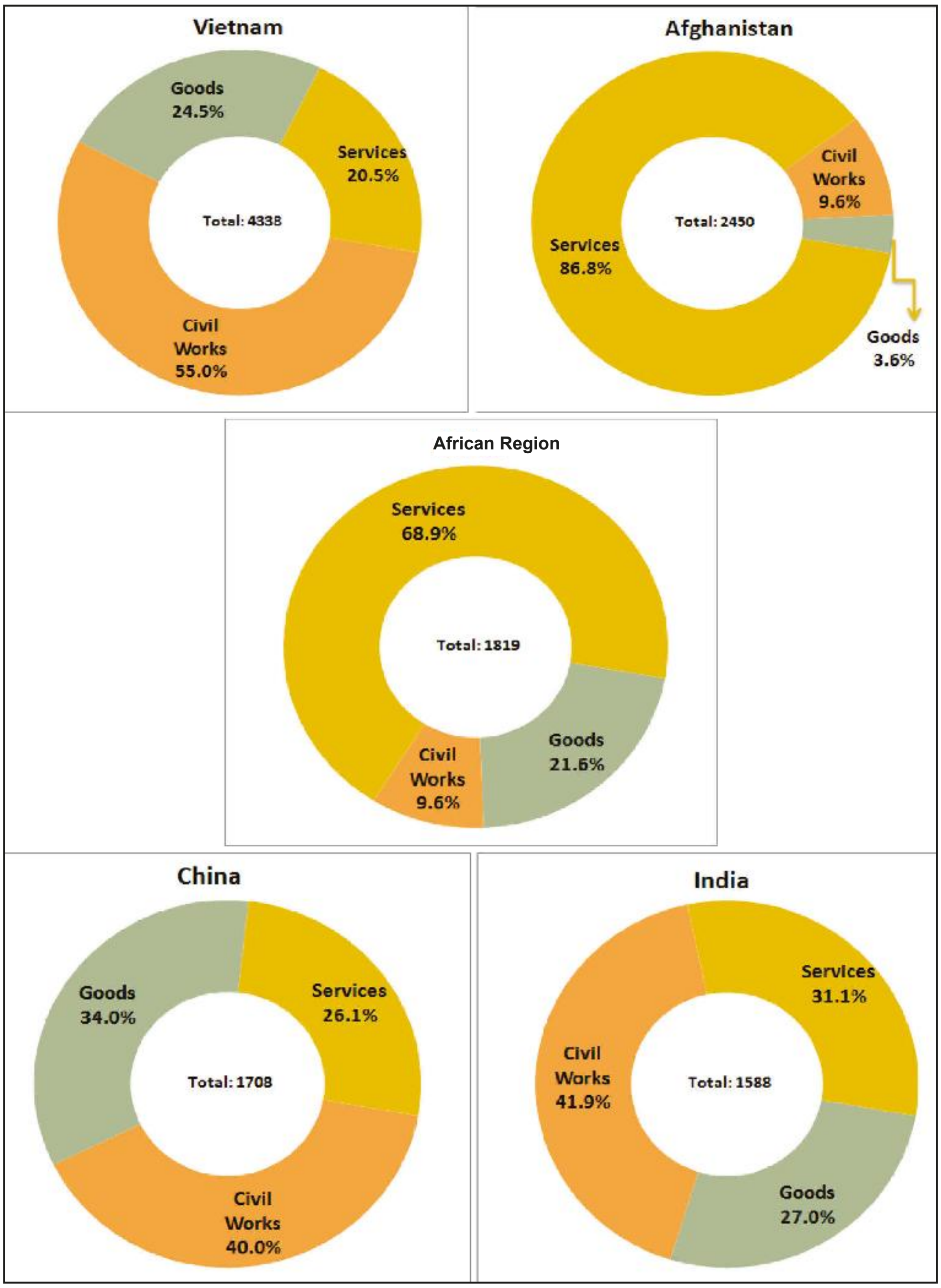
Source: WB

Exhibit 3.34: Top 5 Borrowers: By Type of Procurement
[Cumulative Value of Contracts (US$ mn), 2009-13]



Source: WB

Exhibit 3.35: Top 5 Borrowers: By Type of Procurement (Cumulative Number of Contracts, 2009-2013)



Source: WB

Analysis: By Mode of Procurement

In terms of value

China: Out of US$ 5.9 bn worth of contracts procured by China (during the analysed period 2009-2013) through WB funding, 48.9% of the contracts were through the NCB mode. The ICB mode of procurements had an almost similar share of 48.6% (Exhibit 3.36).

India: The ICB method of procurement had the largest share of 62.8% in India's case (during the analysed period 2009-2013), followed by NCB (26.6%), QCS (3.7%) and DC (3.3%). Among the procurement methods classified as others, limited international bidding accounted for the largest share of 2.8% (Exhibit 3.36).

Brazil: More than three-fourth of the total contracts awarded by Brazil were through the ICB mode (during the analysed period 2009-2013), indicative of immense opportunities for foreign players in the country. Other major procurement methods were NCB (17.1%), QCS (6.2%), and DC (0.2%). Among the procurement methods classified as others, single source selection and individual were the largest segments (Exhibit 3.36).

Vietnam: Around 57.2% of the US$ 3.0 bn contracts in Vietnam's case were awarded through the ICB method (during the analysed period 2009-2013). Other major procurement methods were NCB (33.1%), QCS (7.4%), and DC (0.9%). Among other procurement methods, individual accounted for the largest share (Exhibit 3.36).

African Region: The ICB mode of procurement accounted for 83.6% of the contracts awarded in the African region (during the analysed period 2009-2013), followed by QCS (6.6%). Hence, there are significant opportunities for foreign players in regional contracts floated in Africa. The NCB method accounted for only 1.8% of the contracts awarded – the lowest among all the top five borrowers. Among the categories classified as others, single source selection and limited international bidding accounted for a share of 2.2% each (Exhibit 3.36).

In terms of number of contracts

Vietnam: Out of 4338 contracts floated by Vietnam during the 2009-2013 period, 53% were awarded through the NCB mode. Foreign firms would not normally bid for these projects. The ICB mode accounted for 26% of the total volume of contracts, followed by QCS (7%) and IND (6%) (Exhibit 3.37).

Afghanistan: About 47.9% of contracts were awarded through the IND method of procurement in Afghanistan (during the analysed period 2009-2013) as large numberof procurements are for services contracts. SSC accounted for another 28.2% of the total contracts (2450), followed by NCB (9.6%) and QCS (6.2%) (Exhibit 3.37).

African Region: The ICB mode of procurement accounted for the largest share of 22.6% of the total number of contracts awarded in the African region (during the analysed period 2009-2013), closely followed by IND (20.3%). Other major procurement methods were SSC (17.3%), QCS (17.3%), CQS (9.5%) and NCB (5.4%) (Exhibit 3.37).

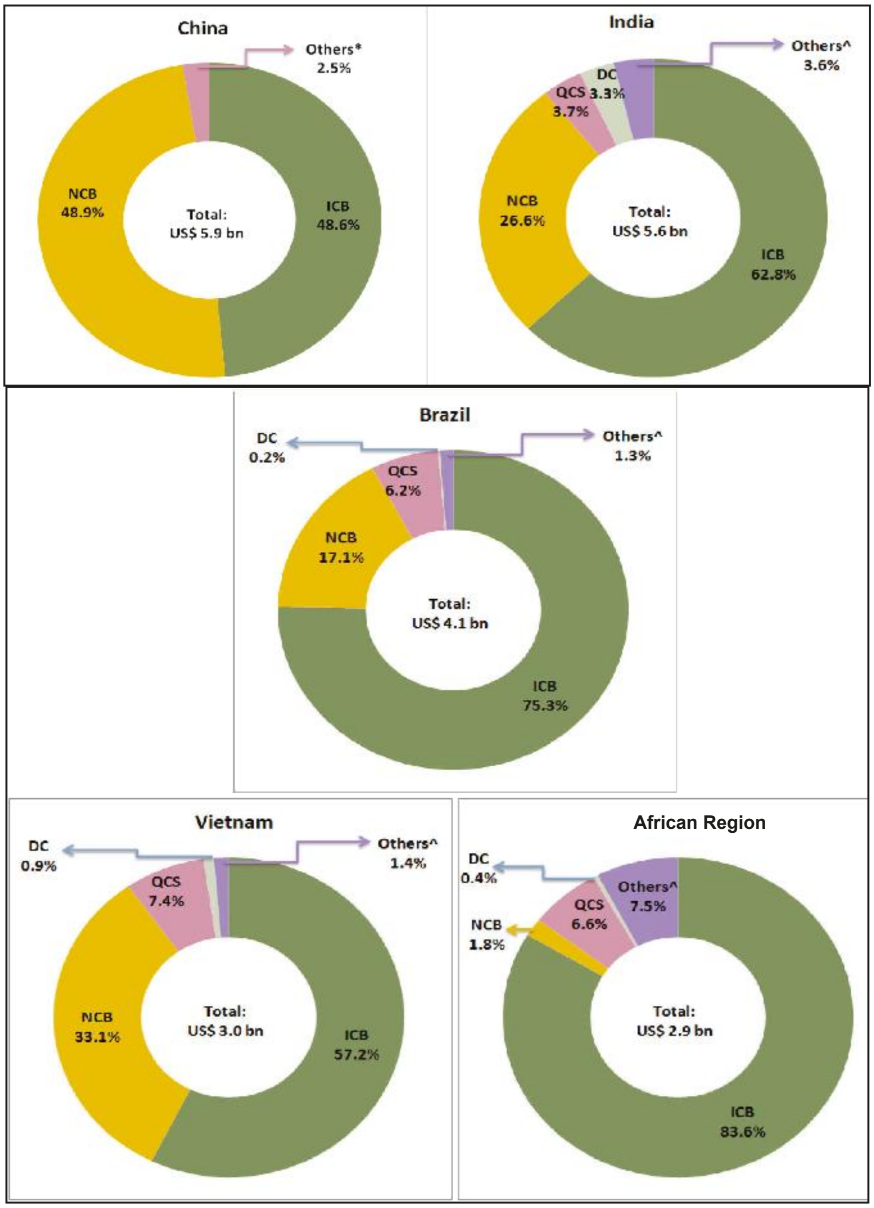
China: As in the case of value of contracts, the NCB mode constituted the largest share in volume terms as well. Out of 1708 contracts awarded during the 2009-2013 period, the NCB mode of procurement accounted for the largest share of 47.5%, followed by ICB (22.4%), CQS (10.4%) and QCS (6.7%) (Exhibit 3.37).

India: The NCB method of procurement accounted for the largest share of 35.1% in India's case (during the analysed period 2009-2013), followed by ICB (29.6%), QCS (18.5%) and SSC (6.8%) (Exhibit 3.37).

Sector-wise analysis

<u>In terms of value:</u> Nearly 53.7% of the total value of procurements by China during 2009 - 2013 were in the transportation sector (share of 53.7%), followed by water, sanitation and flood protection (31.3%), energy and mining (8.2%), health and other social services (3.3%), agriculture, fishery and forestry (1.8%) and public administration, law and justice (0.7%). For India as well, the maximum procurements were in transportation sector, with a share of 37.6% in the total (US$ 5577.3 mn), followed by energy and mining (26.9%), water, sanitation and flood protection (15.7%), health and other social services (10.3%) and agriculture, fishery and forestry (8.6%). Of the total procurement worth US$ 4142.9 mn by Brazil, the transportation sector, by far, constituted the largest value of contracts, with a share of 81.6%.

Exhibit 3.36: Top 5 Borrowers: By Mode of Procurement (Cumulative Value of Contracts (US$ mn), 2009-2013)

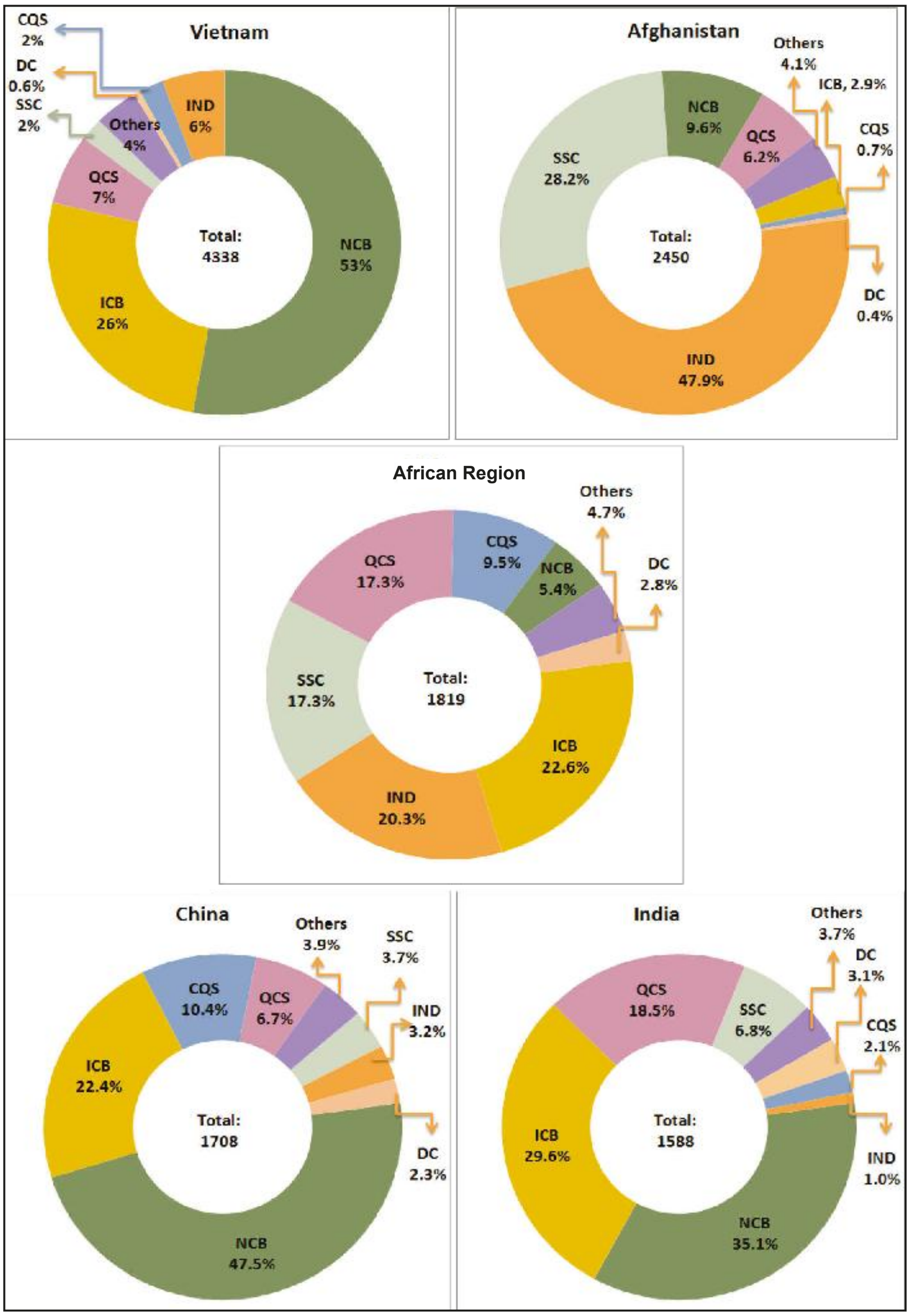


^Single Source Selection, Individual, Consultants' Qualifications, Limited International Bidding, Quality Based Selection, Selection Under a Fixed Budget, SHOP, Least Cost Selection, and Service Delivery Contracts

* Quality and Cost based Selection, Direct Contracting, Single Source Selection, Individual, Consultants' Qualifications, Limited International Bidding, Quality Based Selection, Selection Under a Fixed Budget, SHOP, Least Cost Selection, and Service Delivery Contracts

Source: WB

Exhibit 3.37: Top 5 Borrowers: By Type of Procurement (Cumulative Number of Contracts, 2009-2013)



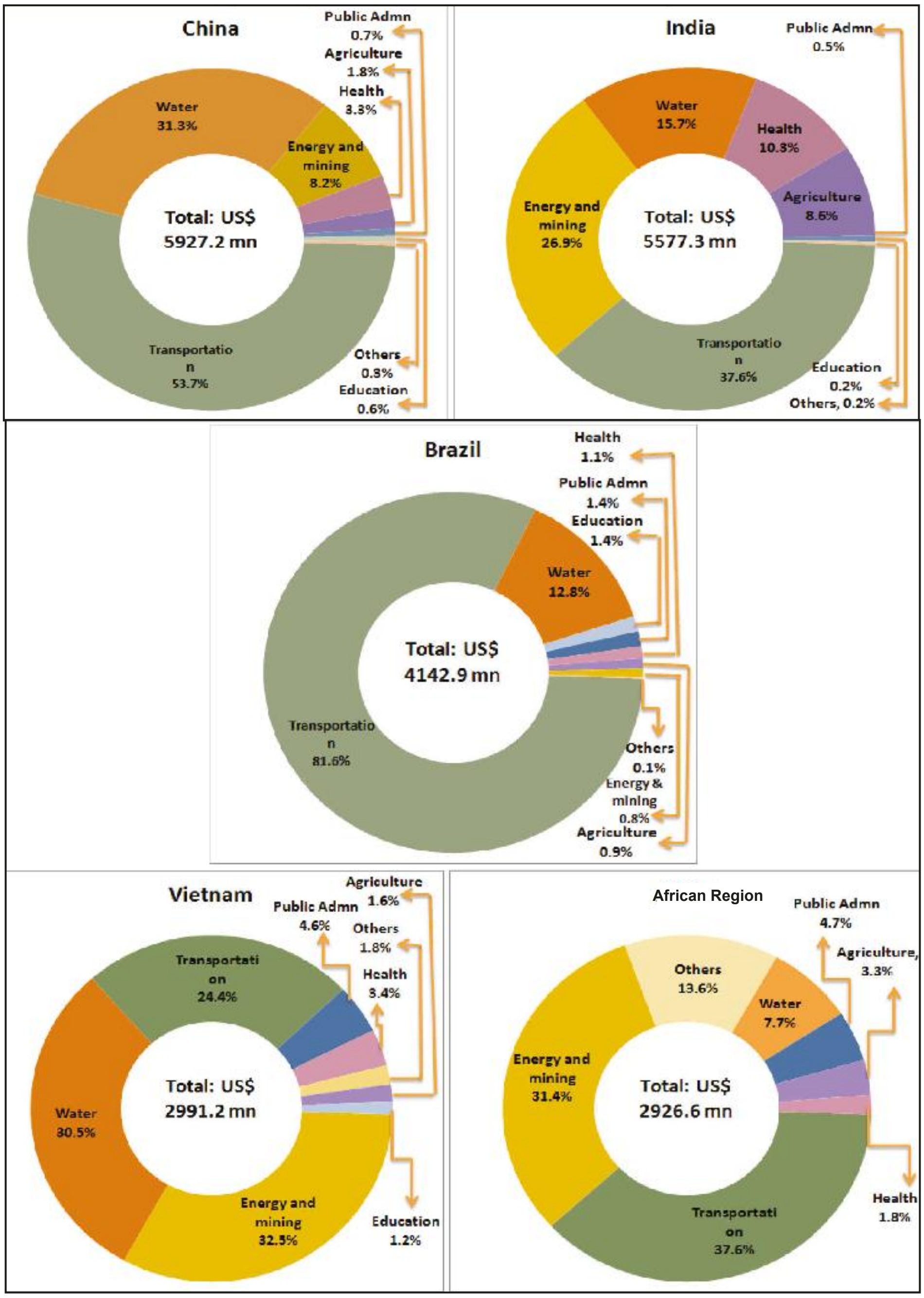
Others includes SHOP, Least Cost Selection, Quality Based Selection, Selection Under a Fixed Budget, Limited International Bidding, Service Delivery Contracts
Source: WB

Water, sanitation, and flood protection (12.8%), education (1.4%), public administration, law and justice (1.4%), and health and other social services (1.1%), were the other main sectors. In the case of Vietnam, energy and mining sector projects accounted for the largest share of 32.5%, followed by water, sanitation and flood protection (30.5%), transportation (24.4%), public administration, law and justice (4.6%) and health and other social services (3.4%). The transportation sector accounted for the largest value of procurements by the African region (37.6%) followed by energy and mining (31.4%), others (Finance, Industry and Trade, Information and Communications, and not assigned) (13.6%) water, sanitation and flood protection (7.7%), public administration, law and justice (4.7%), and agriculture, fishery and forestry (3.3%) (Exhibit 3.38).

<u>In terms of number of contracts:</u> About 31.0% of the total volume of procurements by Vietnam during 2009 to 2013 were for energy and mining projects, followed by water, sanitation and flood protection (27.7%), transportation (13.6%), agriculture (7.7%) and health and other social services (7.4%). For Afghanistan, public administration, law and justice was the sector in which the maximum number of contracts were floated (28.0%), followed by education (23.2%), agriculture, fishery and forestry (20.4%), others (finance, industry and trade, information and communications, and not assigned) (7.7%) and health and other social services (7.3%). Of the total 1819 contracts awarded by the African region, the agriculture sector accounted for 22.1% of the contracts. Water, sanitation and flood protection (17.5%), transportation (15.2%), public administration, law and justice (12.3%) and energy and mining (9.6%) were the other main sectors. In the case of China, water, sanitation and flood protection sector constituted 32.1% of the contracts floated by the country, followed by transportation (25.8%), agriculture, fishery and forestry (13.8%), energy and mining (9.6%) and health and other social services (7.1%). Water, sanitation and flood protection (25.8%), agriculture, fishery and forestry (22.5%), health and other social services (17.1%), energy and mining (13.5%), transportation (13.4%) and public administration, law and justice (4.2%) were the major sectors of procurement for India (Exhibit 3.39).

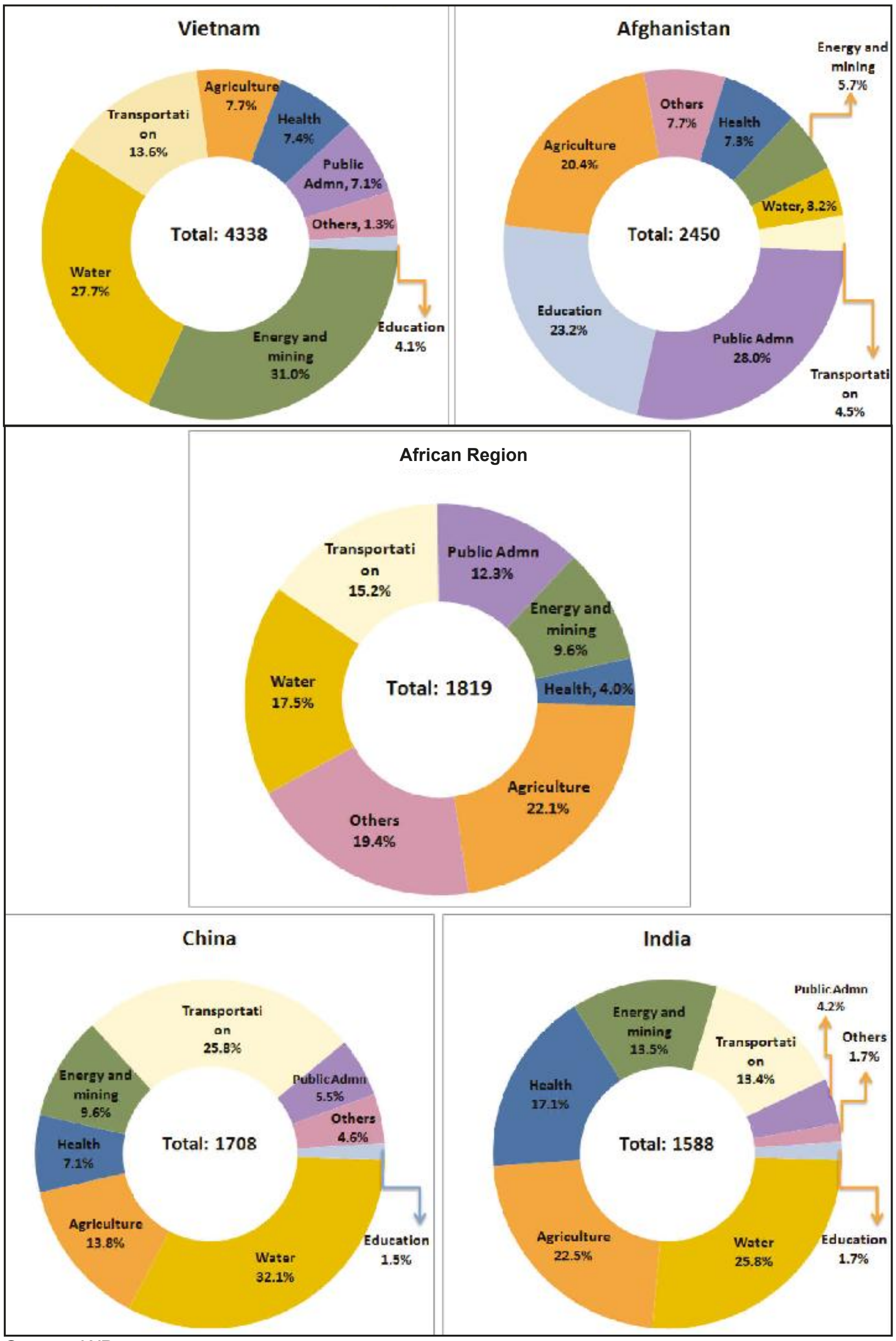
Vietnam and African region had significant value of contracts in the energy and mining sector. This is also the sector in which India has secured the largest value of contracts in all three MDB - funded projects. Hence, there

Exhibit 3.38: Top 5 Borrowers: By Sector
[Cumulative Value (US$ mn), 2009-2013]



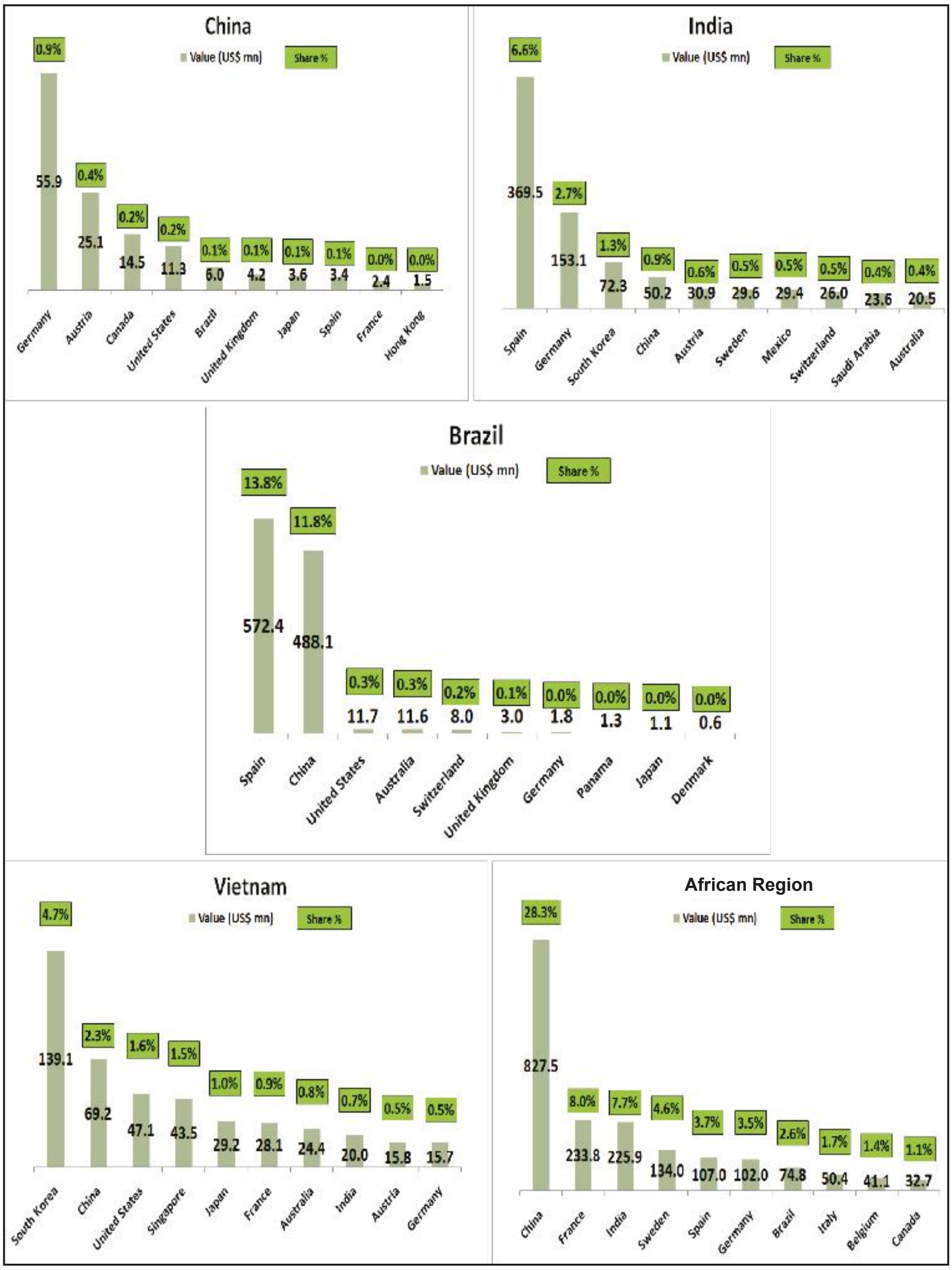
Source: WB

Exhibit 3.39: Top 5 Borrowers: By Sector (Cumulative Number of contracts, 2009-2013)



Source: WB

Exhibit 3.40: Top 5 Borrowers: Top 10 Foreign Countries Securing Contracts [Cumulative Value (US$ mn), 2009-2013]



Source: WB

Exhibit 3.41: Top 5 Borrowers: Foreign Countries which have Secured Contracts (Cumulative Number of Contracts, 2009-2013)

Source: WB

exists substantial complimentarilies with these two borrowers.

Analysis of Contracts not Secured Domestically

In terms of value

China: Majority of contracts in China (97.8%) were secured by Chinese companies (during the analysed period 2009-2013). Out of the contracts secured by non-Chinese firms, Germany secured the largest value of contracts in China worth US$ 55.9 mn, constituting 0.9% of the total US$ 5.9 bn worth of contracts, followed by Austria (0.4%), Canada (0.2%), USA (0.2%) and Brazil (0.1%) (Exhibit 3.40).

India: Out of the total US$ 5.6 bn, a majority of contracts (80.4%) were bagged by domestic companies (during the analysed period 2009-2013). Nearly 6.6% of the contracts were secured by Spain, followed by Germany (2.7%), South Korea (1.3%), China (0.9%) and Austria (0.6%) (Exhibit 3.40).

Brazil: About 13.8% of the contracts were bagged by Spain (during the analysed period 2009-2013), followed by China (11.8%), USA (0.3%), Australia (0.3%) and Switzerland (0.2%) (Exhibit 3.40).

Vietnam: Out of the total US$ 2991.2 mn, 4.7% of the contracts were secured by South Korea (during the analysed period 2009-2013), followed by China (2.3%), USA (1.6%), Singapore (1.5%) and Japan (1.0%). India also had a share of 0.7% in total value of contracts awarded by Vietnam (Exhibit 3.40).

African region: Nearly 28.3% of the contracts were bagged by China (during the analysed period 2009-2013), followed by France (8.0%), India (7.7%), Sweden (4.6%) and Spain (3.7%) (Exhibit 3.40).

In terms of number of contracts

Vietnam: Among the foreign countries, China secured the maximum number of contracts (58), accounting for a share of 1.3% (during the analysed period 2009-2013), followed by Singapore (0.9%), Australia (0.8%), USA (0.7%), UK (0.6%) and South Korea (0.5%) (Exhibit 3.41).

Afghanistan: UK, India, USA, Germany and Pakistan were the top five suppliers in the country in terms of the number of WB funded contracts secured during the 2009-2013 period, with shares of 1.4%, 1.3%, 1.3%, 0.5% and 0.4%, respectively (Exhibit 3.41).

African Region: France accounted for 7.9% of the total number of contracts secured during the period under consideration, followed by USA (2.5%), UK (2.0%), Canada (1.7%), and China (1.4%) (Exhibit 3.41). While India was among the top ten countries in terms of value of contracts awarded in the African region, its share was fairly low in terms of number of contracts.

China: USA was the largest supplier in China, with a share of 1.1% in total number of contracts secured. Other major countries securing WB funded contracts in China during the 2009-2013 period were Canada (0.6%), UK (0.4%), Denmark (0.3%) and Germany (0.2%) (Exhibit 3.41).

India: USA, Spain, China, Thailand and Australia were the countries which secured the maximum number of contracts in WB funded projects in India during the period under consideration, with shares of 1.1%, 1.0%, 0.8%, 0.6% and 0.5%, respectively (Exhibit 3.41).

5. INDIAN SCENARIO

INTRODUCTION

Projects funded by Multilateral Development Banks, both in India and in regional borrower countries present attractive business opportunities for Indian suppliers, contractors and consultants. These opportunities are spread across a wide spectrum of sectors including power, water supply, transport, telecommunication, agriculture, education and health.

Securing a contract funded by MDBs results in a tremendous multiplier effect (in the domestic economy in general and exports sector in particular). The positive spillover effect could translate into multiple sectors in domestic economy benefiting from the project. A project funded by any of the MDBs, say for construction of a railway line by an Indian company abroad requires supply of cement, steel, signalling equipments, rolling stock, labour and skilled manpower from India. Similarly, setting up of a power plant in the borrower country requires supply of power equipments, steel, cement and skilled manpower from India. Above examples illustrate the multi-sectoral spill-over effects of a single project funded by MDB into other industries as well. Such projects will also have foreign exchange remittance to India from the salary of the people deputed for the project. Securing MDB funded contracts allow the country to gain knowledge of local conditions, develop competitive advantages in bidding projects, deepening business relationships and cultural ties, and also contributes to socio-economic benefits in the partner countries through technology and skill transfers, among others. This generally creates a positive image of the project exporting country in the host country, which provides advantage to other firms from the project exporting country in their trade and investment deals in the host country.

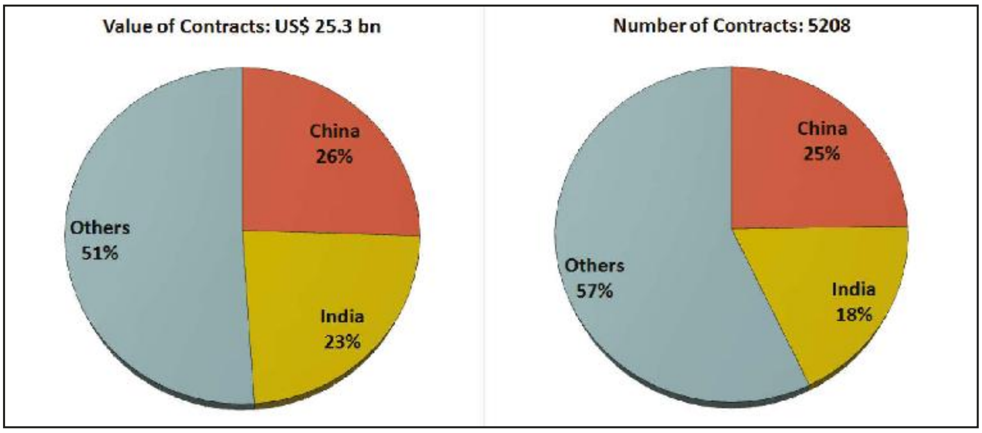
Due to their technical expertise and relevant experience in such sectors, Indian companies are often well-placed to secure contracts in projects funded by MDBs. While Indian firms have been successful in securing and executing such contracts, there exists significant potential to increase India's share in funded projects. The current section is devoted to an analysis of the sectors and geographies where India has performed well over the past few years, and where it can further enhance its presence. A parallel comparison with the pattern of contracts awarded to China has also been undertaken, as the country appears to be a major competitor for India in multilateral funded projects.

ASIAN DEVELOPMENT BANK

China and India are the largest supplier countries for ADB funded projects. During 2009-2013, China accounted for 26% of the cumulative value of contracts, and 25% of the cumulative number of contracts. India was the second largest supplier country, with its share in cumulative value of contracts being 23% and the share in cumulative number of contracts being 18% (Exhibit 4.1). A comparatively higher share in value terms is indicative of the relatively larger size of contracts secured by Indian and Chinese companies.

In terms of number of contracts, China had the largest share in ADB funded contracts in all the years during 2009-2012, but was overtaken by India as the largest supplier in 2013. In terms of value of contracts as well, India had the largest share in ADB funded contracts in 2013. The number of contracts secured by India in 2013 was 204 – the highest achieved by the country in any year during the analysed (2009-2013) period.

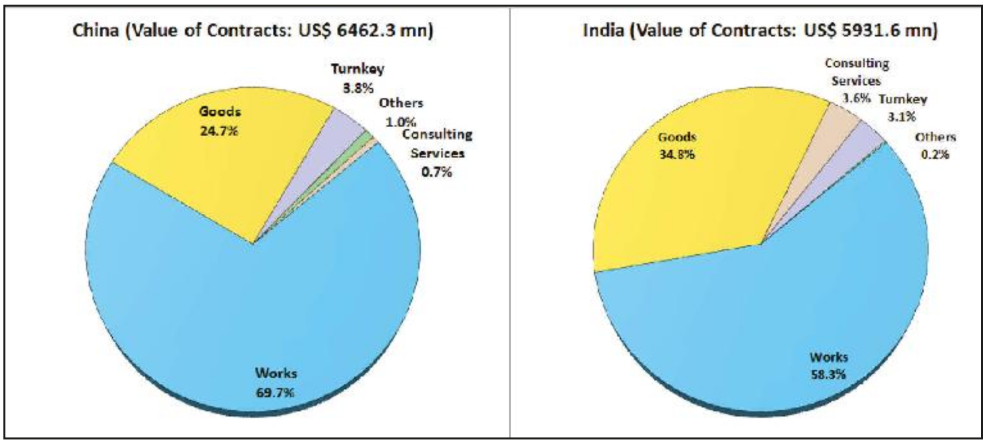
Exhibit 4.1: Share of India and China in ADB Funded Projects (Cumulative 2009-2013)



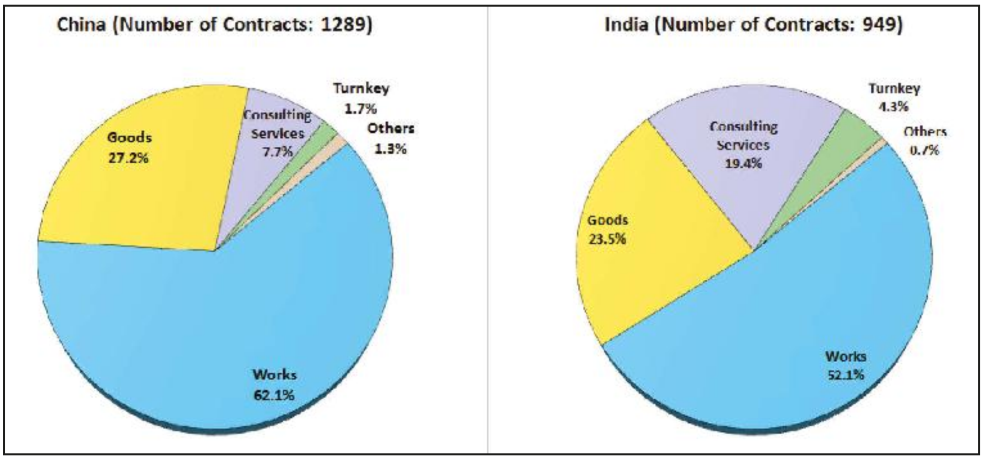
Source: ADB

Nature of Contracts: Contracts for civil works accounted for the bulk of contracts for both India and China. But the share of contracts for civil works in the case of China was larger than that of India, both in terms of value and volume. On account of the prowess of Indian companies in the services sector, a large share of contracts awarded to Indian companies were in the nature of consulting services. Consulting services segment accounted for 19.4% of India's total number of contracts secured under ADB funded projects. In China's case, the share was much lower at 7.7%.

Exhibit 4.2: Nature of ADB Contracts Awarded to China and India (In Terms of Value; Cumulative 2009-2013)



(In Terms of Number; Cumulative 2009-2013)



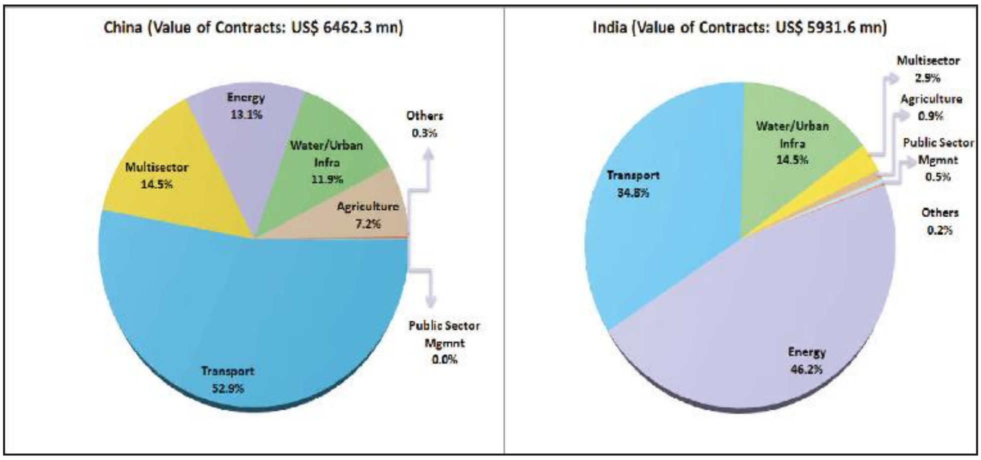
Source: ADB

The share of this segment in value terms for India amounted to only 3.6% of total contracts secured, largely because of the comparatively smaller value of contracts under this category (Exhibit 4.2).

Sectoral Distribution: While India secured maximum value of contracts in the energy sector (46.2%), China secured largest value of contracts in the transport sector (52.9%) (Exhibit 4.3). Share of these sectors in terms of number of contracts was lesser for both the countries, on account of the large contract size of these infrastructural projects. Other major sectors in value terms for India were transport (34.8%), and water and other urban infrastructure and services (14.5%) (Exhibit 4.3).

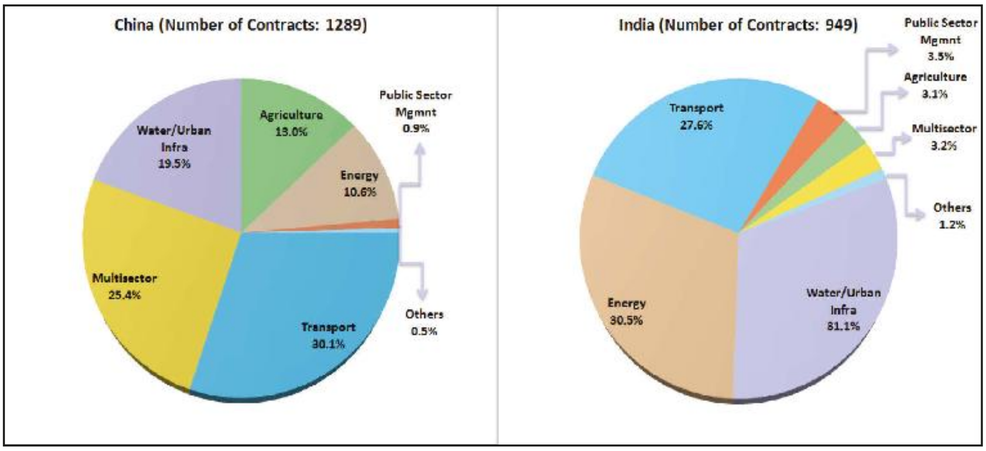
Water and urban infrastructure ranks the topmost sector in terms of number of contracts awarded to India with a share of 31.1%, followed by energy (30.5%) and transport (27.6%). For China, transport, multisector and water and other urban infrastructure and services were the largest sectors in terms of number of contracts, with shares of 30.1%, 25.4%, and 19.5%, respectively (Exhibit 4.4).

Exhibit 4.3: Sectoral Shares in ADB Contracts Awarded to China and India (In Terms of Value; Cumulative 2009-2013)



Source: ADB

Exhibit 4.4: Sectoral Shares in ADB Contracts Awarded to China and India (In Terms of Number of Contracts; Cumulative 2009-2013)



Note: Others include: Health, Education Industry and Trade, Finance, and Information and Communication Technology; Agriculture refers to Agriculture, natural resources, and rural development; Water/Urban infra refers to Water and other urban infrastructure and services; Public sector mgmnt refers to Public sector management.

Source: ADB

Spatial Distribution: The share of contracts secured by Indian companies outside its national boundaries was marginally higher at 11.8% of total number of contracts secured than those of Chinese companies (10.7%). Neighbouring countries of Bangladesh and Sri Lanka were the top countries where India secured these contracts. In both these countries, India secured maximum contracts in the energy sector. China secured maximum contracts in Pakistan (2.5% of total contracts secured), Vietnam (1.9%) and Bangladesh (1.2%) (Exhibit 4.6). From this it emerges that South Asian economies are important in terms of contracts awarded for both India and China.

Exhibit 4.5: Geographic Spread of ADB Projects Secured by China (Total: 1289)

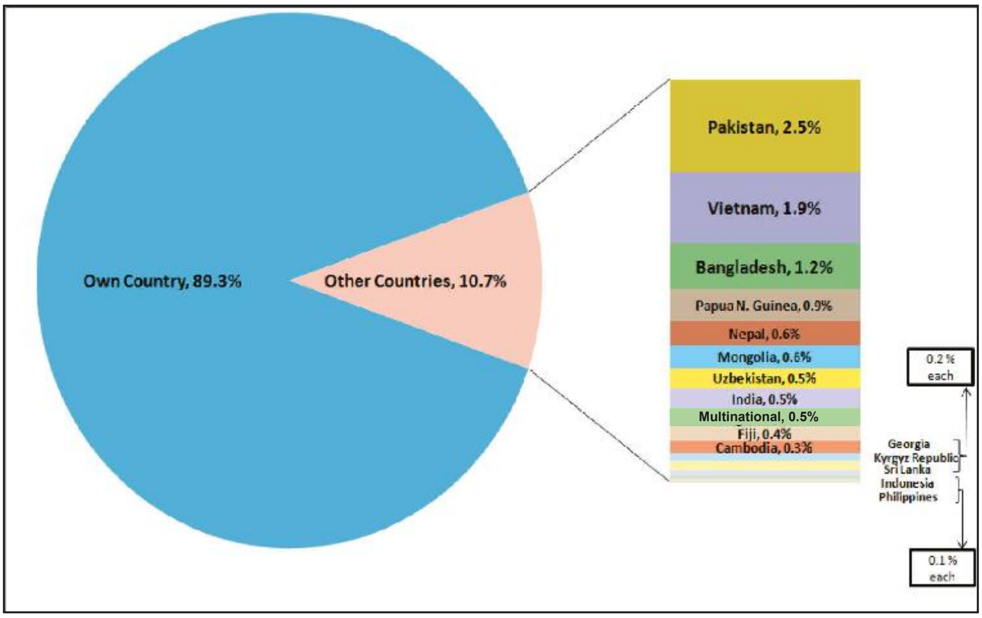
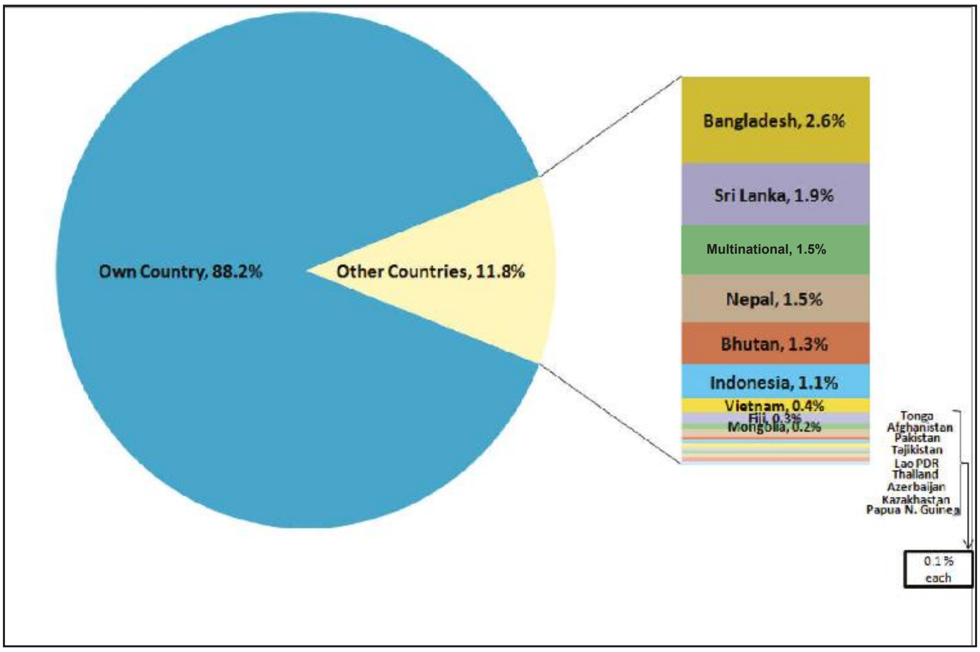


Exhibit 4.6: Geographic Spread of ADB Projects Secured by India (Total: 949)



Source: ADB

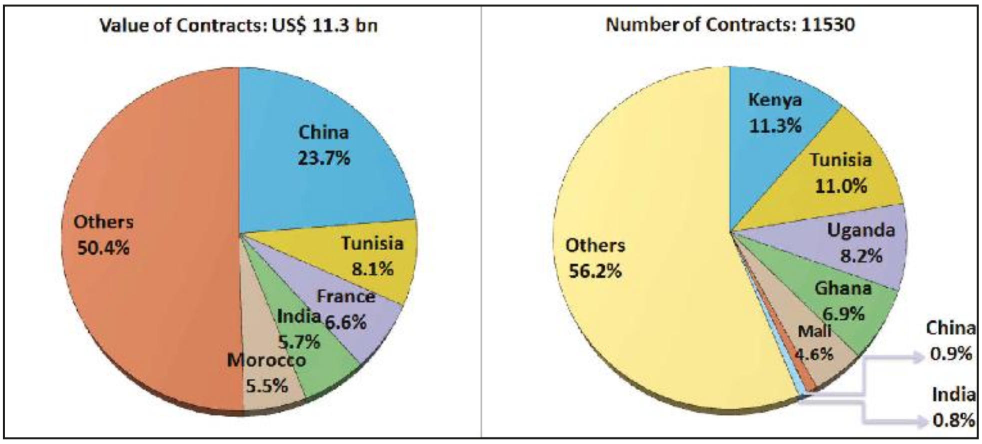
African Development Bank

India secured 5.7% of total value of AfDB contracts, and 0.8% of total number of AfDB contracts during the period 2009-2013. Although in terms of number of contracts secured, the shares of China and India as suppliers for AfDB projects are similar, in terms of value of contracts secured, China's share is much higher at 23.7% as against India's share of 5.7% (Exhibit 4.7). It can thus be deduced that the value of contracts awarded to China was significantly larger than those secured by Indian companies in case of AfDB funded projects. With a share of 6.6% in value terms, France is also a major competitor for India in AfDB contracts. Although Morocco and Tunisia also have significant value of contract awards, these are largely for projects in their own countries.

In value terms, China consistently secured the maximum value of contracts in all the years from 2009 to 2012. India has steadily increased its share in AfDB contracts, with its position in total value of contracts secured increasing from 16th in 2009 to third in 2013.

Nature of Contracts: Civil works accounted for bulk of contracts secured by companies from India and China in value terms, with shares of 77.9% and 96.4%, respectively (Exhibit 4.8). However, in volume terms, while civil works remained the predominant type of contracts secured by China, with a share of 83%, goods contracts were the predominant type in the case of India with a share of 47.8%. Civil works accounted for only 35.6% of India's total contracts secured in terms of number of contracts (Exhibit 4.9).

Exhibit 4.7: Share of India and China in AfDB Funded Projects (Cumulative 2009-2013)

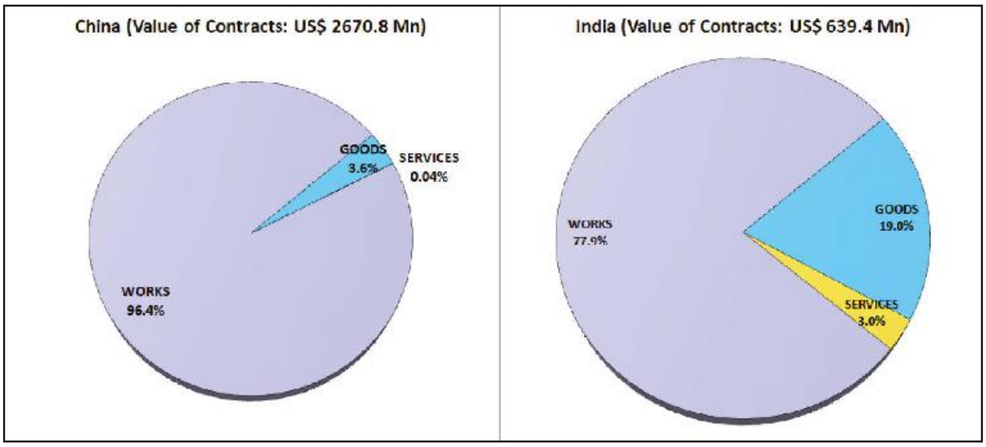


Source: AfDB

The share of services contract is larger in the case of India, as compared to China. Services contracts accounted for 16.7% of total contracts awarded to India in volume terms, and 3% in value terms. In case of China, services contracts accounted for only 0.9% of the total contracts in volume terms and almost negligible in value terms.

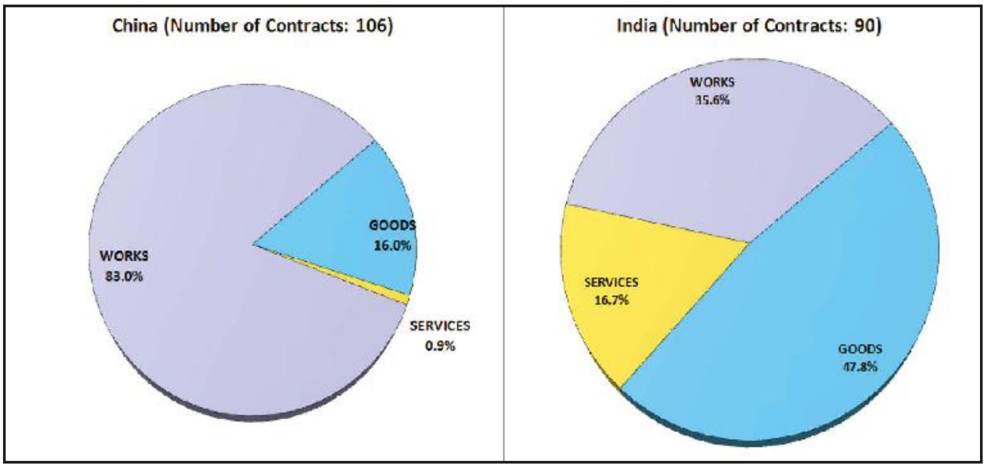
Sectoral Distribution: Transport is a major area where China has bagged contracts. The transport sector had a share of 87.2% in the total value of

Exhibit 4.8: Nature of AfDB Contracts Awarded to China and India (In Terms of Value; Cumulative 2009-13)



Source: AfDB

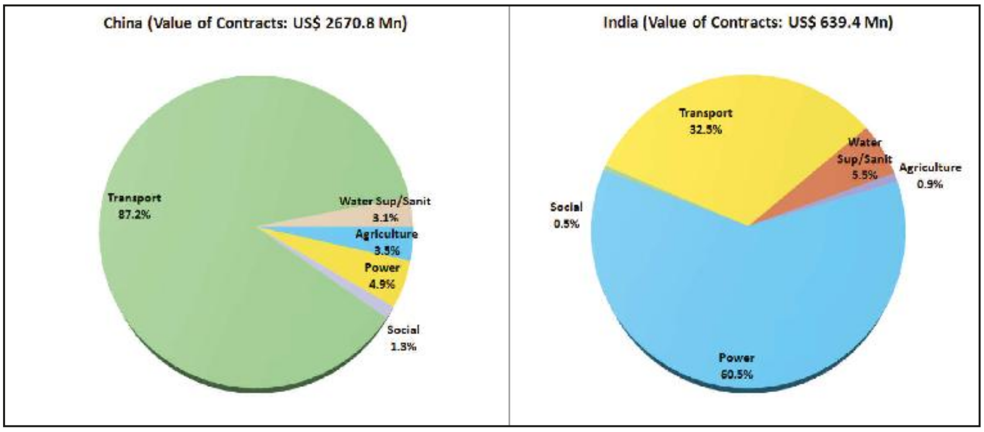
Exhibit 4.9: Nature of AfDB Contracts Awarded to China and India (In Terms of Number; Cumulative 2009-13)



Source: AfDB

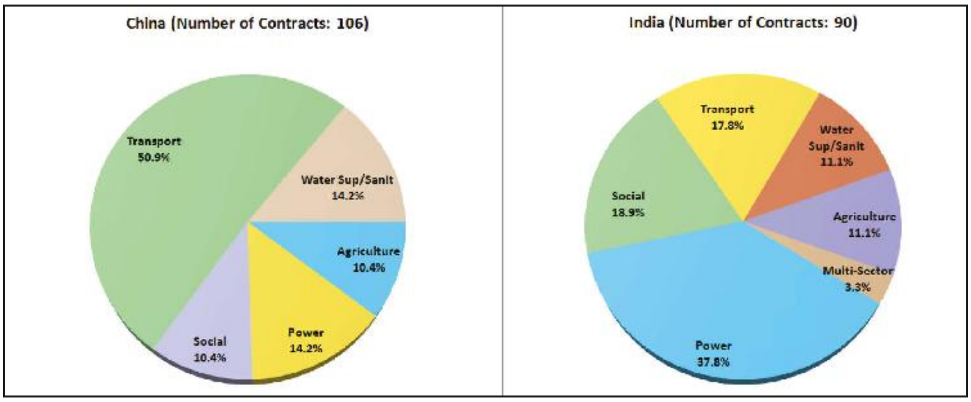
contracts awarded to China, followed by power sector accounting for 4.9% of the total contract value. As compared to this, the power sector accounted for a majority of contracts awarded to India, accounting for 60.5% of total value of contracts, followed by the transport sector (32.5%). China and India had negligible value of contracts secured in the social segment during 2009-2013 period. However, in terms of numbers, India had secured significant number of contracts in the social sector, accounting for 18.9% of total number of contracts secured during this period. China on the other hand had only 10.4% of total contracts secured falling in the social sector (Exhibit 4.10 and 4.11). The value of contracts in the social sector is relatively small,

Exhibit 4.10: Sectoral Shares in AfDB Contracts Awarded to China and India (In Terms of Value of Contracts; Cumulative 2009-2013)



Source: AfDB

Exhibit 4.11: Sectoral Shares in AfDB Contracts Awarded to China and India (In Terms of Number of Contracts; Cumulative 2009-2013)



Source: AfDB

and explains the much lower share in value of contracts in case of India and China.

Spatial Distribution: After multinational projects, Tanzania accounted for the highest share of total contracts (12.2%) executed by India. Other major countries where India implemented projects included Ghana (11.1%), Eritrea (8.9%), Zimbabwe (8.9%) and Kenya (7.5%) (Exhibit 4.13).

Most of the contracts secured by China were of multinational projects (15.1%). The major countries where China secured contracts were Tanzania (13.2%), Uganda (10.4%), Ethiopia (6.6%), and Ghana (6.6%) (Exhibit 4.12).

Although the share of multinational projects was greater in the case of number of contracts secured by India as compared to China, the share of these projects in value terms was much higher in case of China.

Exhibit 4.12: Geographic Spread of AfDB Projects Secured by China

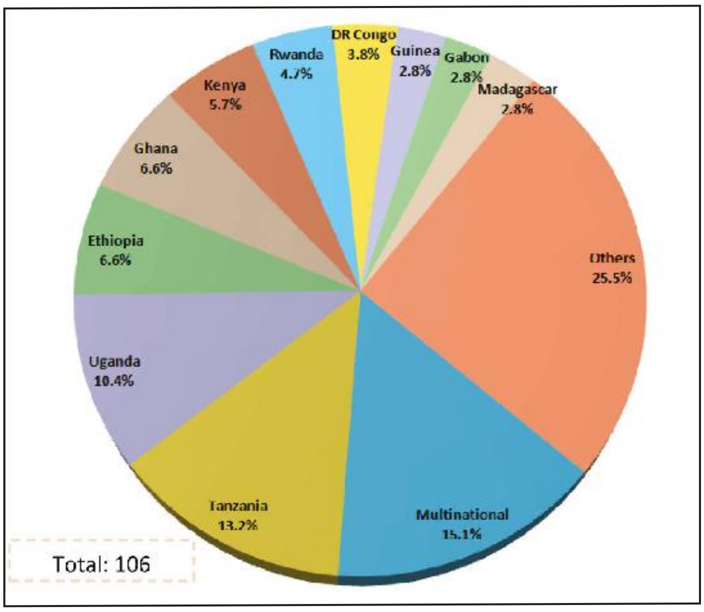
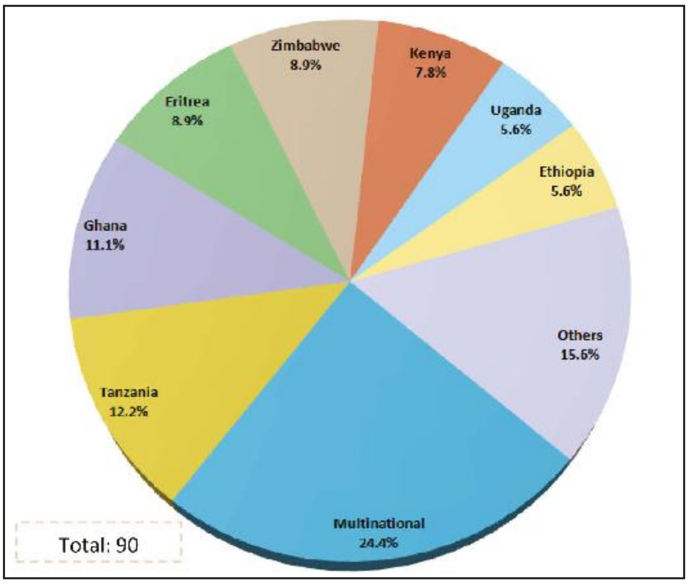


Exhibit 4.13: Geographic Spread of AfDB Projects Secured by India



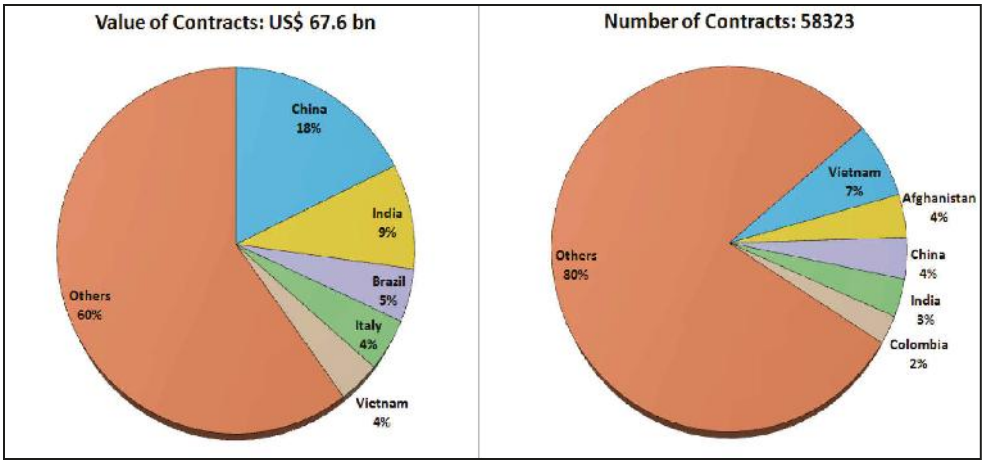
Source: AfDB

World Bank

In cumulative value terms, China and India were the largest suppliers of World Bank funded projects during 2009-2013, accounting for a share of 18% and 9%, respectively. Brazil closely followed India as the third largest supplier in value terms in WB funded projects, but more than 96% of these were in the form of domestic contracts.

In terms of number of contracts, Vietnam and Afghanistan secured the largest number of WB contracts, accounting for 7% and 4% of the total number of contracts during the period under consideration. But here as well, 99% of the number of contracts secured by Vietnam and nearly 100% of contracts secured by Afghanistan were for domestic contracts. Hence, in WB funded projects as well, China is the only major competitor for India. While India had a share of 3% (of total contracts) in volume terms, China had a share of 4% (Exhibit 4.14). As compared to Vietnam and Afghanistan, the share of domestic projects in total number of WB funded contracts secured was relatively lower for both India and China, at 72.7% and 77.1%, respectively.

Exhibit 4.14: Share of India and China in WB Funded Projects (Cumulative 2009-2013)



Source: AfDB

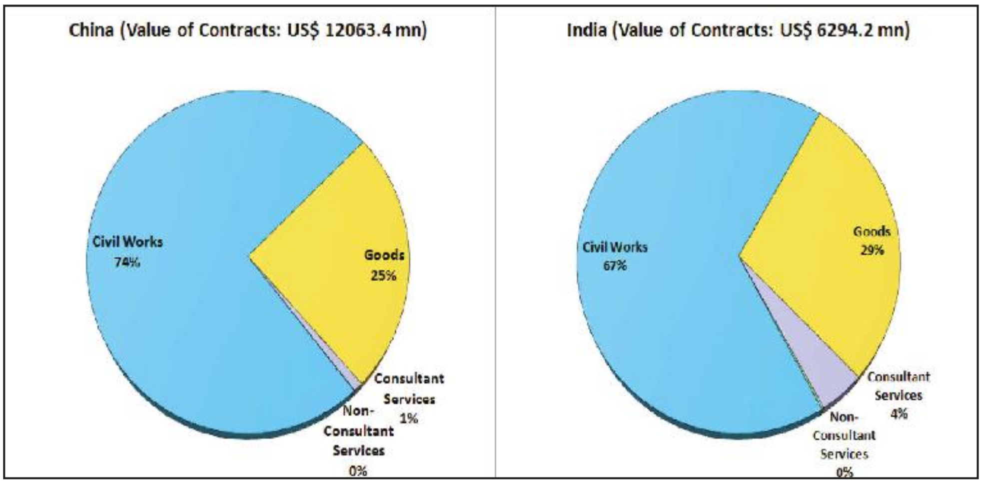
The value of contracts secured by India in WB funded projects has been rising from 2011 onwards, while that of China has been declining, narrowing the gap between the contracts secured by the countries in value terms. While the CAGR of the value of contracts secured by China during the period 2009-2013 was negative at (-) 4.9%, the value of contracts secured by India witnessed a robust CAGR of 18.1% during the same period.

From 2010 onwards, the number of contracts secured by China has also been declining. On the other hand, the number of contracts secured by India has witnessed a secular increase from 2009 onwards, reaching an all time high level of 439 in 2013. In terms of number of contracts, while India was the third largest country in 2013, China slipped to the sixth place. In 2012 as well, India was ahead of China.

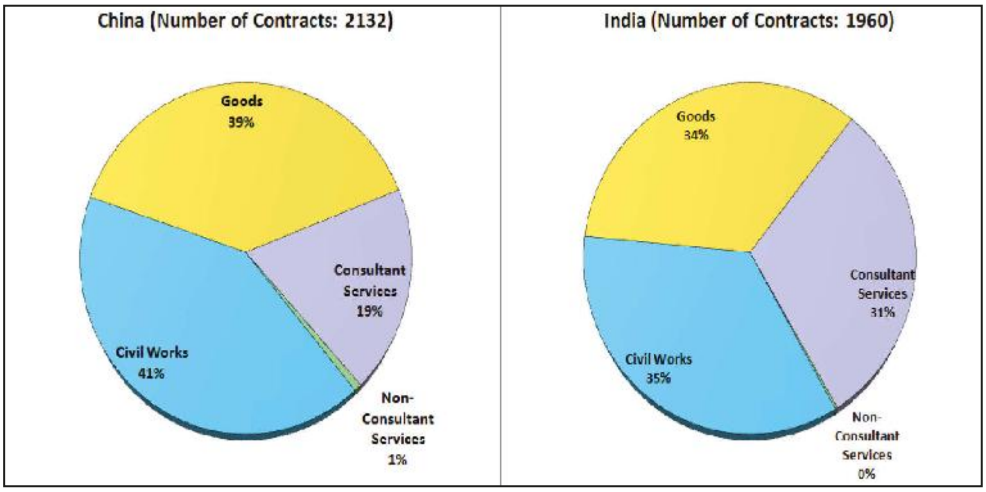
Nature of Contracts: Contract size of civil works can be very large. Hence, civil works were the largest type of contracts for both China and India in value terms, more so in the case of China. In terms of value of contracts, civil works had a share of 74% in China's case and 67% in India's case. The share of contracts for supply of goods was similar for the two countries, with its share for China being 25% and for India being 29% (Exhibit 4.15).

A significant number of contracts awarded to India were in the nature of consultant services. In terms of number of contracts, the share of consultant services was much higher

Exhibit 4.15: Nature of WB Contracts Awarded to China and India (In Terms of Value; Cumulative 2009-2013)



(In Terms of Number; Cumulative 2009-2013)



Source: WB

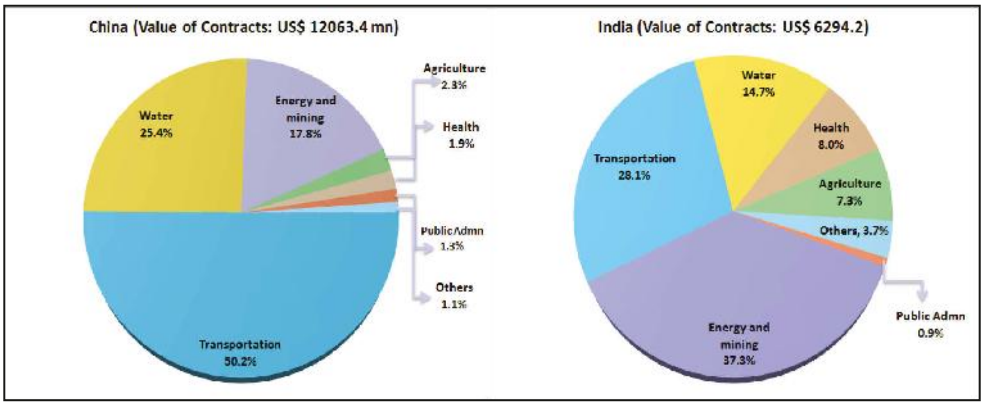
at 31% for India, as against 19% for China (Exhibit 4.16).

Sectoral Distribution: Transportation was the maximum segment where China secured contracts in value terms, accounting for nearly half of the total value of contracts, followed by water, sanitation and flood protection (25.4%); and energy and mining (17.8%). In the case of India, energy and mining was the largest segment in value terms, with a share of 37.3%, followed by transportation (28.1%), water, sanitation and flood protection (14.7%) and health and other social services (8.0%) (Exhibit 4.16).

In terms of number of contracts, water, sanitation and flood protection was the largest sector for India, with a share of 21.6%, followed by agriculture, fishery and forestry (18.4%), health and other social services (17.9%) and energy and mining (17.0%). Water, sanitation and flood protection sector was also the largest segment in the case of China in volume terms, with a share of 28.0%, followed by transportation (23.9%), energy and mining (16.7%), and agriculture, fishery and forestry (12.9%) (Exhibit 4.17).

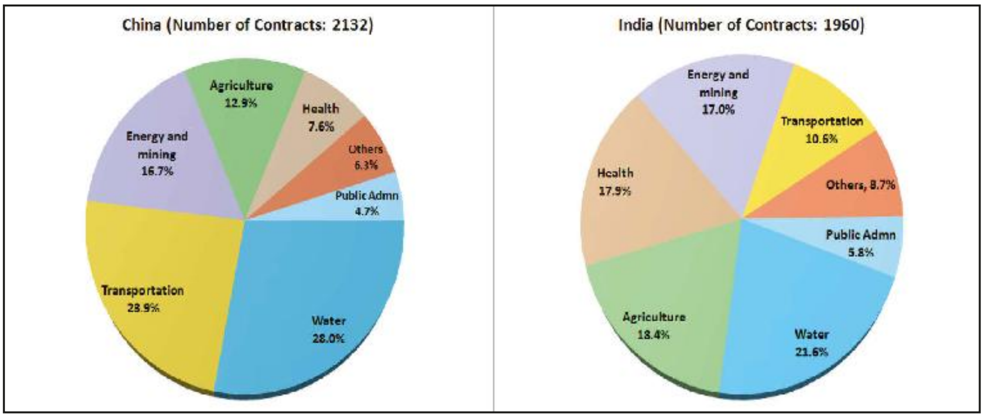
India's participation in the social sectors is greater than that of China. While health and other social services accounted for only 7.6% of total number of contracts secured by China, its share in India's case was significantly higher at 17.9%. Similarly, while education accounted for 2.5% of China's total number of contracts secured, its share in India's case was 6.4%. The share of agriculture, fishing and forestry was also larger in the Indian case. China has been successful in securing far more contracts in the transportation sector, which was evident in the sector's share both in terms of value and volume.

Exhibit 4.16: Sectoral Shares in WB Contracts Awarded to China and India (In Terms of Value of Contracts; Cumulative 2009-2013)



Source: WB

Exhibit 4.17: Sectoral Shares in WB Contracts Awarded to China and India (In Terms of Number of Contracts; Cumulative 2009-2013)



Note: Others includes Education, Industry and Trade, Finance, Information and Communications; Water refers to Water, sanitation and flood protection, Agriculture refers to Agriculture, fishing, and forestry; Health refers to Health and other social services; Public Admn refers to Public Administration, Law, and Justice.

Source: WB

Spatial Distribution: A fairly large share of contracts awarded to Indian companies is located outside the national boundary (27.3%). A significant share of these contracts is in the African region. Indian companies have been able to secure more number of contracts than China in the countries of Ethiopia, Bangladesh, Kenya, Afghanistan, Nepal, Uganda, Tanzania, Yemen, Nigeria, Rwanda, Zambia, Timor-Leste, among many others.

However, in terms of multi-national contracts, Indian companies have been less successful. While China secured 26 contracts in the African region, only 9 contracts were secured by India. Similarly, while China secured 23 contracts in the East Asia and Pacific the region, no contracts were secured by India. In the East Asia and Pacific the region, all projects bagged by Chinese companies were in the sector of agriculture, fishing, and forestry. This sector features more prominently in the contracts awarded to India than China, indicative of the potential to secure such contracts by Indian companies in the East Asia and the Pecific region.

Exhibit 4.18: Geographic Spread of WB Projects Secured by China (Total: 2132)

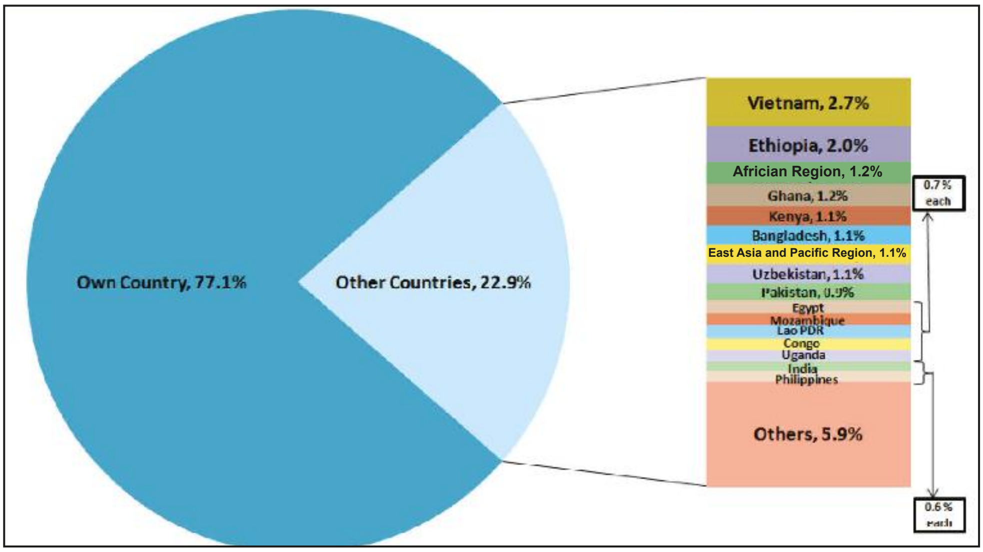
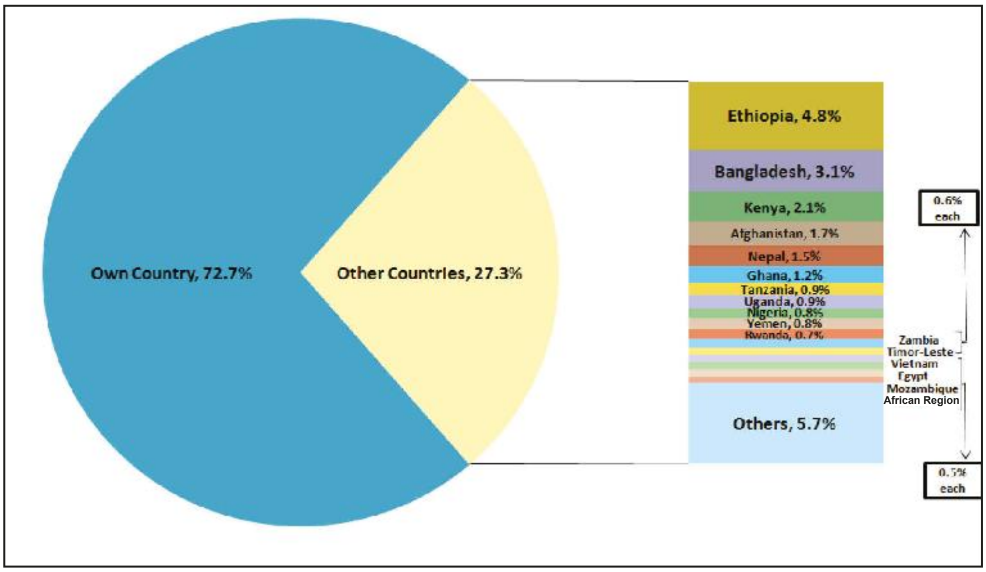


Exhibit 4.19: Geographic Spread of WB Projects Secured by India (Total: 1960)



Source: WB

IN SUM

Like China, greater value of contracts secured by India is in the nature of civil works, in all the three cases. In the civil works segment, Indian companies are expected to face stiff competition from their Chinese counterparts. However, India has a significant presence in the services space, unlike China. It can look forward to further expand its presence in the services segment.

In terms of sectoral distribution of projects, India has a greater presence than China in the social sectors, and water related infrastructure sector. In terms of value, like China, power and transportation are the largest sector where India has secured contracts. However in all the three cases of AfDB, ADB and WB, power sector accounted for the largest share in the case of India, and transportation sector has accounted for the largest share in the case of China.

In terms of spatial distribution of projects, India has secured significant number of ADB and WB contracts in Bangladesh.

6. RECOMMENDATIONS

Projects funded by MDBs progress through a series of stages involving conceptualization, formalization, preparation and implementation. Business opportunities arise at each stage of the project cycle. In general, the project cycle consists of the following stages:

Identification: The first stage relates to the identification of projects, which involves both the MDB concerned and the borrowing country. The project is expected to be closely related to the country's priorities and development strategy, as well as its suitability for MDB support.

Preparation: Once the proposed project enters the pipeline, feasibility studies and detailed project design is carried out. Preparation, which involves the studying and defining of the project, is mainly the borrowing country's responsibility. At this stage, consultants are frequently hired for sector studies, master plans, feasibility studies, project design, and environmental and social assessments.

Appraisal: This stage is the responsibility of the MDB. MDB conducts assessment of the technical, environmental, financial and economic elements of the project. A detailed Project Appraisal Document or Project Proposal, and for many technical assistance projects, a Technical Annex, is made at this stage.

Negotiation: At this stage, the MDB and the borrower negotiate the loan agreement and the project implementation plans. After the negotiations, loan documents along with appraisal report are presented to the Board of Directors of the MDB for approval. Upon approval from the Board, the loan document needs to be signed by the country to become effective.

Implementation: At the implementation level, the responsibility lies largely with the borrower, with minimal MDB assistance. However, MDBs oversee and approve the procurement decisions of the borrowers. During this stage, bidders are notified about the procurement opportunities; bulk of the procurement opportunities for contractors is made available at this stage.

Evaluation: An assessment of the project and of the results achieved is performed after the completion of the project and disbursement of all the funds.

There remains immense potential for Indian companies to expand their share in MDB contract awards. The following section identifies constraints and makes an attempt to suggest strategies for Indian companies to bid effectively in MDB funded projects.

Registration of Indian Companies/ Consultants with MDBs:

Asian Development Bank: ADB assists the executing agencies of the borrower countries from time to time by providing them with a list of qualified firms/ consultants generated from the ADB's integrated Consultant Management System (CMS) database (erstwhile ADB-DACON System). They use these lists to prepare the shortlists. ADB, however, does not suggest which firms are more suitable for shortlisting. Under the new CMS system, Indian companies and consultants can now create and update their profile, search opportunities, send Expressions of Interest (EOIs), respond to Non-Committal Inquiries (NCIs), and prepare and submit proposals. Indian companies and consultants need to maintain their registration up-to-date, and ensure that it contains current contact information and details of projects undertaken at least for the last five years. Large companies / consultants with diverse expertise (for e.g. WAPCOS, IRCON, PEC, L&T, Godrej & Boyce Ltd., Engineers India Ltd. etc.) could be encouraged to register their divisions or departments offering their sectoral capabilities, in addition to the firm's general registration. This will give these companies additional chance of getting shortlisted in those sectors.

African Development Bank: AfDB maintains information pertaining to the capability and experience of a large number of consultants, in its Data on Consultant System (DACON). This information is used in preparing short list for the Bank as well as assisting the borrowers in preparing their short list, if required. Although consultants do not need to be in DACON before they can be short-listed, registration in DACON is encouraged as it provides crucial information to the borrowers when identifying contractors/suppliers/ consultantss for the projects.

World Bank: The World Bank also maintains an information system by the same name - DACON. Firms registered with DACON provide information which may be useful to the borrowers and the World Bank in the preparation of short lists and review of qualifications of firms proposed by the borrowers. With the consent of the firms, Bank may also provide non-confidential information to other consultants interested in seeking associates or partners for the assignments.

Preparing Responsive Bids (Key Points to Remember by Indian Company/Consultants): Awareness needs to be created among Indian companies to prepare responsive bids. A substantially responsive bid is one which conforms to all the terms, conditions, and specifications of the bidding documents, without material deviation or reservation. A material deviation or reservation is one:

a) which affects in any substantial way the scope, quality, or performance;

b) which limits in any substantial way, inconsistent with the bidding documents, the employer's rights or the bidder's obligations under the contract; or

c) whose rectification would affect unfairly the competitive position of other bidders presenting substantially responsive bids.

The procedures for bid submission, and the processes involved need to be widely disseminated to Indian companies. Exim Bank has been undertaking this by organising Business Opportunities Seminars in MDB funded projects across various cities of India. A more coordinated approach involving Indian Industry Associations, the office of ED (India) at the respective MDB, Indian Missions abroad, inter alia, in providing timely alerts could go a long way in helping Indian companies to prepare responsive bids and augment their success in securing MDB funded contracts. While Exim Bank of India has been conducting a number of business opportunities seminars, in partnership with MDBs, these are essentially for awareness creation. More intense workshops need to be organised in association with relevant industry association, focussing more on the active Indian bidders to help increase effective participation and gaining deeper appreciation of issues to be addressed, pitfalls to be avoided, thereby help enhance their chances of success.

Building Brand Image of India: Although Indian companies have secured a fair share of total projects funded by MDBs, a majority of them are within India. In other words, the success rate of Indian companies outside the home territory has been low. One of the reasons cited by the industry sources for this state of affairs includes the brand image of India, technical competency of Indian contractors notwithstanding. Lack of international experiences in executing contracts is yet another reason cited by industry sources. These shortcomings could be overcome by encouraging more and more Indian companies (by way of fiscal and financial incentives) to bid for international projects. More Indian companies need to be supported to acquire international exposure through Government of India (GOI) supported LOCs or other such mechanisms.

Support to Indian Consultants – Ambassadors for Turnkey Contracts: An analysis of consultancy contracts funded by MDBs, and the relative position of India vis-a-vis China in securing such contracts reveals that Indian consultants can be encouraged to serve as ambassadors for successful bidding of civil works and turnkey contracts. This would have a spinoff effect on the ability of Indian companies in securing turnkey, and civil works / supplies contracts. One approach that could be adopted is for the GOI to place Technical Assistance Funds (TAF) with the MDBs, for undertaking feasibility studies (especially for infrastructure related projects) in target countries which could be undertaken by Indian companies, so that advance leads could be generated for turnkey contractors/suppliers for securing infrastructure projects.

Lack of Quality Assurance in Consultancy: Delivery of quality consulting is an important aspect for consulting firms. This enhances the credibility and marketability of consultants. Consultants need to follow the best consulting practices and processes to ensure quality delivery across various phases of the consulting process. In this regard, a system of certification/ accreditation can be evolved. Moreover, an enforceable code of conduct can also help improve the image of the profession in India.

Help Enhance the Presence of Indian Contractors/Consultants:
Sectoral approach: Indian firms need to be encouraged to develop sectoral capabilities where its presence has been limited (vis-à-vis China). Sectors such as irrigation, drainage, and flood protection; water-based natural resource management; public expenditure and fiscal management, energy sector development; hydropower, renewable energy, road transport; multi-sector; agriculture, fishery and forestry; and municipal services are some of the sectors in

which capabilities are required to be developed to meet the international requirements.

Regional approach: Indian firms also need to be encouraged to enter countries that are beyond the South Asian region. Countries in East Asia, and Central Asia should be targeted by the Indian contractors. Support from the Government of India may also be required to encourage them to bid for projects in such countries.

Consortium approach: Consultancy firms are increasingly required to provide a comprehensive range of services spanning across a wide range of sectors. This calls for pooling of resources, complementary skills and the ability to draw upon the resources with a collaborative approach. Indian consultancy firms, as also contractors should be encouraged to adopt the consortium approach to build and project their capabilities uniformly across diverse sectors. For instance, in the engineering consulting sphere, a number of players form a consortium to enhance their capability and capacity to bid for large projects, where they in their individual capacity do not qualify. However, such approaches are not adopted by the consultants in other spheres, as for example, the management consultants. Moreover, India’s performance in the space of multi-sector projects leaves a lot of room for improvement as compared to China. Consortium approach can help bring several players, having expertise in different sectors, come together and bid for complex projects under this sector in greater numbers.

Sub-contracting approach: Project exporters of small and medium size should consider the possibility of securing sub-contracts from major European/American/Japanese companies. In order to encourage this, the office of the ED (India) at MDBs (which is privy to whole set of information on various projects at their initial stages itself) together with Indian Missions need to send out alerts advising the project exporters in advance, and work in close coordination with them to facilitate securing such sub-contracts.

Strategic presence approach: In several cases, having a local presence in the country of the project significantly enhances the probability of success in securing a contract. Indian companies need to be supported / encouraged to form joint ventures in deserving markets. Local presence helps Indian contractors to interact with the market players and assess the competitive position at early stages of the planning process.

India's outward investments are predominated by the services sector, with software & IT services, financial services, and business services being among the largest sectors in terms of outward foreign investment. A significant share of investments in these sectors is directed towards the Asia-Pacific region. Indian companies in the services sector are expected to benefit on account of such an international presence. International presence will help better position the Indian companies to tap the opportunities in contracts which are procured through National Competitive Bidding and National Shopping. NCB accounted for 12.8% of the total value of WB contracts, and 13.1% of the total number of WB contracts in 2013. In AfDB contracts, NCB accounted for 51% of the contract procurements in volume terms, and 10% of the contract procurements in value terms. National Shopping also accounted for 6% of AfDB contracts in volume terms in 2013.

Co-financing approach: Some projects funded by the MDBs may have a funding gap which can be bridged through co-financing by institutions like Exim Bank with the support of GOI. It may be noted that the funding structure and cost of funds for MDBs (supranational institutions) and Exim Bank (sub-sovereign institution) may be different, and in order to align these two, GOI support may be needed to make the co-financing approach effective. Export-Import Bank of Korea and Export-Import Bank of China have already signed cofinancing agreement with the ADB to maximize the impact of development assistance through enhanced collaboration and complementary work.

In the past, the AfDB has also signed such co-financing agreements. The People's Bank of China and the AfDB have entered into a US$ 2 billion co-financing fund - 'Africa Growing Together Fund'. Expected to be provided over a 10-year period, the Fund is intended to finance eligible sovereign and non-sovereign guaranteed development projects in Africa.

Analysis of past procurement data could provide useful inputs in planning these approaches effectively. Such procurement data covering Indian participation in projects funded by MDBs, number of companies with pre-qualification for bids, number of companies submitting bids (in India and outside India), number of companies successfully securing bids, and reasons for their success/ failures as the case may be, need to be collated using the office of the ED (India) at the various MDBs. Based on the analysis, feedback could be provided to Indian companies so that corrective measures are taken when bidding for the projects next time.

Familiarisation approach: With the support of the Government of India, and the ED (India)'s office, Exim Bank could mount a delegation of CEO's of project exporting companies to major MDBs like the World Bank, the Asian Development Bank and the African Development Bank. The Mission would help familiarise the Indian project exporters on the procurement regulations, do's and don'ts in submission of bids, as also in select cases provide advance leads on business opportunities. Mounting such Missions would also help enhance awareness about the capabilities of Indian companies among MDB officials, especially those in their procurement departments.

Establishing a High Level Committee: The Government of India may consider constituting a High Level Committee for promoting Indian participation in MDB projects so that all the agencies involved in promoting/ supporting Indian project exports could come under one platform to discuss the issues and facilitate a coordinated approach to tackle the challenges.

General Strategies for Promotion of Project Exports

Indian companies have demonstrated the capabilities to execute successfully a range of projects, even in a challenging environment. Satisfactory performance, in terms of cost effectiveness, technical expertise, and timely delivery of quality products and services, has earned project exporters from India a fair degree of goodwill and standing. However, a relatively small number of Indian project exporters have been successful in securing contracts, and that too in a few overseas destinations. It is essential for Indian project exporters to ensure that they respond to the discipline and rigour involved in identification of appropriate opportunities, advance planning and structuring of bids, effective implementation and building of track records in international markets. Some of the support that GOI could provide to secure international experiences for new, but capable, project exporters are given below:

Country Programming Missions to target countries: Country Programming Missions to target countries should be initiated by the Government of India to facilitate interactions with the policy makers, Government, and parastatal agencies, to identify areas of cooperation and chalking out development strategies that serve their national priorities, involving Indian companies. Countries in Central Asia, East Asia and Pacific may be targeted for such Missions. Once projects are identified and implemented by Indian companies, they get international exposure, as also country-level experiences in order for them to successfully qualify for bidding in MDB funded projects.

Capacity Building of Indian Missions: It is also important to undertake capacity building of Indian Missions in those countries, so that they can improve the delivery mechanisms and provide support structures to Indian project exporters. Setting up of Project Facilitation Cell in Indian Missions could be considered to achieve this objective. The Cell may need to track business opportunities in the respective countries, work in close coordination with institutions in India, like Exim Bank, Project Export Promotion Council, etc. to provide specific inputs, and coordinate to ensure timely and effective intervention aimed at identifying and exploring opportunities.

Cost Effective Deferred Credit Financing: National Governments in countries such as China provide opportunities to secure international exposure for their respective national project exporting companies through a support system that offer the borrower deferred credit terms at concessional rates of interest. While India has also been adopting such a strategy through the Lines of Credit (LOC), Buyers Credit (under NEIA), and financing scheme for strategies infrastructure project scheme, the same could be upscaled to match with the volume and other terms offered by competing countries.