

# Contractors' top tips: How to win business with the AfDB

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An African Development Bank project in Chad. Photo by: AfDB

The [African Development Bank](#) means business. In its quest to blaze Africa's path to electrification and [industrialization](#) by 2022, it is rolling out a game-changing procurement framework and setting the stage for new partnerships — as shown by the holding of its [annual meeting](#) in India for the first time this year.

When it comes to doing business with the AfDB in an increasingly competitive environment, every move counts. In the first part of Devex's [AfDB Contractor Insights](#) series, we explored [\\$26 billion worth of contract awards data](#) to find out who is winning AfDB contracts, and what for.

Now, we speak to some of the most successful AfDB contractors and other insiders to get their views on how working with the bank has changed — and to find out their top tips on bidding for work.

## **Tip 1: Determine whether AfDB-funded projects are a good fit for your organization by considering the pros — and cons**

AfDB-financed contracts come with their pros and cons, so it is critical to assess how suited they are to your firm. Compared to doing business directly with national governments, such contracts “act as a warrant of transparency and fair play and lend credibility to projects,” said Germán Bejarano García, director of institutional relations and communications at Spain's [Abengoa](#).

Bejarano also noted that doing business with the bank has smoothed out over the past 15 years. AfDB now “works more intensively on building the institutional skills of executing agencies, and it responds in a faster, more flexible way to changes in needs and in projects,” he told Devex.

India's [KEC International](#) has installed a total of 6,000 kilometers of overhead power transmission lines in Africa since 1990, worth over \$1.3 million. According to the company's Vice President of Strategy Mayank Agrawal,

positive changes over the years fall into three categories: increased involvement of the bank in keeping a check on the project; support in finalizing procurement arrangements; and improved contract management, as both the borrower and the contractor are required to maintain records of the entire procurement process. This results in “better execution, improved efficiencies, and early delivery of projects,” said Agrawal.

Other advantages highlighted by contractors include an assurance of timely payments, and the fact that most projects funded by the bank already have a dedicated Right of Way before engineering and construction contracts are granted.

But some benefits also come with flip sides, pointed out Kirsten Hungermann, director of development cooperation and public procurement at economic development agency Germany Trade & Invest (GTAI).

While tenders funded by the AfDB offer the chance to enter the market in a secured way, “firms have to be aware that it is a long-term, very regulated market, which differs from ‘regular’ private business,” she said.

Similar to working with other multilateral development banks, there are typically more regulations to take into consideration when doing business with these institutions than with other private businesses. Winning business with the AfDB requires a long-term strategy.

## **Tip 2: Understand country procurement systems**

“A real paradigm shift.” This is how Frank Mvula, acting director of AfDB’s Fiduciary Services and Inspection Department, described the current [AfDB procurement framework](#), which establishes the borrower’s procurement system as the default method. “This allows prospective bidders to be more confident in the process followed by the countries, as the latter are also more confident in the use of their own systems,” he said.

Before giving a green light to country systems, however, the bank assesses national laws and regulations; the performance of institutions; and the capacity of the executing agency. It also conducts “a risk-based categorization of the nature and complexity of the procurement involved,” said Mvula. Where national procurement systems are not deemed suitable — for example, because of issues surrounding competition, transparency, or the equitable treatment of bidders — the procurement systems of the bank or its partners may be used instead.

Hungermann of GTAI noted that national procurement frameworks are especially suited to low-value and low-risk contracts. An upside of this fit-for-purpose approach is that procurement plans must be prepared for the entire scope of the project, she argued. But a downside is that “it means less uniformity regarding regulations, procedures, and documents.”

## **Tip 3: Prioritize value for money**

Making it cheaper will not win you the contract anymore, insiders told Devex. Alongside other multilateral banks that have worked to reform their procurement processes in recent years — including the [World Bank](#) and the [Asian Development Bank](#) — the AfDB’s procurement framework now zeros in on [value for money](#), meaning that “factors beyond ‘lowest price’ are considered when spending public money,” noted Mvula.

Value for money takes into account initial or whole-lifecycle costs and quality, but it does not stop there. It also puts risk on the scale, including “contract conditions, proportionality, predictability, sustainability, flexibility, innovation, timeliness and a targeted outcome of procurement during the entire cycle,” said Mvula.

Hungermann pointed out that this shift in emphasis is good news for the competitiveness of companies already aligned with these criteria.

## **Tip 4: Consider national competitors**

Between 2000 and 2016, non-African firms took the lion’s share of AfDB-funded contracts by dollar value — a total

of \$16.21 billion versus the \$9.98 billion won by African companies.

Mvula attributes the modest competitiveness of local firms during that period to a lack of financial capacity, difficulty accessing finance for the implementation of contracts, and an unfavorable business environment. But — as Devex will explore in depth later in the series — this might be about to change.

“The ratios may evolve as the use of country procurement systems increases,” Mvula told Devex. “National firms are also awarded most contracts under [National Competitive Bidding and Shopping procedures](#),” referring to AfDB’s procurement methodologies most conducive to local sourcing of goods and works.

Hungermann added that: “National bidders are strengthened by the possibility of applying preference margins and local content,” measures taken into account by AfDB when considering the local economic advantages of contracting with a firm native to the project’s location.

The development of national and regional business entities is one of four principles of the bank’s Rules and Procedures, alongside economy, equality of opportunities to all bidders, and transparency in the procurement process.

Although the award and administration of contracts rests with borrowing countries, the AfDB conducts oversight, and provides non-objection and comments at each stage of the selection process. It also encourages the sub or co-contracting of local firms with a view to building their capacity for bidding in Africa, with Mvula telling Devex that the bank “recognizes the importance” of this.

### **Tip 5: Look for local partners**

If the stage is set for local companies to become stronger players, prospective international bidders should not just scope out their national competitors, but also look to them for potential partnerships.

Abengoa’s Bejarano — whose company was the leading European contractor of AfDB-financed operations between 2000 and 2016 — noted that “a long-term partnership with local firms is one of the keys to success.” The energy, water and infrastructure firm, which won contracts worth \$371 million over that period, aims to find reputable partners with a clear role in the value chain.

“This search takes time; it is not always fruitful, and it comes with its share of risk and associated costs,” acknowledged Bejarano.

But Agrawal said that “working with local resources and integrating the use of local community” members is also the approach favored by KEC International, one of the leading Asian contractors of AfDB-funded projects and among the largest engineering, procurement, and construction firms globally.

### **Tip 6: Get ahead of the curve**

Getting information about specific tenders and trends as early as possible is key to winning contracts — the kind of information available in Devex’s [Funding Activities feed](#), early-stage news about pipeline projects and opportunities.

KEC International, which has a presence in 21 African countries, is “intent on partnering with Africa in its immediate and long-term development requirements,” said Agrawal. In the frame of AfDB’s strategic priority, Light Up and Power Africa, for example, the bank has approved [energy sector operations](#) amounting to \$1.7 billion, leveraging \$1.4 billion in additional financing. For KEC, this equates to upcoming opportunities for the execution of 526 megawatts of renewable energy sources, 641 kilometers of power transmission lines, and 21,264 kilometers of distribution lines.

Beyond large-scale projects, opportunities may also arise from the bank’s growing focus on the private sector, argued Hungermann. For example, there may be “opportunities to tailor business models for local consumers in the

mobile and other sectors,” she said.

For Bejarano, defining a business model with local content will be crucial to future success, balanced and adapted to each sector. Information from AfDB’s contract data supports this: firms that bid for opportunities with local entities in the project countries frequently won more awards.

“The massive entrance of human and financial capital from various countries, but especially from China, has changed the rules of the game in some instances and sectors,” said Bejarano. In terms of AfDB-funded projects, Chinese firms and their subsidiaries won contracts amounting to \$6,212 million between 2000 and 2016, making theirs the most competitive nationality.

“Ensuring that the competitive environment is not distorted will be fundamental,” concluded Bejarano, “if the sustainability of projects is to be preserved and local skills are to be built.”

As Devex will explore in depth later in the series, the [growing presence of Chinese and Asian contractors](#) is readily visible in the AfDB contract data. Following the AfDB Business Opportunities Forum held in Nairobi last week, veteran or aspiring AfDB contractors [can use Devex’s data dashboards](#) to investigate potential partners and competitors.

***Interested in learning more about AfDB contractors? Visit our [interactive dashboards to explore and analyze \\$26 billion worth of contract awards data](#); read more from our coverage of [AfDB’s top 2016 contractors and top NGO contractors](#); and follow our [AfDB Contractor Insights](#) series.***