

Breakout Session 3

Exporting Construction, Engineering and Turnkey Services – Building from the Bottom-Up

The Issue: The market for construction, engineering and turnkey services is enormous. All countries have some capacity in this sub-sector, but few developing countries and economies in transition have transformed such capacity into export contracts. Why? Because they are not internationally competitive.

An internationally competitive firm in this sector must not only have the required breadth of expertise, it must also have credibility. But credibility comes with a track record. It is a chicken and egg situation – how do you gain credibility without a track record, and how do you build a track record without credibility?

Within any given country, the public sector accounts for 50% of purchases of construction, engineering and turnkey services. Public procurement therefore represents the key for local firms to build a credible track record that can enable them to secure export contracts. The problem is that in many developing / transition countries, public procurement remains blurred, to the detriment of local suppliers. In fact, public procurement often works against local firms.

The Proposition: A track record is acquired in two ways:

- affiliation with international firms undertaking construction, engineering and turnkey services within the country;
- increased participation in public procurement of construction, engineering and turnkey services within the country.

Strategy-makers should promote this two-pronged, public sector oriented approach by targeting the public sector organizations concerned with:

- ensuring that public procurement procedures are clear, fair and promote competition;
- ensuring that criteria for selection are properly defined and adhered to by both the public sector client and the contractor;
- giving attention not only to price, but also to the quality of the design proposed by bidders, and the qualifications of bidders, during the selection process;
- ensuring that building regulations are simple and reasonable, and that they are enforced in a fair and transparent manner.

Doing so will enable capable local companies to build a credible track record that will eventually enable them to secure export contracts.

Focus of the Debate: It is proposed that the debate concentrate on the following:

1. Do you agree with the above assessment and proposition? Why, or why not?
2. What is the secret to the relative success in the construction, engineering and turnkey services sub-sector by enterprises in countries such as Turkey, Republic of Korea, Pakistan and Brazil?
3. What are the criteria and qualifications that construction and engineering firms from developing / transition economies must meet to establish commercial linkages with international companies?
4. What steps should strategy-makers take to (i) to promote 'good practice' in the procurement of construction, engineering and turnkey services and (ii) raise the qualifications of companies in this sub-sector?