

contractors, project sponsors, some commercial and merchant banks, IFI's, ECA's and private equity sources. Post construction financing is the least risky in relative terms (since the project is operating and providing cash flows with, hopefully, some predictability) and tends to be supplied by equipment suppliers, pension funds, project sponsors, leasing firms and others.

In summary, the trends in financing point to fierce competition for limited funds and higher levels of equity from project sponsors. IFI's are also aware of the need for them to play a greater part in private sector project development and are likely to move toward guaranteeing political risk in developing countries and to putting in place bond insurance schemes. Finally, ECA's are also taking steps to deal with reduced sovereign guarantees, and have signalled their intent to play a greater role in the financing of projects that are more in the realm of private/public partnerships.

VII. Conclusions

Canadian firms have maintained a reasonable presence in international capital projects markets given the relatively (by European standards) low level of privatisation projects at home and the lack of access to trade related aid monies. Specific weaknesses of Canadian players of course vary by individual firm. However, the weaknesses that many exhibit, stem from their lack of financial resources and their associated scale of operations.

Competition in many sectors that they serve (both at home and abroad) is fierce and this lack of financial resources is likely to be a continuing problem. This means that Canadian firms are often not able to readily pursue limited recourse projects (by bringing equity to the table) which of course have significant "front ends" or projects in many developing countries (where access to financing is more acute), nor are they able to be credible bidders on large projects (this is based on the perception of clients).

Canada's implied strategic objectives are to maintain a presence in the international capital projects markets and to encourage development of our firms toward sustained employment levels. Consequently, the trends set out in this study suggest that should existing government support be reduced, Canadian firms will be further disadvantaged vis-a-vis their main competitors who already are a lot larger in size and have good credibility with their clients.

While Canada cannot hope to match the level of support provided by others, it can do a number of things to make its expenditures more effective. First, it can concentrate its expenditure on particular strategic sectors so that the assistance will be somewhat closer to that of competitors. Second, it can encourage its players to overcome their disadvantages by helping forge both Pan-Canadian and international alliances. Third, Canada will need to ensure that Canadian firms are able to maintain and build on existing relationships with IFI's. Fourth, closer cooperation between industry and government will be needed to ensure that Canada's government to government levers are being used to the best extent.