

*procurement, rather than the standard IFI rules.” [102]*

### [3] Major Products/Civil Works

For about 15 years the IFIs have gradually moved away from financing major infrastructure project, such as dams, airports and major highways. The trend continues. In 1997 the World Bank financed US\$924 million in civil works and in 1999 \$US871. Such projects are increasingly done by private organizations or private/government partnerships, and, in major developing markets, the build-operate-transfer model has become more common. Much of the input of international companies to such projects is in the form of direct foreign investment. In 1990 official development assistance was approximately US\$44.8 billion world wide, and foreign direct investment was only \$24.5 billion. By 1998 this had changed radically. Official aid has declined to \$US32.7 billion, and foreign direct investment had increased to US\$155 billion.

*“The IFIs are much less active in this type of project than they were in the past. There are many reasons – in some cases, there have been constraints on the amount of money the IFI was willing to commit to a particular country; in some cases there appeared to be a ‘loss of nerve’ regarding politically sensitive aspects such as re-settlement or environment; and in some cases the IFI has lost confidence that this type of project is closely enough linked with its poverty-reduction mandate.” [102]*

*“The trend in many countries towards privatization of utilities means that the company deals less with government agencies and more with private and quasi-private companies as clients. The lack of a sovereign guarantee adds to risk.” [102]*

To operate in this market requires “deep pockets” [a substantial market capitalization], highly sophisticated engineering skills, and major construction capabilities – a mixture that few Canadian companies have. Nevertheless, if a Canadian company were to win just one major civil project each year it could result in a large increase in Canada’s participation in IFI work. An increment of [potentially] more than US\$100 million dollars is simply not available through services alone, and difficult to find in the equipment procurements, while in civil works it is a modest project size.

*“The competitors shift over time. Once the Japanese were involved, but no longer. The competing firms now tend to be Italian, German or British. The key country markets in the next decade are expected to be Brazil, China and India.” [102]*

### 2.4 Strategy, Commitment and Capability

IFI markets become more open, transparent and competitive each year. Many Canadian companies have an image of them that is now, to an important extent, outdated. They are no longer markets where insider influence and sole source contracts are the norm. We heard that Canadian companies need to adjust faster to the increasingly competitive nature of the business.