

## Executive Summary

Over the last fifteen years, the funding done by the International Financial Institutions has changed markedly. Today, more lending goes to 'policy-based' lending initiatives, promoting either structural change or influencing the behaviour of an entire sector of the economy. These funds have also been used as emergency funding for situations such as the recent Asian crisis. In 1999 policy-based funding accounted for fully 63% of all the World Bank's lending. This lending, while possibly more effective for development purposes, may not provide as many opportunities for Canadian suppliers. This is because the administration of policy-based lending happens outside IFI procurement guidelines, and instead uses the procedures of the borrowing country.

While funding for all the institutions within the World Bank has grown over the last fifteen years, those that lend to the private sector have grown much more quickly than those that lend to governments. This emphasis on the International Finance Corporation and the Multilateral Investment Guarantee Agency make these institutions increasingly relevant for Canadian business.

While growing slower than the private-sector institutions, the vast majority of World Bank funding still occurs to governments through the International Development Association and the International Bank for Reconstruction and Development. The nature of their procurement contracts are, however, changing. Increasingly domestic suppliers are being used, and thus the share of contracts to foreign companies has fallen significantly. Canada is not the only one facing this decrease, indeed the entire OECD faces a similar challenge. The causes of this likely include increases in domestic capacity and the bidding guidelines used by the Banks.

An overview of Canada's performance in securing IFI procurement shows that it achieves contract levels in both equipment and civil works consistent with its size, but does significantly better than this in consulting contracts. Still, in order to stay competitive in IFI-financed projects, Canada will need to continually internationalize its businesses - expanding both trade and investment, particularly in the developing world. This will both increase expertise in such areas, and qualify those companies for preferential bidding structures that favour domestic capacity building.