

2.5 Business Ethics and Risk

The interviewees see problems of business ethics as one of the most severe constraints to Canadian participation in projects in developing countries financed by IFIs. We received more than 31 comments on this topic, listed below. There were more comments on this topic in the first draft of this report, but three interviewees, when they reviewed the interview transcript, asked that their comments on problems of business ethics be deleted – not as incorrect, but as impolitic.

The interviewees were not prompted by a specific question on business ethics, but simply asked what are the problems and constraints in this market. The great majority mentioned problems of business ethics.

Most of the comments pertain to corruption among the client officials in-country. There were no allegations that the IFIs themselves were significantly tainted by corruption. Corruption in-country was often seen as a constraint to bidding since one is never sure whether the playing field is level. The common assumption is that there is a favoured company, and that becoming the favoured company by getting involved early and making oneself indispensable [rather than through political favoritism or bribery] is the preferred tactic of Canadian firms. However, there appears to be a general fear that a firm might invest a lot of time and effort in developing a business relationship only to have a competitor win the work by less ethical means.

Dealing with agents and getting paid by the client were both mentioned by interviewees as being more difficult than in Canada and as raising ethical issues frequently.

Several interviewees mentioned unfair competition by non-government organizations [NGOs], and by some Canadian government agencies, as a problem. Their assumption is that these organizations can work for less since their costs and risks are being partially covered from other sources of government support. The growing tendency of CIDA, other aid donors, and the IFIs, to contract with NGOs was often mentioned as a significant business problem of this type.

In addition, interviewees mentioned a number of small problems with IFI competition procedures, which they see as unfair but not deliberately unethical, such as aspects of the points system used by different IFIs to adjudicate proposals.

Comments by Interviewees

General comments on ethics and risk:

- We won a big project in Shanghai, and shook hands on the deal, only to have the work go to another firm under suspicious circumstances, with all our preliminary work for nothing. We tried Mexico and got burned in the Peso collapse. We have decided to be a success in North America, and we are doing very well with a turnover of about \$3 billion. [307]