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Canada



SUMMATIVE EVALUATION OF THE AID MARKET SUPPORT NETWORK

Final Report

Foreign Affairs and International Trade Canada
Inspector General Office
Evaluation Division

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ABBREVIATIONS, ACRONYMS AND SYMBOLS

ADM	Assistant Deputy Minister
AfDB	African Development Bank
AMSN	Aid Market Support Network
AsDB	Asian Development Bank
BDC	Business Development Bank of Canada
BDGTN	Canadian High Commission/Mission, Bridgetown, Barbados
BPA	International Trade Portfolio Division
BFM	International Business Development, Investment and Innovation
CBS	Canada Based Staff
CCC	Canadian Commercial Corporation
CDB	Caribbean Development Bank
CEDs	Canadian Executive Directors
CIDA	Canadian International Development Agency
CSF	Client Service Fund
DEC	Departmental Evaluation Committee
DFAIT	Department of Foreign Affairs and International Trade
EAC	Evaluation Advisory Committee
EBRD	European Bank for Reconstruction and Development
EDC	Export Development Canada
EDs	Executive Directors
EOI	Expression of Interest
ERI	Enhanced Representation Initiative
FC	Finance Canada
FTE	Full time equivalent
GCS	Global Commerce Strategy
GOC	Government of Canada
GVC	Global Value Chain
HQ	Headquarters, DFAIT
IAEA	International Atomic Energy Agency
IDB	Inter-American Development Bank
IFI	International Financial Institution
IFInet	IFI Network

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KPIs	Key performance indicators
LES	Locally Engaged Staff
MANIL	Canadian Embassy/Mission in Manila, Philippines
MCC	Millennium Challenge Corporation
MDB	Multilateral Development Bank
MDS	Mid-Term Development Strategy
MNEs	Multinational Enterprises
O&M	Operating and maintenance
OGDs	Other Government Departments
OLIFI	Office of Liaison with International Financial Institutions
PMA	Performance Management Agreement
PMP	Performance Management Program
PPI	Public Private Infrastructure
PSD	Private sector development
PSLO	Private Sector Liaison Officer
ROs	Regional Offices
SMEs	Small and Medium Enterprises
STC	Senior Trade Commissioner
TBS	Treasury Board Secretariat
TC	Trade Commissioner
TCA	Trade Commissioner Assistant
TCS	Trade Commissioner Service
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNPD	United Nations Procurement Division
WB	World Bank
WFP	United Nations World Food Programme
WSHDC	Canadian Embassy/Mission in Washington DC
ZIE	Evaluation Division
ZID	Office of the Inspector General

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The Evaluation Division (ZIE) of the Office of the Inspector General would like to extend its appreciation to all employees of DFAIT, Offices of the Executive Directors at MDBs, Offices of Liaison with IFIs, regional Offices, PSLOs, representatives of other government departments and agencies who agreed to participate in interviews for the evaluation of DFAIT's Aid Market Support Network and supported the evaluation process.

EXECUTIVE SUMMARY

The Summative Evaluation of the Aid Market Support Network (AMSN) was conducted based on the approved Five-Year Evaluation Plan of the Department of Foreign Affairs and International Trade. It focuses on the relevance and performance of the Network and the value for money of the services it delivers to Canadian businesses. The goal of the evaluation is to provide evidence-based findings, conclusions and recommendations that will support DFAIT Senior Management in making an informed decision about the future governance and funding mechanisms for the Aid Market Support Network.

The aid market is the place where business and development meet in a unique way. The transfer of humanitarian and development assistance from developed to developing countries in the form of finance, goods, civil works and services creates multiple business opportunities for companies across the world, while increasing the growth opportunities for emerging markets.

Even though the aid market has always been a niche market, its benefits for Canadian businesses have long been recognized. Development aid has also been considered as a less risky entry point to developing countries' markets. By gaining experience through IFI procurement contracts, Canadian companies have been able to find inroads into markets otherwise difficult to pursue. In addition, by exporting services, goods and civil works through IFIs, they have been able to secure longer-term engagement with some borrowing countries. Therefore, the pursuit of IFI-funded procurement has become an important part of the business strategies of companies that have the capacity and interest to work in developing countries and emerging markets.

In the mid-1990's DFAIT established four Offices of Liaison with International Financial Institutions at the Canadian embassies in Washington for the WB and IDB, Manila for the ADB, Abidjan (now moved to Tunis) for the AfDB and Bridgetown for the CDB with the specific mandate to advise and support Canadian businesses that are competing for contract and procurement opportunities with these MDBs. The IFI liaison offices became key in the provision of aid market support to companies and contributed to increasing their international competitiveness. As a shareholder, Canada has also been given the right to appoint Canadian Executive Directors (EDs) with voting powers at the six MDBs.

OLIFIs and the Offices of the Executive Directors for Canada constituted the basis for the development of a broader Canadian *Aid Market Support Network (the Network)*. This Network now represents an expanded suite of service delivery points, including federal, provincial, and private sector business organizations and offices focused on supporting Canadian companies in their pursuit of aid-funded procurement. These include DFAIT's Regional Offices (ROs), the Private Sector Liaison Officer Network (PSLO) across Canada, Canadian embassies and consulates in UN procurement

centres¹ and DFAIT Headquarters (HQ). The International Trade Portfolio Division (BPA, formerly BPF) played an important role in the coordination and streamlining of the IFI work carried out by these offices until 2008 when the Department discontinued BPA's Network governance and coordination functions.

One of the purposes of the evaluation was to address the outstanding governance issues for the Network and recommend feasible options for the future management and coordination of the IFI-related activities at DFAIT. The evaluation therefore focused on a number of strategic issues, such as:

- The relevance of the Network and the extent to which it continues to address the current business needs of Canadian companies pursuing IFI-financed opportunities.
- The extent to which the activities of the Network support the international commercial objectives of DFAIT and the Government of Canada.
- The performance of the different Network offices and the impact of the IFI-related information and services on the international competitiveness and success of Canadian companies, and on the achievement of expected outcomes in an efficient and economic manner.
- The level of satisfaction of Canadian businesses with the services and support they receive from the Network.

Conclusions of the Evaluation

Following the analysis of the evaluation findings, the following conclusions were reached, which support the report's recommendations. The conclusions are summarized under the main evaluation criteria of relevance and performance of the Network:

¹ The common DFAIT definition of the Aid Market Support Network indicates that it consists of the following offices and points of service: 1) The International Trade Portfolio Division (BPA); 2) Regional Offices (ROs) in Canada, 3) OLIFIs, 4) ED Offices at MDBs; 5) PSLOs.

Relevance and Continuous Need for the Aid Market Support Network Services

Conclusion #1: The aid market has been growing and presents a niche opportunity for Canadian businesses interested in expanding their international portfolio through IFI and UN funded procurement of services, goods and civil works. Procurement contracts through IFIs are attractive as entry points to emerging markets, allowing Canadian companies to build expertise and relationships that can be leveraged beyond these contracts.

Market experts describe the current competition for IFI-funded procurement as a “lucrative” business. They also recognise its great potential for companies interested in diversifying their export portfolios while tapping into this source of revenues and commercial benefits. IFI-funded procurement helps Canadian companies to broaden their opportunities for entering emerging markets and gain in-country experience while reducing their risks. While the current DFAIT environment of structured and virtual practices is conducive to the seamless integration of the IFI market in the TCS activities, options in this regard do not appear to have been sufficiently explored.

Conclusion #2: The AMSN and its services are a relevant means of supporting Canadian businesses in their pursuit of IFI financed procurement. International competition increases companies’ need for reliable aid market intelligence and makes the availability of timely information on forthcoming projects a prerequisite for success.

The services of the AMSN respond to an ongoing need for support to Canadian companies pursuing business opportunities through IFIs. The AMSN services help increase their competitiveness and maximize their international business opportunities. While the success of Canadian companies with IFIs and UN agencies cannot solely be attributed to the amount of support received from the AMSN and its offices in Canada and abroad, the evaluation found evidence indicating that some companies rely on IFI-related information and support to be successful in these markets. Companies seek support for entering the IFI markets and competing internationally for IFI funded procurement, as well as for finding relevant in-country information, contacts with local executing agencies, or troubleshooting to resolve disputes about delayed payments or other contractual issues.

Conclusion #3: While the importance of the IFIs and UN Agencies as a source of business opportunities and revenues for Canadian firms is recognized at DFAIT, there continues to be a challenge with the practical integration of the IFI-related activities into DFAIT's overall business planning. The aid market is not effectively aligned with, nor sufficiently supported by, the TCS sector practices and integrative trade model.

The current DFAIT environment of structured and virtual practices is conducive to the seamless integration of the IFI market in the TCS activities; however, options in this regard do not appear to have been sufficiently explored.

Recently, there has been a growing interest in MDB procurement and companies' participation in aid market projects from some DFAIT divisions and programs, especially those involved in the development and implementation of the Global Infrastructure Strategy. Taking a more targeted approach to the aid market will increase both companies' chances for success and the effectiveness of the support provided by DFAIT.

Performance of the Network: Governance, Efficiency and Effectiveness

Conclusion #4: The changes to the governance and coordination support for OLIFIs at DFAIT HQ in 2008 impacted the communication and information flow within the Network. These changes also increased the challenges in distributing the responsibilities for managing, funding and reporting on the OLIFI function among BPA, the Geographic bureaus and missions hosting an OLIFI.

The discontinued coordination of IFI related activities between BPA, the Geographics and posts increased the challenges related to the implementation of the multi-country mandate of the OLIFIs. The absence of clear reporting, accountability and performance measurement guidelines for IFI-related activities at DFAIT HQ has further augmented the challenges currently experienced by missions with regard to the planning, management and funding of the OLIFI positions. Even though OLIFI activities are reflected in the PMAs of the STCs at the four bilateral missions, the lack of a central oversight or depository of information on the IFI function prevents the objective assessment of OLIFIs' performance, and their respective funding needs.

Performance Measurement

Conclusion #5: There is a need to develop performance measures, planning and reporting guidelines for OLIFI officers and TCs at post and in ROs tasked with the delivery of IFI and UN-related services and support to businesses. Specific key performance indicators need to reflect the indirect nature of trade promotion through MDBs, and demonstrate the value added of IFI procurement to the TCS objectives and contribution to Departmental outcomes.

The lack of specific performance measurement and reporting requirements for IFI-related activities and services creates challenges in terms of accountability and performance assessment. Comparing the performance of the OLIFI trade commissioners to that of trade commissioners working on bilateral programs, and even among the four OLIFIs has been a challenge due to the lack of performance indicators for the IFI function. The differences in the staffing levels and time commitments to IFI work (% FTE) among the four liaison offices further increase this challenge. Developing results-based performance information for the OLIFI function is important for the planning, priority setting and resourcing of this function at levels that are commensurate with the demand from Canadian companies for IFI information and services.

Conclusion #6: The decentralisation of the decision-making processes at most MDBs and the devolution of procurement responsibilities to the borrowing countries have increased the need for a more proactive involvement of trade commissioners at post in the IFI business. Without targeted IFI and Aid Market related training and because IFI related activities are still not fully aligned with the TCS priorities, there exists a lack of incentive for TCs at post to proactively engage with identifying IFI procurement opportunities and providing in-country support to Canadian companies to bid on these opportunities.

The shift of the decision-making process on procurement from banks' headquarters to the borrowing countries has rendered the in-country support for companies increasingly important. Trade commissioners at post in the countries of bank operations are best positioned to liaise with the local executing agencies and inform both OLIFIs and Canadian companies on local contacts responsible for conducting the bids and selecting the winners.

Conclusion #7: The reduced O&M budgets at DFAIT HQ for IFI related activities, and the absence of O&M funding assigned to the OLIFIs has impacted the ability of both OLIFIs and DFAIT trade commissioners to conduct active outreach and promote the Network services to Canadian businesses. Reduced budgets also impeded the regular maintenance of the IFI website.

Budget reductions at DFAIT HQ for the IFI function have had a spin-off effect on all related activities, including AMSN promotion, ongoing aid market and IFI-related training, the conduct of regular field missions to MDBs and regional workshops, etc. This in turn, has lowered the visibility of the Network and the services offered by the various offices in Canada and abroad. The reduced funding for the IFI website and its current location are further diminishing the outreach capabilities of the Network.

Recommendations

The following five recommendations are derived from the evaluation findings and conclusions. They take into account the current status of the Aid Market Support Network, the impact of the 2008 Strategic Review cuts on its governance structure and service delivery coordination, as well as DFAIT's longer term goals and priorities in the sectors, where the aid market presents important niche opportunities for Canadian businesses. There was an overall consensus that DFAIT should continue to support the OLIFI function at its current levels while trying to strengthen the network of trade commissioners at post and in Canada's regional offices involved in the delivery of IFI and aid market support to Canadian businesses.

It is recommended that:

1. DFAIT's TCS explore opportunities to align IFI and aid market business opportunities within the sector practices and leverage bilateral and regional integrative trade approaches in the delivery of IFI services and support to businesses both at DFAIT HQ and missions.
2. DFAIT identify how the OLIFIs will be managed and coordinated. Clear roles, responsibilities and lines of accountability and reporting need to be developed for the OLIFI officers to help resolve the current conundrum of reporting on multilateral/regional priorities to a STC with bilateral responsibilities.
3. Key performance indicators be identified for IFI related activities and reflected both in the TCS management reporting system (TRIO) and in the PMPs of OLIFI officers and trade commissioners at post and in ROs with assigned IFI roles and responsibilities.
4. The AMSN be supported by DFAIT— in Canada, at MDB HQs and in the field through specialised IFI and UN procurement training delivered on a regular basis

to trade commissioners in ROs and at post in countries of MDB operations, including TCs at post in developing countries and in ROs.

5. An IFI Communication Strategy be developed to increase the knowledge and understanding of the mandate and functions of the AMSN and its offices in Canada, at MDB HQ cities and at posts in borrowing countries. This will ensure a better visibility and support for the IFI function within the Department and a more seamless alignment of the OLIFI priorities with those of the TCS.

1.0 INTRODUCTION

The Evaluation Division (ZIE) of the Department of Foreign Affairs and International Trade (DFAIT), in the Office of the Inspector General (ZID), is mandated by the Treasury Board Secretariat's (TBS) Policy on Evaluation, to conduct evaluations of all direct program spending of the Department for programs (including Grants and Contributions), policies and initiatives. All evaluation reports are presented for approval to the Departmental Evaluation Committee (DEC) chaired by Deputy Ministers.

The Evaluation of the Aid Market Support Network (AMSN) was conducted based on the approved Five-Year Evaluation Plan of the Department of Foreign Affairs and International Trade. It focuses on the relevance and performance of the Network, and the value for money of the services it delivers to Canadian businesses. The goal of the evaluation is to provide evidence-based findings, conclusions and recommendations that will support Senior Management in making an informed decision about the future governance and funding mechanisms for the Aid Market Support Network.

The evaluation was led by departmental evaluators and supported by two consultants for conducting a Survey of Canadian companies with IFI experience and a statistical analysis of the performance of Canadian businesses with six Multilateral Development Banks. The evaluation process was supported by an Evaluation Advisory Committee at major milestones: Approval of the Evaluation Work Plan; Preliminary Findings; and Review of the Draft Report.

2.0 BACKGROUND AND CONTEXT

2.1 Aid Market and International Financial Institutions

The Aid Market and International Financial Institutions

The aid market is the place where business and development meet in a unique way. It encompasses the business opportunities created by the transfer of bilateral humanitarian and development aid in the form of financial and technical assistance, export of goods, services and civil works from developed to developing countries. Much of this assistance is contracted through International Financial Institutions (IFIs)² and United Nations (UN) organizations.³ IFIs represent regional, bilateral and multilateral development banks (MDBs) and other financial institutions characterized by a broad membership of borrowing and donor countries. They promote the establishment of business ties in countries with a challenging economic and political environment, which now represent a growing share of the global economy.

Multilateral Development Banks (MDBs)

Canada is a partner and shareholder in the World Bank (WB) and in the five regional development banks: the Inter-American Development Bank (IDB); Caribbean Development Bank (CDB); Asian Development Bank (AsDB); African Development Bank (AfDB); and the European Bank for Reconstruction and Development (EBRD). This membership permits Canadian companies to compete for contracts and procurement opportunities financed by these MDBs.

MDB-funded projects range across all sectors, from agriculture to health and telecommunications. While the ultimate goal of this assistance is to lift countries out of poverty by improving their social and economic conditions, it also offers a broad range of export and investment opportunities for companies around the world.

In 2009 and 2010, all MDBs approved increases to their budgets and lending capacity, partly in response to the global financial crisis. In 2010 only, the World Bank and the regional development banks provided close to US \$150 billion in loans and grants to developing countries for poverty alleviation and economic development initiatives.

² The acronyms IFIs and MDBs are interchangeably used in the report, even though these acronyms stand for two slightly different concepts. 'MDBs' is a reference to the Multilateral Development Banks only, while 'IFIs' covers MDBs and some other financial institutions, such as the International Financial Corporation (IFC), the Millennium Challenge Corporation (MCC), etc.

³ Definition used most frequently by BPA: Leigh Wolfrom. "The Aid Market: Fundamentals & Dynamics" 2008.

While IFI procurement and investment opportunities have attracted Canadian companies for over three decades, the aid market, albeit important, remains a niche market, accessible to a comparatively small number of businesses that have the necessary potential and interest to compete internationally. Statistical data indicate that over the past 10 years, Canada has consistently ranked ninth (9th) to twelfth (12th) among the OECD countries for MDB-funded foreign procurement. In 2010, Canadian companies won approximately US \$145 million in contracts with the World Bank and the five Regional Development Banks (ADB, AfDB, CDB, EBRD, and IDB).

**Total MDB Procurement (Consulting, Goods and Services) Contracts
Awarded to Canadian Companies (2005-2010)⁴
(US\$)**

IFI / MDB	2005	2006	2007	2008	2009	2010
World Bank (WB)						
Value	\$48,071,556	\$62,347,163	\$51,888,856	\$58,417,228	\$50,765,350	\$72,215,577
Inter-American Development Bank (IDB)						
Value	\$34,037,743	\$7,014,641	\$6,146,520	\$3,535,309	\$8,685,804	\$10,343,260
Asian Development Bank (ADB)						
Value	\$43,652,000	\$51,123,000	\$45,965,000	\$65,417,000	\$68,989,000	\$42,342,000
African Development Bank (AfDB)						
Value	\$2,866,176	\$20,045,840	\$14,265,677	\$29,171,457	\$10,960,367	\$18,685,135
Caribbean Development Bank (CDB)						
Value	\$19,721,000	\$3,050,936	\$904,009	\$3,961,562	\$1,459,517	\$1,199,518
EBRD (Consulting only)						
	\$1,879,094	\$6,016,431	\$2,287,944	\$3,403,296	\$3,018,787	\$1,726,935
TOTAL						
Value	\$150,227,569	\$149,598,011	\$121,458,006	\$163,905,852	\$143,878,825	\$146,512,425

UN Agencies

The UN system consists of about thirty affiliated organizations that spend US \$7 billion every year on goods and services needed for development and humanitarian assistance in more than one hundred countries. Canada is the 17th largest provider of goods and services to the UN and its contribution to the total UN procurement, including peacekeeping reached US \$128 million 2010. Canadian firms are particularly active in providing goods and services, mainly in the form of food, pharmaceuticals, computer

⁴ Statistics compiled from the MDBs' Official Websites and through the OLIFI offices where Web sites were not accessible

equipment, air chartering, economic studies, printing services, and computer equipment and services.

2.2 Canada's Aid Market Support Network

Canada has previously recognised the benefits of the aid market for Canadian businesses as a less risky entry point to developing countries' markets, as well as the competitive advantages companies could from having access to timely and accurate market intelligence, project information and support in identifying procurement opportunities and preparing compliant bidding proposals.

In the early 1990s, as a result of the growing international competition for IFI-financed projects and procurement contracts, the Government of Canada undertook initiatives aimed at supporting Canadian businesses in their pursuit of IFI procurement. A number of departments and agencies were involved in different capacities in the provision of aid market support, such as DFAIT, Canadian International Development Agency (CIDA), Finance Canada (FC), Industry Canada and Export Development Canada (EDC).

Under DFAIT leadership, four Offices of Liaison with International Financial Institutions were established at the Canadian embassies in Washington (for the WB and IDB), Manila (for the ADB), Abidjan (now moved to Tunis) (for the AfDB) and Bridgetown (for the CDB). Their mandate was to provide timely market information support to Canadian businesses that had the capacity and interest to compete for contract and procurement opportunities with these banks. The IFI liaison offices became key in the promotion of IFI opportunities to Canadian companies and in the provision of information on banks' lending policies, priority sectors, and forthcoming projects for which companies could prepare and submit bidding proposals.

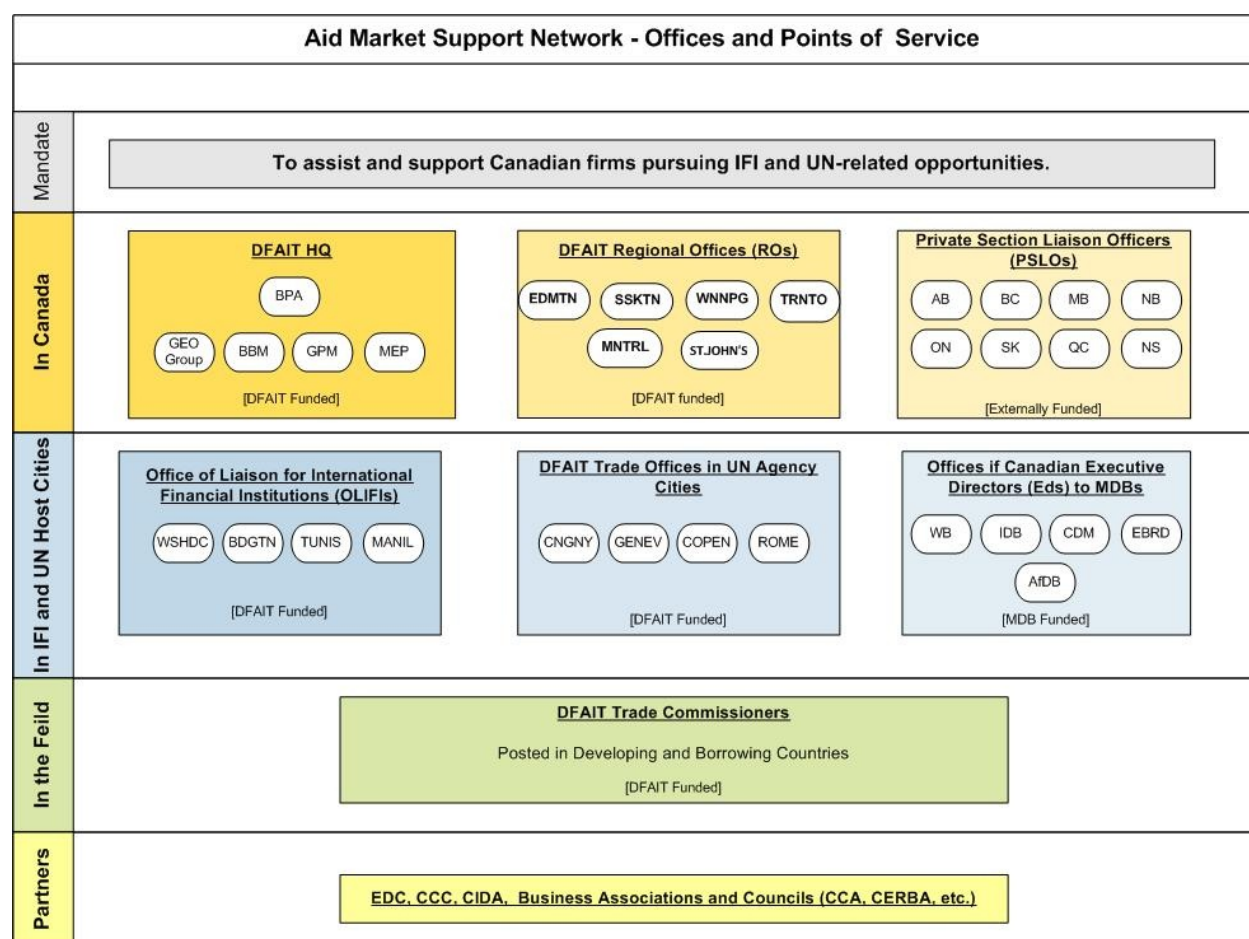
As a shareholder, Canada had the right to appoint Canadian Executive Directors (EDs) with voting powers at the six MDBs. In three of these ED offices, Canada could also appoint special business advisors involved in the provision of business support to companies. These business advisor positions were entirely funded by the Banks, however in 1995, funding for the advisor position at the EBRD was cut following a major reorganization of the Bank and its ED offices. Canada was allowed to maintain this position provided that it would ensure part of the funding (55%) for it. Canada did that based on a Memorandum of Understanding between EBRD and the Canadian International Development Agency, for the provision of a grant to the Bank, based on a joint contribution of funds from CIDA, DFAIT and EDC.

OLIFIs and the Offices of the Executive Directors for Canada constituted the basis for the development of a broader Canadian *Aid Market Support Network (AMSN)* with the ultimate goal to enhance Canada's private sector engagement with IFIs.

2.3 Current Status of Canada's Aid Market Support Network

Currently, Canada's Aid Market Support Network represents an expanded suite of service delivery points, including federal, provincial, and private sector business organizations and offices focused on supporting Canadian businesses in their pursuit of aid-funded procurement. Some of the Network⁵ Offices are entirely funded either by DFAIT, while funding for others is provided by the MDBs or provincial governments, agencies and associations.

The main elements of the Network are presented in the following sections.



⁵ The words "Network" and the acronym AMSN are interchangeably used for the purposes of brevity and ease of reading to substitute the term "Aid Market Support Network." In a few cases, the phrase "AMS Network" has been used as well.

2.3.1 *Offices of Liaison with International Financial Institutions*

OLIFIs are the primary contact point at MDB headquarters cities for Canadian companies pursuing business opportunities with these banks. OLIFIs fulfil a range of advisory, analytical and operational support functions to help Canadian companies succeed in winning IFI contracts. By maintaining a close liaison with the MDB experts and staff, OLIFIs have access to valuable information on market trends, new lending instruments, Bank procurement policies and regulations. This enables them to provide strategic advice and assistance to companies on how to enter and do business in the aid market through IFIs, as well as key support in troubleshooting and advocating for Canadian companies when payment problems and procurement disputes with the MDBs become an issue.

OLIFIs also provide Trade Commissioners at post with information on IFI-funded opportunities in the countries and regions of Bank operations, and work with the other offices of the Aid Market Support Network to disseminate these leads in Canada.

The current allocation of resources to the four OLIFIs is summarized below:

Summary of Positions Allocated to the OLIFIs

	Mission	MDB	Number of positions	Type of Positions	Funded by:
1	WHSDC	WB & IDB	1 FTE 0.5 FTE	TC (LES) TCA (LES)	Geographic/Mission
2	BDGTN	CDB	0.2 FTE	TC (LES)	Geographic/Mission
3	TUNIS	AfDB	1 FTE	TC (LES)	Geographic/Mission
4	MANIL	AsDB	0.5 FTE 1 FTE	TC (CBS) TCA (LES)	Geographic/Mission

2.3.2 *Canadian embassies and consulates in major UN procurement centers*

Canadian embassies and consulates in UN procurements centres such as New York, Copenhagen, Rome, and Geneva are also providing advice to Canadian companies interested in UN procurement opportunities. Although not explicitly mandated, trade commissioners at these embassies and consulates respond to requests from Canadian companies for information and support with UN procurement. Canada's Mission in New York is the most active in this regard, with one Trade Commissioner committing about 20% of their time responding to inquiries from Canadian companies about UN procurement opportunities.

Summary of Positions Allocated to the UN System

	Trade Office/ UN Host City	# of Positions	Type of Position	Funded by:
1	New York	0.2 FTE(on a reactive basis)	TC (CBS)	Geographic/Mission
2	Copenhagen	0.1 FTE (on a reactive basis)	TC (CBS)	Geographic/Mission
3	Geneva	0.1 FTE (on a reactive basis)	TC (CBS)	Geographic/Mission
4	Rome	0.1 FTE (on a reactive basis)	TC (LES)	Geographic/Mission

2.3.3 Offices of Canada's Executive Directors at MDBs

Canada's interests in each of the six MDBs are represented by an executive director, appointed by the Canadian government, and in some cases, by an alternate executive director. The EDs serve full-time in offices within the Banks - (ED Offices), except in the Caribbean Development, where Canada's ED is based at the Canadian High Commission. EDs represent the policy and commercial interests of Canada at the respective Banks by participating in regular board meetings and committees. They are also a key in informing the Government of Canada and Canadian businesses of MDB policies, priorities and activities. Canada's EDs at the World Bank and the European Bank for Reconstruction and Development are appointed by the Minister of Finance, while the EDs at the regional development banks (Inter-American, Asian, African and Caribbean) are appointed by the Minister of Foreign Affairs.

Each ED office is set up differently depending on the constituencies they represent and on the respective bank's policies. For example, at the EBRD, the Executive Director for Canada also represents Morocco, while the constituency of the Canadian ED at the Asian Development Bank includes Denmark, Finland, Ireland, the Netherlands, Norway and Sweden. In three of the offices of the Canadian Executive Directors, there is a business advisor assisting Canadian firms in their pursuit of procurement opportunities. The advisors at the World Bank and the IDB in Washington are paid by the banks. They provide IFI-support to companies mainly on a reactive basis, and engage in trouble shooting when the OLIFIs cannot reach out to Bank experts and executives.

The business advisor to the ED office at the EBRD has a slightly different status from those at the WB and IDB. While the advisors to the WB and IDB are considered Bank employees working primarily for the respective bank, the EBRD advisor was appointed through a special contract funded partially by the EBRD and the Canadian government (joint contributions of CIDA, DFAIT and EDC). According to the contract, the business advisor was primarily responsible for assisting Canadian companies with information and support for EBRD contracts and procurement opportunities, as well as for

supporting CIDA in the management of its trust funds with the EBRD. The contract of the last advisor expired in December 2010 and a new contract has not been put in place since.

Positions Allocated at the ED Offices

	MDB	Number of Positions	Funded by:
1	WB	1 Position (non-DFAIT)	Entirely by the WB
2	IDB	1 Position (non-DFAIT)	Entirely by IDB
3	EBRD	1 Position (non-DFAIT)	47% by EBRD 53% by CIDA, DFAIT & EDC ⁶

2.3.4 DFAIT Regional Offices

In seven (7) out of the eighteen (18) Regional Offices, Trade Commissioners have been assigned some IFI-related responsibilities, such as identifying Canadian companies with capabilities and interest in competing internationally for procurement opportunities, and providing the necessary IFI information and support to them. Currently, these services are provided on a reactive basis, i.e., by responding to inquiries from companies; however there are recent indications of a more proactive involvement of the ROs in assisting with the organization of sector-specific workshops and field missions to MDBs.

2.3.5 Trade Commissioners at Post

Trade Commissioners at post in borrowing countries are expected to play an increasingly important role as members of the Network. The decentralization of IFIs and the delegation of most procurement and contracting procedures to the borrowing countries increase the importance of in-country market intelligence and support for Canadian firms.

The TCs are seen and treated as both AMSN stakeholders and OLIFI clients. For example, procurement opportunities and leads identified by OLIFIs and the Advisors to the MDBs are often funnelled through the bilateral missions in developing countries, which generally have access to more extensive networks of Canadian companies. TCs at Posts are best positioned to assist Canadian companies in identifying potential local partners for IFI-financed projects. Conversely, TCs at post and in ROs often refer Canadian companies to the OLIFIs for advice on working with IFIs or for troubleshooting support with ongoing projects.

⁶ Contract of the EBRD Business Advisor expired in December 2010 and has not been renewed.

2.3.6 DFAIT's International Trade Portfolio Division (BPA)

Until 2008, DFAIT's International Financing Division (BPF), now BPA, was responsible for the coordination of IFI and UN-related work, and the provision of support to the Network and to Canadian companies competing for IFI procurement contracts. Within the Division, there was a special unit of six full-time trade commissioners covering IFIs, including one Deputy Director, four (4) officers and an administrative assistant acting mainly as a web manager. The Unit's annual operating and maintenance (O&M) budget for IFI-related work and outreach was approximately \$160,000. The IFINet website was also maintained and constantly updated, offering substantial information and analysis on how to win contracts funded by MDBs and UN agencies. Significant resources were invested by the Unit for research and market analyses, coordination, organization of events and field missions to the MDBs.

In June 2006, following a meeting in Ottawa of all Canadian Executive Directors to the MDBs, a commitment was made to a number of specific steps aimed at strengthening the Network. There was a strong recognition by all parties that more efforts and relevant government support were needed for building awareness, increased competitiveness and a more effective involvement of the private and non-governmental sectors in MDB and UN-financed procurement. In view of the decentralisation processes taking place at most MDBs, a consensus was reached that DFAIT should work toward:

1. "Re-positioning of the OLIFI officers as regional aid market experts oriented towards providing aid market advice and market intelligence to Trade Commissioners within their regions while maintaining their liaison role at the Banks."
2. "Building a culture at post conducive to sharing information on projects and programs among aid, political and trade staff with the goal of ensuring that the Canadian business community receives information in a timely manner."⁷

Following the Departmental Strategic Review in 2008, BPF's IFI related budget was reduced to \$15,000 in 2008-2009, and \$5,500 in 2009-2010. The mandate of the Division was changed and the aid market became a small portion of the divisional responsibilities.

IFI-related work at BPA is currently covered by 0.6 FTEs responsible for policy development, the provision of policy advice, and the analysis of market trends, including the flows of Canadian aid and the opportunities it presents for Canadian businesses. A key BPA function that has remained unchanged since the 2008 Strategic Review is the IFI and Aid Market training for DFAIT Trade Commissioners to build their capacity and

⁷ Engaging Canadian Businesses: Follow-up from the ED's Meeting in Ottawa. July 2006.

raise their awareness of the business opportunities offered by IFIs, UN agencies and the broader aid market.

2.3.7 Other Network Offices and Organizations

In addition to the above offices, a number of other Canadian organizations - federal, provincial and territorial - have also been involved in the provision of IFI services to Canadian businesses. While these organizations and offices do not receive funding from DFAIT for IFI-related activities, they are a part of Canada's Aid Market Support Network. They have traditionally been included in activities led by DFAIT's BPA Division or the OLIFIs as appropriate.

Private Sector Liaison Officers (PSLOs)⁸

The Private Sector Liaison Officers (PSLOs) are part of the Network at the provincial level across Canada. These officers are granted a special designation by the World Bank and respective training to provide local support to Canadian companies willing to pursue IFI opportunities. Eight (8) Canadian provinces have received a PSLO designation. The officers tasked with these functions work either for provincial governments or business organizations. Their roles and responsibilities include, but are not limited to, client acquisition, awareness building, filtering and lead dissemination. PSLOs work closely with the ROs, trade and commerce associations and Regional Economic Development Agencies.

The PSLOs are deemed key in-Canada partners of the OLIFIs, especially in terms of raising the IFI-awareness among companies in their respective province, coaching and preparing them for participation in MDB missions, both in Canada and abroad, e.g., to the MDB headquarters cities.

CIDA

Based on its international development aid and humanitarian assistance mandate, CIDA has traditionally maintained strong relationships with MDBs and UN organizations. Some CIDA programs have directly or indirectly assisted and encouraged Canadian companies to pursue IFI-funded projects and opportunities. These include CIDA's trust funds with some of the MDBs, as well as programs such as the former CIDA Industrial Cooperation Program, which allowed Canadian business to gain in-country experience with support for feasibility studies and, and ultimately win other related projects.

⁸ Although the Private Sector Liaison Officers are only supported but not paid by DFAIT, for the purposes of the evaluation, they have been treated as an integral part of DFAIT's AMSN. PSLOs work in tandem with the OLIFIs and in some cases with the TCs in the Regional Offices of their province (where such are available).

Export Development Canada

EDC plays a key role as a project partner to DFAIT and the OLIFIs in the dissemination of information on opportunities with IFIs, as well as the organization of activities such as information sessions and webinars. In recent years, EDC has also started offering a wide range of financing, insurance, foreign exchange guarantee and bonding solutions for companies willing to participate in IFI-supported investment projects.

Canadian Commercial Corporation

The Canadian Commercial Corporation is a Crown corporation of the Government of Canada and is part of the International Trade portfolio. CCC's government-to-government contracting and procurement services provide exporters with improved access to government markets worldwide. The Corporation's participation in export transactions raises the credibility of Canadian companies, particularly small and medium sized firms, and increases their ability to win export contracts on the best possible terms and conditions and to obtain working capital from commercial sources. CCC employs experienced contracting and procurement specialists to advise Canadian exporters and foreign government buyers alike, on strategies to strengthen their position to obtain international business while also minimizing risk.

2.4 Network Clients and Stakeholders

Canadian firms and institutions, both public and private, pursuing business opportunities with international financial institutions are the main clients of the OLIFIs, the Canadian Trade Offices in UN Agency host cities and the Offices of the Canadian Executive Directors to MDBs.

3.0 EVALUATION RATIONALE, SCOPE & OBJECTIVES

3.1 Rationale

This evaluation was requested by DFAIT's senior managers to help in making an informed decision about the future management of the OLIFI positions and the Aid Market Support Network as a whole. By assessing the continuing need for IFI-support to Canadian businesses and the relevance and performance of the current Network, the evaluation will provide recommendations for improved efficiency and effectiveness of the IFI support to Canadian business and opportunities for future consideration.

Another evaluation aspect is related to the need to address the outstanding governance issues for the Network and recommend feasible options for the future management and coordination of the IFI-related activities at DFAIT. The coordination and support functions for the Aid Market Support Network, originally delivered by BPA (formerly BPF) were discontinued following FTE and budget cuts to the Division on 2008. It was assumed that the respective geographic divisions would take on responsibility for the OLIFIs but no further directions or guidance were provided on how to streamline this support across the geographic bureaus.

The evaluation is also expected to help senior management in deciding about the benefits of providing business support to Canadian companies at the EBRD and finding feasible ways to deliver such support. CIDA's recent decision not to renew its EBRD Trust Funds and to gradually sunset its activities in Eastern Europe, resulted in terminating the Canadian funding for Business Advisor position at the Bank in December 2010. CIDA was the main contributor of funding for this position, with DFAIT and EDC contributing smaller amounts.

3.2 Evaluation Goal and Objectives

The overall goal of this evaluation is to review and assess the value-for-money (relevance and performance) of the services provided by the Aid Market Support Network, and more specifically:

- The relevance of the Network and the extent to which it continues to address the current business needs of Canadian companies pursuing IFI-financed opportunities.
- The extent to which the activities of the Network support the international commercial objectives of DFAIT and the Government of Canada.
- The performance of the different Network offices and the impact of the IFI-related information and services on the international competitiveness and success of Canadian companies, and on the achievement of expected outcomes in an efficient and economic manner.

September 2011

- The level of satisfaction of Canadian businesses with the services and support they receive from the Network.

4.0 KEY CONSIDERATIONS

4.1 IFIs and the Aid Market in the Context of this Evaluation

While this evaluation emphasizes the importance of IFIs and UN agencies and the business opportunities generated by their lending operations in developing countries, it also treats the aid market as a niche market for Canadian companies. MDB statistics and prior research indicate that only a small number of Canadian companies have the capacity and interest to successfully compete for a portion of this market. According to research commissioned by DFAIT in the late 1990s, the average number of Canadian companies participating in IFI bids was about 200 per year, and only about half of them have been successful in winning contracts, mostly for consulting services. The lack of more recent similar studies, as well as the fact that no track records or information exist on the total number of companies participating in IFI bids (both successfully and without success) did not allow for conclusions to be made about a growing or declining participation. MDB statistics, however, indicate that the value of contracts won by Canada has remained consistent over the past ten years, representing between 1 and 2 percent of the total value of awarded IFI contracts. Besides that, Canadian companies have been able to use an array of market incentives and Canadian government programs designed to facilitate their pursuit of IFI-funded procurement, such as tied aid, trust funds, CIDA INC, PEMD, etc. Even though most of these programs have been either discontinued or redesigned, the aid market continues to be an attractive venue for companies willing to diversify their export portfolios or to use safer ways to build inroads and gain experience in otherwise difficult to enter developing and emerging markets.

4.2 Survey of Canadian Companies

For the purposes of this evaluation, ZIE commissioned a survey of Canadian companies to gauge their opinions and views of the benefits that the services and information provided by the Aid Market Support Network have on their international competitiveness and success rate with IFIs. Since DFAIT does not maintain an updated list of companies that have pursued and won IFI procurement contracts (with or without using the services of the AMSN), it was not possible to identify a control group. To mitigate potential biases, a larger sample of companies was selected from a number of sources, such as:

- MDB and UN statistics identifying Canadian companies, including individual consultants, who have won contracts over the past five to ten years;
- DFAIT's (and EDC's) short list of the top 30 Canadian companies winning IFI contracts;
- Companies that have contacted OLIFIs, ED offices and PSLOs over the past two to three years;

- Companies registered with various international councils and professional associations (e.g., Canadian Council on Africa);
- Companies that have participated in IFI Bootcamps and recent sector missions or field visits to MDBs and UN agencies, organized by the OLIFIs, TCs at post and/or PSLOs.

This large sample covered companies with a various degree of indicated or real interest in IFIs, and companies that are new to the aid market, as well as companies that have been awarded IFI and UN procurement contracts over the past five years. By including companies with such a wide spectrum of experience with IFIs and UN agencies, the survey aimed at identifying the degree of awareness and use of the AMSN services by Canadian companies, the usefulness and the impact of these services on companies' success with IFIs. While the results from the survey offered a glimpse into some of the issues that Canadian companies face on the IFI market scene, the low response rate to the survey also reiterates the fact that the IFI market remains a niche market.

5.0 EVALUATION APPROACH & METHODOLOGY

The evaluation was managed and led by the Evaluation Division (ZIE) of the office of the Inspector General at DFAIT. Work on the evaluation, including the decisions on the scope and coverage were guided by an Evaluation Advisory Committee composed of key Network stakeholders, including representatives from DFAIT's geographic divisions responsible for the management of OLIFIs.

The data collection, analysis and report writing were performed in the period September 2010 – May 2011. The reference period for the evaluation and for the Survey of Canadian Companies covered a five-year period in terms of Canada's performance and success rates with IFIs. A brief historical overview of the various levels of IFI support provided to Canadian companies by the Government of Canada and DFAIT in particular, was used in attempt to identify the extent to which Canada's success with IFIs could be attributed to the extent and level of the service of the Network.

5.1 Evaluation Design

The evaluation employed a mix of evaluation techniques to collect both qualitative and quantitative data. A document and file review was used to establish a detailed profile of Canada's Aid Market Support Network, its structure, the roles and responsibilities of the various offices/elements, and service delivery modalities. Face-to-face and telephone interviews were conducted with DFAIT managers and experts involved in the management of the Network, former and current OLIFI trade commissioners, and Network stakeholders from other government departments (OGD) and agencies, such as FC, CIDA, EDC and CCC to assess the core evaluation issues related to relevance and performance. These interviews were also helpful in determining the degree of understanding and support for the Network within Canada, at DFAIT and at missions.

5.2 Evaluation Matrix

The key evaluation issues, performance indicators and data sources are summarized in an evaluation matrix. This matrix forms the foundation for addressing the findings to the issues, draw conclusions and provide actionable recommendations to address the identified issues.

5.3 Lines of Evidence

Document Review

The evaluation team undertook a review of a substantive number of documents, files and reports to gain a better understanding of the aid market and the specific context in which Canada's Aid Market Support Network is functioning. Three main types of documents and files were reviewed: 1) documents related to the history of DFAIT's involvement in the delivery of IFI-related support to companies; 2) reports, publications and MDB statistics on Canada's performance in the aid market; 3) MDB and UN procurement trends and policies that impact the type of services and support needed by Canadian companies.

Key Informant Interviews

Over 80 key informant interviews were held at DFAIT HQ, Missions, ROs, OGDs, MDB staff and representatives of other governments dealing with IFIs. The interviews included Network stakeholders, such as OLIFI, PSLOs, staff at the Canadian ED offices at major MDBs, TCs at post and ROs, representatives of OGDs and agencies such as Finance Canada, CIDA, EDC and CCC. Also a number of telephone interviews were conducted with representatives of private companies who have worked with the OLIFIs and the Business Advisor to the EBRD.

Field Visits

Field visits were conducted to Washington DC and London, which gave the evaluation team an opportunity to meet with OLIFIs, Canadian Executive Directors and business advisors, Embassy staff, MDB staff at three major Banks (WB, IDB and EBRD) and representatives of other countries and governments fulfilling a liaison function at these banks.

Survey of Canadian Companies

An Internet survey⁹ of companies that have pursued IFI procurement opportunities and/or have used the services of the AMSN was conducted to identify the actual need of Canadian businesses for the information, services, and support provided by the Network; to assess the impact of these services on the companies' IFI performance and success in the aid market and to identify potential gaps in the service delivery. Over 900 companies, including individual consulting firms were contacted, out of which 132 responded to the survey – a response rate of 16%.

⁹ For the purposes of brevity, the Survey of Canadian Companies exploring their interest in the aid market through IFIs and the extent to which they have used the services of the Network, is referred to in this report as the "Survey."

Comparative Analysis

Comparisons were made, where feasible, with the IFI-support arrangements made by other countries with the EBRD, WB and IDB. An evaluation of a similar Support Program of the UK Trade & Investment Ministry¹⁰ was used as a reference for the role of government in providing support to private companies willing to enter developing country markets.

5.4 Data Analysis

Data collected from all sources was first analysed by source, and then synthesized and triangulated among sources to produce reliable findings. All information was critically reviewed before using it to draw conclusions. The findings presented in this report represent the consensus that emerged from the data analysis.

¹⁰ "A Review of the evidence base for UK Trade & Investment's support for firms in High Growth Markets," London Economics, February 2010.
<http://www.ukti.gov.uk/uktihome/aboutukti/ourperformance/evaluation/comparativeandcrosscuttingevaluations.html>

6.0 LIMITATIONS TO METHODOLOGY

Notwithstanding the strengths of the methodological approaches used for this evaluation (e.g., multiple lines of evidence, survey of Canadian companies pursuing IFI-funded opportunities, market analysis of Canada's performance with MDBs, etc.) some challenges and limitations were encountered in the process of data analysis and synthesis. Most of them stem from the specific nature of the OLIFIs, the limited availability of performance information, the lack of reporting guidelines and the difficulties in attributing success of Canadian businesses to the services provided by the Aid Market Support Network.

Reconciling feedback from various stakeholders: The evaluation team conducted a large number of interviews with various groups of Network stakeholders with varying interests, roles and responsibilities. Due to the specificity of the AMSN mandate and functions, and the lack of a control group of interviewees providing similar services to businesses, the evaluation team used auxiliary sources of information, including a client survey to mitigate a potential bias related to assessing the importance of the aid market for Canada and the role that DFAIT's TCS can play with regard to IFIs. While the aid market is important and IFIs provide attractive opportunities for Canadian companies willing to enter this market and expand their presence and investment opportunities, it remains a niche market accessible for a considerably small number of Canadian companies with potential to compete for IFI procurement.

Difficulties in attributing the success of Canadian companies in winning IFI procurement contracts to the services provided by the AMSN: The attribution of companies' success to the services of Network has been a major challenge. Statistics about Canada's performance with major banks do not indicate major changes over the past five to ten years that could be linked to major changes in the level of staffing or funding of the Network. The only noticeable trend was in the decreased number of Canadian contracts for goods and works with some banks such as the AfDB and ADB; however the evaluation found that this trend is not linked solely to the level and nature of services provided by the Network but also to other factors such as distance to the borrowing country, high transportation costs, increased local competition by local suppliers offering much lower prices, etc. To attenuate this challenge and enhance the credibility of the findings and conclusions related to the effectiveness of the Network services, the evaluation team conducted additional in-person and telephone interviews with representatives of Canadian businesses who have used the services of the Network.

Lack of clearly defined roles, responsibilities and reporting requirements for the delivery of IFI information and services to businesses: Since the IFI business and aid markets are not fully integrated in the TCS goals and objectives, nor constitute part of the sector practices and initiatives of the Department, evaluating the performance of both OLIFI trade commissioners and TCs at post and in ROs with regard to the IFI

service delivery has been a challenge. IFI-responsibilities, related activities and reporting requirements are not always clearly specified in the job descriptions of TCs who have been assigned IFI functions. As a consequence, the delivery of IFI services to companies by TCs at ROs or in the field is mostly reactive and based on perceived roles and responsibilities rather than expected performance. The lack of specific functionalities of TRIO allowing for reporting on business activities related to IFIs did not allow the evaluation team to compare the level of support that TCs in the field provided to Canadian businesses and the ultimate results from this support. To mitigate this limitation, the evaluation team provided assertive findings and conclusions based on information and feedback corroborated by a representative number of interviewees rather than individual statements.

Difficulties in obtaining consistent data records on Canada's performance across MDBs: While most MDBs have considerably improved their websites, performance data by country is still not easily accessible for some banks, e.g., CDB and ADB. Also, not all banks provide a breakdown of the information on awarded contracts by type of the contracts, e.g., main or sub-contracts, contracts for consulting services, goods and civil works. The evaluation team searched for ways to reconcile data across MDBs for the purposes of a comparative analysis. In some of the cases, information was requested from the OLIFIs, and in all cases, OLIFIs were asked to verify the information already collected by the evaluators.

7.0 EVALUATION FINDINGS

The following sections provide a set of findings based on the information collected through the literature and document review, the interviews with DFAIT staff, major Network partners and stakeholders, as well as the results from the Survey of Canadian companies pursuing IFI-funded opportunities.

7.1 Relevance Issue 1: Continued Need for the Aid Market Support Network

Finding #1: IFIs and the aid market represent a specific niche opportunity for Canadian companies interested in entering developing and emerging markets and building a presence that can have further spin-offs for their business development.

The aid market represents a specific, yet an attractive niche opportunity for Canadian companies pursuing new international export and investment markets. There are a number of appealing advantages for firms weighing the costs and benefits of entering the international market place for capital goods, equipment and consulting services financed by IFIs. First, projects funded by IFIs are attractive to international firms due to the fact that the money is coming from a credible source (an MDB) with respective payment guarantees. Second, entering new markets through IFI-funded projects can substantially mitigate the risks of doing business in countries with poor legal, financial and regulatory structures. IFI contracts are further seen by companies as a bridgehead to new markets and an opportunity to gain local experience that can be leveraged in bilateral projects or in the pursuit of other IFI-funded procurement projects.

Finding #2: The services provided by the Aid Market Support Network continue to respond to an ongoing need for support to Canadian businesses that have both the capacity and interest to pursue procurement opportunities through International Financial Institutions and UN Agencies.

The provision of IFI-related information and support remains a relevant service to Canadian businesses that are competing internationally for IFI-funded procurement opportunities and investment projects.

Three factors are particularly important for Canada to be successful in the aid market: 1) Awareness of the specific IFI opportunities and aid market potential; 2) Canada's ability to take advantage of these opportunities, and 3) Availability of sufficient interest and capacity among Canadian companies to pursue these opportunities.

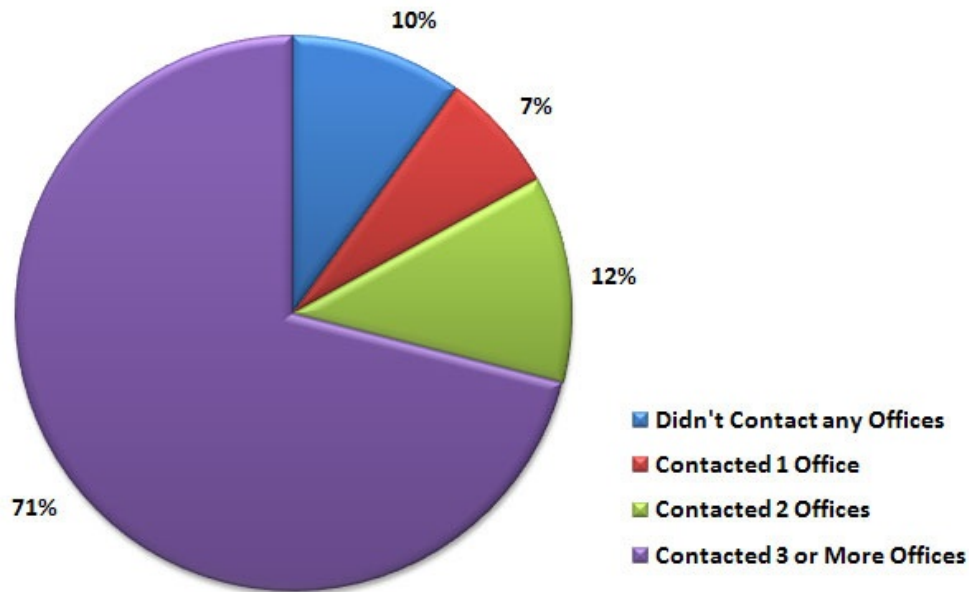
The Government of Canada, similar to other governments, has long recognized the need to create opportunities to match these factors and provide support to companies interested in competing for IFI-financed opportunities. In the early 1990s, DFAIT took the lead for a joint government effort to provide aid market support to Canadian businesses by establishing a network of offices in Canada and abroad. DFAIT established the OLIFIs in the four Canadian embassies in Washington, Abidjan (subsequently moved to Tunis), Manila and Bridgetown. A special Business Advisor position was also instituted in the Office of the Canadian Executive Director to the EBRD. CIDA, Finance Canada (FC), Industry Canada (IC), EDC and CCC were also actively involved in the promotion of the aid market as a venue for Canadian companies interested in diversifying their international export portfolio.

Since then, the IFI support to Canadian businesses has witnessed varying degrees of government engagement and resource commitment. The evaluation found that while the demand for IFI support has been stable over the years, multiple factors have influenced the shift in the type of support most needed by companies to be successful in the IFI market. Many of these factors are related to the specific role and importance of the aid market for businesses in both donor and borrowing countries. For example, in the past, OLIFIs have been the main source of information for Canadian businesses on “projects in the pipeline,” on changes in the lending and procurement policies of the banks. They have also played an important role in helping companies identify opportunities that match their capabilities and interests, and prepare strong bidding proposals. With the decentralisation of the banks and the devolution of the decision-making power to borrowing countries and their executing agencies, the need for in-country support has become stronger. While OLIFIs continue to play an important role in the provision of IFI leads, market intelligence and troubleshooting support, the need for a more streamlined Network support to the business community within Canada has also grown.

According to the Survey of Canadian Companies (2011),¹¹ 9 out of 10 respondents had contacted at least one AMSN Office or point of service in the past 5 years. (Exhibit 1)

¹¹ The response rate to the Survey of Canadian companies active in the IFI market was comparatively low (16%), and only results with sufficient statistical significance have been used to support major evaluation findings and conclusions.

EXHIBIT 1
Proportion of Respondents Who Contacted AMSN Offices



The offices contacted by the greatest number of respondents (74%) were Canadian Embassies, Consulates and/or Trade Missions abroad. A ranking of the Network offices according to the proportion of respondents who contacted each one is presented in the table below.

Proportion of Respondents Who Contacted each AMSN Office

AMSN Office or Point of Service	%
Canadian Embassy, Consulate or Trade Mission abroad	74%
Export Development Canada	53%
Washington, DC OLIFI	47%
DFAIT Trade Commissioner Service (HQ)	46%
DFAIT Regional Offices	41%
Office of the CED to the World Bank	38%
Office of the CED to the Inter-American Development Bank	28%
Office of the CED to the Asian Development Bank	27%
Manila OLIFI	22%
Tunis OLIFI	18%
Office of the CED to the African Development Bank	15%
Private Sector Liaison Officers	14%
Bridgetown OLIFI	14%
Office of the CED to the Caribbean Development Bank	12%
Office of the CED to the European Bank of Reconstruction and Development	11%
None of the above	10%
Other (see below)	5%
Other DFAIT offices	0%
n=	147

Respondents also volunteered other answers in an open-ended answer field, indicating that they have contacted and used the services of the Canadian Commercial Corporation (CCC), the Business Development Bank of Canada (BDC), the Canadian Council on Africa and the Canadian International Development Agency (CIDA).

Survey results also indicated that requests for IFI-advice and services stemmed not only from entry-level firms seeking basic MDB information, but also from larger-scale firms relying on the OLIFIs for services such as troubleshooting, information on and introduction to key bank experts and officers, both at Banks' headquarters and in borrowing countries. From the Survey, 41% of the respondents represented companies with more than 50 employees, and 10% worked for companies with more than 1,000 employees. The survey also indicated that the most critical service was access to qualified contacts (43% of respondents).

Respondents whose companies employed 1 to 9 full-time equivalent employees worldwide were less likely to have contacted an Embassy, Consulate and/or Trade

Mission or Export Development Canada (EDC): respectively, 57% and 33% of them had done so, compared to 74% of respondents overall having contacted an Embassy, Consulate and/or Trade Mission and 53% having contacted EDC.

Companies employing 100 or more full-time equivalent employees, on the other hand, were more likely to have contacted these offices or points of service, as well as the DFAIT Regional Offices:

- 91% of respondents from large companies contacted an Embassy, Consulate and/or Trade Mission (compared to 74% overall);
- 72% of respondents from large companies contacted EDC (compared to 53% overall); and
- 55% of respondents from large companies contacted a DFAIT Regional Office (compared to 41% overall).

Respondents whose companies employed 100 or more employees were also more likely to have contacted two or more Network offices over the past 5 years: 87% of them had done so, compared to 71% of the overall survey population. On the flipside, respondent whose companies employed less than 9 employees were likely to have contacted more than one AMSN office, with 57% of them having done so in the past 5 years.

Finding # 3: International data and statistics indicate that while procurement opportunities through the International Financial Institutions and UN agencies are substantial and growing, donor countries, including Canada are facing an increasing competition from new players in the procurement process and challenges related to the discontinuation of tied aid and tied trust funds.

Following the recent recession in 2008, most IFIs have doubled their annual lending to developing countries. While this has led to increased business opportunities for companies, it has also prompted a much stronger international competition among countries and companies striving to win a share of the aid market. Even though many experts describe the current competition for IFI-financed projects as a “lucrative” business, they still recognise its great potential for companies willing to diversify their export portfolios while tapping into this source of revenues and commercial benefits.

Being competitive and successful in the pursuit of IFI procurement is becoming more difficult due to a number of recent trends and developments.

First, the entry of new players in the IFI market, such as China, India, and Brazil has changed the nature of the competition and the potential niches for Canada’s

involvement. These countries, formerly considered recipients of aid, have now become strong competitors for MDB procurement.

Second, the growing competition from local suppliers in borrowing countries, offering lower prices and bidding quotes, has also changed the face and the competitive climate of the IFI market. In order to overcome this challenge, Canadian companies need to change the ways in which they approach these markets, e.g., by focussing more on partnering with local firms and building local networks. This, however, requires stronger linkages at the local level in the recipient country.

Third, in the past, donor countries, including Canada have relied on tied aid, trust funds and other funding arrangements¹² for technical assistance as important entry points in the IFI business. Securing MDB-financed projects in developing countries has been much easier through the provisions of tied aid. For example, based on the experience gained through EBRD projects in Eastern Europe under partially tied aid circumstances, many Canadian companies have been able later on to successfully bid for and win contracts through fully competitive processes at the EBRD.

While the removal of tied aid as a funding source continues to be perceived by many Canadian companies as an impediment to their ability to enter aid recipient countries, it has in fact opened more opportunities and greater access to the untied aid provided by other donors. Exploring and using these new opportunities, however, requires new approaches and business development efforts not only on behalf of the companies, but also on behalf of donor governments and organizations providing IFI advice and support to private businesses.

Finding #4: The IFI market is becoming increasingly complex with the decentralisation of the procurement decision-making process from MDB headquarters to borrowing countries and with the introduction of new instruments and opportunities for companies to get involved.

IFI procurement is no longer simply about bidding on contracts but also about using a combination of approaches and instruments that would allow firms to expand their presence in developing countries as both exporters of goods and services, and as investors. In the past, the review of bidding proposals and the decisions on winning contracts were made at the HQs of the respective MDBs. Foreign procurement of goods and services with the proceeds of IFI loans and credits has now become the responsibility of the borrowing country but must still be done in accordance with the strictly stipulated IFI guidelines on International Competitive Bidding. However, the

¹² A 2001 OECD-DAC Recommendation on Aid Untying compelled donor agencies to untie procurement for aid-funded investment projects and opened procurement to international competition. The 2005 Paris Declaration on Aid Effectiveness further limited the donors' influence on project design and implementation.

decentralisation of the decision-making process has enabled borrowing countries to use local systems and executing agencies for awarding IFI-funded procurement projects. The result is that Canadian companies need to have access to information and contacts at two levels: 1) in MDB headquarter cities through the OLIFIs, ED offices and bank experts regarding upcoming opportunities, lending policies and priorities, and troubleshooting; and 2) in borrowing countries, with executing agencies and potential partners regarding specific requirements for the bidding process. While OLIFIs are playing an important role in identifying and disseminating IFI leads and information on forthcoming procurement opportunities, a similar IFI support capacity needs to be established within Canada (ROs and PSLOs) and in the borrowing countries (TCs at post) to bring these leads to Canadian companies who have the capabilities to compete internationally and are interested in pursuing these leads.

Some of the new trends in IFI lending and investment also provide new and additional opportunities for Canadian firms. These trends have, however, implications for the businesses and the specific type of support they may need. For example, the IDB has introduced non-sovereign guarantee (NSG) operations that present an opportunity for Canadian firms to participate in investment projects or obtain funding to facilitate their involvement in such operations. Given the fact that NSG projects follow a commercial and not necessarily a government dynamic, it is important for Canadian firms to get involved at an early stage, preferably at the conceptualisation and development phase of a project. This, however, requires new approaches and skills from companies, including their ability to organise consortia involving local suppliers, or to become part of a bidding group created by a local prime contractor on a sub-contracting basis.

According to a recent study on IDB opportunities, commissioned by the “IDB Business Opportunities Task Force” at DFAIT,¹³ the chances for Canadian businesses to get involved in NSG loans are defined as “considerable” based on the strong congruence between the capabilities of Canadian firms active in Latin America and the sectoral priorities of the IDB. The sectors in which IDB is most active are alternative energy, infrastructure, oil and gas and agribusiness and these are sectors where Canada can offer good expertise.

Similar new approaches and “private sector windows” are being developed at the African Development Bank for which the private sector development is becoming a major objective of its future development activities. Following the adoption of its 2008-2012 Mid-Term Development Strategy (MDS), the AfDB is currently positioning itself as the continent’s leading development finance institution. As such, the Bank is trying to address private sector development (PSD) at two primary levels by:

¹³ *Inter-American Development Bank: Canadian Private Sector Opportunities Assessment*. Report prepared for DFAIT by Coral Hill LLC, April 2011.

- Assisting African governments to improve the enabling environment for the private sector through improvements to the essential physical infrastructure (e.g., power, information and communication technology, transportation) and to the “soft infrastructure” (e.g., regulatory and legal frameworks, financial sector, trade liberalization); and
- Assisting entrepreneurs with specific transactions, industries and services (e.g., mining, cement, agribusiness, hotels) and financial intermediation (e.g., banks, MFIs, insurance, leasing).

The Asian Development Bank is also providing an extended range of procurement routes that involve developing country partners as procurers. Canadians have more success with ADB’s program lending with countries, which gives companies greater flexibility. The procurement of goods and works through program loans (multi-country and/or multi-sector) allows prime contractors to source products and services from anywhere in the world. They often have a greater emphasis on quality as opposed to price and, therefore, present good opportunities for Canadian companies.

The EBRD is another regional Bank using lending tools and investment approaches to support private sector development in the countries of Central and South - Eastern Europe, the former Soviet Union and Central Asia. The financing solutions offered by the EBRD to both public and private sector clients are mainly in the form of loans and equity, meaning that companies willing to participate in investment projects supported by the EBRD have to provide about one third of the project cost in equity. Also, unlike other regional and multilateral development banks, the EBRD does not provide concessional financing and does not support poverty reduction. It also no longer lends to national governments. Its overriding focus is on the private sector: its charter stipulates that at least 60 per cent of its financing commitments should be directed either to private sector enterprises or to state-owned enterprises that are being privatised. While the competition for EBRD procurement is particularly strong from the former EU countries, larger Canadian companies have growing chances to use the equity-based policy of the Bank as a tool to facilitate their investment plans in this part of the world.

Understanding the new IFI trends and lending instruments, requires specific knowledge of and networking with the relevant banks. Interviews with Network stakeholders and with the OLIFIs in particular, indicated that companies willing to compete for the different types of IFI procurement and investment projects supported by the MDBs would also need to have a better understanding of the division of responsibilities between the Bank headquarters, the in-country bank offices and the borrowing countries’ executing agencies. In that sense, they also need to know whom and where to contact in order to receive timely information and relevant market intelligence.

The above mentioned shifts and trends in IFI procurement and lending mechanisms are reiterating the need for changes both in the business approaches used by companies

and in the type of support that governments and their representatives could provide to these companies. In terms of Canada's Aid Market Support Network, these changes call for a more streamlined approach and a more active involvement of DFAIT's TCS, and in particular of the trade commissioners in borrowing countries in the provision of IFI support to Canadian businesses. In some cases, such as the EBRD, the Bank investment projects can be used as a tool to facilitate and further Canada's direct investments abroad (CDIA).

Finding #5: The barriers for companies to enter the aid market can be substantial. The AMSN and the OLIFIs in particular, can play a key role in assisting companies to overcome some of these barriers.

Feedback from AMSN stakeholders and company representatives indicated that many Canadian firms are facing significant barriers in the pursuit of IFI-funded opportunities in developing markets, and these barriers are sometimes greater than the challenges faced in more mature markets or through bilaterally contracted projects.

A number of such barriers were indicated by almost all Network stakeholder groups, i.e., OLIFIs, PSLOs, TCs at ROs and post. According to many of them, the successful pursuit of large MDB contracts is a long-term process that requires:

- A long-term commitment of sufficient resources, both human and financial;
- Advanced research and marketing, and continuous tracking of project intelligence and specific tender notices;
- Identification of feasible partnerships/matchmaking with local or regional companies; and
- Engagement with decision-makers in the borrowing country.

Canadian company representatives have indicated in the survey some additional challenges and limitations faced by their companies in the process of competitive bidding for IFI procurement in developing countries, such as:

- High marketing costs which smaller companies cannot afford; Lack of sufficient human or financial resources in firms to prepare bidding documents: firms may need to bid several times to show commitment before being selected.
- Large geographic distances, especially for sales of goods and civil works.
- Lack of familiarity with the local market and lack of in-market expertise coupled with a growing local competition.
- Strong competition from regional members with similar expertise but a better knowledge of the market, e.g., countries such as Japan and Australia that are more familiar with the Asian market, Brazil and Argentina - even China lately, with a better knowledge of the Caribbean and Latin American markets.

- Lack of understanding of how to adapt business operations to work with MDBs, including lack of experience in how to apply a development focus and approach.

According to some of the OLIFIs and PSLOs, many Canadian companies still lack the skills to write good Expressions of Interest (EOIs) and properly fill out bidding documents.

Typical MDB-funded consulting service tenders take on average between 12-14 months from the time a tender is advertised to the actual signing of a contract. For companies that do not have parallel activities or revenues from other sources over this period of time, to rely only on the outcomes of a bidding process entails a considerable amount of risk in terms of losing time and resources invested in preparing the bidding documents. The price of bidding for IFI procurement could be too high for many of them; therefore, the IFI market continues to be a niche market for a comparatively limited number of Canadian companies.

It is worth noting, that a 1996 Review of the “Constraints Limiting Canada’s Participation Rates in IFI Bids,” commissioned by DFAIT¹⁴ has identified similar, if not the same challenges, namely:

- High marketing costs, which many firms cannot afford;
- Lack of experience, human and/or financial resources in firms to sustain an international marketing effort over the long period of time required;
- Perceived low profit and low rate of return (including long waiting time to receive the actual contract award/payment);
- Large geographic distances between sales prospects.

Concerning Canadian capabilities with regard to IFI business, the 1996 Review came to the conclusion that only a limited number among the 500 largest Canadian firms (at that time) had the capabilities of pursuing international competitive bidding projects, and an ‘even more limited number’ had actually bid on IFI tenders. According to DFAIT’s records,¹⁵ in the 90s, as few as 200 Canadian firms have participated in IFI bids in any given year and only about half of them have been successful, mostly in the consulting services segment. Of these 200 bidders, approximately 50 were equipment suppliers, 120 – consulting firms and the rest were suppliers of raw materials and commodities. An additional 50 firms, not directly submitting bids, were participating as sub-contractors.

The similarities between the aid market challenges experienced by Canadian companies ten years ago and today indicate that while the IFI business has always

¹⁴ “Constraints Limiting Canada’s Participation Rates in IFI Bids” DFAIT, 1996.

¹⁵ *A Primer of the Business of International Development*. DFAIT 1998.

been highly competitive, recent changes in MDB policies and the entry of new players are making the pursuit of IFI-funded opportunities even more difficult. Ten years ago, local companies in borrowing countries represented 10-15 % of all winning companies. Now, their share has risen up to 90% and in the case of IDB - up to 95% of all winning companies.¹⁶ These trends, as well as recent statistics and research reiterate that, albeit important, the aid market remains a niche opportunity for a considerably small number of Canadian companies.

Information collected by the OLIFIs in 2010, indicates that currently the number of companies winning five or more contracts over a five-year period with a total value of at least \$2 million could be even smaller than that in the late 1990s. About 30 “top Canadian companies” have been identified in this category. This list, however, does not include individual consultants and consulting firms, or new firms that may have the capacity but lack information on IFI opportunities, or sufficient experience to bid alone as prime contractors.

According to some Network stakeholders, the current IFI realities and challenges are making it almost impossible for companies new to this market to make any successful steps into it. Interviews with WB and IDB procurement and external (international) relations experts have indicated, however, that the IFI market is still accessible for businesses that are new to it, as long as they have the relevant knowledge, a niche expertise and capacity to bid rather than spreading thin and pursuing all possible opportunities.

Finding #6: The AMSN, and in particular the ED offices and OLIFIs, play an important role in promoting Canadian business interests and capabilities with MDBs.

As a major shareholder in the six major MDBs, Canada actively participates through its Executive Directors in the discussions of policy and operational issues related to regional or international standards and regulations in the Banks’ countries of operations. Canada’s prominent membership helps achieve a number of goals, such as but not limited to: 1) Supporting these MDBs as important delivery agents in Canada's overall aid program; 2) Promoting important policy goals, including international stability; and 3) Opening up of new markets for Canadian exporters and consultants through Bank procurement contracts. The AMSN helps to operationalize some of these goals by providing the necessary support to Canadian businesses, as well as by promoting Canadian capabilities with MDBs. ED offices and OLIFIs are particularly helpful in this regard. They liaise with and promote Canadian capabilities to bank experts and external relations officers, who in turn are looking for companies with potential and niche expertise for major Bank projects. By organising field visits for companies to the MDBs and meetings with relevant Bank experts, as well as IFI visits to Canada to meet with

¹⁶ IDB Study (DFAIT 2011)

Canadian companies, OLIFIs help companies expose their capabilities and increase their chances to be noticed as potential suppliers for major contracts or sub-contracts.

The Survey of Canadian companies provided some more specific information on the usefulness of the services provided by the Network and their impact on the companies' success in winning IFI contracts. The following table indicates the number of respondents who had used the services of the various Network Offices and their feedback on how helpful these services have been.

Usefulness of the Services Provided by the AMSN Offices Previously Contacted

Office or Point of Service	n	Not Helpful at All	Somewhat Helpful	Very Helpful	Don't Know
Bridgetown OLIFI	20	10%	20%	60%	10%
Tunis OLIFI	26	4%	35%	54%	8%
Manila OLIFI	33	3%	42%	52%	3%
Office of the CED to the European Bank for Reconstruction and Development	16	6%	44%	50%	0%
Canadian Embassy, Consulate and/or Trade Mission abroad	109	10%	38%	50%	3%
Washington, DC OLIFI	69	9%	38%	48%	6%
Private Sector Liaison Officer	21	14%	24%	48%	14%
Office of the CED to the Asian Development Bank	40	23%	50%	20%	8%
Office of the CED to the Caribbean Development Bank	17	6%	41%	41%	12%
DFAIT Regional Office	60	13%	38%	40%	8%
Export Development Canada	78	10%	44%	37%	9%
Office of the CED at the World Bank	56	9%	46%	32%	13%
Office of the CED to the Inter-American Development Bank	41	20%	37%	27%	17%
DFAIT Trade Commissioner Service	67	16%	52%	24%	7%
Office of the CED to the African Development Bank	22	5%	41%	45%	9%
Other	7	43%	29%	14%	14%

With regard to the most visited offices, such as Canadian Embassies, Consulates and Trade Missions, and the Washington OLIFI, 50% of respondents found the services provided by these offices to be “very helpful,” 48% described them as “somewhat helpful” and only 9% stated they were “not helpful at all.” The office deemed as “very helpful” by 60% of the respondents who had used its services was the OLIFI with CDB in Bridgetown.

According to interviewees and survey respondents, who had volunteered to provide more detailed responses on how a potential discontinuation of the AMSN services would affect Canadian companies, attention was drawn to the impact on the competitiveness of Canadian businesses and on Canada’s overall visibility and performance in the growing aid market. According to some respondents this would translate into a “loss of a trusted intelligence sources,” “loss of the competitive advantage,” “difficulties in finding credible partners in the borrowing countries,” and “no trouble shooting support when needed.”

In-person and telephone interviews with representatives of companies with a long history in the aid market and success in winning IFI contracts, reiterated the fact that Canadian businesses would be put at a disadvantage if deprived of the AMSN services, and especially of access to the OLIFIs whose expertise was described as ‘extremely helpful and effective’ in the companies’ pursuit of IFI procurement opportunities.

7.2 Relevance Issue 2: Alignment with Government Priorities

Finding # 7: The services provided by the AMSN are aligned with the economic priority of the Government of Canada to enhance Canada’s global competitiveness.

Increasing Canada’s openness to inward and outward trade and investment was announced as a priority in Advantage Canada.¹⁷ Therefore, supporting the participation of Canadian companies’ in procurement and civil works contracts funded by IFIs and UN agencies is in line with this government priority.

According to feedback from the evaluation interviews, the aid market continues to be important for meeting Canada’s commercial objectives. The IFI-related services are aligned with the objectives of the TCS and DFAIT’s mandate to support Canadian companies in the pursuit of international export opportunities. While DFAIT’s Global Commerce Strategy does not specify the aid market as a priority, and some of the countries of IFI operations are not a priority for Canada, this market can potentially

¹⁷ Advantage Canada: Building a Strong Economy for Canadians. GOC, 2008.

support a wide variety of the GCS objectives, particularly in terms of “connecting Canadian businesses to expanding global market opportunities.”¹⁸

Evaluation findings indicate that over the past few years the Network has lost some of its visibility and support within the TCS. This is partially explained by the changes to the mandate of the International Financing Division (BPF) and the discontinued coordination and governance functions for the Network. Additional staff and budget reductions to some of the OLIFI offices (Washington DC, Tunis, and London) reiterated the perception that IFI business opportunities and the aid market were no longer a priority for DFAIT. Interviews with Network stakeholders indicated that while Trade Commissioners at DFAIT and in missions are aware of the benefits of the aid market for Canada and Canadian companies, the lack of IFI training and of specific tasking or reporting requirements do not create incentives for their proactive involvement in the IFI market.

Alignment with Other Government Strategies

Finding # 8: **There is a growing interest in MDB procurement from other DFAIT divisions and programs, OGDs and agencies. Some DFAIT strategies, such as the Global Infrastructure Strategy and the Integrative Trade Model have identified the potential of the aid market to contribute to the implementation of their business initiative priorities.**

Interviews with DFAIT managers indicated that some trade divisions, sector practices, and geographic bureaus are particularly interested in MDB procurement investment opportunities through IFIs. MDB lending increases in recent years have been most significant in the infrastructure sector and MDB procurement has been identified as a key component of the Global Infrastructure Strategy of DFAIT. In this Strategy, IFIs are described as a “key entry point for financing infrastructure opportunities in emerging markets.” Two of the seven Global Infrastructure Initiatives for FY 2010-2011 specifically reiterate the importance of the IFI market:

- ***Initiative 4:*** *Expand the number of Canadian Companies operations in IFI markets;*
- ***Initiative 5:*** *Position Canadian companies to take advantage of opportunities in emerging markets.*¹⁹

¹⁸ GCS Objective #3: “Better connect Canadian businesses to expanding global market opportunities.”

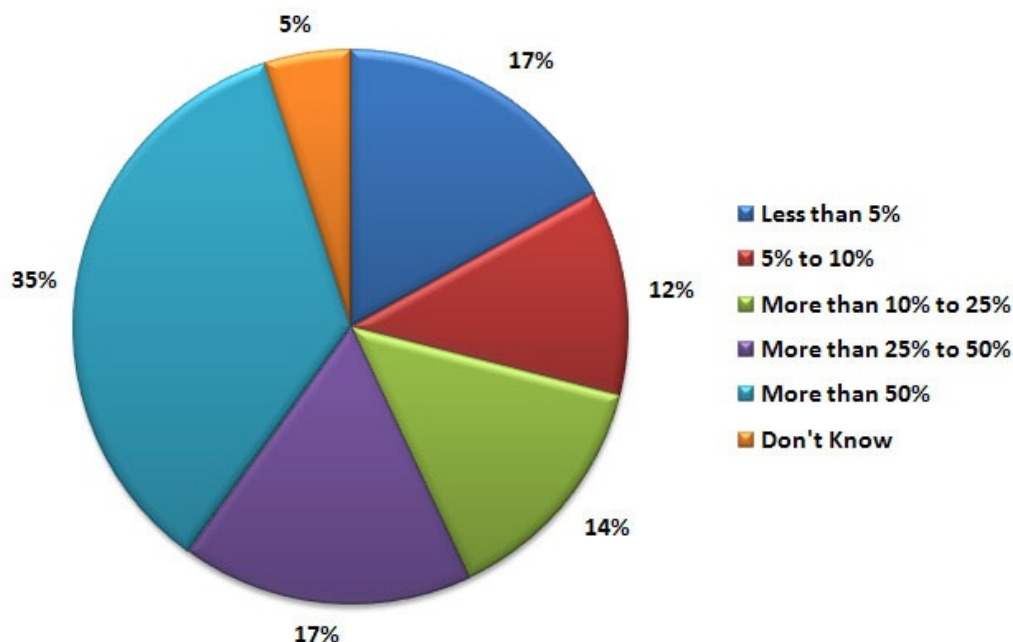
¹⁹ INTEGRATIVE TRADE GLOBAL STRATEGY: INFRASTRUCTURE, TCS Presentation to the Infrastructure Advisory Board, Ottawa, October 2010.

Canada's Strategy for the Americas has also triggered interest in the opportunities offered to Canadian companies by the IDB, WB, CDB and the United Nations. These opportunities are increasingly seen as part of the overall international business development strategies and export goals of firms working in the Americas. The earthquake in Haiti and the need for massive reconstruction efforts by the international community reinvigorated Canadian companies' interest in UN and MDB procurement given the important role these agencies are playing and will continue to play in Haiti's recovery and reconstruction.

The Integrative Trade approach of the TCS provides further opportunities for integrating the IFIs and the aid market not only in the activities of the trade commissioners but also in the portfolios of companies pursuing investment opportunities abroad. The Survey of Canadian companies active in the IFI market inquired about the relative share of the IFI contracts' value from the overall international investment portfolio of the companies. More than a third of the respondents (35%) reported that the IFI-financed contracts won by their company over the past 5 years represented more of than 50% of the company's overall portfolio/project value (Exhibit 4).

EXHIBIT 2

Relative Share of the IFI-Financed Contracts Compared to Companies' Total International Portfolio



EDC's Infrastructure and Environment Group is also focused on supporting Canadian companies' participation in MDB-funded projects and promotes IFI procurement as a good way for companies to diversify the markets in which they are operating. According to EDC experts, Canadian companies have four areas of work opportunities where they appear to be very competitive in securing MDB-funded work. These include: consulting contracts for MDBs directly, consulting and engineering services contracts for the borrowing countries, smaller funded MDB projects with price tags of US \$10 million or less for goods and services and sub-contracts to major foreign engineering and construction firms.²⁰ To support companies while bidding for or working on IFI contracts, EDC offers a number of services, including but not limited to letters of guarantee and credit insurance that protect companies against the risk of not being paid under a specific contract. Some of these services are becoming extremely important for companies pursuing MDB projects through the new IFI investment tools and mechanisms.

Recent events indicate that EDC is actively trying to more effectively engage with MDBs, and IDB in particular. Building on contracts and discussions held at the 2011 IDB Annual Meeting in Calgary, EDC is in the process of determining how it can get involved in the co-financing of deals, in addition to the traditional suite of products in support of Canadian companies accessing IFI opportunities.

The Canadian Commercial Corporation also has a long history of successful projects in emerging and developing country markets and works with CIDA and DFAIT to help Canadian exporters deliver Canada's international aid. Working on behalf of Canadian exporters and their customers around the world, CCC explores options for government-to-government contracting and procurement. With the decentralisation of most MDBs, CCC's contacts as well as its contracting and procurement expertise in developing countries could play an important role for Canadian companies bidding on IFI procurement in these countries.

Finding # 9: As part of the AMSN, DFAIT's Regional Offices and the Private Sector Liaison Offices are contributing to the active involvement of provinces in the provision of IFI support to Canadian businesses.

The effectiveness and support potential of the AMSN is further increased by the large number of PSLO designations granted to Canada by the World Bank. Even though not all provinces and territories have a designated PSLO, and despite the fact that PSLOs vary in their level of active engagement with companies and MDBs, they have proven to be particularly effective in involving provincial governments in Canada's overall support to businesses.

²⁰ "Landing International Development Contracts," EDC Canada http://www.edc.ca/eforms/docs/lidc_e.pdf.

PSLOs play a major role as a first contact for companies interested in pursuing IFI-funded opportunities or to participate in missions to MDBs. Private sector liaison functions are usually accredited to experts in provincial trade ministries or business associations, which work directly with companies in the province. These PSLOs play an increasingly important role in educating and coaching companies that are new to the IFI market and not fully aware of its potential. Interviews with PSLOs indicated that in most cases, the principle occupation and the IFI-related activities of these experts were complementary. Only in two cases was international business promotion not part of the main occupational activities of the expert with a PSLO designation. Of note, one PSLO designation had been provided to a Trade Commissioner in the Vancouver Regional Office; however this TC position was cut in 2008. While not formalized by the World Bank, an official from within the BC Government is currently acting as the BC PSLO in servicing clients on the IFI file.

Not every province has a PSLO and/or a Regional Office with assigned IFI responsibilities. Therefore, the support to Canadian companies in the different provinces has been uneven. Evaluation findings also indicate that the collaboration between PSLOs and ROs on the territory of the same province greatly depends on the personal involvement of each expert. For TCs at ROs, it is also a matter of the degree of familiarity with IFIs. Interviews with the TCs at ROs with assigned IFI responsibilities indicated that no one had received IFI and aid market related training.

7.3 Relevance Issue 3: Alignment with Federal Roles & Responsibilities

Finding #10: Supporting Canadian businesses in their pursuit of international market opportunities is part of DFAIT's mandate and is aligned with the departmental objective of helping "companies to succeed globally."

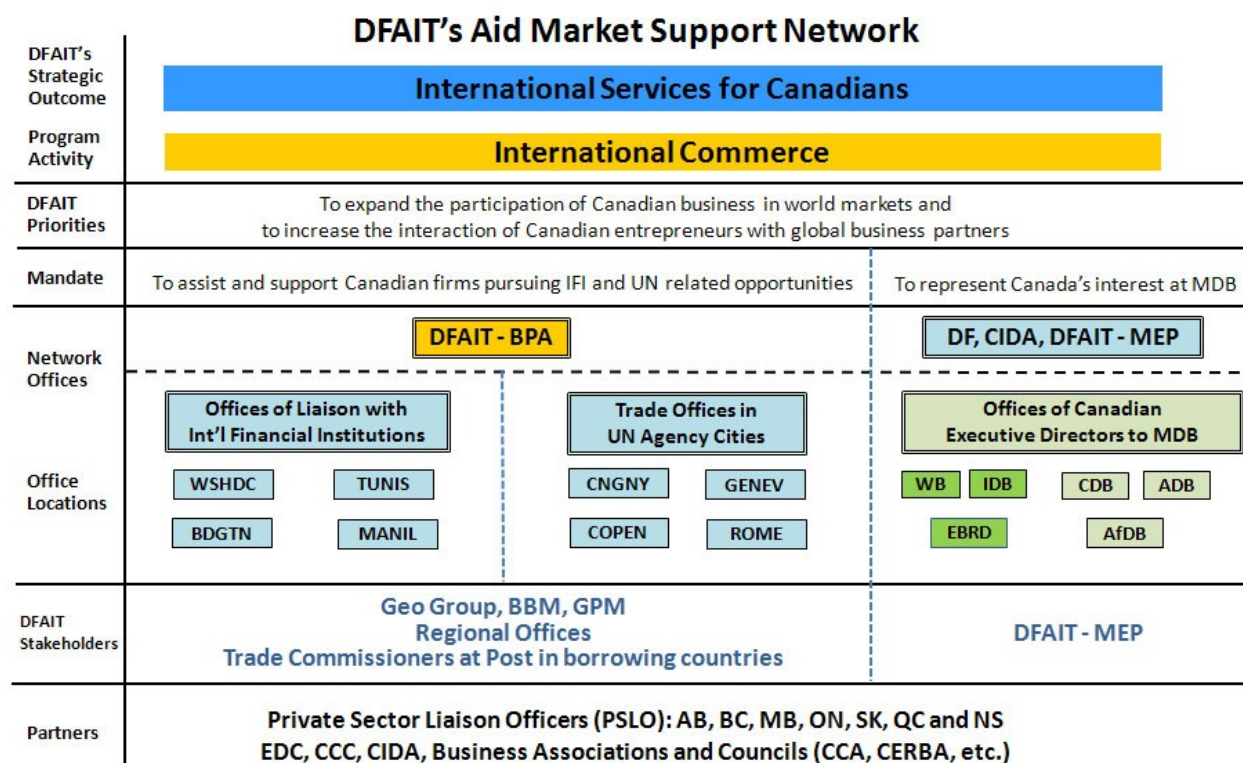
The AMSN provides an important service and support to Canadian businesses that contributes to the achievement of DFAIT's Strategic Outcome # 2: "International Services for Canadians" and complements the four TCS core functions with a specific emphasis on IFIs, namely:

- Preparing for International Markets
- Assessing Market Potential
- Finding Qualified Contacts
- Resolving Problems (Troubleshooting)

The Network, and in particular the OLIFIs and the ED offices, play an important role in raising companies' awareness of the opportunities offered by MDBs, in promoting, reaching out and facilitating contacts and partnerships. In this sense, the Network and

the services it provides as part of Canada's Trade Commissioner Service are instrumental in aligning the interests and capabilities of Canadian companies with IFI opportunities. The involvement of the PSLOs in the Network also allows the leveraging of private and public sector support, and encourages federal and provincial/territorial cooperation.

The following chart indicates how the AMSN supports DFAIT priorities.



Government involvement in the provision of IFI and aid market related support and services contributes to Canada's advancements in other areas, such as, but not limited to:

- Strengthening bilateral ties and networks of contacts with emerging and developing markets:** By assisting companies in finding the appropriate contacts with local partners and executing agencies for major IFI-funded projects and investment opportunities, TCs at post broaden Canada's network of contacts and help strengthen the bilateral relations with these countries and their major executing agencies. Results from the Survey of Canadian companies active in the IFI market, suggest however, that this channel of support is not yet fully explored or sufficiently effective for businesses to rely on. A more proactive involvement of TCs at post in IFI-related activities will not only provide support to

Canada's broader commercial objectives within borrowing and developing countries, but will also encourage a more integrative approach to business development.

- **Providing companies with relevant information on local market conditions in borrowing countries:** The provision of specific information on local economic, financial and cultural issues is of great benefit to Canadian companies in the process of preparation and submission of proposals to international bids. Access to information on costs, on the availability of local goods and service providers can save time, travel costs and resources for companies trying to collect the necessary information for a forthcoming bid. DFAIT's Trade Commissioners in the countries of IFI operations are best positioned to provide this type of information and support.
- **Liaison with MDBs and UN Agencies:** OLIFIs are trade commissioners officially designated to liaise with IFIs, communicate relevant information on forthcoming project opportunities to Canadian businesses and disseminate IFI leads to trade commissioners in borrowing countries and in Canada's regional offices. The OLIFI function is welcome by all major MDBs and is seen as a means to support the Banks in promoting their projects and activities worldwide to companies with adequate potential and capabilities.

Finding #11: While other government departments and agencies are also providing essential support and services to Canadian companies in their pursuit of export opportunities through IFIs, currently no clear division of roles and responsibilities exists, nor a strategic direction on how to coordinate and streamline these services to enhance their efficiency and ensure the achievement of optimal results.

EDC and CCC - each play a specific role in enhancing the international competitiveness of Canadian companies in the aid market. While the role of each organization is important, the evaluation did not find evidence of sufficient strategic coordination or leveraging of the IFI-related activities and best practices across these departments and agencies. The lack of a centralized governance system for the IFI support has been quoted as the main cause for this situation. The lack of sufficient coordination and effective communications among the ED offices over the past years has impacted Canada's ability to convey and promote consistent policy objectives across the six major MDBs.

Interviews with DFAIT managers and Network stakeholders indicated that there are opportunities for increased benefits for Canadian business from a more pro-active inclusion of other departments and agencies in the provision of IFI and aid market support. Some steps in this direction have been recently made by BPA and the

Development Policy and Institutions (MEP) Division of DFAIT. MEP has initiated regular meetings for DFAIT, FC, CIDA and EDC experts on major policy issues related to IFIs, as well as a more coordinated approach to communicate with Canada's EDs at the six banks. Cross walks with Canada's business interests have also been established with the involvement of BPA in these meetings.

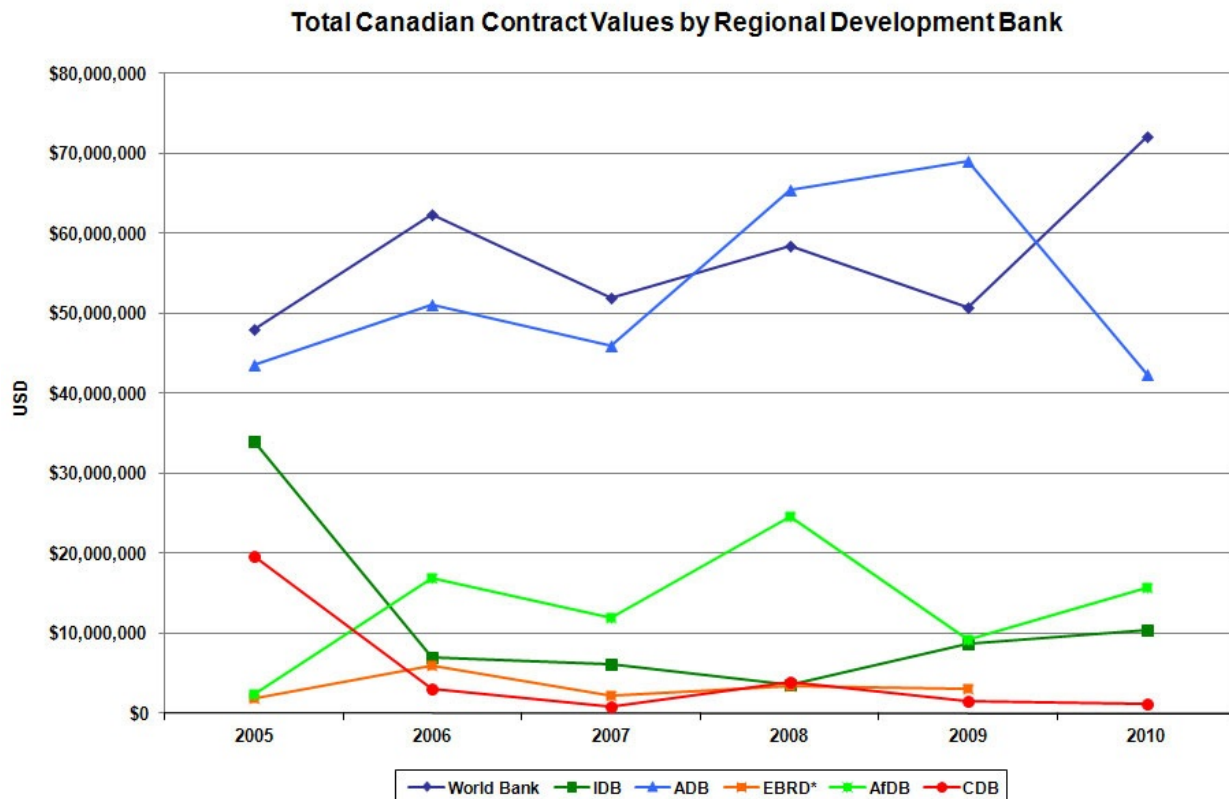
At a recent AMSN retreat (February 2011), BPA brought together OLIFIs, PSLOs, Trade Commissioners with assigned IFI responsibilities from several Regional Offices., representatives from EDC, as well as other DFAIT Divisions (Haiti Task Force, DFAIT INC., etc.) to discuss and plan the activities of the Network for the year to come and to exchange best practices for achieving greater effectiveness and better coordination of efforts. The meeting helped identify both major communication gaps and opportunities to overcome them, while demonstrating to all stakeholders the benefits of a more effective cooperation and coordination of IFI-related activities and efforts. However, reduced funding for coordination and outreach may limit results in this regard.

7.4 Performance Issue 4: Achievement of Expected Outcomes

This Section focuses on the progress that Canada is making in the aid market and the success of Canadian companies competing for IFI procurement in this market. It also provides an assessment of the extent to which the services of the Network are contributing to achieving their intended outcomes, i.e., increased involvement of Canadian companies in the aid market and improved competitiveness with IFIs and UN agencies.

Finding #12: MDB statistics indicate that Canadian companies have a steady presence in the IFI market and despite some fluctuations Canada has been able to maintain its relative position with key MDBs over the past ten years.

Canada's performance with MDBs has seen some fluctuations over the years as shown on the following chart. Even with increasing competition, Canada has managed to keep up its relative position with the key MDBs. The following chart is based on official MDB statistics and reflects Canada's performance in terms of the total value of awarded contracts (goods, works and services) over the past five years with each MDB.



Based on the value of won contracts, over the past ten years, Canada has ranked between 9th and 12th among other OECD countries, while the total value of Canada's contracts has constituted only 1% of all MDB awarded contracts. This lower overall value of contracts won by Canada is attributed to the fact that Canadian firms have been pursuing mainly service consulting contracts, and have more rarely competed for goods and civil works contracts, where in fact up to 90% of the MDB lending capital is allocated.

Canada has been particularly strong in the provision of consulting services for IFIs with an average of 350 contracts annually. For example, in 2010, Canada, ranked first by the number of consulting contracts at the AfDB - outperforming even the UK firms that have traditionally been the winners of most of the AfDB contracts. With other MDBs, and mainly with the WB, IDB and ADB, Canada continues to be outperformed by countries such as Germany, France, the UK, and recently by some of the new players in the IFI market, such as China and Brazil.

With regard to goods and equipment, Canada wins about 180 contracts annually, which is far less than the 1,300 contracts won by Germany. Other countries, such as France with approximately 600 contracts per year, the Netherlands and Spain are also more successful when competing for goods and works contracts.

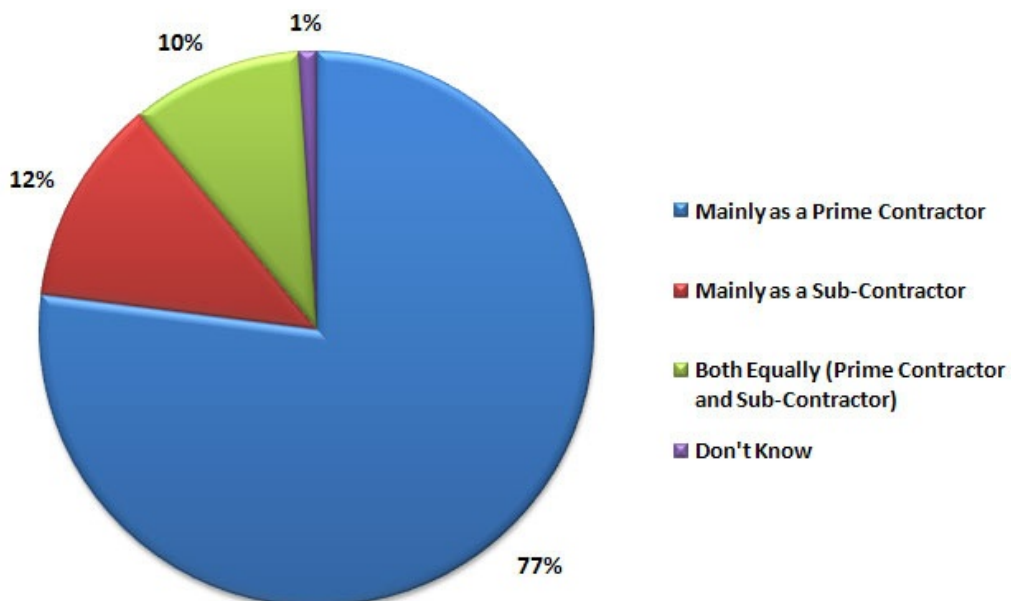
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Canada's weakest performance across MDBs remains with the civil works contracts. A number of explanations are provided for Canada's low rates of awarded civil works contracts, the main among them being: the large geographic distances; high transportation costs; and high competition from local business providers offering much lower prices.

Many interviewees, and in particular OLIFI trade commissioners, have indicated that while some Canadian companies may have the capacity to compete for and win goods and civil works contracts, they rarely undertake such projects, even as subcontractors where their chances for success might be much bigger when they apply as sub-contractors to larger international firms. In this respect, the AMSN, and especially Trade Commissioners at post in developing member countries can play a major role in facilitating strategic partnerships between Canadian and international firms that have traditionally been successful in winning IFI financed contracts.

According to the Survey, over three-quarters (77%) of the respondents whose companies had won IFI-financed contracts indicated that these contracts had been awarded to them mainly as prime contractors, and only 12% of the companies had won projects as sub-contractors.

EXHIBIT 3
Conditions of Contract Award



While the TCS in borrowing countries could be instrumental in increasing Canadian companies' visibility among international partners and supportive in their consortia building for IFI-financed procurement, the evaluation did not find sufficient evidence indicating that the IFI function is treated as a priority in countries where major MDBs projects are being implemented. Commonly provided explanations have been the lack of special IFI training for TCs at post, pre-occupation with bi-lateral priorities, lack of effective communications with OLIFIs, and, lack of information on forthcoming MDB projects tailored to the priority sectors for Canada in the respective borrowing countries. Some Trade Commissioners have indicated that the information on "projects in the pipeline" distributed by the OLIFIs to the Trade Missions is difficult to use since it is not tailored to specific countries or to Canada's priority sectors and areas in which Canadian companies would have both capabilities and a competitive advantage. OLIFIs in turn, have explained that while they are aware of the advantages of sending out information that has been reviewed and tailored to Canada's priorities in each country, they do not have the time and resources to perform this task. In addition, such information is readily available to TCs at post through online portals and other sources; however, many of them lack the understanding or training that would enable them to proactively source out country-specific MDB information.

Finding #13: Canadian companies have traditionally been successful in winning consulting projects, while the share of the awarded contracts for goods and civil works has been consistently low across all MDBs. Canada's performance has varied across MDBs due to both common aid market trends and MDB specific issues.

Depending on the MDB, Canada holds between 3% and 5% of the Bank shares and Canadian, companies achieve on average a market share of about 1% of all IFI procurement contracts.

As indicated in the first sections of this report, most MDBs have committed to increase their programming capacity in the years to come, e.g., the AfDB is set to triple its programming capacity in the next few years. In the wake of the financial crisis, all OECD countries, including Canada have made pledges, in various forums (G8, Haiti reconstruction, OECD Development Assistance committee) to increase their aid spending in the foreseeable future. In addition, as noted above, Canada has led initiatives at major MDBs to increase their lending capacity by contributing to their temporary capital.²¹

While these commitments may naturally prompt the question about the extent to which companies from donor countries should be getting a share of the Banks' projects, MDB statistics show that the value of contracts won by all donor countries barely reaches the

²¹ Annual Reports Highlight Canadian Commitment to International Financial Institutions During Global Turmoil. Ottawa, March 31, 2010. <http://www.fin.gc.ca/n10/10-026-eng.asp>

share of their actual contributions to the Banks. This is largely due to the fact that IFI financing is a form of development aid, and donors, including Canada should not expect to obtain a relevant share of the contracts. Therefore, assessing a country's success with IFIs based on the contract values as percent of the shareholder contributions has not been deemed appropriate by any of the interviewed representatives of other donor countries. All procurement is channelled through competitive processes and contracts are awarded to the most competitive bidder based on two overriding principles: 1) best value for money; and 2) aid effectiveness. No contracts are awarded as per shareholding.

Over the past five to ten years, Canadian companies have performed well in a number of sectors. However, the level of success has varied across MDBs. A cursory review of the different patterns of success has provided some insights into the differing bank strategies and priorities, and has further reiterated the need for a more differentiated approach by Canadian companies with regard to each MDB. Some of the information and statistics gathered by the evaluation team on Canada's performance with the major MDBs has been summarized in the following paragraphs and tables.

World Bank

Canada is the seventh largest shareholder at the World Bank Group, having contributed a total of US \$5.5 billion in capital subscriptions to the IBRD, IFC and MIGA and US \$8.7 billion in donor contributions to IDA. Canada's voting power ranges from 2.51 percent to 3.38 percent within the World Bank Group's different institutions.²²

Over time, the World Bank has also been the largest source of contracts for Canadians. The total value of contracts awarded to Canadian companies between 2000 and 2010 has been about US \$748 million, representing over 1,300 contracts. The yearly figures for the World Bank for the last five years are summarized in the following table. Canadian firms have participated in a range of different sectors including infrastructure, education, agriculture, information technology and governance.

²² Canada at the IMF and World Bank Group 2010: **Report on Operations under the Bretton Woods and Related Agreements Act.** http://www.fin.gc.ca/bretwood/bretwd10_1-eng.asp#toc1

Value, Proportion and Rank of Consulting Services, Goods and Work Contracts awarded to Canadian Companies by the World Bank

Type	2005	2006	2007	2008	2009	2010
Consulting	\$40,872,288	\$60,317,608	\$45,593,311	\$51,401,257	\$30,547,487	\$37,850,069
% total	2.74%	5.09%	3.36%	3.54%	2.64%	3.30%
Rank	9th	3rd	7th	6th	9th	9th
Goods & Civil Works	\$6,596,936	\$2,026,315	\$6,659,796	\$6,902,075	\$13,906,704	\$11,016,827
% Total	0.00%	0.00%	0.00%	0.00%	0.00	0.0%
Rank	58th	92nd	76th	53th	39th	48th
All contracts	\$48,071,556	\$62,347,163	\$51,888,856	\$58,417,228	\$50,765,350	\$72,215,577 ²³
% Total	0.61%	0.51%	0.79%	0.53%	0.50%	0.48%
Rank	34th	34th	28th	32nd	26th	40th

At the World Bank, the greatest competition is seen from large new players such as China and Brazil. China has been the biggest WB supplier in 2008 and 2009, receiving on average about 25% of the total procurement. In 2010, however, it was replaced by Brazil when China saw a substantial drop in its contracts.

African Development Bank

While Canada ranks quite high based on the number of consulting services contracts with the AfDB, its overall performance for the past 6 years, i.e., consulting, goods and civil works contracts, has been much lower, representing 0.71% of the total contracts, compared to countries such as China winning 16.5%, Germany 16.36%, India 2.75% of the total contract values.

²³ Note that the total contracts for the World Bank include both contracts awarded through World Bank funding as well as other contracts under special agreements that the World Bank administers. The consulting and goods and civil works figures on the Table only include direct World Bank contracts. The total represents those plus other arrangements.

AfDB Procurement Summary by Country April 2006- April 2011

Country	Amount in US \$ (average 6 years)	Number of contracts	% Share
Belgium	22,941,980	12	1.23
Brazil	28,782	0	-
Canada	13,147,787	19	0.71
China	307,544,716	15	16.50
France	103,146,359	53	5.53
Germany	304,800,444	13	16.36
Ghana	29,443,083	107	1.58
India	51,299,544	12	2.75
Indonesia	7,870	0	-
Italy	30,795,987	9	1.65
Japan	92,343,030	1	4.96
Kenya	32,866,659	101	1.76
Mali	32,111,605	111	1.72
Morocco	79,500,618	31	4.27
Spain	62,462,444	2	3.35
Tunisia	100,257,504	147	5.38
United Kingdom	5,035,441	14	0.27
United States	26,997,890	6	1.45

This table is also indicative of two other facts.

1. Canada has won 19 contracts with a total value of \$13,147,787, while China has won 16 contracts but with a total value that is 30 times higher than that of Canada's contracts. This confirms the fact that Canada is still winning the lower value service contracts and not for the more expensive goods and civil works contracts.
2. The participation of and competition from local players, who have traditionally been seen as borrowing countries is growing. With the AfDB, countries like South Africa, Morocco, Ghana, Kenya and Tunisia are already outperforming some of the Western donors. The table also indicates that developing countries in the region are more likely to win a larger number of small contracts.

For AfDB, infrastructure seems to be the best represented sector when it comes to the participation of Canadian companies. According to the Tunis OLIFI, Canadians are

particularly successful with pre-investment studies, such as macro-economic and sectoral studies, development of master plans, pre-feasibility and feasibility studies, preliminary engineering, environmental impact assessments and policy analysis. They also have high success rates with contracts for construction supervision, supervision and control of the implementation of works, project management, inspection, procurement assistance and project start-ups. In the area of technical assistance, Canadian companies perform a wide range of advisory and support services related to development and sector planning, institutional building and organizational strengthening, monitoring and evaluation, research and development, education and training.

Caribbean Development Bank

On a relative scale, Canada performs well at the CDB. One of the main advantages for Canada at the CDB is that U.S. companies cannot compete for CDB contracts since the US is not a member of this bank. Primary sectors in which Canadian companies have excelled with the CDB are institutional strengthening, education, governance and environment (mainly solid waste and water and wastewater).

Statistics for the Caribbean Development Bank also indicate the growing participation of regional member countries, as well as the increasing competition from China.

Summary of Caribbean Development Bank Statistics ²⁴

Country Grouping	2006 - 2010		
	Capital	Technical Assistance	Total
Regional Borrowing Members			
Anguilla	6,962.00	107.00	7,069.00
Barbados	1,095.00	1,060.00	2,155.00
Belize	32,117.00	646.00	32,763.00
Dominica	283.00	893.00	1,176.00
Grenada	3,997.00	144.00	4,141.00
Guyana	27,409.00	278.00	27,687.00
Jamaica	47,155.00	505.00	47,660.00
St. Kitts and Nevis	504.00	162.00	666.00
St. Lucia	7,038.00	63.00	7,101.00
St. Vincent and the Grenadines	1,502.00	0.00	1,502.00
Trinidad and Tobago	12,196.00	4,337.00	16,533.00
Non-Regional Members			
Canada	7,742.00	3,124.00	10,866.00
China	42,576.00	136.00	42,712.00
Germany	780.00	184.00	964.00
Italy	0.00	22.00	22.00
United Kingdom	30,220.00	1,550.00	31,770.00
Other	51,245.00	1,291.00	52,536.00
TOTAL	272,846.00	14,578.00	287,424.00

Asian Development Bank

Canada is a founding member of the Asian Development Bank and its second largest non-regional shareholder and seventh largest shareholder overall. While CIDA maintains the operational lead on the Bank, the Minister of Foreign Affairs is Canada's Governor at the Bank. As such, DFAIT is responsible for ensuring that Canadian positions at the ADB are coherent with Canada's foreign policy and international trade objectives.²⁵

²⁴ Statistics provided by the CDB upon request from the BDGTN Liaison Trade Assistant.

²⁵ Asian Development Bank, Annual Report 2009. Office of the Canadian Executive Director.

In terms of procurement, Canadian firms have had limited success in bidding on and winning contracts financed by the ADB. Canada's total procurement of goods and related services and consulting totalled about US \$42 million or 0.61% of the total procurement of the Bank. In 2010, Canada's contracts for goods and services dropped almost twice from the 2009 values, which positioned Canada twenty-ninth among other donors.

Asian Development Bank

Organization	2005	2006	2007	2008	2009	2010
ADB						
Value, Proportion and Rank of Consulting Services Contracts to Canadian Companies (US\$)						
Value	\$13,810,000	\$19,275,000	\$16,543,000	\$13,790,000	\$12,850,000	\$14,414,000
% total	3.37%	5.37%	4.58%	3.62%	2.92%	3.48%
Rank	10 th	6 th	6 th	10 th	11 th	14 th
Value, Proportion and Rank of Goods and Works Contracts to Canadian Companies (US\$)						
Value	\$29,842,000	\$31,848,000	\$29,422,000	\$51,630,000	\$56,143,000	\$27,928,000
% total	0.56%	0.52%	0.43%	0.86%	0.55%	0.43%
Rank	29 th	23 rd	29 th	20 th	26 th	29 th
Value of Total Contracts to Canadian Companies (US\$)						
Value	\$43,652,000	\$51,123,000	\$45,965,000	\$65,417,000	\$68,989,000	\$42,342,000
% total	0.77%	0.79%	0.64%	1.03%	0.64%	0.61%
Rank	24 th	20 th	22 nd	20 th	23 rd	25 th

The value of the consulting contracts has, however, slightly increased but not sufficiently to place Canada ahead of the fourteenth position among other donors.

According to the ADB OLIFI in Manila, although there have recently been a number of consultants showing interest in the water and sanitation sector, the focus of Canadian companies remains on the provision of consulting services such as project preparations, technical designs and engineering services, project management, monitoring and evaluation.²⁶

²⁶ Information provided by the ADB OLIFI in Manila.

Inter-American Development Bank

Canada's performance with IDB in terms of the share of IDB-funded procurement has been gradually declining over the past five years. This seems, however, to be the trend for many of the non-borrowing countries. According to the study on Canada's performance with the IDB commissioned by DFAIT in 2011,²⁷ 95% of IDB projects are currently won by firms from borrowing countries. Canadian firms are relatively strong in winning consulting contracts from the IDB. Canada ranks 4th amongst the non-borrowing countries, but has a weaker performance in terms of contracts for goods and equipment, which ranks it 22nd for overall contracts.

European Bank for Reconstruction and Development

The level of EBRD contracts awarded to Canadian companies has shown some fluctuation over the past five years. However, a significant factor for these fluctuations has been the changing nature of the contracts to Canadians. Initially, a large proportion of the technical assistance provided by EBRD has been through trust funds with the procurement under those funds being tied to the respective donor countries. Between 2001 and 2009, CIDA contributed to various technical cooperation funds, thus providing an opportunity for many Canadian companies to enter the East European market.

²⁷ Inter-American Development Bank: Canadian Private Sector Opportunities Assessment. Coral Hill LLC, April 2011.

EBRD Contracts Awarded to Canadian Firms

MDB	2004	2005	2006	2007	2008	2009	2010
EBRD²⁸							
Value of Consulting Contracts	€2,177,221	€1,457,465	€4,955,732	€1,710,839	€2,179,587	€2,283,097	€1,306,075
% of Total	3.30%	2.08%	3.67%	1.26%	1.81%	1.66%	0.75%
Rank	7 th	10 th	6 th	15 th	11 th	15 th	23 th
Of this:							
Value tied	n/a	n/a	n/a	€784,326	€917,388	€44,042	n/a
% of value tied to total	5 of 6 contracts through targeted routes	All contracts through targeted routes	n/a	45.9%	42.9%	1.9%	n/a

In 2004 and 2005, most of the contracts won by Canadians were through these targeted procurement processes. In 2006, CIDA funding marked a considerable decline. However, Canadian companies have continued to be successful in winning competitive contracts, based on the experience already gained through the tied aid opportunities. According to feedback from Canada's Business Advisor at the EBRD, some Canadian companies have even managed to steadily increase the proportion of successfully won competitive bids.

The overall performance of Canada at the EBRD in terms of successful consulting projects considerably dropped after 2009, placing Canada at the 15th place in 2009 and 23rd in 2010. A closer review of the overall performance of international companies, indicates that Canada is now being outperformed not only by the traditionally strong western competitors such as Germany and UK (continuously ranking 1st and 2nd) but also by some Eastern European countries such as Bulgaria, Romania, Serbia, Croatia, Kazakhstan and Ukraine who are becoming more active in the pursuit of EBRD-funded projects.

The growing competition from local providers in borrowing countries is becoming a common trend across other regional and multilateral development banks as well.

²⁸ For EBRD it is important to separate out the consulting contracts that were tied versus total contracts. CIDA's contributions to various technical cooperation funds within EBRD often required that Canadian consultants were used or received preference. The values for "tied" listed above are from the EBRD reports. The reporting only began in 2007. These funding arrangements started tapering off in 2007.

In terms of investment projects, Canadian companies have been successful in winning a few investment projects in the countries of operations with EBRD's assistance. In 2010, the EBRD provided loans and equity worth \$215 million to Canadian companies – the highest record for Canada since the establishment of the Bank in 1991.²⁹ Only large companies have been able, however, to get involved in investment projects in Eastern Europe and Central Asia.

Finding #14: The main determinants of success with IFIs are the companies' own capabilities and interest to compete internationally. However, the AMSN services can further increase the chances for Canadian companies to win IFI procurement bids.

Multiple factors can affect a company's success with IFIs and its relative share of awarded procurement contracts. These factors include but are not limited to the effectiveness of the government support to companies competing for projects in the aid market, the timely provision of market intelligence and information about local markets, as well as the companies' experience in a country and ability to partner with local or regional firms.

Interviews conducted for the purposes of this evaluation with MDBs' External Relations experts (WB and IDB) underscored the importance of the advocacy and promotional work done by donor governments through their business liaison officers or designated experts in the Executive Directors' offices at the Banks. The role of Canada's OLIFIs and PSLOs was described as important in promoting Canada's expertise and advocating for Canadian companies that offer niche products and expertise. Such expertise is often sought by MDB representatives for specific procurement contracts or sub-contracts.

OLIFIs were also praised for the support with planning and organising companies' visits to and appointments with MDB experts. For example, due to the MDB's hierarchical management structures, Canadian companies do not always have easy access to Bank experts. In some cases, they may even need a formal "endorsement" from the Embassy or the ED office (in particular at the ADB, AfDB and CDB).

While the provision of commercial support to Canadian companies is not within the purview of the Offices of the Canadian Executive Directors, they play an important support role, especially for trouble shooting interventions, where OLIFIs may not have direct access to Bank managers.

Survey results and feedback from business representatives further reiterated that having OLIFIs in the MDBs' Headquarters cities is important in terms of raising the profile of Canadian companies with these institutions, in facilitating access to and

²⁹ 2010 Annual Report of the Business Advisor to the Executive Director's Office at the EBRD.

arranging meetings with Bank experts, and providing timely information on new MDB lending trends, policies and priority sectors.

Through the Survey, the evaluation also gauged the companies' perceptions about the importance of the AMSN support and services for their international competitiveness and success with IFI procurement bids. For many companies, the services offered by the Network, and in particular those provided by the OLIFIs, have been "instrumental" in obtaining timely information on forthcoming opportunities and in preparing respective bidding documents. Having advance market intelligence on forthcoming MDB projects and initiatives is seen by many of them as one of the main prerequisites for success.

According to the Survey, respondents were overall highly satisfied with the services received by the OLIFIs and the Canadian Embassies and Trade Missions abroad. For example, 80% of the companies who have used the services of the OLIFI in Bridgetown (CDB) stated that these services were helpful or very helpful. However, only 18% of them claimed that the services have had a decisive impact on their success with the Bank.

Companies' satisfaction in terms of the "usefulness" of the services was also high: 94% for the Manila OLIFI, 88% for the Tunis OLIFI, 86% for the Washington OLIFI, and 80% for the Bridgetown OLIFI. Even though only a small number of survey respondents (16 out of 141) claimed to have contacted the Office of the Executive Director for Canada to the EBRD, 94% of them found the services received helpful or very helpful.

In the open-ended responses to Survey questions, the services delivered by the AMSN offices were described as "excellent" in helping companies to build awareness of and capacity for pursuing IFI opportunities. Some survey respondents also reiterated the fact that Canadian companies offer excellent goods, services and expertise but without the support of the Network, which provides for them "the boots on the ground and the ears in the halls [of MDBs]," the chances for success would be much lower. Some respondents described the Network services as "unique" and helping companies to gain a "critical inside edge."

Survey respondents also praised the skills and responsiveness of some of the trade commissioners in Canadian embassies and missions abroad for providing "invaluable support on the ground" both for their day-to-day efforts and for more strategic initiatives, while noting that not all TCs show the same level of responsiveness. Both during in-person interviews and in the Survey, company representatives underlined the fact that the quality of the services provided by the different Network offices varies and is "personality driven" i.e., highly dependent on the knowledge and communication skills of the individual officer or trade commissioner.

7.5 Performance Issue 5: Demonstration of Efficiency & Economy

Effectiveness of the AMSN and Value for Money

The purpose of evaluating efficiency and economy is to determine whether the most appropriate and cost-effective means are being used to achieve the intended outcome of enhanced competitiveness of Canadian businesses and success in their pursuit of IFIs and UN procurement opportunities.

Finding #15: The ultimate goal of the AMSN is to increase the international competitiveness of Canadian companies in their pursuit of IFI procurement by providing them with efficient and effective IFI-related services and market intelligence. While it is difficult to attribute the aid market success of companies to these specific services only, their impact and effectiveness are recognised to some extent by the companies who have used the services.

By establishing the Network of OLIFIs, ED offices to the MDBs and PSLOs, Canada has managed to create an excellent suite of service points with the potential to provide invaluable support to Canadian companies competing for IFI-funded projects and contracts. This support includes a whole range of information and services, such as: information on forthcoming opportunities; help with the preparation of bidding documentation; advice on winning strategies and potential competitors; promotion of Canada's capabilities and companies with specific expertise at the MDBs and UN agencies; trouble shooting in cases of payment or contract disputes; contacts on the ground; and support with local executing agencies, consortia building and/or partnerships with international companies winning major IFI-funded procurement contracts.

The evaluation team reviewed and analysed a large number of reports, agreements and decision documents to better understand the role of each AMSN office and the extent to which their services are coordinated and complement or overlap each other. While each AMSN office plays a specific role in the preparation, promotion and support of companies in their pursuit of IFI procurement, the evaluation found that there are considerable differences with regard to the effectiveness of the services they provide.

Being fully aware of the fact that a company's success cannot solely be attributed to the extent of AMSN support and services received, the evaluation team gauged the companies' perceptions about the impact of these services on their success in winning IFI procurement bids.

In terms of the impact of the of the various AMSN offices and services, 12% of Survey respondents indicated that Canadian Embassies, Consulates and Trade Missions had a "considerable" impact and 6% described this impact as "decisive" for the success of

their company with IFIs. About one third (27%) of the respondents, indicated that Canadian embassies and Trade missions had no impact on the success of their companies, while the remaining 43% of respondents described the impact of these missions as “moderate” or “some.”

With regard to the OLIFIs, the share of respondents who claimed that these offices had some impact on their company ranged from 66% for Manila ADB OLIFI, 51% for Tunis, 47% for Washington and 45% for Bridgetown. The respondents who felt the OLIFIs had no impact on their companies’ success, ranged between 24% for the Manila ADB OLIFI, and 42% for the Washington OLIFI. The Tunis OLIFI received the highest per cent of responses asserting a “decisive” and “considerable” impact on companies in winning contracts with the AfDB - 20%, followed by EDC with 18%.

In their responses to open-ended Survey questions, a few companies stated that without the receipt of timely information or advice on how to prepare and submit bidding documents, their chances for success would have been minimal or equal to zero.

Many respondents reiterated the fact that the effectiveness of the IFI services was largely dependent on the knowledge, professional expertise and communication skills of the respective liaison officer. This message was confirmed during in-person and telephone interviews with company representatives who had used the services of various AMSN offices. According to them, the degree of provided support, its efficiency and effectiveness were largely dependent on the personality of the IFI liaison officer or trade commissioner.

Interviews with Senior Trade Commissioners (STCs) at missions hosting OLIFIs further indicated that the IFI liaison officers are among the few trade commissioners who could report on measurable and tangible pay-offs for their activities. Trouble-shooting and successful resolution of payment issues with the Banks bring real dollar value benefits for companies and indirectly, a return-on-investment for Canada from the OLIFIs’ work. Based on their knowledge of the rules and procedures for IFI procurement, as well as their contacts and connectedness at MDBs, OLIFIs are well positioned to help companies recover considerable amounts of delayed or disputed payments from the Banks.

Finding #16: The current level of human and financial resources for the Aid Market Support Network limits the amount of activities and outreach for support to Canadian business in their pursuit of aid market opportunities.

Presently, the IFI liaison function is carried out by 4.2 FTEs (DFAIT Trade commissioners), working at Canadian missions in MDB headquarter cities, and a 0.2 FTE at the Consulate in New York liaising with UN agencies. At DFAIT HQ, IFI-related activities are covered by 0.6 FTEs at BPA.

September 2011

Prior to 2008, however, the BPF's (now BPA) IFI unit was comprised of 6 FTEs with IFI responsibilities. The Unit was also allocated an operational budget for MDB training, field missions and workshops of up to \$160,000 annually. BPF was also responsible for maintaining a special website, IFINet, which offered substantial information for companies, including analysis and strategic guidance on how to win contracts funded by IFIs and UN agencies. Significant resources were invested in market analysis, Network coordination, the provision of IFI training for Trade Commissioners, and the organization of events in the field and exploratory missions to MDBs.

Since April 1, 2008 most of BPA's business development functions and responsibilities, including its budget for outreach activities, have been cut. In addition, the Tunis, Manila and Bridgetown OLIFIs do not have any IFI-related O&M budget, which limits their capacity to undertake proactive outreach to businesses and TCs in the countries and regions of bank operations, to organise regular workshops with Canadian companies, and to participate in IFI-related activities when organised elsewhere in the region or in Canada. The lack of travel budget also diminishes the opportunities for these OLIFIs to receive specialised training in Ottawa.

The Washington OLIFI is the only office that was receiving a small budget of \$16,000 annually until FY 2010-2011 through the Client Service Fund (CSF), which allowed the OLIFI TC to organise a few sector missions and workshops in Washington DC and in Latin American countries receiving IDB aid finance. However, as of 2011, the Washington OLIFI could no longer ensure CSF funding for IFI related activities and outreach.

In order to reach out and continue to provide support to Canadian companies, OLIFIs are currently resorting to cost-recovery activities, i.e., generally selecting to attend events where other DFAIT divisions, stakeholder organizations or companies are sponsoring a portion or the entire event.

The reduced human and financial resources at DFAIT and at post have impacted the overall functioning of the Network and have also resulted in a significant drop in the number and type of DFAIT-funded activities. The data collection and analysis of Canada's performance with major MDBs and UN agencies has also been affected, resulting in the lack of consistent tracking and identifying of trends, weaknesses and strengths of Canadian companies in the IFI market. Some Network stakeholders, OLIFIs in particular, have been trying since 2008 to maintain a minimum level of coordination and information sharing. For example, the Washington OLIFI has initiated bi-monthly conference calls with all OLIFIs, some PSLOs and BPA representatives to coordinate event planning and leverage best practices. Furthermore, since the 2008 Strategic Review, the OLIFI in Washington has been temporarily managing the technical aspects of the IFINet website on behalf of the 4 OLIFIs, while content ownership continues to be the responsibility of individual OLIFIs and other key partners.

This, however, may not be a longer-term sustainable solution without a central coordination point.

Functioning of the Network: Governance and Coordination

Finding #17: Currently, the AMSN does not have a governance structure, accountability and reporting mechanisms to ensure that the Network and its services are effectively coordinated and IFI information is streamlined.

For the AMSN to function efficiently and effectively, IFI services and support to companies need to be delivered at three distinct but inter-related levels with specific roles and responsibilities assigned to each level:

1. In Canada – to raise awareness, prepare and educate Canadian companies of the benefits and risks in pursuing IFI-funded procurement;
2. In MDB Headquarters cities (i.e., close to the MDBs) – to help companies navigate the IFI bureaucracies and inform them of forthcoming procurement opportunities, new lending policies, tools and procedures, and
3. In the borrowing member countries – to facilitate contacts with local partners, MDB in-country offices (Resident Missions), and local executing agencies.

Some of the IFI information and services provided to companies are common across the three levels but need to be better coordinated – both vertically and horizontally (e.g., across regions and countries where more than one Bank is executing projects), in order to avoid duplication of efforts and maximise the efficiency and effectiveness of the work performed at each level. Until 2008, BPA (formerly BPF) was responsible for this coordination and there was an assumption that after budgets were reduced, some of these functions would be taken over by the HQ geographic bureaus responsible for missions that host an OLIFI. However, no official re-assignment of the IFI coordination from BPA to another division or the geographics has yet taken place. The lack of clear reporting lines and accountability requirements for OLIFIs at missions and the limited guidance on how the OLIFI priorities should be integrated in or aligned with the bilateral programs of the host missions continue to be a challenge for the host missions.

The decentralization of the OLIFI management and coordination at DFAIT and the lack of a central oversight for the overall IFI-support to businesses have contributed to a stronger silo effect among the rest of IFI service providers and Network stakeholders, including TCs at post and in ROs, PSLOs, EDC, and CCC.

While some efforts are currently made by the Washington DC OLIFI to compensate for the lack of central coordination and to maintain at least the horizontal coordination and communication among the four OLIFI TCs and the TCs at UN Agency host cities

(mostly New York at this time), these efforts and initiatives may not be sustainable over a longer period of time due to the limited resources and substantive amount of work carried out by this particular office. Currently, there is only one LES Trade Commissioner responsible for the liaison with two of the largest MDBs – WB and IDB; and a 0.5 FTE (LES TCA) who has temporarily taken over the maintenance of the IFI web site. In addition, the efforts of the Washington OLIFI cannot compensate for the lack of overall coordination of the entire Network, and in particular for ensuring the effective service delivery at all levels, i.e., 1) in Canada - DFAIT HQ – BPA and MEP, ROs, PSLOs, EDC and CCC; 2) in MDB and UN host cities – OLIFI TCs and ED offices, and 3) in the borrowing countries – TCs at post.

Evidence from interviews and document reviews also indicates that at the inter-governmental level, there appears to be little understanding of the role of DFAIT's HQ with regard to the Network. Since 2008, there have been only a few events and occasions at which some IFI-related cooperation has taken place among interested departments and agencies, such as FC, IC, CIDA, EDC and CCC. Some of these events, however, have demonstrated the actual potential and benefits for Canadian businesses from the cooperation among Network stakeholders, partner departments and agencies. Two of these events stand out with tangible results: the post-earthquake Conference on Haiti in Montreal and the IDB Meeting in Calgary. These meetings brought together government and business, and considerably increased Canadian companies' awareness of opportunities available at the MDBs and UN agencies. For example, after the Haiti Conference in Montreal, the service requests to the Canadian Consulate in New York (CNGNY) from businesses interested in UN procurement opportunities increased from 12 in 2009-2010 to 46 in 2010-2011.³⁰

The IDB meeting in Calgary attracted a large number of Canadian companies and presented an excellent opportunity for raising the awareness of the business community about the procurement and investment opportunities offered by the IDB. According to the report of the IDB Business Opportunities Task Force, specially established for the purposes of this meeting, over 400 matchmaking and partnership-building meetings among Canadian and foreign companies were facilitated during this forum.

Beyond single events like the above mentioned, there has been, however, little evidence of an ongoing coordination of IFI activities and services among DFAIT, CIDA, FC, EDC, and Professional Associations.

³⁰ Data provided by the TCS at CNGNY.

Finding #18: Reconciling the roles and related responsibilities of the OLIFI TCs with those of the regular trade commissioners in bilateral missions has been and continues to be a key challenge.

All four OLIFIs are currently part of the Trade Sections of bilateral missions in MDB HQ cities. Many interviewees at DFAIT geographics and post have highlighted the ongoing challenge related to reconciling the responsibilities of the OLIFI Trade Commissioners working with IFIs and their countries of operation with those of the Trade Commissioners in bilateral missions who are focused on Canada's bilateral programs and relations with the country where the mission is located. Major difficulties have been faced due to the lack of clear accountability, coordination, funding, reporting and performance directions for the OLIFI positions. A number of decisions and factors have further increased the challenges. For example:

The assumption that there would be a shift of responsibilities for the management and coordination of the four OLIFIs from BPA to the respective Geographic Branches was based on the physical location of these offices and not on the geographic location of the countries of MDB operations with which these OLIFIs work. For example, the AfDB OLIFI is physically located in the Canadian embassy in Tunis, which reports to the North Africa and Middle East Branch, while most of the AfDB countries of operation are in Sub-Saharan Africa. Similarly, the WB and IDB OLIFI is part of the TCS in WSHDC, while the countries of operation of these Banks are in Latin America, Asia, Africa, and even Europe. Recent developments indicate that EBRD might be expanding its operations to markets in the Middle East and North Africa, which may ultimately result in increased opportunities for Canadian companies. For OLIFIs located in bilateral missions outside the countries and regions of MDB operation, the lack of clear planning, reporting and coordination guidelines has created challenges for both OLIFI TCs and their respective STCs.

The fact that the four OLIFIs are funded by and report to different geographic bureaus at DFAIT, diminishes the opportunities for creating synergies, leveraging best practices and establishing comparative performance requirements for all of them. The discontinuation of the coordination function (previously fulfilled by BPA), has reduced the opportunities for effective communications between the OLIFIs and the various trade sections of the department, and for staying informed about any new developments with regard to sector practices, CDIA policies and trends, regional and country priorities.

Even though all OLIFI officers indicated that they were receiving major support from their respective STCs and HOMs, the evaluation found that this support, both financial and strategic, varies across missions and depends on the extent to which the OLIFI officers also have responsibilities related to the bilateral programs of the mission. In the cases where OLIFI TCs have split responsibilities within the mission (e.g., IFIs and

bilateral programs), time management, planning, priority setting, and performance measurement for both bilateral and IFI results are a challenge. For those OLIFI officers who are responsible only for IFI-related activities, the reporting on performance to the STCs still presents a challenge due to the absence of specific targets and benchmarks for the IFI liaison function at post.

The difference in priorities and the limited resources are also impeding the effective collaboration at post between the OLIFI Trade Commissioners and those working on bilateral issues and/or sector practices. Even though the companies visiting the Trade Sections of missions hosting an OLIFI are usually different from those seeking IFI-information and support only, no attempts are being made to explore these companies' interest in and capacity to work both bilaterally and multilaterally through IFIs. In some of the missions, there appears to be considerable potential for synergies between OLIFIs and sector TCs in serving clients. For example, in Manila and Bridgetown, companies seeking the support of the Trade Sections are also often interested in procurement opportunities funded by the ADB and CDB in the countries where they already have bilateral contracts. However, the promotion of both bilateral and IFI-funded business opportunities to clients visiting the Trade missions do not appear to have been sufficiently explored and capitalised on in London and Washington DC.

Making the crosswalk between bilateral and multilateral opportunities in priority sectors for Canadian companies still seems to be a challenge for both OLIFI and regular trade commissioners at missions hosting OLIFIs. The main reasons for that appear to be the resource constraints, competing priorities and responsibilities, and insufficient IFI and aid market training for TCs at post.

Finding #19: With the decentralization of the decision-making processes at most MDBs and the devolution of procurement to the country level, TCs at post in borrowing countries need to be more proactively engaged with IFI-related activities.

It is an OLIFI responsibility to work closely with the Canada's Trade Commissioners at bilateral missions in the countries and regions of MDB operations, i.e., where decisions on Bank funded procurement and project implementation are made. Conversely, TCs at post are expected to refer clients interested in IFI funded projects to the respective OLIFI for information on lending practices, tools and procedures. TCs at post are also best positioned to liaise with the local executing agencies and inform both OLIFIs and Canadian companies on local contacts and executing agencies responsible for conducting the bids and selecting the winners. In the context of IFI-funded procurement, Trade Commissioners at post can develop and use contacts at local executing agencies to match Canadian capabilities to the actual decision makers and to local or international companies with whom Canadian firms could partner in forthcoming IFI-funded projects.

Interviews with OLIFIs and TCs who have worked or are currently working in missions in borrowing countries revealed that the level of trade commissioner involvement with IFI issues and projects varies across countries and missions. Multiple reasons were identified for the uneven levels of TCs' engagement with IFI files, such as other priorities, the lack of aid market training and understanding of IFI procurement, lack of clear direction from DFAIT HQ on additional responsibilities, and poor coordination with OLIFIs and ROs in Canada. The evaluation also found that until 2010, the performance reporting system and TRIO did not have a functionality allowing TCs at post to report on multilateral or IFI-related activities and performance. Only in 2010, following multiple requests from the Washington OLIFI, a change in TRIO was made based on which OLIFI performance could be reported, and TCs at post could enter information on and create a data base of companies interested in IFI procurement. Currently, it does not however appear as though many TCs at post are aware of this functionality, or are adequately trained to utilize this function.

Respondents to the Survey of Canadian Companies also indicated that while Canadian Missions, Trade Sections and Representations abroad can be helpful to companies competing for IFI procurement, the level of attention and support received from TCs at these missions varies. Many companies pointed that Canada has excellent trade commissioners who are highly professional and helpful, but there were also indications that the quality and effectiveness of the services provided by the TCs in supporting IFI work was largely dependent on personality and communication skills of each trade commissioner.

Another impediment to a more effective cooperation between OLIFIs and TCs in borrowing countries appeared to be the way in which some OLIFIs are distributing the information on forthcoming projects ("projects in the pipeline"). When this information is not reviewed and tailored by priority sectors and markets, it becomes a challenge for both TCs at post and companies to use it effectively. While OLIFIs are aware of this challenge, most of them do not have the time and resources to pre-package the information.

There are however some examples of positive coordination of results between OLIFIs and TCs in borrowing countries. These are mostly in the cases when priority sectors and sector practices at post coincide with major MDB projects and initiatives in the same sectors. In this relation, some OLIFIs have pointed to the fact that the cooperation with TCs at post would be even more efficient and effective, if OLIFIs were better informed of Canada's or DFAIT priority sectors in each borrowing country. For key markets, OLIFI staff could complement the respective International Business Plans with relevant information on IFI funding priorities and procurement opportunities.

Similar communication problems were revealed between the OLIFIs and the Regional Offices with assigned IFI responsibilities. Regional offices, for the most part, are focused on client acquisition and IFIs and aid market promotion are not seen as part of

their priorities. Currently, only seven out of the 18 ROs in Canada have a Trade Commissioner with assigned IFI responsibilities. Feedback from these TCs indicated, however, that they had been tasked with these responsibilities without any prior IFI or Aid Market related training. As a result, the take up on IFI-related functions still presents a challenge for most of them.

Overall, the level of coordination and networking between OLIFIs, TCs in borrowing countries and TCs at ROs in Canada remains low, which in turn affects their outreach to Canadian businesses, and especially to companies that are new to the IFI market.

Finding #20: The roles and responsibilities of the various Network offices are meant to be complementary and mutually contributing to the overall effectiveness of the services provided to Canadian companies. However, due to the lack of formal coordination and communication guidelines, the actual functions of each Network office do not appear to be well defined and communicated both within the Network and to external clients. The reduced funding for the IFI website has further impacted the visibility of the Network among Canadian business.

Efforts made by the evaluation team to review and analyse the specific roles and responsibilities of the OLIFI trade commissioners, PSLO officers, and TCs at post and in ROs involved in the delivery of IFI-related services, revealed the lack of clear descriptions of these roles, except of those for some of the OLIFIs.

In the case of the trade commissioners in ROs, who have been assigned an IFI liaison role, no specific guidance or reporting requirements on IFI related activities exist. In the past, TCs at ROs have been copied on IFI leads identified by the OLIFIs; however, due to the fact that many of these leads were not pre-packaged or tailored to Canadian capabilities, TCs could not effectively match them to Canadian companies interested in competing for IFI funded procurement.

The evaluation team did not find evidence of clear communication lines guiding the horizontal and vertical coordination and exchange of IFI and aid market information among the various offices in Canada and overseas involved in the delivery of such information and support to Canadian companies. Feedback from interviews indicated that any coordination and attempts to streamline the information flow among the various offices are based on the personal initiative of OLIFIs and PSLOs.

With regard to TCs in the field and in ROs, the evaluation identified different levels of engagement with IFIs and aid market related activities. Some trade commissioners, for example, have been more proactive and have made considerable efforts to collaborate with the PSLOs and OLIFIs, others appear to have made no efforts beyond a reactive response to service requests from clients. These differences in the level of engagement

of TCs could be attributed to a number of factors, such as lack of clear tasking and reporting requirements, pre-occupation with other DFAIT priorities, as well as the lack of special IFI and aid market training.

The identification of IFI leads and exchange of information on IFI procurement opportunities between trade commissioners at post in borrowing countries and in the ROs has not been particularly strong nor supported by the TCS Contacts Management System (TRIO). IFI leads could not be reported on TRIO until mid-2010, which might have reiterated the perception that IFIs were not a priority for the TCS. Although the recently introduced “Special Characteristics” function allowing TCs to add information on companies “Interested in IFI projects” seems to be well in use now by trade commissioner, there has not been sufficient experience and amount of information collected allowing the analysis of the impact of this feature of the effectiveness of the AMSN information and services to Canadian businesses.

DFAIT no longer maintains an interactive IFINet website, however, information on the AMSN and the services it provides, including information on MDBs and UN Agencies and their procurement practices, continues to be posted on DFAIT’s Internet site. The link to this information however is neither clearly indicated nor easy to find on DFAIT’s Internet site, partly due to the fact that priority is given to sector practices and related market reports. TCS websites are designed to produce market reports based on sectors and markets. OLIFI reports are regionally-based and IFIs are still not integrated in the TCS as a sector or practice. The current heading of the IFI website “Development and Humanitarian Aid Markets” does not allude that this is a link to the business opportunities and the support to companies provided by DFAIT and the broader AMSN. Due to the 2008 resource cuts, the maintenance of the IFI website is no longer done by BPA. The Washington OLIFI has temporarily undertaken this function; however, obtaining approvals from HQ for any changes to the site, including its increased visibility and accessibility, have been a challenge.

The low visibility of the IFI website and DFAIT’s Aid Market Support Network were reflected in the Survey results as well. When asked how they first found information on the MDBs and the support to businesses provided by DFAIT and its network of trade commissioners, only 30% of Survey respondents indicated the DFAIT Web site was the means by which they first found about the IFI services provided by DFAIT and the AMSN. About 50% of respondents had first learned about the AMSN services through a Canadian embassy/mission abroad. Other ways to learn about the Network services were through EDC, professional associations and informal contacts with other companies.

Performance Measurement and Reporting

Finding #21: Currently, there are no specific requirements for reporting on results achieved by the OLIFIs. The lack of specific key performance indicators reflecting the indirect nature of trade promotion through MDBs prevents OLIFIs from demonstrating the value-added of IFI procurement to the objectives of the Trade Commissioner Service.

Even though many OLIFI functions and responsibilities are similar to those of the TCs at post, the actual reporting on performance by the OLIFI TCs has been a challenge both due to the reduced capabilities of TRIO to capture multilateral and/or regional activities, and to the way in which the IFI-related services are delivered. For example, the evaluation found that about 25% of the work of a regular trade commissioner at WSHDC with clients involves responses to business requests, and 75% is related to a proactive search and promotion of business opportunities. For the OLIFI TC in the same mission, this ratio is just the opposite: about 90% reactive and only about 10% proactive work. One of the explanations for the low rates of the proactive work of the OLIFI officers is related to the resources constraints of these offices, both human and financial.

The different set up of the IFI liaison offices at the four missions does not allow for a horizontal comparison of their performance either. The challenge with performance management for OLIFIs is also embedded in the fact that the OLIFI TCs report to a Senior Trade Commissioner whose priorities are focused on the success of the bilateral trade programs. Although an IFI reference usually exists in the respective STCs' Performance Management Agreement (PMA), working with IFIs and supporting procurement opportunities in third countries is not a priority for the STCs in bilateral missions hosting OLIFIs, nor for the geographic bureaus providing the funding for the OLIFI position.

8.0 CONCLUSIONS OF THE EVALUATION

Relevance and Continuous Need for the Aid Market Support Network Services

Conclusion #1: The aid market has been growing and continues to present niche opportunity for Canadian businesses willing to expand their international portfolio through IFI and UN funded procurement of services, goods and civil works. Albeit difficult to win, IFI-funded procurement contracts continue to be attractive as entry points to emerging markets, allowing Canadian companies to build expertise and relationships that can be leveraged beyond these contracts.

The opportunities for businesses offered by the aid market have been growing in recent years. Following the recent recession in 2008, most IFIs have doubled their annual lending to developing countries. While this has led to increased business opportunities for companies, it has also prompted a much stronger international competition among countries and businesses striving to win a share of the aid market. Market experts describe the current competition for IFI-funded procurement as a “lucrative” business. They also recognise its great potential for companies willing to diversify their export portfolios while tapping into this source of revenues and commercial benefits.

Despite existing barriers and challenges related to the successful participation in the aid market, there continue to be appealing advantages for Canadian firms weighing the costs and benefits of entering the international marketplace for capital goods, equipment and consulting services financed by IFIs. First, projects funded by IFIs are attractive to Canadian firms due to the fact that the money is coming from a credible source (an IFI) with respective payment guarantees. Second, entering new markets through IFI-funded projects can substantially mitigate the risks of doing business in countries with poor legal, financial and regulatory structures. Third, some of the new MDB lending policies and investment tools (e.g., EBRD equity investment support, IDB NSG loans, etc.) provide a new venue for larger companies with capacity and interest to make strategic investments in specific regions.

IFI-funded procurement is also broadening the opportunities for Canadian firms to enter emerging markets and gain in-country experience, while reducing their investment risks. Evidence collected for this evaluation indicates, however, that DFAIT and the TCS, in particular, are not capitalising on the commercial opportunities offered by the aid market. While the current DFAIT environment of structured and virtual practices is conducive to the seamless integration of the IFI market in the TCS activities, options in this regard do not appear to have been sufficiently explored.

Conclusion #2: The AMSN and its services are a relevant means of supporting Canadian businesses in their pursuit of IFI financed procurement. International competition increases companies' need for reliable aid market intelligence and makes the availability of timely information on forthcoming projects a major prerequisite for success.

The services of the AMSN respond to an ongoing need for support to Canadian companies to increase their competitiveness and maximize their international business opportunities.

The Government of Canada, similar to other OECD members, has long recognized the value of providing relevant IFI support and information to Canadian businesses competing internationally for IFI-funded procurement contracts. Since the early 1990's, DFAIT has been the lead department in a joint government effort with CIDA, EDC, CCC and Finance Canada to streamline the aid market support to Canadian businesses. This was done by establishing a network of IFI liaison offices in Canada, in MDB headquarters cities and in borrowing countries, where a stronger cooperation and leverage of experience between Trade Commissioners and CIDA officers was encouraged.

While the success of Canadian companies with IFIs and UN agencies cannot solely be attributed to the amount of support received from the AMSN and its offices in Canada and abroad, the evaluation found evidence indicating that some companies rely on IFI-related information and support from the Network to be successful in these markets. Companies seek support for entering the IFI markets and competing internationally for IFI funded procurement, as well as for finding relevant in-country information, contacts with local executing agencies, or troubleshooting to resolve disputes about delayed payments or other contractual issues.

The AMSN services also contribute to maximizing the Canadian capital, expertise and know-how in borrowing countries, while giving at the same time Canadian businesses a strong bridgehead into the development of these countries. Conversely, some of the new IFI lending and investment policies can be built upon and used as a tool to facilitate Canada's direct investments abroad (CDIA).

Furthermore, as the competition for access to emerging markets and IFI-funding is growing, the need for specialised support to companies willing to enter the aid market or stay competitive is increasing. Governments of other OECD countries are also using various means to support their business in the growing competition for a market share. Some of them have established similar liaison offices in the MDB headquarter cities, either directly in the ED offices or in their embassies. In some cases (Italy, U.K, and the Netherlands), governments have funded additional support programs for their companies.

Conclusion #3: While the importance of the IFIs and UN Agencies as a source of business opportunities and revenues for Canadian firms is recognized at DFAIT, there continues to be a challenge with the practical integration of the IFI-related activities into DFAIT's overall business planning. The aid market is not effectively integrated into, nor sufficiently supported by, the TCS sector practices and integrative trade model.

DFAIT's structured and virtual practices could provide an avenue for the integration of IFI market considerations into TCS activities. However, options in this regard have not been sufficiently explored.

Recently, some DFAIT divisions have expressed a growing interest in MDB procurement and Canadian company participation in aid market projects (for example, the DFAIT division responsible for the development and implementation of the Global Infrastructure Strategy).

Opportunities exist to support some DFAIT sector practice priorities through Canadian engagement in IFI-funded projects and procurement. These opportunities should be explored in greater detail, and be taken advantage of where synergies exist. Further, the array of possible instruments, new lending techniques and investment approaches within the aid market could be integrated into some of DFAIT's sector strategies and approaches. Through greater integration with the TCS, the AMSN, and the OLIFIs in particular, would be in a position to more effectively target their information, both sector-based and geographically, to the sectors where Canadian interests lie.

Taking a more targeted approach to the aid market will increase Canadian private sector chances for success as well as the effectiveness of the support provided by DFAIT.

Performance of the Network: Governance, Efficiency and Effectiveness

Conclusion #4: The changes to the governance and coordination support for OLIFIs at DFAIT HQ in 2008 have impacted the communication and information flow within the Network. These changes also increased the challenges in distributing the responsibilities for managing, funding and reporting on the OLIFI function among the Geographic bureaus and missions hosting an OLIFI.

Currently, there is a gap in the governance structure due to which the elements of the AMSN and the services they provide are not effectively coordinated and streamlined.

Following the changes to the mandate of BPF (now BPA), there was an assumption that the planning, coordination and promotion of the AMSN would be assumed by the

Geographic Bureaus responsible for the missions hosting an OLIFI. This, however, was not effectively implemented.

The lack of effective coordination of IFI related activities between BPA, geographic bureaus and posts reinforces the challenges related to the integration of the multi-country mandate of the OLIFIs with the bilateral trade programs of the missions. The absence of clear reporting, accountability and performance measurement guidelines for IFI-related activities at DFAIT HQ augments the challenges currently experienced by missions with regard to the planning, management and funding of the OLIFI positions. Even though OLIFI activities are reflected in the PMAs of the STCs at the four bilateral missions, the lack of a central oversight or depository of information on the IFI function prevents the objective assessment of OLIFIs' performance across the four missions and their respective funding needs.

The discontinuation of the OLIFI management and coordination function at HQ has also led to a stronger silo effect among the rest of the IFI service providers and Network stakeholders, including TCs at post and in ROs, PSLOs, EDC, and CCC. The virtual elimination of the O&M budget for IFI outreach activities at DFAIT HQ has further impacted the effectiveness of the Network activities and its visibility among Canadian companies.

Performance Measurement

Conclusion #5: **There is a need to develop performance measures, planning and reporting guidelines for OLIFI officers and TCs at post and in ROs tasked with the delivery of IFI and UN-related services and support to businesses. Specific key performance indicators need to reflect the indirect nature of trade promotion through MDBs, and demonstrate the value added of IFI procurement to the TCS objectives and contribution to Departmental outcomes.**

The lack of specific performance measurement and reporting requirements for IFI-related activities and services creates challenges in terms of accountability and performance assessment. Comparing the performance of the OLIFIs to that of bilateral trade commissioners, and even among the four OLIFIs has been a challenge due to the lack of performance indicators of the IFI function, as well as due to the different staffing levels and time commitments to IFI work (% FTE) by each liaison officer. Having results-based performance information for the OLIFI function is important for the planning, priority setting and resourcing of this function at levels that are commensurate with the demand from Canadian companies for IFI information and services.

Conclusion #6: **The decentralisation of the decision-making processes at most MDBs and the devolution of procurement responsibilities to the borrowing countries have increased the need for a more proactive involvement of trade commissioners at post in the IFI business. Without targeted IFI and Aid Market related training and because IFI related activities are still not fully integrated in the TCS activities, there is no incentive for TCs at post to proactively engage with identifying IFI procurement opportunities and providing in-country support to Canadian companies to bid on these opportunities.**

The shift of the decision-making process on procurement from bank headquarters to the borrowing countries has rendered the in-country support for companies increasingly important. Trade commissioners at post in the countries of bank operations are best positioned to liaise with the local executing agencies and inform both OLIFIs and Canadian companies on local contacts responsible for conducting the bids and selecting the winners. Trade Commissioners at post can also play a major role in promoting Canadian capabilities to the actual decision makers and to local or international companies with whom Canadian firms could partner in forthcoming IFI-funded projects.

Evaluation findings indicate that currently, there is no clear description of the potential IFI-related roles and responsibilities for TCs at post. Also, in the absence of specialized IFI and aid market training, many TCs find it challenging to be proactive. Therefore, for many of them, the IFI work is not considered a priority and presents a small portion of their regular activities.

Conclusion #7: **The reduced O&M budgets at DFAIT HQ for IFI related activities, and the absence of O&M funding assigned to the OLIFIs (except a small amount for the Washington DC OLIFI) has impacted the ability of both OLIFIs and DFAIT trade commissioners to conduct active outreach and promote the Network services to Canadian businesses. Reduced budgets have also impeded the regular maintenance of the IFI website.**

Budget reductions at DFAIT HQ for the IFI function have had a spin-off effect on all related activities, including AMSN promotion, ongoing aid market and IFI-related training, the conduct of regular field missions to MDBs, regional workshops, etc. This in turn, has lowered the visibility of the Network and the services offered by the various offices in Canada and abroad. The reduced funding for the IFI website and its current location are further diminishing the outreach capabilities of the Network.

9.0 RECOMMENDATIONS

The OLIFI function was established by DFAIT in the early 1990s and together with the other elements of the Aid Market Support Network has since demonstrated its benefits for Canada and the Canadian businesses pursuing IFI-funded procurement. This evaluation found sufficient evidence indicating the need for DFAIT to continue its current support for the OLIFI function while strengthening at the same time the network of trade commissioners in borrowing countries and in Canada's regional offices involved in the delivery of IFI and aid market support to Canadian businesses.

The following recommendations are derived from the evaluation findings and conclusions. They take into account the current status of the Aid Market Support Network, the impact of the 2008 Strategic Review decisions on its governance structure and service delivery coordination, as well as DFAIT's longer term goals and sector priorities. It is recommended:

Recommendation #1: That DFAIT's TCS explore opportunities to align IFI and aid market business opportunities within the sector practices and leverage bilateral and regional integrative trade approaches in the delivery of IFI services and support to businesses both at DFAIT HQ and missions.

In 2008, DFAIT made considerable efforts in developing and offering new sector expertise to TCS clients, including sector practices, virtual practices, and an Integrative Trade Model. The sector practices currently cover about 18 sectors, from Aerospace, Infrastructure and Life Sciences, to Wine and Beverages, however the emphasis is mainly on their implementation on a bilateral basis in countries and regions with respective potential and availability of interested clients.

The opportunities to support some sector practices through IFI-funded projects and procurement, however, do not appear to have been sufficiently explored. The potential of IFIs and, especially their new lending and investment practices can also be reviewed by DFAIT as a tool to facilitate or complement Canada's direct investment abroad (CDIA) practices. An enhanced understanding of how to capitalize on IFI opportunities and leverage resources for various market priorities supported by both Canada and IFIs needs to be developed and promoted among DFAIT staff, OLIFIs, and among trade commissioners in the countries of MDB operations.

Recommendation #2: That DFAIT identify how the OLIFI function and the AMSN activities can best be managed and coordinated. Clear roles, responsibilities and lines of accountability and reporting are needed for the OLIFI officers to help resolve the current conundrum of reporting on multilateral/regional priorities to Senior Trade Commissioners with bilateral responsibilities.

There is a need to develop a coordination mechanism for the IFI function which will allow its effective planning, management, and delivery within DFAIT (including both the political and the trade sides), in the embassies hosting the OLIFIs and across the entire AMSN. DFAIT should decide on a feasible solution while taking into consideration the current resource constraints. Some best practices used in the Department could be applied, such as but not limited to, MOUs between the parties involved, virtual practices and management of networks. The purpose is to identify and assign clear roles and responsibilities including planning, reporting, accountability and communication requirements for all parties involved in the delivery of IFI services and support to businesses.

Recommendation #3: That key performance indicators be identified for IFI related activities and reflected in the TCS reporting system (TRIO), as well as in the PMPs of OLIFI officers, trade commissioners at post and in ROs with assigned IFI roles and responsibilities.

The ability to measure and report on the contribution of IFI-related services to the departmental strategic outcomes is still a challenge for the OLIFI officers and trade commissioners at post. Recent improvements and added functionalities to TRIO have made it possible for OLIFIs to report on performance using similar criteria as the rest of the TCs; however, this still does not capture and reflect the specific aspects of the IFI related work. TCs at post are now able to use TRIO to register companies interested in IFI-funded procurement, but the lack of sufficient observations and feedback on the utility of this TRIO function has not allowed the evaluation team to assess how and to what extent these lists are being used by the TCS in Canada and overseas.

Recommendation #4: That AMSN be supported by DFAIT– in Canada, at MDB HQs and in the field through specialised IFI and UN procurement training delivered on a regular basis to all Network stakeholders, including TCs at post in developing/borrowing countries and in ROs.

The increased decentralization of IFIs means that 'IFI know-how' needs to be mainstreamed through the Trade Commissioner Service (posts in all developing countries and the countries in transition in South-Eastern Europe) so that the TCS can better serve its clients in their pursuit of IFI business opportunities.

Currently, TCs at post and in ROs are not receiving targeted IFI training. The Aid Market training course is now offered twice annually by BPA; however, BPA indicates that while helpful, this course may not be reaching those who need it most (e.g., TCs in ROs and TCs newly posted in developing or transition countries). Efforts should be made to broaden the outreach via new technologies, including but not limited to virtual and on-line courses and webinars. Resource allocations for field missions for companies to meet with MDB experts and TCs in the countries of MDB operations will help support a more effective promotion of the Network services among Canadian businesses and their enhanced awareness of the IFI and UN-funded procurement and investment opportunities.

Recommendation #5: That a Communication Strategy be developed to increase the knowledge and understanding of the mandate and functions of the AMSN and its offices in Canada, at MDB HQ cities and at posts in borrowing countries. This will ensure a better visibility and support for the IFI function within the Department and a more seamless integration of the OLIFI priorities with those of the TCS.

Efforts at the three levels of IFI support to businesses – in Canada, at MDBs and in borrowing countries - need to be better coordinated, both vertically and horizontally to maximize the efficiency and effectiveness of the services delivered by each office and the Network as a whole.

Clear priorities need to be set for the OLIFIs that are aligned with the overall TCS priorities and sector practice approaches. The Communication Strategy should also consider the role of the web site and recommend improvements to enhance its accessibility and usability for Canadian businesses.

10.0 EBRD CASE STUDY

I. Rationale and Purpose of the Case Study

The purpose of this study is to review the need for a special business advisor to the EBRD in London, assess the value-added of such position for Canada and Canadian businesses, and recommend feasible solutions for the future provision of EBRD-related business support to companies.

The study is part of a more comprehensive evaluation of DFAIT's Aid Market Support Network with a special focus on the following issues:

1. The importance of the European Bank for Reconstruction and Development (EBRD) as a source of procurement and investment opportunities for Canada and Canadian businesses.
2. The trends in the EBRD lending policies and investment approaches, and the market perspectives for Canadian companies in South-eastern Europe, the countries of the Former Soviet Union and Central Asia.
3. Recent trends in Canada's performance and types of support needed by companies to increase their success rates with the EBRD.

In analysing the third item, the evaluation team took into consideration the main conditions for business success in complex markets: 1) the existence of viable market prospects and opportunities through the EBRD; 2) the capabilities of Canadian companies to compete for these opportunities and land contracts; and 3) the availability of Canadian firms interested in pursuing EBRD-funded procurement and investment opportunities.

II. EBRD Background Information

Current Status and Trends

The European Bank for Reconstruction and Development (EBRD) was created in 1991 as a unique, project oriented international financial institution aimed at promoting the transition to market economies in thirty (30) countries from Central Europe to Central Asia, including the countries of Central and South-eastern Europe, the successor states of the former Soviet Union, Mongolia and Turkey.

The EBRD is currently owned by 61 countries and is strongly capitalised with members' equity and callable capital totalling EUR 26.3 billion. The European Union and its 27 member countries represent the biggest shareholder of 63% of EBRD's capital, followed

by the U.S. with 10% and Japan with 9%. Canada's capital subscription is EUR 680 million, which represents less than 3% of the total EBRD capital.

EBRD's overriding focus is on the private sector. Its charter stipulates that at least 60 per cent of the Bank's financing commitments should be directed either to private sector enterprises or to state-owned enterprises that are being privatised. Also, unlike other regional and multilateral development banks, the EBRD does not provide concessional financing and does not support poverty reduction. It also no longer lends to national governments.

The financing solutions offered by the EBRD to both public and private sector clients are mainly in the form of loans and equity, and this makes this Bank different from most regional development banks, such as the ADB, AfDB, and IDB. It also implies that companies willing to participate in investment projects supported by the EBRD have to provide about one third of the project cost in equity. While this condition considerably limits the number of companies likely to succeed in negotiating an investment contract through the EBRD, it also opens opportunities for potential strategic investors to enter new and riskier markets with Bank-provided equity and guarantees.

EBRD's investments range from EUR 5 million to EUR 350 million. Smaller projects can be financed directly by the EBRD or together with local financial intermediaries.

Another major characteristic of the EBRD is the extensive decentralisation of its operations and the devolution of the decision making process to its regional or local "in-country" offices. The Bank has developed a network of 36 offices in 30 countries. More than half of the EBRD banking experts are now based in the region and not as previously at the headquarters in London.

Benefits of Membership

As a founding member and the eighth largest shareholder of the Bank, Canada is an active contributor to the development of EBRD policies and plays a role in the oversight of its financial activities. Canada has a seat on both the Board of Governors and the Board of Directors and participates in the work of various committees. As a shareholder, Canada is represented by an Executive Director (ED) appointed by the Minister of Finance and an Alternate Executive Director, appointed by the Deputy Minister of Foreign Affairs.

The 2010 Report on "*Canada at the European Bank for Reconstruction and Development*" issued by the Department of Finance Canada, makes a clear statement regarding the importance that Canada places on this institution: "Canada has a vested interest in seeing that the EBRD remains a strong, effective and accountable institution.] [... Canada's membership in the EBRD and its active participation in the discussion of

policy and operational issues is an important means to help shape regional standards and regulations in the EBRD's countries of operation."³¹

As an EBRD member and shareholder, Canada has a vested interest in promoting Canadian business interests and capabilities among EBRD experts in London and in the countries of its operations in Eastern Europe and Central Asia.

III. Review of Canada's Business Performance with the EBRD

A review of Canada's performance with the EBRD indicates that over the past ten years, Canadian companies have been successful in winning mainly EBRD consulting services contracts, as opposed to goods and equipment contracts or for participating in larger investment and civil works projects.

Canada's participation in consulting projects has been encouraged by Canada's trust funds and tied aid for the EBRD. The Canadian International Development Agency (CIDA) has contributed about EUR 40 million to the EBRD's Technical Cooperation Funds since the establishment of the Bank in 1991. CIDA's plan to sunset its Regional Program in Europe in 2012, as well as Canada's decision to discontinue the provision of tied aid to the EBRD as of 2009 have resulted in decreased participation of Canadian consulting companies in EBRD-funded projects. Canada continues to encourage other donors to untie their funds in order to increase the effectiveness of the technical cooperation with the EBRD and other Banks and to promote fair competition among suppliers.

Consulting Contract Awards

The number and value of EBRD consulting contracts awarded to Canadian companies has fluctuated over the past seven years. A significant factor for these fluctuations has been the changing nature of the contracts to Canadians. Initially, a large proportion of the technical assistance provided by EBRD has been through trust funds, with the procurement under those funds being usually tied to the respective donor countries. Between 2001 and 2009, CIDA has contributed to various technical cooperation funds, thus providing an opportunity for many Canadian companies to enter the East European market.

³¹ Canada at the European Bank for Reconstruction and Development-2010. Department of Finance Canada. <http://www.fin.gc.ca/admin/bank-banque/ebd-berd10-1-eng.asp#toc1>

EBRD Contracts Awarded to Canadian Firms³²

MDB	2004	2005	2006	2007	2008	2009	2010
EBRD³³							
Value of Consulting Contracts	€2,177,221	€1,457,465	€4,955,732 ³⁴	€1,710,839	€2,179,587	€2,283,097	€1,306,075
% of Total	3.30%	2.08%	3.67%	1.26%	1.81%	1.66%	0.75%
Rank	7 th	10 th	6 th	15 th	11 th	15 th	23 th
Of this:							
Value tied	n/a	n/a	n/a	€784,326	€917,388	€44,042	n/a
% of value tied to total	5 of 6 contracts through targeted routes	All contracts through targeted routes	n/a	45.9%	42.9%	1.9%	n/a

In 2004 and 2005, most of the contracts won by Canadians have been through targeted procurement processes. In 2006, CIDA funding marked a considerable decline. Notwithstanding this decline, Canadian companies continued to be successful over the next two years in winning competitive contracts, based mainly on the experience already gained through the tied aid opportunities. According to the annual reports of Canada's commercial advisors at the EBRD, some Canadian companies have managed to steadily increase the proportion of successfully won competitive bids even after 2006.

EBRD statistics indicate, however, a considerable decline in Canada's overall performance in terms of successful consulting projects after 2009. Canada's ranking shifted from 15th in 2009 to 23rd in 2010. A closer review of the overall performance of international companies, indicates that Canada is now being outperformed not only by the traditionally strong European Union competitors such as Germany and UK (continuously ranking 1st and 2nd) but also by some Eastern European countries such as Bulgaria, Romania, Serbia, Croatia, Kazakhstan and Ukraine. There is a noticeable trend of increasing local competition for EBRD-funded projects.

³² EBRD Memorandum: **Engagement of Consultants by EBRD 2010**. April 2011.

³³ For EBRD it is important to separate out the consulting contracts that were tied versus total contracts. CIDA's contributions to various technical cooperation funds within EBRD often required that Canadian consultants were used or received preference. The values for "tied" listed above are from the EBRD reports. The reporting only began in 2007. These funding arrangements started tapering off in 2007.

³⁴ 2010 Annual Report of the Business Advisor to the Executive Director's Office at the EBRD

Investment

Over the past ten years, Canadian companies have been successful in sourcing funding for only a few investment projects in the countries of EBRD operations. In 2010, however, the EBRD provided loans and equity worth \$215 million CAD to Canadian companies – the highest record for Canada since the establishment of the Bank in 1991.³⁵

According to the annual reports of the Business Advisor to the EBRD ED Office, there has been a positive trend in the number of investment projects with Canadian sponsors over the past three years. The reports indicate that since 1991, a total of 14 projects with 8 Canadian sponsors have been approved, primarily in the Natural Resources sector. Eight of these investments have been made over a period of 14 years (1991-2005), and 6 of the investments have been realised in the last five years. The following table indicates the number and size of investment initiatives with Canadian participation since 2007.

Year of Contract Signing	2007	2008	2009	2010
Number of projects	0	2	1	2
Value of EBRD provided loans and equity (US \$)	\$0	\$21 M	\$64.5M	\$215M

While these statistics indicate a positive trend in the value of the contracts, it is worth noting that only a few large Canadian companies have been able to pursue investment opportunities with the EBRD; however recent projects have been awarded to junior mining companies as well.

A few Canadian companies are currently active in Eastern Europe and Russia and working on a number of investment projects through the EBRD, such as:

- Development and Remediation of an Oil Field in Albania (EBRD finance: US \$55 million loan and US \$9.5 million in equity investment; IFC co-financing: US \$130 million);
- Environmental remediation, refurbishment, modernization and expansion of a Mining Facility in Bulgaria: (EBRD finance of US \$15 million extension to the original loan of \$65 million);
- Development of a gold operation in Kyrgyzstan and Mongolia (EBRD Finance: US \$150 million as a revolving debt facility.

³⁵ 2010 Annual Report of the Business Advisor to the Executive Director's Office at the EBRD.

- Capital raising for an exploration program in Albania, including drilling, geophysics, mapping and equipment purchases (EBRD financing: EUR 6 million loan).

Canada's overall performance with the EBRD: Challenges and Opportunities

A number of observations have been made by Canada's business advisors at the EBRD and Bank experts on Canada's overall participation in and success with EBRD projects over the past five-six years. Some of these observations were taken into consideration when making recommendations for the future type and extent of business support to be provided to Canadian companies.

- Outside a small number of large Canadian companies, the EBRD and the region are still not popular among Canadian investors. This is particularly true of medium sized companies.
- Mainly Canadian consultants with both sectoral (niche) expertise and country experience have been successful at the EBRD.
- There continue to be a lot of consulting opportunities with the EBRD; however, the competition from Germany and the UK is strong. Borrowing countries are also gaining experience and becoming more competitive.
- There has been little interest from Canadian suppliers of goods and services for EBRD procurement over the past seven years.
- There have been only a few co-investment projects with Canadian participation, although there is a potential of greater Canadian involvement.
- The region has a potential for major investments in the infrastructure, oil gas and mining sectors, however the awareness of Canadian companies of the equity loans and co-investment options offered by the EBRD appears to be low.
- Some large companies have their own business representatives in the region and do not need much support from the Executive Director's office at the EBRD.
- EDC has established a good network of offices and contacts in Europe through which Canadian companies could more proactively pursue opportunities in the region.

A number of common challenges for Canadian companies pursuing EBRD procurement and investment opportunities were identified as well. These include but are not limited to:

- Distance to the region;
- Language issues – Russian is a prevailing working language;
- Insufficient previous experience in the region;
- High competition from EU countries, mainly UK and Germany;

- Growing competition from local Eastern European companies – Canadian companies are now outperformed even for consulting services by Ukraine, Kazakhstan, Serbia, Croatia, Romania, Bulgaria and others; and
- Higher rates of corruption or fear of such.

IV. Evaluation Findings

The evaluation team solicited the opinion of a number of Aid Market Support Network stakeholders, EBRD experts, former and current Executive Directors, Alternate Executive Directors and business advisors on whether and how some of the above challenges could be turned into opportunities for Canadian companies seeking procurement and investment opportunities through the EBRD. The findings derived from these interviews and from the review of EBRD documents and statistics are summarized under the main evaluation issues of relevance and performance, including efficiency and effectiveness of the support to Canadian companies.

a) Continued Need for Business Support to Canadian Companies at EBRD

The Review of Canada's performance with the EBRD helped the evaluation team in identifying some trends in Canada's performance with the EBRD and based on their analysis to reach to some conclusions and make recommendations for the nature and extent of support that Canadian companies may need in their pursuit of EBRD procurement and investment opportunities.

EBRD Trends affecting Canada's business interests and performance

The evaluation team identified a number of EBRD specific trends, summarized below:

First, the extensive decentralization of EBRD's operations and decision making to its regional and in-country offices has been a major factor affecting companies' approaches to the Bank and the type of support needed by them for the successful pursuit of EBRD projects. The decentralisation of EBRD operations has resulted in an increased need for Canadian companies to:

- Have or gain experience with local organizations and executing agencies in the countries of EBRD operations;
- Explore more aggressively opportunities to build consortia with European companies that are currently better positioned to win EBRD contracts;
- Take advantage of the fact that Canadian companies are allowed to be sub-contractors on EU funded Technical Cooperation (TC) projects; and
- Augment their teams with independent experts and/or consultants who have local country and project expertise.

Second, in order to respond to the above challenges and conditions, Canadian companies will increasingly need support in the countries of EBRD operation and less so at the EBRD HQ in London. This in turn, suggests that there is a growing need for Canada's Trade Commissioners in Russia and in the countries of Central, South-Eastern Europe and Central Asia to get proactively involved in IFI/EBRD related activities.

Historical Overview and Rationale for the Establishment of a Business Advisor Position in the ED Office

The initial rationale for the creation of a business advisor position in the Office of the Canadian Executive Director at the EBRD was justified by a number of historical developments related to the specifics of the EBRD and Canada's programming priorities in Eastern Europe and Russia.

In 1991, when the EBRD began its operations, Canada as a major shareholder had an Office consisting of an Executive Director, an Alternate Director, an Assistant and an Executive Assistant, with all positions being funded by the Bank.

In 1996, following a financial expenditure review, the EBRD Board of Directors decided to reduce the number of Bank-supported positions in the ED offices by one position, whereas each office could decide on which position to eliminate. The Bank also offered an opportunity for countries to keep the full amount of officers if found necessary, provided that the extra funding for these positions would be supplied by the respective country.

In the case of Canada, a decision was made that the position of the Alternate Executive Director be cut from the ED Office while formally assigning the roles and responsibilities of an Alternate ED to the STC at the High Commission in London. One of the main responsibilities of the Alternate Director was to support Canadian commercial interests at the Bank and facilitate the relationships between the Canadian public, the private sector and the Bank. At that time, however, CIDA and DFAIT recognized the importance of the business outreach function at the EBRD HQ for Canadian companies, and agreed to provide funding to preserve the business support function in the ED office. A new business advisor position was established at a lower level than the Alternate Director's one. EBRD agreed to pay the difference between the two salaries, originally amounting to ~C\$86,000 per year³⁶ while Canada committed to pay the remaining part of the business advisor's salary.

³⁶ Information provided by CIDA based on official documents and contracts.

Following the above decision, in 1996 CIDA, DFAIT and EDC started contributing to the remaining portion of the business advisor's salary. Initially, the Canadian funding for this position had been comparatively low, but was gradually increased to match the EBRD salary of the Policy Advisor position in the same office.

Initially, the increase in the salary and the respective cost for Canada of maintaining the business advisor position, were justified by CIDA's growing need for support at the EBRD HQ related for the implementation of its Technical Cooperation (TC) Fund programs in Eastern Europe. CIDA's contributions to this program were in the range of EUR40 million, in addition to a TC fund of CAD \$8 million that was established for private sector development, environment and governance in Southern Caucasus, Russia and Ukraine.³⁷

The gradual sun-setting of CIDA's programs in Eastern Europe, the removal of tied aid and the termination of Canada's trust funds substantially decreased CIDA's need for business support at the EBRD Headquarters in London. In May 2010, CIDA announced that it would discontinue its funding for the business advisor position in the ED Office. The last contract between Canada and the EBRD arranging the joint funding for the Business Advisor position ended in December 2010, and a new one has not been pursued or signed since then.

It was decided that further options for the provision of business support to Canadian companies would be discussed following the AMSN Evaluation findings and recommendations.

b) Performance: Effectiveness of the services provided by the Business Advisor

Due to the lack of specific reporting requirements for the business advisor at the EBRD, the evaluation team was not able to find consistent information or track records on performance and results. Conflicting information was provided with regard to the actual the amount of time and effort spent by the business advisor for the provision of IFI support to Canadian companies, as part of the overall commitments to the ED office. Numbers quoted by different stakeholders ranged from 30% to 70%.

The annual advisor's reports did not contain consistent information and records on activities and related results to allow for more generalised conclusions on the prevailing nature of the work (e.g., reactive or proactive) and the extent to which the services provided by the business advisor responded to the actual needs of Canadian companies. Feedback from interviews indicated that outreach activities and the proactive support to businesses were considerably reduced over the past

³⁷ The EBRD and Canada: A presentation prepared by the EBRD. 2010.

three years. EBRD information on “projects in the pipeline” appears to have been distributed only to a limited number of companies with previous EBRD experience. The fact that the business advisor had no access to DFAIT’s Intranet and TRIO, as well as the low level of engagement with DFAIT staff at HQ and the High Commission in London, were seen as factors limiting the effectiveness of the advisor’s work, and reducing the impact of any activities related to raising awareness among Canadian companies of the business opportunities in Eastern Europe and Central Asia through the EBRD. Communications between the business advisor and the trade commissioners in the region were also limited.

The attribution of companies’ success with the EBRD to the particular activities and services provided by the business advisor was not feasible. Two factors made attempts in this regard even more challenging: 1) the limited information on companies’ success resulting from specific information or support provided by the ED office; and 2) the considerable time lag (of up to two years) between the submission of bidding documents and the actual award of a contract or the start of an investment project.

Findings based on interviews with stakeholders

Semi-structured interviews with major stakeholder groups, IFI experts and EBRD staff were used to assess the need for business support and the potential benefits for companies from the provision of such support at the EBRD headquarters in London. A few interviews were conducted with business advisors to other EBRD shareholder countries. The findings from these interviews are summarized below.

DFAIT Staff

Most interviewees at DFAIT were of the opinion that EBRD is a specific financial institution with investment potential and opportunities for Canadian businesses that need to be more aggressively explored by Canada. Evidence gathered during the research process indicated that there is no longer a need for a full-time business advisor position at the EBRD headquarters; however, there was a consensus that it would be strategically important to maintain a certain degree of business related presence in the ED office in view of future opportunities based on the growing infrastructure needs in SE Europe, Russia and Central Asia. Some interviewees pointed to the potential benefits for companies from the availability of timely market intelligence and troubleshooting support at the EBRD HQ in London, others however, emphasised the growing need for support in the countries of EBRD operations as a result of the decentralisation of the Bank. It was emphasised that the role of the trade commissioners in the field is becoming strategically more important than the role of an advisor at the Bank HQ. The prevailing opinions and supporting arguments are summarized below:

- EBRD continues to be one of the most difficult banks to navigate for information. Having a business advisor with access to advanced information on forthcoming bids and investment projects is of key importance for companies competing for EBRD funded opportunities.
- Even though the region covered by the Bank continues to present challenges for Canadian companies in terms of language and cultural barriers, higher rates of corruption and growing competition from EU and local companies, Canada should not give up the business advisor position already endorsed by the Bank. Maintaining a certain level of business support in London, even on a part time basis only, will be strategically important in view of the mid- and longer-term development perspectives and opportunities in the region.
- There is a growing need for a more proactive involvement of the trade commissioners in the field with IFI related activities. These include but are not limited to liaising with bankers in the regional and local EBRD offices; inquiring about information on forthcoming investment projects; and communicating information back to the AMSN and DFAIT HQ, in particular the bureaus and divisions supporting infrastructure sector and CDIA activities. These divisions are best positioned to further disseminate the information to Canadian companies that have both the technical expertise and potential to compete internationally, either as prime contractors or subcontractors for investment projects.

CIDA Representatives

Interviews with CIDA staff indicated that due to the sun setting of the East European Program, the Agency does not envisage any future funding for activities and programs in the Region. Therefore, CIDA no longer needs business support with the EBRD.

EDC Staff

EDC has been providing an ongoing even though minimal financial support for the Business Advisor position at the EBRD. Interviews with EDC staff responsible for the East European market indicated that while they do not consider this support (~\$10,000 a year) a major financial burden, they have not used the services of the EBRD advisor over the past three or four years. EDC has its own network of offices and lines of communications with partners in these markets.

Representatives of private sector companies

The evaluation team interviewed representatives of companies with varying degrees of experience with the EBRD. About ninety per cent of those interviewed emphasized the importance of having access to business support at the EBRD headquarters in London with regard to receiving regular updates on Bank policies and forthcoming opportunities, for troubleshooting and resolving contractual or payment issues when needed. The support of the business advisor in arranging

meetings for companies' representatives with Bank experts was also described by many as helpful. At the same time, companies' representatives underscored the fact that such support would be effective for them only if the officer in charge is competent and has sufficient knowledge of the Bank and its operations, is well connected with Bank officials, and knows how Canada's private and public sectors work. Strong communications and people skills were also deemed important for an advisor to be efficient and effective in the provision of IFI services and support to companies.

Business Advisors representing other countries/governments at the EBRD

Interviews conducted with business advisors of other countries to the EBRD, reiterated the importance of providing timely market information and intelligence to companies pursuing business opportunities through the EBRD. The specifics of the Bank, and in particular its focus on the private sector and the variety of lending and funding instruments increase companies' need for support. The demand for the services provided by the business/commercial advisors is growing as international competition increases.

The level and type of EBRD support provided by other countries' business advisors varies across countries and constituency offices. In fact, only a few ED offices at the EBRD have kept their full-time business advisor's position. In some cases, these positions are funded by the respective country's government. In other cases, the IFI support is provided by trade experts working half of the time in the country's embassy in London and the other half at the EBRD. In the case of Italy, a locally engaged consultant has been hired by the ED office to work three days a week at the Bank and provide IFI services and support to the businesses. In all cases, interviewees have pointed to two factors that enhance the effectiveness of their services: 1) Access to EBRD information on forthcoming projects and opportunities, and 2) access to key trade missions and networks of companies/clients with which the information is shared in a timely manner, and further communicates with companies that might be interested.

Survey Results

The survey of Canadian companies conducted for the purposes of the Evaluation of DFAIT's Aid Market Support Network was also used as a source of information on the value and impact of the business support provided by the ED Office at the EBRD.

According to the survey, 11% of all respondents (i.e., 16 out of 147) had contacted the office of the Executive Director to the EBRD for business support. About 50% of those who had used the services of the ED Office found them "very helpful" and 44% stated they were "somewhat helpful." Only 6% of respondents stated that the services were "not helpful at all" to their companies.

In terms of the impact of the services provided by the business advisor and the ED Offices on the success of the companies, about one third of the Survey respondents indicated that their success could be attributed to these services: 13% of respondents indicated “some impact”, 19% - “moderate impact” and according to 19% of them, the impact was “considerable.” About one third of the respondents thought that the information and services received did not have any impact on the success of their companies with the EBRD.

While these results indicate that there have been benefits for companies from the business support provided by the ED Office, they need to be analyzed with caution, especially when reviewed in the context of the overall level of interest among Canadian companies to pursue EBRD opportunities. As indicated earlier, only 11% of all (147) respondents, had visited the ED office at EBRD headquarters. For comparison, 47% of the respondents had visited the Washington OLIFI (WB and IDB), 22% - the Manila OLIFI (ADB), 18% - the Tunis OLIFI (AfDB), and 12% - the Bridgetown OLIFI (CDB).

Interviews with private sector representatives and PSLOs also indicated that many companies are not aware of the fact that the Senior Trade Commissioner at the High Commission in London is Canada’s Alternate Executive Director for the EBRD.

c) Conclusions

Evaluation findings indicate that the EBRD is a Bank with a potential for Canadian companies that still needs to be more aggressively explored. The majority of interviewees shared the opinion that it is strategically important to maintain some level of business support at the ED Office in London. Despite the temporary slowdown of the European economy, the potential opportunities for Canadian companies and in particular for those looking for strategic investments in Eastern Europe are considerable. While there was a consensus that Canada should not abandon the business support function at the EBRD HQ, interviewees underscored the importance of the regional and in-country offices of the EBRD in the decision making process. As a result of the decentralisation of the Bank operations, EBRD experts are now increasingly located in the countries of EBRD operations. This fact places a new emphasis on the role of Canada’s trade commissioners in the field, a role that will have a growing importance of Canadian companies looking for investment opportunities through the EBRD in this part of the world.

Major infrastructure projects, mainly in the oil and gas sectors, renewable energy and environmental protection in SE Europe, Russia and Central Asia are areas where Canadian companies can offer competitive expertise both as main contractors or investors, and as sub-contractors to foreign companies. Recent

developments indicate that EBRD might be expanding its operations to markets in the Middle East and North Africa, which may ultimately result in increased opportunities for Canadian companies. Awareness among Canadian companies of these opportunities remains, however, low.

To overcome these limitations, Canada, and DFAIT in particular, first need to more consistently explore the opportunities in the Region and identify those that have the biggest potential based on Canadian capabilities. Once potential business opportunities are identified, they will need to be more effectively promoted to Canadian companies. Raising the awareness of Canadian companies of the ways in which the EBRD works, of its lending and investment practices will help them make an informed decision about the risks and benefits of pursuing EBRD-funded opportunities in the Region. This approach calls for a more proactive involvement of the trade commissioners posted in the countries of EBRD operations. The evaluation did not, however, find evidence asserting that there has been a major uptake of this role by the TCs in the Region. One of the reasons for the low level of engagement by trade commissioners at post in these countries is attributed to the lack of specific knowledge and training related to IFIs, and the EBRD in particular. The specifics of the EBRD lending and investment approaches allow for a slightly different approach to this Bank and its promotion as a tool that could facilitate Canada's direct investments in Eastern Europe and Central Asia.

The shift of the decision-making process to the country level, has not however, diminished the importance of the information and advice that could be provided to companies from the EBRD headquarters in London, such as information on projects in the pipelines, on new EBRD products and investment options, on sector and country strategies, etc. This type of information continues to be important for Canadian firms and can help those that are new to the Bank to better understand how to position themselves within various countries and sectors, and more realistically assess their chances for success.

Providing EBRD information to companies, and promoting Canadian corporate interests and capabilities with EBRD staff have so far been some of the main functions assigned to the business advisor at the ED office. Further responsibilities included networking with Canadian missions in the region, with Canadian companies, agencies and professional organizations, and representatives of provincial governments interested in IFI opportunities (mainly the PSLOs).

Discontinuing this type of services at EBRD HQ will have an impact not only on the companies interested in pursuing EBRD funded opportunities, especially those new to the market, but potentially on the entire Network and its IFI-related activities. While the extent of this impact cannot be determined at this point,

finding feasible solutions for continued support to companies at the EBRD will help mitigate some of the longer-term consequences.

Based on the performed analysis, the evaluation team identified two low-cost options for the provision of EBRD information and support to companies. The following table presents the strengths and weakness of these options.

	Type of Support proposed	Potential Costs for DFAIT	Advantages	Disadvantages
1.	Hire a part-time local consultant with relevant business and financial expertise.	No costs for DFAIT provided that the available funding at the Canadian ED office for the business advisor position is used to cover the expenses for the part time service.	<p>London as a major financial city could offer excellent expertise to satisfy the business requirement for this position:</p> <p>Possibility to source someone with:</p> <ul style="list-style-type: none"> • Strong financial back ground and knowledge of how IFIs work; • Strong connections/liaison with the private sector in the EU that could facilitate consortia building with Canadian companies. • Strong communication skills to liaise with the Canadian High Commission in London, DFAIT HQ, and the members of the AMSN. 	<ul style="list-style-type: none"> • Limited knowledge of the Canadian private sector and the potential of Canadian companies; • Limited or no access to the Network of TCs in the region; • Limited access to DFAIT's TCS and the network of Canadian companies (unless arranged by the CHC in London); • Potential need for additional training in Canada.

	Type of Support proposed	Potential Costs for DFAIT	Advantages	Disadvantages
2.	Assign on a part time basis an OLIFI function to a TC at the High Commission in London with full access to the EBRD (staff and files) one or two times a week.	The cost of a 0.2 to 0.3 of an existing LES position that could be combined with other trade-related duties, e.g., investment promotion, at the CHC in London.	<ul style="list-style-type: none"> • This model is used by other EBRD stakeholder countries and is deemed efficient and effective. • The business advisor will work on a part-time basis at the Bank depending on the actual demand of businesses for information and services. • The advisor will have full access to Bank information and staff at HQ, while being part of the Canadian TCS with access to TRIO and the rest of the AMSN. • This arrangement provides opportunities for the advisor to liaise with the TCs in the Region of EBRD operations and to contribute to a more coordinated and streamlined business support at the local and regional level. • The advisor will become part of the OLIFI Network, which will facilitate the outreach to Canadian companies and the use of already established communication and awareness building channels. 	<ul style="list-style-type: none"> • DFAIT needs to find the resources to support the establishment of this OLIFI function at the High Commission in London, including some O&M funding for participation in missions to the Region and Bank workshops; • Similar to other OLIFIs, this TC would also be reporting to a mission that is not the main beneficiary of their work. • IFI and Aid Market training will be needed.

V. Recommendations

The following recommendations are based on the analysis and related findings and conclusions about the need for continued support to businesses pursuing EBRD –funded procurement and investment opportunities. These recommendations are to be considered also in the context of the recommendations in the main evaluation report on the DFAIT's Aid Market Support Network.

1. **That DFAIT consider and select the most feasible option for providing business support to Canadian companies at the EBRD in London.**

Upon a more precise review of the opportunities at the EBRD Office and the TC section of the High Commission in London, a feasible option needs to be selected to provide support to Canadian companies pursuing EBRD funded procurement and investment opportunities.

2. **That DFAIT establish a set of clear objectives and lines of accountability and reporting for the TCs involved in the provision of IFI / EBRD business support to Canadian companies. These objectives need to be linked to and reflect the priorities of the Canadian stakeholders – both government and private sector ones.**

The lack of clearly defined objectives and responsibilities for the business advisor position at the EBRD has been one of the reasons for the lower effectiveness of the business services and support to Canadian companies at the EBRD. Creating a set of objectives and reporting requirements for those who will be providing EBRD advice and support to Canadian companies, including TCs in the field, would help to guide and streamline their efforts the one hand, and on the other - will allow DFAIT's managers to periodically assess the actual value of such support to Canadian businesses. These could also become part of the TCs' PMPs and the PMAs of the respective Senior Trade Commissioners. Streamlining of the support will also allow for periodic assessments of results, which in turn can inform future decisions on the continued need for the provision of business support at EBRD HQ and in the countries of EBRD operations.

3. **That DFAIT expand the IFI and Aid Market training to TCs in the countries in transition where the EBRD operates.**

While the need for a more targeted IFI training of TC posted in developing and borrowing countries has been recognized both at DFAIT HQ and at post, less attention seems to have been given to the TCs in the countries of transition in SE Europe, Russia and Central Asia. Canada's trade sections in these countries also need to be considered for inclusion in the IFI-related

training plans of DFAIT. Provided the potential of EBRD to be used as a tool to facilitate Canada's direct investments in this part of the world, the establishment of regular communications and exchange of information between TCs in the field and DFAIT sectoral and geographic divisions, as well as the division responsible for CDIA from a strategic perspective would further increase the opportunities for Canada and Canadian business to get involved in EBRD projects. A more proactive involvement of EDC and its regional offices, as well as a raised awareness of Canadian companies in the investment guarantees offered by EDC will further facilitate the successful pursuit of EBRD investment projects.

11.0 MANAGEMENT RESPONSE AND ACTION PLAN

RECOMMENDATION 1

That DFAIT's TCS explore opportunities to align IFI and aid market business opportunities within the sector practices and leverage bilateral and regional integrative trade approaches in the delivery of IFI services and support to businesses both at DFAIT HQ and missions.

Associated Findings: 1, 2, 5, 8, and 11

Management Response & Action Plan	Responsibility Centre	Time Frame
<p>Agreed. As noted in the evaluation report, IFI and aid market business opportunities remain a niche market, accessible to a comparatively small number of businesses that have the necessary potential and interest to compete internationally.</p> <p>1. With regard to sector practices: This is already being done with the infrastructure sector. Using this as a model and utilizing DFAIT's existing sector practices framework, the priority sectors and virtual practices in which the IFIs are active will be identified. Amongst these, several priority sectors and virtual practices will be selected for which the corresponding sector teams will discuss IFI business opportunities during their annual consultations with the Canadian private sector (sector advisory boards). This will allow private sector representatives the opportunity to voice their opinions on working with IFIs, and if private sector representatives approve, IFI opportunities will be included in individual sector strategies.</p> <p>Based on feedback, plans will be developed to ensure that IFI considerations and opportunities are included in relevant priority sector strategies.</p> <p>Of note are the growing number of "private sector windows" and new lending mechanisms provided by the IFIs that represent new opportunities for Canadian companies.</p>	<p>BBM/BBR/BBI (structured and virtual practices)</p> <p>BTS (on CDIA)</p>	<p>FY 2011-2012 and ongoing</p> <p>FY 2011-2012 and ongoing</p>

September 2011

RECOMMENDATION 1

2. With regard to bilateral/regional integrative trade , geographic divisions will ensure that IFIs and aid market business opportunities are included in missions' Commercial Economic Plans where exploring synergies with IFI opportunities makes strategic sense.	Geos where OLIFIs are located (GNC, GSC, GMC, GCA), PDC	FY 2011-2012 and ongoing
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RECOMMENDATION 2

That DFAIT identify how the OLIFI function and the AMSN activities can best be managed and coordinated. Clear roles, responsibilities and lines of accountability and reporting are needed for the OLIFI officers to help resolve the current conundrum of reporting on multilateral/regional priorities to Senior Trade Commissioners with bilateral responsibilities.

Associated Findings: 2, 11, 17, 18, and 20

Management Response & Action Plan	Responsibility Centre	Time Frame
<p>Any action plan must be in line with decisions made as part of Strategic Review 2008, which eliminated the BPF Sub-division, International Financial Institutions (IFI) liaison for Canadian businesses seeking procurement opportunities.</p> <p>Trade commissioners in the field remain the best-placed to assist Canadian companies with opportunities in their markets. With the trends toward decentralization of decision-making within the MDBs, more and more of these opportunities will be uncovered in the borrowing country, rather than in the MDB headquarters. To reflect this, the accountability for the aid market must continue to devolve away from a centralized structure as well. Trade commissioners in borrowing countries must support Canadian companies to access aid-funded opportunities (including those funded from multilateral, bilateral, and private sources) just as any other opportunity, particularly since the aid market spans all sectors.</p> <p>However, the sector practices (particularly infrastructure) are well placed to assist both relevant</p>	<p>Geos responsible for host missions in which OLIFI offices are located (GNC, GSC, GMC, GCA).</p> <p>Geos responsible for regions for which the OLIFI offices are responsible.</p>	FY 2011-2012 and ongoing

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RECOMMENDATION 2

geographics and missions with OLIFIs with potential Canadian industry participation in OLIFI-financed projects. Such horizontal collaboration around industry knowledge will be enhanced through existing resources (e.g., IBOC pipeline and webinars). Policy coordination will remain between BTA and the relevant geographics.

Trade commissioners in OLIFIs retain the knowledge and the contacts within the MDB headquarters to be able both to advise their colleagues in borrowing countries on the aid market and to undertake troubleshooting when a problem cannot be resolved at the local level. OLIFIs will play an increased coordination role between trade commissioners in their region, including ensuring a consistent level of service to companies interested in the aid market. They will also act as a conduit to a broader group of stakeholders in the aid market, such as the PSLOs.

Trade commissioners in borrowing countries will continue to report via the senior trade commissioner to the geographic division on services rendered to Canadian companies in their territories, including to those seeking procurement or investment opportunities in the multitude of sectors supported in the aid market. OLIFI officers will continue to report, via their senior trade commissioners, to the geographic division of their host mission.

Geographic divisions responsible for borrowing countries will continue to be accountable for commercial success in their regions of responsibility, across all sectors, including opportunities funded by aid. Geographic divisions responsible for host missions in which OLIFI offices are located, and for regions for which the OLIFI offices are responsible, will be accountable to ensure that sufficient coordination is being undertaken within the OLIFI's territory of responsibility.

RECOMMENDATION 3

That key performance indicators be identified for IFI-related activities and reflected in the TCS reporting system (TRIO), as well as in the PMPs of OLIFI officers, trade commissioners at post and in ROs with assigned IFI roles and responsibilities.

Associated Findings: 3, 4, 6, 19 and 21

Management Response & Action Plan	Responsibility Centre	Time Frame
<p>Agreed. Under the Business Planning Framework, mandatory key performance indicators are set to streamline reporting across the Trade Commissioner Service. In order for the AMSN to be managed and operated effectively, guidelines will be developed to support the use of existing key performance indicators as they apply to the IFI-related work of Trade Commissioners. The existing suite of performance indicators for trade commissioners will be reviewed to see if there are any gaps and to ensure alignment with the work of the OLIFI offices and the IFI-related work of trade commissioners. Additional performance indicators and appropriate targets will be developed, as needed, for the following groups:</p> <ul style="list-style-type: none"> • OLIFI trade commissioners • Trade commissioners responsible for bilateral projects at post • Trade commissioners within the Regional Offices (ROs) • Through the PMA/PMP process, senior trade commissioners responsible for overseeing the work of OLIFIs and trade commissioners at posts/ROs will be accountable and able to report on the results of the IFI program at their post. <p>Posts in cities where there are UN agencies (i.e., New York, Geneva, Copenhagen, Nairobi and Rome) would also use these same set of performance indicators.</p> <p>Proposed performance indicators will be shared with key departmental colleagues, including the Performance Measurement Reference Group, for their input and feedback. New performance indicators, if developed, and ability to track targets</p>	<p>PDC (performance indicators) in consultation with BTA, BTB (TRIO), OLIFIs, geos where OLIFIs are located, BSR (ROs)</p>	<p>FY 2011-2012</p>

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RECOMMENDATION 3

will be built into missions' Commercial Economic Plans (in line with priority sector strategies). This includes missions where OLIFI trade commissioners are located and bilateral missions that receive leads. Performance indicators will also be built into the PMP system, and guidelines will be created for entering the relevant information in TRIO for reporting purposes (i.e., number of service requests).

The most relevant performance indicators to IFI officers that can be extracted from TRIO are the number of services delivered to Canadian clients and the number of economic outcomes facilitated. Where relevant, other performance indicators may be set in the Commercial Economic Plans and tracked in TRIO such as leads and outcalls. A special characteristics field called "Interested in IFI projects" has also been added to the clients' profile in TRIO.

It should be noted that, in some markets, development or PERPA officers would be on the receiving end of potential leads. In cases such as these the CIDA or PERPA officer would not report through the senior trade commissioner and through the TRIO system for recording their interactions with Canadian clients and their results.

RECOMMENDATION 4

Management Response & Action Plan	Responsibility Centre	Time Frame
<p>Agreed. Trade Commissioners must be provided with the tools and training they need to effectively support Canadian businesses interested in or active in the aid market. Targeted training is essential.</p>	BTA, BTR, CFSI	
<p>DFAIT currently offers limited aid market training. For several years, BTA has facilitated a one-day in-person course for Trade Commissioners entitled “The Aid Market” at the Canadian Foreign Service Institute in Gatineau once per year. BTA will increase the frequency of course delivery to twice annually.</p>	BTA, CFSI	FY 2011-2012 and ongoing
<p>Targeted training initiatives will be developed; alternative means of course delivery will be explored (for example, the delivery of webinars, online training and awareness building amongst the network of learning opportunities through the Trade Learning Committee and/or a wiki). This could also include the development of information sheets and/or references tools that Trade Commissioners could use in addressing leads, as well as a case study or material that could be used or distributed at the GLI1 or GLI2 sessions for outgoing senior trade commissioners and officers. Training on tools such as the Virtual Trade Commissioner and its related publishing tools (to quickly disseminate information such as general leads, general partnering leads, or IFI business opportunities) are already incorporated in the GLI training.</p>	BTA (content), BBM and BBR (sector training), BTR (facilitate), BTB (publishing tools)	FY 2011-2012 and ongoing

RECOMMENDATION 5

That a Communication Strategy be developed to increase the knowledge and understanding of the mandate and functions of the AMSN and its offices in Canada, at MDB HQ cities and at posts in borrowing countries. This will ensure a better visibility and support for the IFI function within the Department and a more seamless integration of the OLIFI priorities with those of the TCS.

Associated Findings: 1, 2, 5, 6, 9, 11, 15, 20, and 21

Management Response & Action Plan	Responsibility Centre	Time Frame
<p>Agreed. Given the enhancements that will be made to the Network (regarding training, performance indicators, etc.) promotion to AMSN stakeholders will be incorporated into the domestic marketing program of the Trade Commissioner Service.</p> <p>Existing promotional channels would be used to support this strategy. Depending on the audience, different media could be used. This could include, but not be limited to email and mail promotion, social media, the web site, podcasts, video testimonials, and CanadExport articles.</p> <p>The communications strategy will include both internal and external communications components.</p> <p>Regarding internal communications, several targeted messages will be developed for the following audiences:</p> <ol style="list-style-type: none"> Trade Commissioners and OLIFIs: An overview of trade commissioners' responsibilities regarding the IFI market; indicate that an IFI function exists in TRIO and should be used to track IFI opportunities; and performance measurement will be reviewed through TRIO. Guidelines for bilateral missions so that they know what to do when they receive leads from OLIFI trade commissioners. OLIFIs: A template will be created and provided to all OLIFIs that will enable them to package leads and deliver them to the broader AMSN in a consistent manner. This will include clear 	<p>GPMC, BTA, working with BTB and PDC CMS Geos (regional STC meetings)</p>	<p>FY 2011-2012</p>

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RECOMMENDATION 5

<p>guidelines on how to determine which information is valuable and important to share.</p>		
<p>3. Executive Directors' Offices and Canadian Commercial Advisors: messaging on new, updated AMSN responsibilities and how we can best engage with EDs' office going forward.</p>	<p>MEP, working with BTA</p>	
<p>Regarding external communications, a regular campaign targeting Canadian companies with the potential to compete for IFI procurement will be incorporated into the Trade Commissioner Service domestic marketing strategy, taking care not to oversell the market.</p>		
<p>1. Canadian Clients: The aid market remains a niche market accessible for a considerably small number of Canadian companies with potential to compete for IFI procurement. A regular campaign targeting Canadian companies with the potential to compete for IFI procurement will be incorporated into the Trade Commissioner Service domestic marketing strategy, taking care not to oversell the market. Communicating with clients will also occur via sector advisory boards, the "Insight Publisher", and the "eLeads Publisher".</p>	<p>BTA, working with CMS and CMR</p>	<p>FY 2012-2013</p>
<p>2. Internet: The ownership of DFAIT's "Humanitarian and Aid Markets" website (currently managed out of WSHDC) will be returned to HQ. Revisions to both the DFAIT and Trade Commissioner Service web sites will be made so that the information is more readily accessible/visible. This can be done as part of the revisions being done to meet new Treasury Board standards.</p>	<p>BTA and OLIFIs, working with CMR</p>	<p>By summer 2012</p>

RECOMMENDATION 5

<p>3. Intranet: Horizons should be considered as a mechanism to house key information regarding the responsibilities of trade commissioners in the aid market and will be profiled on the site. Horizons already has some information on MDB procurement, however this content will be significantly expanded.</p>	<p>BTA and OLIFIs, working with BTR</p>	<p>FY 2011-2012 and ongoing</p>
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EBRD Related Recommendations:

RECOMMENDATION 1

That DFAIT consider and select the most feasible option for providing business support to Canadian companies at the EBRD in London.

Associated Findings: 2, 11, 17, 18, and 20

Management Response & Action Plan	Responsibility Centre	Time Frame
<p>Agreed. Business opportunities for Canadian companies at the EBRD fall primarily in the following two areas:</p> <p>1. EBRD Project Financing for CDIA in Eastern Europe</p> <p>Unlike traditional IFIs, the EBRD makes very few loans to sovereign governments. Rather, it offers limited-recourse project financing for private sector investments in its countries of operation in Eastern Europe.</p> <p>Under the EBRD's business model, a Canadian company looking to invest in a greenfield project in Eastern Europe (i.e., a new mine, a new production facility) is typically asked to contribute a third of the project value in its own equity. The EBRD finances roughly a third in debt from its own account (on average €25 million per transaction), and the remaining project debt is typically syndicated to private banks by EBRD. Export Development Canada can also co-finance EBRD projects with Canadian corporate sponsors. Once financing is in place, the project sponsor makes procurement decisions using normal commercial practices.</p> <p>The EBRD has decentralised its banking and decision making functions to its field offices in Eastern Europe, now headed by resident country managers and professional bankers. Therefore there is very limited benefit in having a liaison officer, even part-time, in LDN or at EBRD HQ as Canadian companies wishing to seek EBRD finance for their investments in Eastern Europe must work through the Bank's regional network.</p>	<p>GUC, BTA, BTS, BSR</p>	<p>Fall 2011: launch of CDIA Network of European Missions</p>

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RECOMMENDATION 1

To respond to these and other market developments, GUC is launching a CDIA Network of trade commissioners from Missions in Europe/Eurasia to better support Canadian investment in the region. A key objective of this network will also be to collaborate on developing stronger relationships with EBRD regional offices, and with EDC representatives in Europe to promote CDIA.

Based on these considerations, the most feasible option for providing business support to Canadian companies in accessing EBRD financing is to work through the new CDIA Network of European Missions to build ties in the field between Canadian businesses and EBRD bankers, and between Canadian goods/equipment suppliers and international sponsors of EBRD projects.

In Canada, awareness of the EBRD and its financial tools will be increased in the Canadian business community via DFAIT's and EDC's respective regional offices.

2. Advisory contracts awarded to international consultancy firms by the EBRD itself

The annual market for consultancy contracts at EBRD is relatively modest at €175 million. Contracts are funded by the EBRD itself, or by technical co-operation funds provided to EBRD by donor countries. British, German, Russian and French consultancy firms are the most successful in securing EBRD services contracts.

To facilitate broader access to EBRD contracting opportunities, the Bank has launched a new secure Internet application to provide consultants with a single point of entry into the Bank's consultant procurement system. Consultants can register for e-mail alerts regarding new consulting opportunities in sectors of interest, express interest directly, submit technical and financial proposals and monitor progress in the selection process on a given tender.

RECOMMENDATION 1

Given the level of automation now associated with the contracting process, and given the decentralisation of EBRD operations, there are diminishing marginal returns to investing in an officer in LDN or at EBRD HQ (even part-time) to track such contracts or to advocate for and promote Canadian consultancy companies with EBRD staff (who are located in the field).

Rather, the Trade Commissioner Service's services should be provided to Canadian companies by the relevant mission to position Canadian consultants for EBRD service contracts – which are ultimately managed by EBRD field offices. Advocacy and troubleshooting on a responsive basis at EBRD HQ can be provided by the Canadian Executive Director's Office, as is the practice in other IFIs.

In Canada, awareness of the EBRD's new internet contracting application will be increased in the Canadian business community via targeted outreach and collaboration with relevant DFAIT sector practices.

NB: The recent decision (not yet ratified) by EBRD Governors to expand the Bank's mandate to include North Africa and the Middle East may alter these assessments.

RECOMMENDATION 2

That DFAIT establish a set of clear objectives and lines of accountability and reporting for the TCs involved in the provision of IFI / EBRD business support to Canadian companies. These objectives need to be linked to and reflect the priorities of the Canadian stakeholders – both government and private sector ones.

Associated Findings: 3, 4, 6, 19, and 21

Management Response & Action Plan	Responsibility Centre	Time Frame
<p>Agreed. GUD/GUC will issue instructions to the senior trade commissioner network in EBRD countries of operations to:</p> <ol style="list-style-type: none"> 1. conduct more robust local outreach with EBRD staff in the field 2. assist potential Canadian investors and service providers by introducing them to appropriate EBRD staff in the field, 3. track EBRD projects in their territory of responsibility to build contacts with project sponsors for the ultimate benefit of Canadian suppliers of goods and equipment, and 4. generate financing and co-financing leads for EDC offices in Europe relating to CDIA in their territory of responsibility. <p>The PMPs/PMA's of the trade commissioners will incorporate these objectives. In addition, the above EBRD related activities and any additional ones are to be listed in the Commercial Economic Plans of the participating missions.</p> <p>NB: The recent decision (not yet ratified) by EBRD Governors to expand the Bank's mandate to include North Africa and the Middle East may alter these assessments.</p>	<p>GUD/GUC, BTA, BTR, BTS, BSR</p>	<p>Fall/late 2011 and ongoing</p>

RECOMMENDATION 3

That DFAIT expand the IFI and Aid Market training to TCs in the countries in transition where the EBRD operates.

Associated Findings: 4, 9, 19, and 21

Management Response & Action Plan	Responsibility Centre	Time Frame
<p>Agreed. The initiatives outlined in the action plan for recommendation #2 for the AMSN will also address the needs of trade commissioners in the countries where the EBRD operates. In addition, training about the EBRD will be provided by GUC, BTS and EDC to DFAIT regional offices.</p> <p>NB: The recent decision (not yet ratified) by EBRD Governors to expand the Bank's mandate to include North Africa and the Middle East may alter these assessments.</p>	GUC, BTA, BTS, BSR, CFSI	FY 2011-2012 and ongoing