

**TABLE V-3 — Disbursements under Bilateral Programs — 1983-84**  
**(\$000,000)**

— Food items (including transportation procured)		
— direct through CIDA	250	
— through DSS	60	
		310
— Non-food items (including transportation)		
— procured by purchasing agents & Canadian executing agencies under control of Procurement Division	155	
— procured through DSS	25	
		180
— Total of goods and commodities procured by recipient countries		200
— Other		
— emergency relief	20	
— transportation, marshalling, packaging and shipping cost not included above	38	
— other services	2	
		60
— Total Bilateral Programs Disbursements		750

In the past, the bilateral programs have proved to be — directly or indirectly — a very effective way for Canadian firms to enter foreign markets; Canada's consulting engineers are a case in point. More recently, CIDA has increasingly shown a willingness to involve the private sector in the realization of its development assistance mandate. Although in discussions with officials they have indicated a willingness to deal with trading houses, practice does not confirm this point. In fact, very few trading houses have been able to take advantage of CIDA activities which would assist them in entering foreign markets. Data, provided by CIDA on the bilateral programs, revealed that of 923 contracts valued at \$148 million, only five contracts for \$0.5 million were awarded to known trading houses. The Task Force feels that it would be to CIDA's advantage to use more trading houses in the delivery of its programs.

As revealed in the results of the Task Force's survey, 84 per cent of trading house sales are destined to non-U.S. markets, and many of these sales are to countries eligible for CIDA's development assistance. The trading houses could bring to CIDA valuable familiarity with these markets, awareness of consumer and client needs, and expertise in local distribution and international transportation.

One of the problems facing CIDA is the delivery of after-sales and maintenance services. It should be stressed that for many trading houses such services are an integral part of their international marketing package. Providing after sales service is for them a valuable means of building a sustained presence on a foreign market which in turn leads to the introduction of other product lines. As one trading house stated:

"the non-use of trading houses denies CIDA access to an efficient means of project implementation. . . it deprives CIDA of an efficient means of continuity — supply of parts and consumables for equipment supplied."

Canadian content is a major requirement for CIDA procurement. At least 80 per cent of bilateral assistance

(exclusive of transportation costs) is tied to the procurement of Canadian goods and services having at least two-thirds Canadian content. Given Canada's narrow industrial base and the dominance of foreign branch plants, it is often a problem to identify Canadian suppliers with available production capacity. In this respect, the knowledge of Canada's industrial base by trading houses could be of assistance to CIDA. The survey has shown that the smaller-sized Canadian-owned trading houses do almost all of their export-sourcing in Canada.

Willingness to co-operate exists on both sides. CIDA would like to see trading houses play a greater role as procurement agents for lines of credit and major procurement projects, and trading houses are most anxious to gain access to foreign markets through CIDA. Recognition of the benefits resulting from closer co-operation should not, therefore, be a problem. Measures should be aimed at creating such a recognition and developing trading house activities with CIDA.

From this perspective, a first step would be to provide access to CIDA activities in the same way as it is already provided to consulting and engineering firms. The latter benefit from a registration procedure. It provides a bank of firms from which CIDA draws long and then short lists for bidding on specific projects. The Task Force recommends to the Government that:

#### **Recommendation 24**

**The Canadian International Development Agency establish a focal point for dealing with trading houses and a registration procedure for trading houses separate from the existing procedure already in place for engineering and consulting firms.**

In order to facilitate the selection of trading houses for bidding on development assistance projects, the Task Force recommends to the Government that:

#### **Recommendation 25**

**The Canadian International Development Agency seek the expertise of the appropriate government departments and of a representative body of the trading house community in order to develop selection criteria for trading houses.**

Trading houses are quite willing to subject themselves to the same rules as applied by CIDA to all other suppliers of goods or services. In their view, they should not be discriminated against where procurement is for large quantities of single commodities or products under the presumption that only manufacturers or original sources can satisfy such large orders. The Task Force, therefore, recommends to the Government that:

#### **Recommendation 26**

**The Canadian International Development Agency treat trading houses on an equal basis with other suppliers for procurement contracts.**

The Task Force is well aware of CIDA's obligation to grant contracts to the lowest bidder. The Task Force would like CIDA to take into account, when evaluating submissions for tender, capacity for providing after-sales service, sustained market presence, and potential for follow-up sales. It is considered that trading houses have a comparative advantage in this area.

Canadian trading houses play a vital role in exports of food products. They, however, remain insufficiently involved in CIDA's food assistance program. The Task Force recommends to the Government that: