

financial institutions would be shifted and delivered through a scheme which provided government support to encourage private sector involvement.

Weighed against this is the argument that private sector involvement could bring to Canadian exporters an expansion of the delivery system for official export financing and open a broad-based intelligence system, particularly the vast branch and international network of the chartered banks. While this factor cannot be demonstrated quantifiably on an ex ante basis, it is likely that broader delivery and intelligence systems would generate an increased volume of exports. Moreover, it is expected that a good measure of the increased export volume would be derived from an increase in the number of small and medium-sized businesses in the export field.

Options for Discussion

Assuming some involvement by private financial institutions (PFIs) is judged to be desirable, the main questions that arise are how and to what extent this can be achieved. Options for the degree of PFI involvement are discussed below but it will be important to bear in mind that each of these options will have to meet a number of tests. In this regard, the key issues of concern are the speed and timeliness of approvals, funding risks, default risks, the government's costs and risks, adequate returns and incentives to the PFIs and adequate government control where this is required.

Another very important consideration is how the subsidy is delivered. This could be done by having EDC refinance the banks or by having the government provide the export financing subsidy directly through the banks. EDC, acting either as a refinancing agency or as a credit guarantor, would apply the various tests and guidelines required to ensure adequate control of government funds. Under either mechanism, the private financial institutions would manage fully the loans from negotiation and monitoring through to their payment.

Following are three possible options for PFI involvement in official export financing.

(i) Defined Market Shares for PFIs and EDC

The objective here would be to hand over to the PFIs a specific segment of the market.

There are a number of variables by which Canadian official export financing business could be segmented. It could be divided on the basis of repayment term whether medium or long term, by size of transaction, or by "rich" versus "poor" country markets.