

2.2 Types of Assistance Provided

Under the legislation, the Government is able to provide a reasonably broad range of financial services to Canadian exporters. The types of services fall into three general categories -- direct export financing and financing guarantees, short and medium term insurance, and foreign investment insurance.

More specifically, the Government is authorized under the Act to:

insure Canadian firms against commercial and political risks of non-payment when Canadian goods and services are sold abroad;

make medium- and long-term loans to foreign buyers of Canadian capital equipment and technical services;

guarantee financial institutions against losses incurred in financing either the Canadian supplier or the foreign buyer in an export transaction;

issue surety cover protecting against calls on bid, downpayment and performance bonds; and

insure Canadian investments abroad against loss of investment by reason of political actions such as nationalization, war or inconvertibility.

Canada Account services are provided on a user-pay basis. Exporters pay premiums for insurance coverage, and there are fees associated with Canada Account financing and guarantee services. In addition, loans which are extended are fully repayable with interest (except for loans extended on concessional terms -- see Section 4).

3.0 LEGISLATIVE BASIS

The legislative basis for the Government's activities under the Canada Account resides in the Export Development Act (R.S., c. E-20) last amended by Parliament in 1983. Section 27 of the Act authorizes the Government to enter into contracts of insurance or other agreements or guarantees. Section 31 authorizes the Government to enter into direct loans or loan guarantee arrangements. Section 35 provides similar authorities for foreign investment insurance contracts.