

Current Concessional Financing Programs

Currently, there are four mechanisms through which concessional financing for Canadian exports to developing countries can be provided: i) the Canadian bilateral aid program administered by CIDA; ii) CIDA's Industrial Co-operation Program; iii) parallel financing by both CIDA and the EDC; and iv) mixed credit financing administered by EDC.

(i) CIDA Bilateral: The primary objective of official development assistance (ODA) is to promote the economic development of Third World countries. However, within this overall mandate, CIDA, as the main delivery channel for ODA, has sought to respond to the growing pressures for a greater involvement of the private sector in the aid program. Currently, at least 65 per cent of ODA is used for the procurement of goods and services in Canada. More specifically, the bilateral program of CIDA makes up about 36 per cent of the Canadian ODA program, which totalled some \$1.7 billion in 1983-84. About 70 to 75 per cent of the bilateral program is spent on goods and services purchased in Canada, with the remainder to cover transportation and local costs in recipient countries.

Food assistance is another large component of our aid (\$325.6 million for 1983-84). Between 80 and 85 per cent of the food assistance budget is spent on Canadian procurement, with the remainder covering transportation costs and cash contributions to the World Food Program.

(ii) CIDA Industrial Co-operation Program: CIDA has set up a special Industrial Co-operation Program which provides funding to enable Canadian firms to do feasibility studies in developing countries, set up joint ventures and provide technical assistance. While the volume of resources expended through the program is relatively modest, it has nevertheless been of great help to Canadian firms in winning contracts in Third World markets.

(iii) Parallel Financing: This involves joint financing by CIDA on ODA terms and EDC on regular export credit terms. It has been essentially an ad hoc facility but has proven very useful in a number of cases where developmental and commercial interests have coincided. This mechanism has had the effect of "stretching" aid dollars and of improving the attractiveness of Canadian exports by lowering the costs of financing, which is often a deciding factor in procurement decisions by developing countries. These arrangements have also helped CIDA achieve its volume-related developmental objectives.