

associated with giving up budgetary funds, which contribute directly to deficit reduction, relative to any "costs" associated with increasing Government borrowing requirements for non-concessional financing (repayable at commercial interest rates, plus fees).

Recommendation 16

Over the last two years, the OECD has tried to limit the use of concessional financing in developing markets by setting forth guidelines which state under what circumstances concessional financing is acceptable. These guidelines have been successful, although the practice still continues in certain markets. Because the present value of the loans are so low, our major competitors use their development assistance program budgets to provide concessional credits. Canada, by contrast, does not use official development assistance to fund concessional financing. To protect Canadian trade interests in a cost effective manner vis-à-vis our competitors, Canada should have available a similar aid/trade facility drawing on Canada's official development assistance (ODA) budget. The Committee thus recommends the government:

Deploy a portion of Canada's ODA budget to fund the Canada Account concessional financing budget.

By sourcing the funds from the ODA budget, the remaining \$120 million in concessional financing (see Recommendation 15) now being sourced from the overall budget of Canada, could be applied to deficit reduction.

Recommendation 17

Having reviewed the work done to date by the Department of Foreign Affairs and International Trade, the EDC and the banks to enhance export financing for SMEs, we agree with the need for greater flexibility in the types of export financing instruments and easier access to information on Export Finance Programs and, therefore:

Support initiatives to improve services to SMEs including:

- *the development of the Master Accounts Receivable Guarantee (MARG) program;*
- *the design of a road map to export finance assistance;*
- *the support and provision of information on sources of private sector SME export financing; and,*
- *the CCC proposal to establish a Progress Payment Program.*