

EXPORT DEVELOPMENT CORPORATION (EDC)

EDC is Canada's official export credit agency. Its mandate is to promote Canadian exports by providing Canadian exporters with lines of credit, receivables financing, and various types of insurance. Because most of this financing is on relatively favourable (i.e. below market) terms, EDC insures and finances 50 to 60 percent of Canadian business ventures in Mexico.

EDC can also help Canadian exporters by providing financing to their prospective foreign customers. It has a mandate to finance up to 85 percent of the foreign buyer's purchases of Canadian capital goods, equipment and services. It does so through three types of medium- and long-term financing:

1. direct loans, typically financed over seven to ten years, with fixed and floating rate portions;
2. allocations under lines of credit, which occur only after the transaction, buyer and exporter have been approved; or
3. note purchase and forfaiting that is usually applied to small- and medium-sized transactions extending from two to five years.

Credits issued to foreign borrowers are paid directly to the Canadian exporter by EDC, as the exporter delivers on its obligations. EDC then collects from the borrower according to the agreed interest rates and repayment terms.

EDC's lines of credit are particularly useful for small- and medium-sized exporters looking to finance sales of capital goods to Mexico. As well, companies can benefit from a newly streamlined approval process. But EDC financing is not automatic, and potential exporters must work hard to secure it. Before it arranges financing, the EDC must be confident that the transaction is feasible, that the exporter has the technical and financial capability to complete the transaction as contracted, that Canadian content has been maximized, and that the foreign buyer is creditworthy. To proceed with the transaction, it may require:

- product information on the goods being exported;
- an estimate of the contract price;
- expected terms of payment and delivery;
- a Canadian content declaration;
- a draft proposal or commercial contract;
- a profile of the exporter;