



Export Insurance and Financing: A Winning Combination

As thousands of Canadian businesses are discovering, exporting can be a risky business. Big or small, exporters face a wide variety of commercial and political risks such as buyer bankruptcy, broken contracts, wrongful calls against bid or performance guarantees, cancellation of import or export permits, or trouble getting money out of the country.

"These risks, added to the growing competition for available capital to fund exports, is making it tough for Canadian companies to grow into new markets," says Paul Labbé, President of Export Development Corporation. EDC was established over 50 years ago to encourage Canadian business to export by providing to them risk management services, including insurance and financing to Canadian exporters and their global customers.

"What we bring to the table is a wide variety of financial solutions and insurance support, as well as extensive market and sectoral expertise," says Labbé. "We have teams dedicated to different market sectors such as information technology and industrial equipment so that we understand your business as well as you do. We also have a team dedicated to small and medium-sized businesses which includes customized financial support."

To help exporters better manage their risks, EDC's insurance services cover everything from non-payment by the exporter's buyer to war, revolution, insurrection or other political disturbances. For example, both EDC's credit and bonding insurance offer exporters receivables protection

and the ability to obtain additional working capital and a draw on their bank-line of credit. EDC's bonding coverage for terms of more than one year can also help exporters obtain surety bonds and bank guarantees.

"Our financing options include direct loans, leveraged lease financing, note purchase arrangements and project risk financing. Lines of credit, with predetermined terms and conditions, also provide an exporter's customer

with access to financing," Labbé explains.

EDC has established more than 40 lines of credit with foreign banks and agencies in some 20 countries. Transactions supported under these lines of credit are usually valued at between US\$50,000 and US\$5 million, providing buyers with a ready source of financing and exporters with a valuable marketing tool to promote their products and services worldwide.

Financing Support Gives Exporters an Edge

"EDC's financing support gives Canadian exporters an edge when they bid on overseas projects," Labbé says. "Trade deals increasingly depend on complex and tightly negotiated financing arrangements where a few basis points in interest rates can make or break the deal. Exporters are having to bid not just on the basis of quality and price, but also on the basis of the financing package supporting the sale. Further, they are often called upon by the customer to carry

part of the financing cost of the purchase."

The risks of financial participation in projects, in both developed and developing countries, are far more complex than those faced by EDC just a few years ago. In fact, the growth in commercial lending and limited-recourse project finance is fundamentally reshaping EDC's loan portfolio. In 1995, almost 90 per cent of

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