Funding for the Emerging Exporter Team is allocated from EDC's corporate revenues which are generated from its insurance and lending activities and which have consistently enabled EDC to operate on a financially self-sustaining basis. One of the medium-term objectives of the Team is to make a positive contribution to corporate overhead. While working towards that goal, EDC will ensure that the Team is adequately funded from the Corporation's budget.

5. To press financial institutions to be more forthcoming with SMES, the Committee recommends when conducting the regular reviews of the Bank Act that the federal government evaluate the performance and future intentions of financial institutions with respect to SMEs in export markets. If this effort is deemed inadequate, the government should take this into account in its decisions. (page 24)

The government is pleased to note that financial institutions have made certain improvements in the support they provide to SME exporters. These include the security value they accord foreign accounts receivable, that certain of the banks have increased credit ceilings in and are exploring innovative trade finance solutions for a number of foreign markets, and that financial institutions are delivering both the Master Accounts Receivable Guarantee Program (MARG) and the Progress Payment Program (PPP) in cooperation with, respectively, EDC and CCC. In addition, Northstar Trade Finance is a very good example of a partnership between the private and public sectors which delivers enhanced export financing support to SMEs.

Notwithstanding these improvements, the government looks to financial institutions to continue to develop their support for SME exporters, as well as for SMEs generally, and monitors such activity on an ongoing basis. The government agrees that the review process for changes to financial institution legislation, such as the Bank Act, should be used as an opportunity to ascertain whether there are impediments to financial institution lending for SME exporters and, if so, determine specific policy action appropriate for their removal. In the case of the banks, the government agrees that monitoring of their lending activity might be enhanced if the House of Common's Industry Committee asked them to expand their quarterly small business statistical reporting to include data and general reporting of their export-related financing provided to SMEs.

6. The Committee recommends that the government should also encourage other financial institutions, in addition to Schedule I banks, such as insurance companies, pension funds, credit unions and caisses populaires, to provide funds needed by SMEs for export trade. Those institutions that enjoy special tax advantages should receive particular attention. (page 24)

Credit unions and caisses populaires are regulated at the provincial government level, limiting the federal government's ability to provide them with incentives to provide financing for SME exporters, and the Bank Act imposes limitations on the types of activities which insurance companies and pension funds can engage in. Nevertheless, the government has mandated financial crown corporations to build partnerships with private sector financial institutions in order to increase support provided to SME exporters. In this context, EDC's Master Accounts Receivable Guarantee Program (MARG) and CCC's Progress Payments Program (PPP) are being delivered not only by Schedule 1 banks but also through Caisse centrale Desjardins' network of caisses populaires. In the case of the MARG, EDC is actively exploring delivery through smaller regional credit unions and regional banking institutions. The government regards this use of "alternate" private sector delivery channels as a positive development.

7. The Committee recommends labour sponsored venture capital corporations and RRSP eligible equity securities be encouraged to form strategic alliances for the purpose of risk sharing in small and medium business export programs. (page 24)

Labour-Sponsored Venture Capital Corporations (LSVCCs) have accumulated over $3 billion in assets over the last several years, significantly aided by tax incentives provided to individual investors by the