

Recommendation 10

In 1994-95, DFAIT will spend approximately \$19 million on the industry initiated component of its largest export assistance program, the Program for Export Market Development. The objective of the Program for Export Market Development - Industry Initiated (PEMD-II) is to offset the risk involved in undertaking new export initiatives through shared financial support, thereby increasing the export sales of Canadian goods and service. The program, in our opinion, has been successful in introducing Canadian companies to new export markets. However, support should be more tightly focussed on smaller businesses, where the funding is more likely to influence a business decision. We recommend:

- i. *The Program for Export Market Development - Industry Initiated (PEMD-II) be restricted to companies with annual sales of less than \$10 million; and,*
- ii. *The capital project bidding component of the program be terminated.*

In addition, the Committee recommends:

- iii. *The administration of PEMD-II should be improved to achieve better assessments of applications, a higher degree of cost recovery and, in particular, more follow up with companies.*
- iv. *Recovered funds should flow back into PEMD-II.*

Restricting PEMD-II to companies with sales of less than \$10 million could be expected to result in savings of about \$5.2 million, based on historical disbursements.

Many of the companies currently receiving assistance under the capital bidding component of PEMD-II are large companies that would be eligible for funds under CIDA Inc. This component, therefore, could be eliminated to reduce overlap with CIDA Inc and to focus limited resources on SMEs. Such action could yield further savings of about \$2.5 million.

The 1993 revisions to the PEMD program, including the requirement that businesses submit a Market Development Strategy were a positive step, but more needs to be done. Assessment and follow-up, education and access to information are essential if Canada is to produce successful exporters. The application, assessment, education and follow-up functions could be decentralized and offered possibly through the one-stop shops suggested in Recommendation 3.