

Short-Term Financing

The lack of sufficient operating capital, both pre- and post-shipment, is a frequent complaint of small businesses. Methods of optimizing the capacity of exporters' operating lines of credit were examined.

EDC has been developing a guarantee facility, which would encourage banks to extend incremental operating lines to Canadian exporters against their foreign accounts receivable. EDC has had extensive discussion with all the Schedule I banks on the concept. The Royal Bank of Canada and the Bank of Montreal are currently working with EDC to further develop and test the product.

In a separate, parallel, initiative the Canadian Commercial Corporation is developing a Progress Payment Program which will provide pre-shipment financing to exporters.

Medium Term Export Financing

A closer partnership between EDC and Canadian banks/financial institutions in the provision of medium-term financing in support of Canadian exporters, and particularly SME's, was seen as essential for two reasons. First, EDC has a finite appetite for risk in developing country markets, and a risk-sharing approach was seen as a key means of encouraging banks to put more of their resources into developing country markets, thereby increasing Canada's overall capacity to support trade in those markets. Secondly, Canada's banks have a very extensive domestic branch network and existing relationships with virtually all of Canada's small exporters and are, consequently, well positioned to provide additional support to a large number of existing and potential smaller exporters.

Two proposed Frameworks were developed: 1. The SME Risk-Sharing Framework targeted at exporters with annual export sales of less than \$10.0 million; and, 2. The General Risk-Sharing Framework, in support of all larger exporters.