

The Process

EDC undertook to develop a framework for risk-sharing with the banks and financial institutions in international markets. It was expected that such a framework would serve to both activate participation by Canadian banks in international financing as well as increase the overall availability of financing to various foreign markets.

Certain guiding principles for the exercise were identified in the *Action Plan*:

1. The interests of the Canadian exporter are paramount. The participation of financial institutions should result in more financing being made available to exporters at more competitive terms and conditions.
2. There should be no additional costs to the treasury.
3. Risk-sharing between financial institutions and EDC is essential to partnership and should reflect market realities.
4. Exporters should always have a choice of arranging financing for foreign buyers from EDC or from financial institutions.

The Result

EDC is developing two frameworks for risk-sharing. One, the SME Risk-Sharing Framework, is targeted at exporters with annual export sales of less than \$10 million. The SME Framework effectively allows Canadian banks to provide medium-term financing directly with a partial EDC guarantee, for certain types of transactions, in a large number of developing country markets. It also provides for an acceptable return to the banks/financial institutions to induce their participation in the smaller export finance transactions. Several banks have indicated interest in pursuing this SME Risk-Sharing Framework with EDC.