companies reduces the potential downside of one or more firms failing.[47] But improving access to credit does not complete the story here - as identified previously, there are many other impediments to the participation of Canadian suppliers of all sizes in SCF programs (e.g. low usage rate of e-invoicing and e-payment; negative perception of programs that allow for the discounting of accounts receivable, etc.).

Role of Public Policy

Smaller companies typically face constraints in accessing credit. Fallout from the recent financial crises suggests financing will remain relatively tight through the next few years, as banks and other lenders maintain cautious lending practices. SCF programs offer a means to alleviate credit shortfalls. In addition, SCF programs reduce costs and introduce efficiencies across the entire value chain - to the benefit of individual participants and the broader economy.[48] The economy-wide benefits and competitive gains stemming from SCF programs provides motivation for public sector participation in SCF technology and related infrastructure (e.g. through a cost-sharing with banks and industry associations). The broader economic and financial payback of SCF infrastructure suggests government could play a policy role in catalyzing the formation of a SCF platform, possibly through direct investment and technical support, or indirectly via regulatory changes and tax credits.

On the trade side, the relative absence of GVC anchors and SCF platforms in Canada suggests Canadian companies are at a disadvantage in competing for business in international markets. Canadian trade and investment policy should therefore consider strategies to improve Canadian companies' access to global SCF platforms. These strategies could be included in bilateral and multilateral negotiations. Adopting such policies could broaden Canada's commercial connections to non-US markets, potentially allowing more Canadian companies to tap into faster growing emerging markets.

Conclusion

The interest in SCF has risen considerably in Europe and the United States over the past five years. In Canada, a variety of factors have led to a more subdued interest in SCF, but this is slowly changing. During this recent period, an increasing number of GVC participants have realized that the traditional arm-wrestling relationship between buyers and suppliers is detrimental to overall GVC competitiveness and resiliency. As a result, demand rose during the credit crisis and continues to rise today for innovative financing solutions that permit GVC companies to improve their cash conversion cycles without negatively impacting other GVC members.

SCF solutions can help achieve such an outcome. They can also reduce financial supply chain inefficiencies by encouraging process automation and providing greater visibility and predictability throughout the sequence of financial supply chain events. Further, they give financial institutions the opportunity to offer financing triggered by financial supply chain events and to deliver new value-added services by leveraging the data flowing through their SCF platforms. Ultimately, all of these benefits allow GVCs

[47] By participating in a GVC and having access to SCF, a small sub-supplier is likely to carry less risk, on average, compared with an independent supplier not associated with a GVC.

[48] Bank of England, *op. cit.*