

responsible for the Regional Trade Plans, including the Inventory of Domestic Activities.

2. The Committee welcomes the recent decision of the federal government to provide EDC with \$50 million of additional funds. The Committee recommends that these funds should be dedicated to SMES. (page 23)

The government's March 1996 Budget stated that the \$50 million increase in EDC's shareholder capital was to be used to establish export financing vehicles and risk-sharing partnerships. Accordingly, one of the areas which EDC is exploring is a new initiative in which a portion of this capital is used to back a portfolio approach to bonding and Foreign Investment Insurance (FII), reducing turnaround time on these products for SME exporters by lowering the level of due diligence required.

EDC's support for SMEs, both in terms of volume of business supported and number of clients served, is already substantial and has been increasing steadily since 1990. EDC has taken a variety of initiatives to fill financing gaps faced by SME exporters, including the establishment of the Emerging Exporter Team, support for Northstar Trade Finance (the line of credit for which was more than doubled in July 1996), and development and implementation of the Master Accounts Receivable Guarantee Program (MARG) for delivery by financial institutions, all of which have been very well-received by the SME exporting community and appear to have filled real "gaps" in the market for export financing and insurance.

3. The Committee has been favourably impressed by the newly established EDC programs and services targeted as SMES, notably the Emerging Exporter Team and the Master Accounts Receivable Guarantee (MARG) Program. The Committee recommends that their experience be carefully monitored with a view to their further strengthening. (page 23)

EDC's Emerging Exporter Team has proven a very successful initiative, with more new SME exporters being served every month and the level of exports supported continuing to increase. EDC has now complemented the Emerging Exporter Team with its new SME Transaction Team, which is mandated to find ways of financing or guaranteeing medium-term transactions for SMEs. EDC is also continuing to work on the development of new SME products.

Exporter interest in the MARG is high across all regions of the country and all eight financial institutions that are delivering the program have already signed up policy-holders. To supplement financial institutions' marketing of the product through their retail networks, EDC is pro-actively marketing it directly to exporters.

As recommended by the Committee, EDC management will continue regularly to review results of both the Emerging Exporter Team and the MARG with a view to strengthening them and increasing the number of exporters served by them. In this respect, EDC will continue its efforts to market these programs directly to exporters. EDC also reports regularly to its Board of Directors and to the Minister for International Trade on its program of support for SME exporters.

4. Recognizing that export financing services for SMEs may not be self-financing in the short-term, the Committee recommends that Emerging Exporter Team be given a precise and separate budget allocation within the Export Development Corporation (EDC). This budget allocation should include specific budget targets over a five-year period, after which the Emerging Exporter Team should be self-financing over this term. The Committee takes note of the efforts now being made in this direction. (page 24)

EDC is committed to providing the ongoing funding necessary for the Emerging Exporter Team to expand its efforts in support of SME exporters. In this context, as the number of SME exporters supported by EDC - and the range of their needs - has increased, EDC has consistently added to the human and financial resources required by the Team.