countries. The government provides the financing subsidy (currently in the range of $100 million annually) by forgoing a return on its equity holding in EDC. Should EDC incur a loss on its lending operations, the government is prepared to ask Parliament to approve appropriations for a loss make-up to EDC, but this has not been required to date.

Under Sections 27 and 31 (Government Accounts) of the Export Development Act, the EDC Board may turn down insurance, guarantee or financing transactions which are for terms or amounts in excess of what EDC would normally undertake as a corporation. In cases entailing such risks for the corporation, the Governor-in-Council may approve transactions which are in the national interest. Section 31 loans outstanding currently amount to about $1 billion.

Options for Discussion

The ultimate in responsiveness would be for EDC to meet all demands. However, EDC financing has an element of concessionality with a financial cost to the government. Good management calls for creditworthiness standards for commercial and country risk, Canadian content levels, and economic benefit/cost analysis to determine "value for money" to the taxpayers on this program. The trade-offs must therefore be examined against the following considerations.

(i) Creditworthiness Standards

The question here is not one of the financial ability of exporters to meet their commitments -- these requirements seem to be generally accepted -- but rather the country risk standards. Over the last few years many countries have encountered severe external financial difficulties and have not been able to meet their obligations. In some cases, it will be many years before they return to a normal financial situation. Bearing in mind this situation and in some cases the financial capacity of the buyer, are the standards too severe? EDC has shown considerable flexibility in raising its country credit ceilings even in doubtful cases, and continuing to make loan commitments to countries with severe economic difficulties until the latest possible moment. It also has a good record on reopening credit facilities after debt reschedulings more quickly than export credit agencies in other countries. However, its country credit ceilings and lending standards need to be guided by portfolio management and risk considerations. EDC reviews regularly its ceilings bearing in mind exporters' expectations and the need to ensure an adequate degree of financial prudence.