Corporate Plan 2018-2022

We are a financial institution that supports inclusive private sector growth and sustainability in developing markets.

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INTRODUCTION: DELIVERING ON A NEW MANDATE

In Canada's 2017 Federal Budget, the Government announced its intention to establish a development finance institution (DFI) housed within EDC. In order to provide EDC with the appropriate mandate to do so, the *Export Development Act* (ED Act) was amended in June 2017 and now gives the Corporation an additional purpose of *"providing, directly or indirectly, development financing and other forms of development support in a manner that is consistent with Canada's international development priorities"*.

This new mandate is independent and not subordinated to EDC's existing trade mandate of *"supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities"*.

Canada's new DFI has been incorporated under the name Development Finance Institute Canada (DFIC) Inc. / Institut de financement du développement Canada (IFDC) Inc (hereinafter "DFIC") and will be proclaimed an agent of the Crown in the fall of 2017.

The present Corporate Plan lays out the strategy that will govern DFIC in its early years, from the planned time of its launch in January 2018, and how this new mandate will be fulfilled. It constitutes DFIC's first business strategy and financial plan.

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This version of the Corporate Plan for Development Finance Institute Canada (DFIC) Inc. was updated to reflect the fact that it now operates under the commercial name FinDev Canada.

CHAPTER 1: THE PLANNING ENVIRONMENT

1.1 THE GLOBAL DEVELOPMENT OUTLOOK

Global poverty rates have generally declined over the past 25 years. However the situation varies considerably region by region and, due to population growth, the absolute number of people living under the poverty line has declined at a lesser pace. More than 800 million people were estimated to live under the poverty line in 2015, of which the large majority are in Sub-Saharan Africa and South Asia (source: United Nations).

As powerful agents of change, women have the ability to transform their households, their societies, and their economies. Yet women in most in most countries earn on average only 60 to 75 per cent of men's wages. Greater gender equality and the empowerment of women can deliver strong economic growth and help cut down extreme poverty. Evidence shows that inclusive growth, development, and sustainable peace are not possible unless women are valued and empowered.

Climate change can often be a cause or an aggravating factor for poverty. The SDGs recognize this by including Climate Action as a top-level objective. The international community coalesced around a common agenda with the designing of the Paris agreement on Climate Change, also in the fall of 2015.

In the fall of 2015, the international community adopted a new set of global Sustainable Development Goals (SDGs), the central piece of the *2030 Agenda for Sustainable Development* that sets the stage for the continued fight against poverty. These new goals put emphasis on a development model where all sources of financing are mobilized to contribute to sustainable economic growth, including from the private sector. While it is recognized that Official Development Assistance (ODA) has helped produce significant development gains over the past several decades, it is clear that meeting the SDGs will require more resources than the public sector alone can provide, and that the private sector therefore has a central role to play.

1.2 THE IMPORTANCE OF THE PRIVATE SECTOR

There is wide consensus in the development community that the private sector is a driving force behind economic growth and is essential to achieving meaningful development outcomes that raise people out of poverty. More than 9 out of 10 jobs in low and middle income countries are created by the private sector. Private financial flows now dwarf ODA. But they are not evenly distributed, and do not necessarily go where the impact on development, or the needs, are highest.

The Addis Ababa Action Agenda – a foundation for implementing the 2030 Agenda – recognizes that both public and private investment have key roles to play and highlights private business activity, investment and innovation as major drivers of productivity, inclusive economic growth and job creation. Canada was an active partner in developing this Agenda, playing a leading role in promoting the importance of leveraging private sources of finance for development.

It is widely recognized that the private sector can play a significant role in advancing the economic empowerment of women in developing countries. For instance, seventy per cent of women-owned small and medium-sized businesses in developing countries are either shut out by financial institutions or are unable to receive financing on adequate terms to meet their needs. Mobilizing capital towards enterprises that contribute to women economic empowerment, such as women-led enterprises, would help building economies that work for everyone.

There is also an increasing recognition that mobilizing private capital will be critical to address the challenges posed by climate change in developing countries and to close the $70 billion annual climate financing gap identified by the World Bank. Private sector solutions to help businesses transition to clean energy and building local capacity and linking small businesses to global sources of technology, finance, and expertise will be essential.

1.3 THE ROLE OF DEVELOPMENT FINANCE INSTITUTIONS

International donors are acting to optimize the contribution of private investment to development – with DFIs often being the most visible form of support. DFIs respond to the specific challenges faced by companies operating in developing countries in getting much-needed access to the financing required to grow their business – financing that they cannot obtain from traditional financial services providers. DFIs focus on achieving measurable development benefits by promoting economic growth and job creation, while also striving to contribute to the improvement of Environmental, Social and Governance (ESG) standards in the private sector.

DFIs are generally expected to be self-sustaining over time given their focus on sustainable business ventures. DFIs complement, not substitute, private investment and ODA. They act as an important link between public policy and developing programming on the one hand, and the private sector on the other, by providing an innovative, cost-effective financing tool to support economic growth in developing countries.

Most G7 countries and many other OECD countries have had bilateral DFIs for several years, sometimes decades, and have the ability to successfully deploy a wide range of instruments in support of their international development priorities, through both public and private sector channels. Canada will now also be present across these various channels.

Since 2002 total annual commitments by all DFIs have grown from $10 billion to around $70 billion in 2014 – an increase of 600 percent, spurred in part by new capital replenishment from their owners and retained profits. Official Development Assistance (ODA) grew by just 50 percent during the same period: from $88.6 billion in 2002 to $137.2 billion in 2014 (CSIS/ODI report "DFIs come of age" October 2016).

1.4 AN EVOLVING DEVELOPMENT FINANCE LANDSCAPE

The development finance landscape is undergoing significant changes. The Agenda 2030 and the Paris Agreement on Climate Change have played an important role in triggering renewed analysis of the effectiveness of existing tools and of their respective roles, including of DFIs.

Many different types of organizations are active providing development finance to the private sector: national development agencies, multilateral institutions, bilateral DFIs, private foundations, impact investors, and civil society organizations. While they all share a common goal of bringing about positive social and economic change in the developing countries where they work, they are all driven by different mandates and have different solutions to offer. These organizations, which are focused on development outcomes, work alongside pure commercial organizations also present in all markets such as local and international commercial banks and private equity firms.

As a result, there are considerable amounts of capital available in the market, seeking opportunities that match each organization's priorities. This has resulted in some sectors and regions in a de facto competition between players, as they are attracted to what are perceived as the better transactions. This is pointing to a bottleneck: a shortage of capabilities to develop and manage projects that will attract investors. This plays out in every segment of the market, but is particularly acute in higher risk environments.

At the same time, the diversity of objectives and solutions available in development finance offers a great opportunity: by working together, each leveraging their own strengths and capabilities, they can develop a wider range of solutions and develop successful initiatives where each one individually would not have been able to.

1.5 THE CANADIAN CONTEXT

FinDev Canada will complement the Government of Canada's new Feminist International Assistance Policy, which stresses the need for new tools and approaches, including by engaging the private sector in developing countries:

> *To expand the scope and improve the effectiveness of our international assistance, Canada will increase and diversify the range of mechanisms for working with the private sector to support sustainable development. This means transforming the current service-provider role of the private sector into one in which the sector becomes an investing partner in the achievement of development results.*

The establishment of FinDev Canada comes at a critical time to support new policy directions of the Government of Canada. Prior to the creation of FinDev Canada, Canada had a track record of largely concessional innovative development finance structures, but lacked a tool to provide commercial financing support to private sector companies in developing countries for the purposes of achieving development outcomes. Canada has long given consideration to the creation of a DFI to complement its international assistance capabilities. The Canadian government conducted in-depth due diligence in Canada and beyond to gauge the needs of the market and understand the lessons to be learned from organizations active in this space. A thorough analysis of the options led to the decision by the government to create a development finance institution housed within EDC (see "model" in next section).

The Feminist International Assistance Policy speaks to the creation of FinDev Canada, and how it will contribute to the policy's priorities:

> *Canada's new, Montréal-headquartered DFI will play a critical role in facilitating greater private-sector investment in developing countries where access to capital is limited. By doing so, the new institution will help to create jobs, promote economic growth and reduce poverty in developing countries.*
>
> *In line with the government's feminist approach to international assistance, the new institution can help ensure that women entrepreneurs – whose success can lift up entire communities but who often find it difficult to access financing – are not left behind.*

FinDev Canada can also be instrumental in advancing the Government of Canada's approach to combating climate change through investments in mitigation and adaptation. As part of climate finance commitments under the Paris Agreement on Climate Change, Canada has pledged $2.65 billion over five years to help developing countries transition to low-carbon, climate resilient economies.

The creation of FinDev Canada is a strong message that Canada is taking concrete steps to diversify its action for development, and become a player in the field of private sector development finance in which it was until now not present. It also responds to the wishes of many Canadian stakeholders active in development, who have advocated for the creation of a similar instrument. This includes organizations with very different mandates but who see a convergence of interests and needs: many civil society organizations have long identified the need to better integrate the role of the private sector in their work, and developed partnerships and programs to do so; Canadian businesses active in developing countries are often at the leading edge of Canadian initiatives to develop sustainable local business ventures; impact investors have accumulated valuable expertise in what it takes for local businesses to be successful.

Collectively, they represent a wealth of complementary expertise and skills, which the Canadian DFI can aspire to work with.

1.6 A Model to Deliver Results

The choice of EDC to house FinDev Canada, over the creation of a new standalone crown corporation, was driven by reasons of effectiveness and impact. EDC has demonstrated its ability to run an efficient and innovative organization. It has a number of the core capabilities required to run a successful DFI such as experience structuring transactions in challenging jurisdictions, broad financial expertise across several ranges of products, strong partner networks around the world including developing countries and a proven track record in the area of Corporate Social Responsibility.

FinDev Canada will also benefit from the corporate services of EDC, and avoid their duplication in a new organization (see below "organizational model and capabilities"). As a result, setting up FinDev Canada as a subsidiary of EDC will enable a much quicker implementation and will be more cost-efficient than setting up an entirely new organization.

While it is important to leverage the synergies between FinDev Canada and EDC, it is equally important to ensure that a clear distinction is established between the two organizations, which are governed by different mandates and will have different go-to-market strategies.

FinDev Canada will build its own capabilities to suit its development purpose, and will leverage EDC capabilities primarily for expertise and general corporate services. It will have its own decision-making capabilities, based on a set of criteria that align with its development objectives. It will also create its own brand and will seek to develop its own identity in the markets where it operates which will be clearly differentiated from EDC's.

CHAPTER 2: FINDEV CANADA'S BUSINESS STRATEGY

2.1 INTRODUCTION

Development finance is a multi-faceted space which involves many different types of organizations with different mandates, priorities and objectives. As a new entrant in this market, FinDev Canada needs to define a market positioning which will make it relevant, impactful and a contributor to Canada's long term development assistance objectives and priorities. The outcome will be a DFI that reflects Canada's strengths while accomplishing its development mission.

2.2 FOUNDATIONS OF A SUCCESSFUL DFI STRATEGY

In preparing for the launch of FinDev Canada, EDC engaged in extensive analysis of the development finance market and consulted with a broad range of organizations operating in it, including existing DFIs - both multilateral and bilateral, civil society organizations and businesses. This work helped identify the many challenges facing DFIs and factors that will contribute to the successful entry of FinDev Canada.

FinDev Canada will build its success on a coherent strategy that balances multiple dimensions: a clear identification of the development outcomes it is seeking; a clear set of priorities and criteria to guide its action and decisions, that align well with the Government of Canada's; the ability to define its own value proposition and differentiate its action from that of other organizations, primarily other DFIs; the ability to leverage partnerships, both in Canada and abroad; effective governance and decision-making; the financial expertise to grow a financially sustainable portfolio, built on successful businesses in developing countries; and a well-managed appetite for risk.

2.3 KEY PRIORITIES

Working with the other government departments, EDC conducted a strategic planning exercise to more fully articulate a long term vision and priorities for FinDev Canada to build upon the Government's initial guidance. Building on EDC's and Canada's strengths, the aspiration of FinDev Canada is to differentiate itself by its ability to *innovate*, to be *nimble* in its operations and achieve demonstrable development *impact*. This section presents how it intends to achieve this aspiration.

OVERARCHING PRIORITIES

FinDev Canada's primary objective is to achieve meaningful and demonstrable development impact by contributing to sustainable development and reducing poverty. It will do so by focusing its action on three main themes: economic development through job creation, women economic empowerment, and climate change mitigation. FinDev Canada's approach will be supported by an assessment and measurement framework and scorecard built around these themes and drawing from the current best practices and experiences of existing organizations. The framework is described later in this chapter (*Ensuring Development Impacts*).

Achieving lasting, sustainable development impacts through the private sector requires that the entrepreneurs and business initiatives supported by FinDev Canada be themselves financially successful in the long term. The financial sustainability of FinDev Canada's portfolio is therefore an indication of its success in achieving durable development impact.

FinDev Canada will seek to be additional to the work of the private sector. "Additionality" is generally defined as the provision of a service not readily available from private sector providers. It is further broken down into *financial* and *value* additionality. Financial additionality refers to the nature of the financial transaction itself, while value additionality considers qualitative benefits – such as ESG practices - provided to the beneficiary alongside the financial transaction. FinDev Canada will monitor the evolution of best practices and draw from them to adopt a relevant and effective approach to additionality in its decision-making process.

FinDev Canada will have an important objective of seeking to mobilize private sector capacity through its action. Mobilization is the ability to attract into a transaction - or a type of transactions - private sector organizations that would otherwise not be willing to take the risks involved. Mobilization can be achieved in many different ways. To achieve it, FinDev Canada will explore innovative structures, leverage partnerships and seek to attract private sector companies by demonstrating the feasibility of doing sound business in challenging jurisdictions. FinDev Canada will seek to fully understand the impact and effectiveness of its action, and adopt a flexible approach to transaction structuring in order to maximize them.

FinDev Canada is mandated by the Government to become financially self-sustaining over time. It will seek to build a balanced portfolio, one that allows it to meet that objective, while also engaging in innovative, high impact transactions.

PARTNERSHIPS

Partnerships will be critical to the success of a new organization. A DFI cannot – and should not - be successful in isolation. FinDev Canada's partnership strategy will be multifaceted.

First, FinDev Canada will work closely with the Government of Canada to ensure overall coherence and maximize opportunities for synergies and collaboration. FinDev Canada programs will complement and not substitute ODA Programs. Where relevant, FinDev Canada will work with other government entities - such as Global Affairs Canada, including the Trade Commissioner Service and development focal points, Finance Canada and the International Development Research Centre (IDRC) - to coordinate action and share expertise for greater impact in target markets.

FinDev Canada will also work with Canadian business and civil society organizations, each according to their respective strengths, to identify opportunities to deploy capacities in a complementary fashion, and leverage different sets of expertise.

Last, FinDev Canada will work with selected international partners (including other DFIs and impact investors) to develop joint strategies and offerings, share intelligence and promote the coherence of action for development.

BUSINESS PRIORITIES

FinDev Canada developed its initial strategy by considering where and how it would be most effective to deliver on its high level objectives and on the strategic priorities laid out by the Canadian Government, and in particular contributing to the success of the local private sector, to women economic empowerment and to addressing Canada's commitment to global efforts to address climate change. Working with local Small and Medium size Enterprises (SMEs) will be an important factor in achieving these objectives.

WHERE TO OPERATE

To fulfill their development goals and remain additional, DFIs operate in potentially challenging markets. This requires a deep knowledge and skill set, which can only be acquired and maintained through a certain degree of specialization. As a result, most DFIs focus on specific geographic areas and sectors in which they build expertise that allows them to make a difference.

Based on the guidance received from the Government, on our analysis of Canadian strengths and on the feedback received from a broad range of stakeholders, we have identified areas for initial focus, which will be further confirmed and refined as we prepare to launch FinDev Canada and underwrite transactions in early 2018. They will continue to be assessed and reevaluated as FinDev Canada grows and gains first hand market experience.

FinDev Canada will require a very solid understanding of how business is done in the markets in which it operates in order to be effective at identifying, analyzing and developing quality business opportunities. The necessary expertise must be built within the organization itself, as well as leveraged from trusted partners active in those markets. Many aspects of transactional due diligence are specific to a given market and/or sector. They include understanding the legal and regulatory environment as well as business practices, and being keenly aware of the local networks and relations. There is a considerable benefit to building up expertise over time - both in-house and through partners – as this will significantly enhance the effectiveness of the organization and its chances of success. Critically, it will help avoid making mistakes that could be financially costly and potentially damaging to the reputation of FinDev Canada and Canada.

- **Geographic focus**: FinDev Canada intends to initially conduct proactive business origination where it can rapidly ramp-up business development, thanks to the market knowledge and networks that Canadian players collectively represent.

  At the current stage of planning, based on the feedback received and on an assessment of Canada's strengths, FinDev Canada expects to initially conduct proactive business origination in select markets in Latin America and the Caribbean. In addition to being markets where Canada has a strong presence, Latin America and the Caribbean are relatively less targeted by European DFIs, despite significant issues of poverty, income disparity and gender inequality. Within those markets, particular attention will be given to poorer regions and those insufficiently served by private sector financial service providers, for instance outside the larger urban areas.

  In addition to this initial focus, FinDev Canada will consider opportunities in countries in Sub-Saharan Africa where Canada also has a strong collective presence and where needs are high.

  Generally, in selecting priority markets, FinDev Canada will pay particular attention to the capacity-building initiatives led by the Canadian government or Canadian civil society, since a successful private sector is dependent on the local business environment and the existence of adequate governance and regulatory frameworks.

- **Sector focus**: Canada has strong competitive advantages in a number of sectors. FinDev Canada will be most impactful if it initially proactively targets, and builds expertise in, a small set of priority sectors. Based on market analysis and stakeholder feedback, FinDev Canada will initially concentrate its business origination efforts on sectors that align well with core priorities of Canada. They are broad sectors which will allow FinDev Canada to build a diversified portfolio and demonstrate its ability to make a difference.

  - **Green growth**: Canada's broad expertise in clean technologies and services is a strong asset that aligns well with its international commitments. FinDev Canada's activities in this area are expected to focus on access to clean energy, climate change mitigation and water related initiatives, but will also consider other types of environmentally-friendly business opportunities. Investment in environmentally-friendly solutions can often have a significant direct or indirect positive impact on the lives of women and youth.

  - **Financial Services**: sound, inclusive, and sustainable financial markets are essential to building shared prosperity and eradicating poverty. FinDev Canada will contribute to financial inclusion by focusing on strengthening and collaborating with local financial institutions in developing countries. Through them FinDev Canada will pay particular attention to reaching small and medium size enterprises, and to business initiatives that provide women with the access to financial services they lack.

  - **Agri-business**: FinDev Canada has made agribusiness a priority because of its potential for broad development impact, especially in job creation. It also offers significant opportunities to advance women economic empowerment. FinDev Canada will seek business opportunities across the agribusiness supply chain—from production to distribution, including enabling infrastructure —to help boost production, increase liquidity, improve logistics and distribution.

- **Target segments**: in keeping with the priorities of the government's Feminist International Assistance Policy, FinDev Canada will pay particular attention to local SMEs, notably women-owned businesses and those that empower women.

  For women to participate equally in contributing to economic growth, they must also have greater access to and control over assets such as land, housing and capital, as well as labour rights and social protections from precarious work situations. Limited access to financial services—such as banking, credit and insurance—makes it difficult for poor households to recover from events such as a poor harvest or a health crisis. This limited access to vital financial services also results in lost economic opportunities, particularly for small and medium-sized enterprises owned by women (Source: Feminist International Assistance Policy).

Beyond ownership, the benefits derived by private businesses in ensuring greater gender equality will be a strong area of focus in developing successful transactions.

When businesses address implicit bias and unsafe working conditions, when they ensure equal pay and provide family-friendly policies and flexible work options for women employees and when they allow increased participation of women in business decision making, productivity improves (Source: Feminist International Assistance Policy).

- **A strong product offering**: FinDev Canada will initially focus its efforts on lending, guarantees and equity investments. It will be able to draw from EDC's technical expertise to deliver industry-leading solutions and, over time, create a strong base for innovation in the field. In the longer term, as its portfolio grows, FinDev Canada will consider offering other financial solutions in which EDC also has strong expertise to draw from and are relevant to the needs in the development finance market, such as political risk insurance or other forms of risk mitigation or credit enhancement.

THE ROLE OF CANADIAN PRIVATE SECTOR ENTITIES

FinDev Canada's mandate is to generate positive development impacts and contribute to reducing poverty. While its mandate does not include a requirement to generate benefits for Canada, FinDev Canada will give consideration to business opportunities involving Canadian companies and other Canadian organizations. EDC heard clearly through its engagement with stakeholders that development focus and business involvement are not mutually exclusive, and can on the contrary work very effectively together. In the spirit of collaboration and of leveraging Canada's best, FinDev Canada will explore opportunities to work with Canadian businesses as well as innovative financiers whose capabilities, experience and knowledge of local markets can help identify impactful business opportunities and contribute to achieving FinDev Canada's long term development goals.

FinDev Canada will also work with the Canadian government as it implements a more integrated and innovative approach to its international assistance, as presented in the FIAP. It will in particular consider how a better coherence between development and other objectives such as trade can benefit the developing countries it is active in.

Better integration of development and other objectives, such as trade, can have positive economic effects for developing countries— and for Canada. As a trading nation, Canada's economic strength depends on diversifying trade and identifying new markets for its goods and services. The same holds true for many developing countries (Source: Feminist International Assistance Policy).

2.4 DELIVERING ON OUR OBJECTIVES: DESIGN AND CAPABILITIES

In order to deliver on FinDev Canada's ambitious objectives of contributing to sustainable development and poverty reduction, EDC is building an organization that has the right capabilities. These efforts are guided by the following principles:

- FinDev Canada will support impactful sustainable development through financing and investment that is additional and mobilizes private sector capacity;
- Development impact will be embedded within the organization's management practices and capabilities
- As a separate institution and a subsidiary of EDC, FinDev Canada will leverage EDC's capabilities where possible;
- FinDev Canada will seek to differentiate itself by its ability to be responsive to the speed of commercial business
- FinDev Canada will be collaborative and leverage partnerships with government, the private sector and civil society organizations;
- FinDev Canada will need to have the right functions, processes and controls required of a fully functional financial institution;
- The design of FinDev Canada will be scalable, and be able to accompany the growth of the organization.

BUILDING A FINANCIAL INSTITUTION: NECESSARY COMPONENTS

The provision of financial services is subject to a number of important constrains and requirements, that fundamentally differentiate the services of a DFI from those of non-repayable international development assistance programs. They include:

- A rigorous, well-tuned approach to risk management, for both financial and non-financial risks. This includes of course credit risk, under its various facets: single obligor, industry, country, concentration. But it also includes such risks as currency, political, environmental, and reputational. FinDev Canada will develop a comprehensive risk management framework that will enable it to be responsive to its clients' needs in challenging environments by adequately assessing and understanding risks.

- Because DFI's tend to commit to their clients for the long term, it is important that the monitoring and management of risks continue over the lifetime of assets; it is also important that, in the event that a client does not meet its obligations, adequate mechanisms be in place to resolve issues and maintain the viability of FinDev Canada.

- Sound risk management practices call for the existence of clear control mechanisms. FinDev Canada will be built according to the principles of "three lines of defense", a core principle for financial institutions which calls for a clear separation of function between proponents of business transactions, those who approve them and those who ultimately oversee the effectiveness of processes and controls. This will require the establishment of specific functions and processes that ensure that decisions involve the appropriate balances and controls.

- Financial management capabilities that govern how FinDev Canada manages its capital and liquidity.

- Managing a financial institution requires following a wide array of rules and disciplines. FinDev Canada will need a comprehensive compliance framework, suited to the nature and volume of its activities. Attention will in particular be given to information and privacy, ethical conduct, and anti-money laundering and terrorist financing. The compliance framework will continue to be developed as FinDev Canada grows and diversifies its activities. In building Canada's DFI, EDC recognizes the potentially problematic area of businesses domiciled in offshore financial centres. FinDev Canada will study the practices of other DFIs with regard to the use of offshore financial centres to develop a balanced and responsible approach that protects its ability to support the private sector and respect host country laws where business operates.

GOVERNANCE: AN OVERVIEW

As a separate legal entity, FinDev Canada will have a governance framework geared towards delivering on its specific mandate in an effective way.

FinDev Canada will have its own Board of Directors, which will be appointed by EDC's Board of Directors. EDC will ensure that FinDev Canada's Board members have the appropriate competencies to oversee the activities of FinDev Canada and the fulfillment of its mandate. It is important that FinDev Canada directors represent a range of expertise, including in the areas specific to the mandate of FinDev Canada (development and/or businesses in developing countries, environmental and social including gender) and in matters of management of a financial institution operating in a complex space (strategy, financial and business risk management, compliance, program integrity, corporate organization and governance).

To complement the expertise of FinDev Canada's Board and given the complexity of the development finance landscape, FinDev Canada will appoint an Advisory Council in consultation with the Minister of International Trade and the Minister of International Development. The role of the Council will be to offer guidance to FinDev Canada with strategic intelligence and advice in the areas pertinent to FinDev Canada's field of activity, such as: priority sectors and regions of activity, development impact framework, opportunities for innovative approaches to development finance, monitoring and evaluation, transparency, disclosure and reporting, grievance mechanism(s), stakeholder management and engagement, sustainability goals.

The Advisory Council will be designed to reflect the diversity of the field and of the stakeholder community. Its members will be selected based on their expertise and credibility in the field of development finance and/or of development through the private sector. They will be drawn from different categories representing the breadth of stakeholders; particular attention will be given to achieving an appropriate gender balance and official language capacity in its membership.

In order to lead FinDev Canada, a Managing Director will be appointed, and will report directly to FinDev Canada's Board of Directors. The Managing Director will play a critical role in steering FinDev Canada to success in its early years, refining and leading the execution of its strategy, hiring and leading the staff and ensuring FinDev Canada has the required capabilities to be successful.

ORGANIZATIONAL MODEL AND CAPABILITIES

The organizational model chosen by the government is that of a separate organization governed by a separate mandate and leveraging the capabilities of EDC in order to generate efficiencies and allow FinDev Canada to be implemented effectively and rapidly. This will be particularly important in the areas specific to the successful management of a financial institution, such as financial and risk management, compliance, program development and integrity.

An in-depth analysis was conducted to determine in greater detail the most effective model following this broad design principle. Particular attention was given to where FinDev Canada will need dedicated capabilities, where it will be able to share services with EDC, and how to ensure that these services best suit the need of FinDev Canada. The principles outlined at the beginning of this section helped guide this design work.

The model that was developed will be anchored by a dedicated FinDev Canada team, which will deliver its core functions. This core team will be based in Montreal, in offices which are currently being sourced. Dedicated capabilities will be built within FinDev Canada in two main areas: corporate functions and transaction management. These functions are in the process of being defined in greater detail.

Other functions will be drawn from EDC under a shared services model, governed by Service Level Agreements (SLAs) between EDC and FinDev Canada. This approach will allow FinDev Canada to benefit from a critical mass and depth of expertise available at EDC while achieving cost efficiencies.

PEOPLE

FinDev Canada will seek to identify the best talent available to deliver on its objectives. Recruitment will focus on the unique blend of experience and capabilities that reflect the objectives and priorities of FinDev Canada. It will seek to hire professionals that can, collectively, deliver innovative financial solutions to help create the desired development impact, notably alleviating poverty, contributing to women economic empowerment and addressing climate change. The people FinDev Canada hires, its leadership and the environment generated by its mandate and operations will all contribute to the development of a distinct corporate culture.

FinDev Canada will offer an Employee Value Proposition that will ensure it can attract and retain the talent it needs. It will draw from EDC's best practices in human resources management, including its code of conduct for employees.

The performance of FinDev Canada employees will be measured and assessed against FinDev Canada's specific mandate and objectives, and particularly its ability to achieve development impacts. This principle was brought up by many stakeholders in our consultation and is very consistent with EDC's culture of performance and of alignment of personal accountability with corporate success.

ENSURING DEVELOPMENT IMPACTS

The primary mission of FinDev Canada is to contribute to the economic and social development of the communities and countries in which it is active, through the private sector it supports. While simple to state, this objective represents a challenge for all institutions involved in development, and DFIs are no exception.

The subject matter is complex. Many different models exist to identify, assess and measure the impact of initiatives seeking to promote development and reduce poverty. Many of the organizations we have consulted in building FinDev Canada admit to the challenge, and no organization claims to have a perfect model. For DFIs, the challenge is increased by the natural tension existing between the simultaneous pursuit of development impacts and financial sustainability.

As a new entrant in the market, FinDev Canada has the opportunity to learn from what others have done. Conscious of the difficulty to build a Development Impact Framework from the ground up, EDC has retained the services of a consulting firm specialized in the field, and with considerable experience working with DFIs, and tasked it with a primary mission to conduct a thorough analysis of a variety of existing DFIs' development impact practices.

On the basis of the outcomes of this study, EDC will before the end of 2017 develop a framework for FinDev Canada to assess the business opportunities it considers, and measure the actual impact of transactions it has concluded. The framework will be integrated into the decision-making processes of FinDev Canada and FinDev Canada staff training. Development impact considerations will be embedded throughout FinDev Canada's corporate practices.

More details on the approach FinDev Canada will adopt, and the general principles it will follow are provided later in this chapter (*Measuring Success*).

BUILDING MONITORING AND EVALUATION CAPABILITIES

The monitoring and evaluation of the performance and impact of transactions over their lifetime is a critical aspect of DFIs' activities and an important contributor to their credibility. It allows them to provide quality reporting on the non-financial value of investments, and to learn from their own activities. It requires resources and methodology.

FinDev Canada will develop a system for monitoring and evaluating development impacts. In building this system, it will need to make sure that it is cost-efficient and practical from the perspective of its clients.

The ability of private sector clients in developing countries to provide consistent and reliable data is a well-known challenge to organizations active in development finance. Guidance received to date indicates that choosing reporting indicators that also constitute useful intelligence for a client to manage its business can considerably improve the collection of data and its quality.

Finally, FinDev Canada will design a process to ensure a feedback loop (lessons learned) from its monitoring and evaluation practices back into the institution. In this manner, lessons from past individual transactions can inform decision-making and the design of future transactions.

A STRONG ENVIRONMENTAL SOCIAL AND GOVERNANCE PRACTICE

In addition to ensuring that their support of entrepreneurs in developing countries leads to meaningful and measurable impact, DFIs pay particular attention to the practices and capabilities of their clients in the areas of ESG practices.

In doing so, not only do they ensure that the companies they work with meet some key standards, they also help them achieve higher standards, and become examples of good practices in their community.

ESG expertise is a core function within DFIs and is in most cases fully embedded in their transactional teams. Based on the benchmarking conducted of other DFIs, and the input from many stakeholders, FinDev Canada will build its own, dedicated ESG practice. In addition, it will draw from EDC's depth of expertise in Corporate Social Responsibility and build upon its best practices.

TECHNICAL ADVISORY SERVICES

DFI financial services are typically complemented by technical advisory services, delivered on a cost-sharing or grant basis (i.e. technical assistance). Their purpose is to improve the ESG practices of the businesses with which DFIs work. Technical advisory services are considered particularly important to achieve positive outcomes in some of the key areas identified as priorities for FinDev Canada, such as women economic empowerment and gender equality, and the success of SMEs.

FinDev Canada will not provide grant-based technical assistance from its own resources or have dedicated resources to administer these services. However, technical assistance funds have been set aside within Global Affairs Canada, who will work closely with FinDev Canada over the next year to formulate an arrangement to provide technical advisory services in a streamlined fashion, through consultancies to businesses supported by FinDev Canada.

BUILDING A DISTINCT DFI BRAND

EDC has begun working with communications specialists to develop a distinct FinDev Canada brand that will help establish a strong, recognizable identify in the market. The brand will be different from EDC's and will, like EDC's, reflect values of reliability and professionalism.

The brand will be supported by a dedicated FinDev Canada website designed to connect to its clients, partners and stakeholders.

2.5 A PHASED IMPLEMENTATION

FinDev Canada has set the ambitious objective of becoming a recognized innovator in development finance. It will start its operations with the backing of a strong parent (EDC), the depth of expertise of the Canadian government, and will work to leverage the support and know-how of a wide range of Canadian civil society and private sector organizations.

Developing to reach its full potential will however take time. The growth strategy of FinDev Canada in its initial years is to focus on learning, experimenting and on building strong foundations.

2018 - launch: FinDev Canada is scheduled to be launched in January 2018, with basic capabilities and infrastructure. 2018 will be a learning and foundational year, both from an organizational and business perspective.

- **Organization**: FinDev Canada will continue building its capabilities and staff, with a strong focus on training and team building. It is anticipated that initial staff will come from various organizations, and ensuring cohesion and alignment of purpose will be important for future successes. As it begins operations, FinDev Canada will also need to create, consolidate, adjust and improve its internal processes, with a focus on alignment with its objectives and scorecard. The head office of FinDev Canada will be located in Montreal once adequate facilities have been set up, which is anticipated to occur mid-year.
- **Business**: in its first year in the market, FinDev Canada will need to build a network of trusted partners in the areas where it wants to focus, and generate a pipeline of quality opportunities. By all accounts, the gestation of development finance transactions takes considerable time. FinDev Canada will need to begin establishing itself as a credible organization, both with partners and with potential clients, and early signals will be important.

2019 - affirming FinDev Canada's identity: as FinDev Canada and its staff gain experience, it will seek to take increasing levels of leadership and initiative in transaction development and underwriting. The goal is for those transactions to begin demonstrating the FinDev Canada's innovative capabilities, as well as its ability to deliver according to predictable and competitive time frames, in an industry where slow response times is often pointed to as a significant shortcoming.

This period will constitute a new level of learning for the organization as a whole, as it grows its portfolio while managing its existing assets. This is also the year in which FinDev Canada will publish its first annual report, and strengthen its reporting and evaluation practices.

2020 and beyond: as a two-year old institution, FinDev Canada will still be on a steep learning curve for a number of years. Over the remainder of this 5-year planning period, FinDev Canada will need to achieve a number of important objectives:

- Continue diversifying and consolidating its portfolio of transactions, towards financial sustainability. This will require in particular balancing its investment and lending activities. It is generally recognized that equity investments, whether direct or in funds, can generate greater development impacts if well-structured and managed. While equity can also generate greater financial returns in the long run, it is more costly to initially underwrite and has a much longer return cycle. The DFI will therefore initially rely on a greater proportion of debt transactions, to help generate revenue early on.
- As it matures, FinDev Canada will need to keep adjusting its organization to its business activity, with a focus on improving the effectiveness of its processes and its overall productivity. It will in particular need to adapt and strengthen its information technology platform to manage its growing portfolio.
- During these years, FinDev Canada is expected to be in a leading position for a growing proportion of the transactions it enters into, and to demonstrate its ability to develop innovative structures and solutions.

2.6 TRANSPARENCY AND DISCLOSURE

In order to respond to both high and diverse expectations, regular and continuous engagement with stakeholders will be critical as we launch operations and throughout the life of this new organization. Transparency through disclosure of information will constitute an important tool to meet those expectations. FinDev Canada aims to be as transparent as possible without compromising commercially sensitive information from clients. A dedicated website for FinDev Canada will be a key tool for making information available to stakeholders. This will include providing clarity on the criteria and processes that FinDev Canada will follow to decide on business transactions, such as its development impact assessment criteria, and ESG standards.

Post commitment, and during the length of its involvement, FinDev Canada will provide regular updates to stakeholders on individual transactions, outlining its key developmental and ESG benefits, including gender equality and empowerment, sharing the lessons learned and telling the story of the communities and individuals impacted.

To meet the anticipated demand for a transparent operation, FinDev Canada will develop a regular cadence of stakeholder sessions to directly seek views and test ideas, and to complement the guidance received from the Advisory Council. In developing its internal centre of expertise on development finance, FinDev Canada will collaborate with, and be informed by partnerships with others, in academia and professional organizations, both in Canada and abroad.

FinDev Canada will for instance seek to convene discussions with stakeholders on women economic empowerment, and contribute to identifying innovative ways in which private sector activities can best achieve outcomes in this domain.

2.7 MEASURING SUCCESS

FinDev Canada is designing a corporate scorecard that will keep it focused on its key objectives. There will be several components to this scorecard. This section reviews the approach adopted to design these various components.

DEVELOPMENT IMPACT

As mentioned previously (*Ensuring Development Impact*) FinDev Canada's impact scorecard will be based on the best practices of existing DFIs, and built around key principles. It takes into account the input and guidance we have received from many stakeholders.

At the core will be clear identification of the type of change FinDev Canada wants to bring about, and how it correlates with SDGs. We anticipate that three SDGs will be particularly relevant to FinDev Canada, its strategic direction and that of the government: SDG 5 – *gender equality*, SDG 8 – *decent work and economic growth*, and SDG 13 – *climate action*.

The more detailed indicators used by FinDev Canada will be determined with the following criteria in mind:

- for coherence of purpose, priority sectors of action will be determined on the basis of their inherent positive impacts;
- They will be aligned with current best practices of the international community, such as the Harmonized Indicators for Private Sector Operations (HIPSO – a joint initiative of 25 International Financial Institutions, including DFIs);
- Chosen indicators will measure what matters; they will be based on the known availability of consistent and reliable data across sectors and geographies, in order to support comparability and consistency of action;
- They will take into account the constraints of DFI clients in matters of administration and reporting, with the goal for the chosen indicators to also serve the needs of the clients in building better, more sustainable businesses;
- Indicators will need to be based on data that can be measured in a cost-effective way

The details of the future corporate scorecard will be determined with the help of an external consultant in the fall of 2017. It will be anchored around three themes that align well with the SDGs, for which specific indicators and methodologies suitable for private sector activity will be identified:

- Local economic impact, through job creation
- Women economic empowerment
- Climate change mitigation

Recognizing that indicators must be limited in number and aligned to the Government's development agenda, attention will also be given to indicators that are of more general value, are commonly used by other development finance institutions and that can be enduring. The impact assessment and measurement framework will include a pre-investment screening tool that will allow the comparison between different opportunities and help direct decisions to the most impactful ones. It will also identify the information required by FinDev Canada to measure the impact of its active transactions, and where it will be sourced.

NON-QUANTITATIVE BENEFITS

In addition to quantitative metrics, FinDev Canada will ensure it understands and evaluates the qualitative effects of its action, and reports on it.

ADDITIONALITY AND MOBILIZATION

FinDev Canada will include in its decision-making, but also track, the way it ensures that its action is additional to that of the private sector It will also measure the extent to which its action has led to the deployment of private sector capacity. It will continue assessing the effectiveness of its tracking methodologies and be an active participant in the development of best international practices.

FINANCIAL SUCCESS AND SUSTAINABILITY

As a self-sustaining financial institution, FinDev Canada will report regularly to the government of Canada, through EDC's regular reporting, on its financial performance and that of its portfolio.

CHAPTER 3: FINDEV CANADA FINANCIAL PLAN

3.1 INTRODUCTION

Key items to highlight in the Financial Plan are as follows:

- FinDev Canada will initially be funded by capital injected by its parent company, Export Development Canada ("EDC"). Injections of $100 million are forecast to occur in 2018, 2019 and 2020.
- We are projecting a net loss of $9 million in 2018 which will gradually reduce to a loss of $3 million by 2022.
- Loans receivable are projected to grow from $40 million in 2018 to over $600 million by the end of the plan period.
- Investments are projected to grow to $45 million by the end of the plan period.

EDC will engage in any borrowing, investing and hedging activities on behalf of FinDev Canada.

In the Financial Plan, we will first present the key business assumptions which were used to derive our projected financial results followed by a discussion of our projected operating expenses and planned capital expenditures. Projected financial statements are also included.

3.2 KEY BUSINESS ASSUMPTIONS

A series of key assumptions, including business facilitated, risk profile of business facilitated, foreign exchange and interest rates, all of which have an impact on our business activity and financial performance, drive the Financial Plan. Using these assumptions, which align with our business strategy and economic outlook, projected financial statements are developed for the planning period, including a forecast to the end of the current fiscal year. Any changes to our business strategy or to the underlying assumptions may materially affect the projections over the planning period.

BUSINESS FACILITATED

2018 PLAN

We are projecting business facilitated to be $55 million in the first year of FinDev Canada operations.

2019 TO 2022 PLAN

We are projecting year over year growth of business facilitated in our financing and investments program to be in the range of 28 per cent to 100 per cent between 2019 and 2022, as market awareness of FinDev Canada increases and early business development efforts start to deliver benefits.

RISK PROFILE OF BUSINESS FACILITATED

We are projecting that the financing and investment business undertaken by FinDev Canada will be 100% non-investment grade. The risk profile of the financing portfolio is one of the key drivers of both the provision for credit losses and capital demand for credit risk.

FOREIGN EXCHANGE

The Financial Plan uses a year-to-date average rate as the U.S. dollar foreign exchange rate assumption for the remainder of 2017 and all subsequent years. This methodology removes the volatility associated with yearly dollar fluctuations and ensures more comparable projections. The rate used in this Plan, based on the average rate for the period January 2017 through June 2017, is U.S. $0.75.

INTEREST RATES

This forecast is based on Bloomberg financial market data, and is driven by supply and demand as well as market expectations for interest rates.

3.3 ADMINISTRATIVE EXPENSES

Table 1: Projected Administrative Expenses (2017-2022)

(in millions of Canadian dollars)	2017 Fcst	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Salaries and benefits	0.3	4.2	3.8	4.0	4.3	4.9
Administration costs	1.5	1.7	1.7	1.7	1.6	1.7
Professional services	1.6	1.1	1.0	1.0	1.0	1.1
Marketing and communications	0.4	0.7	1.1	1.3	1.3	1.3
Other	0.6	1.7	2.0	2.3	2.5	2.5
Total administrative expenses	4.4	9.4	9.6	10.3	10.7	11.5

We are targeting administrative expenses of $9.4 million for 2018. Items of significance in our administrative expense projections for 2018 and beyond are as follows:

- Salaries and benefits as we onboard new employees to support FinDev Canada's business.
- Administration costs represent expenses incurred by EDC in respect of services that it will provide to FinDev Canada under Service Level Agreements.
- Professional services are mainly consulting fees to start up and continuously improve operations, as well as legal costs to investigate new markets and develop transaction documentation standards.
- Marketing and communications costs will be incurred as we build brand awareness and create business opportunities in support of sustainable development in emerging economies. Also included are costs to report back to key stakeholders on the activities of FinDev Canada.

Table 2: Travel and Hospitality Expenses (2017-2022)

(in thousands of Canadian dollars)	2017 Fcst	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Travel	110	435	380	500	520	550
Hospitality	10	10	11	12	13	14
Conferences	-	100	100	100	100	100
Total	120	545	491	612	633	664

Table 3: Travel and Hospitality Expenses as a Percentage of Total Administrative Expenses (2017-2022)

(in thousands of Canadian dollars)	2017 Fcst	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Total travel and hospitality expenses	120	545	491	612	633	664
Total administrative expenses	4,403	9,441	9,573	10,298	10,666	11,539
Travel and hospitality as a % of total administrative expenses	2.7%	5.8%	5.1%	5.9%	5.9%	5.8%

3.4 CAPITAL EXPENDITURES

Table 4: Projected Capital Expenditures (2017-2022)

(in millions of Canadian dollars)	2017 Fcst	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Facilities*	-	1.3	-	-	-	-
Information technology	0.5	2.1	0.8	0.4	0.4	0.4
Total capital expenditures	0.5	3.4	0.8	0.4	0.4	0.4

** Facilities capital expenditures include leasehold improvements and furniture and equipment. Information technology capital expenditures include hardware, internally developed and purchased software.*

Facilities expenditures of $1.3 million are included in the 2018 plan for leasehold improvements and purchases related to the opening of FinDev Canada's office in Montreal.

Capital expenditures for information technology are projected to be $0.5 million for 2017 and $2.1 million for 2018 as we invest in the configuration of systems to be used by FinDev Canada and for purchases, enhancements and licenses of required technology.

3.5 FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

Table 5: Projected Condensed Statement of Comprehensive Income (2017-2022)

for the year ended December 31 (in millions of Canadian dollars)	2017 Fcst	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Financing and investment revenue:						
Loan	-	1	3	7	14	23
Marketable securities	-	-	1	1	-	-
Total financing and investment revenue	-	1	4	8	14	23
Interest expense	-	-	-	-	2	6
Net Financing and Investment Income	-	1	4	8	12	17
Administrative Expenses	4	9	10	10	11	12
Income (Loss) before Provision for Credit Losses	(4)	(8)	(6)	(2)	1	5
Provision for Credit Losses	-	1	3	4	6	8
Net and Comprehensive Loss	(4)	(9)	(9)	(6)	(5)	(3)

2017 FORECAST

We are forecasting a net loss of $4 million for 2017 due to costs incurred to establish FinDev Canada.

2018 CORPORATE PLAN

We are forecasting a net loss of $9 million in 2018. Although we are forecasting $1 million of net financing and investment income in the first year of operations, this revenue will be offset by administrative expenses and provision for credit losses. For the years 2019 to 2022, we are initially projecting net losses of $9 million which will gradually reduce to $3 million by 2022 as FinDev Canada trends towards profitability.

STATEMENT OF FINANCIAL POSITION

Table 6: Projected Condensed Statement of Financial Position (2017-2022)

as at December 31 *(in millions of Canadian dollars)*	2017 Fcst	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Assets						
Marketable securities	-	44	54	18	-	-
Loans receivable	-	40	119	247	424	645
Allowance for losses on loans	-	(1)	(4)	(9)	(15)	(22)
Investments at fair value through profit or loss	-	1	5	12	25	45
Property, plant and equipment	-	1	1	1	-	-
Intangible assets	-	2	3	3	3	3
Total Assets	-	87	178	272	437	671
Liabilities and Equity						
Owing to Export Development Canada	4	-	-	-	170	407
Equity						
Share capital	-	100	200	300	300	300
Retained earnings (deficit)	(4)	(13)	(22)	(28)	(33)	(36)
	(4)	87	178	272	267	264
Total Liabilities and Equity	-	87	178	272	437	671

2018 CORPORATE PLAN

Loans receivable are projected to be $40 million in the first year of FinDev Canada operations and grow to over $600 million over the Corporate Plan period. FinDev Canada will be funded by capital injections from its parent company, EDC. Capital of $100 million is planned to be injected by EDC in 2018 followed by an additional $100 million in both 2019 and 2020. Surplus capital will be invested in marketable securities through EDC until it is required for cash outlays.

Initially FinDev Canada will use its capital injection to fund cash requirements. After the capital is consumed, it will raise debt through EDC. EDC will undertake all investing, borrowing and hedging activities on behalf of FinDev Canada.

STATEMENT OF CHANGES IN EQUITY

Table 7: Projected Condensed Statement of Changes in Equity (2017-2022)

for the year ended December 31 *(in millions of Canadian dollars)*	2017 Fcst	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Share Capital	-	100	200	300	300	300
Retained Earnings (Deficit)						
Balance beginning of year	-	(4)	(13)	(22)	(28)	(33)
Net loss	(4)	(9)	(9)	(6)	(5)	(3)
Balance end of year	(4)	(13)	(22)	(28)	(33)	(36)
Total Equity (Deficit) at End of Year	(4)	87	178	272	267	264
Return on Equity	n/a	-21.7%	-6.8%	-2.7%	-1.9%	-1.1%

STATEMENT OF CASH FLOWS

Table 8: Projected Condensed Statement of Cash Flows (2017-2022)

for the year ended December 31 *(in millions of Canadian dollars)*	2017 Fcst	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Cash Flows from (used in) Operating Activities						
Net loss	(4)	(9)	(9)	(6)	(5)	(3)
Adjustments to determine net cash from (used in) operating activities						
Provision for credit losses	-	1	3	4	6	8
Depreciation and amortization	-	-	-	1	1	1
Changes in operating assets and liabilities	4	(7)	(2)	1	(2)	(3)
Loan disbursements	-	(41)	(81)	(135)	(189)	(243)
Loan repayments	-	1	3	7	14	23
Net cash used in operating activities	-	(55)	(86)	(128)	(175)	(217)
Cash Flows used in Investing Activities						
Disbursements for investments	-	(1)	(4)	(8)	(13)	(20)
Net cash used in investing activities	-	(1)	(4)	(8)	(13)	(20)
Cash Flows from Financing Activities						
Amounts borrowed from Export Development Canada	-	-	-	-	170	237
Capital injection	-	100	100	100	-	-
Net cash from financing activities	-	100	100	100	170	237
Net increase (decrease) in cash and cash equivalents	-	44	10	(36)	(18)	-
Cash and cash equivalents						
Beginning of period	-	-	44	54	18	-
End of period	-	44	54	18	-	-
Cash and cash equivalents are comprised of						
Cash	-	-	-	-	-	-
Cash equivalents included within marketable securities	-	44	54	18	-	-
End of period	-	44	54	18	-	-

ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

The accounting policies used in the preparation of this Financial Plan are in accordance with International Financial Reporting Standards (IFRS) currently in effect. The earnings of the corporation are not subject to the requirements of the *Income Tax Act*.

AMENDED AND EVOLVING STANDARDS

The International Accounting Standards Board (IASB) has a number of projects underway, some of which will affect the standards relevant to FinDev Canada.

IFRS 16 – Leases – In January 2016, the IASB released the new Leases Standard requiring lessees to recognize assets and liabilities for the rights and obligations created by leases. The standard is expected to impact FinDev Canada's financial statements and is effective for reporting periods beginning on or after January 1, 2019.

3.6 CAPITAL MANAGEMENT

CAPITAL ADEQUACY POLICY

For the initial years of operations it is anticipated that the supply of capital (i.e. the capital injection) will meet all of the operating needs of the corporation. During that period, FinDev Canada will develop a capital management framework.

3.7 BORROWING STRATEGY

BORROWING AUTHORITY

Pursuant to EDC's expanded mandate under section 10(1)(c) of the amended *Export Development Act*, EDC has incorporated Development Finance Institute Canada as a wholly owned subsidiary of EDC. FinDev Canada will not borrow money in the markets and will, when required, borrow from EDC who is permitted to borrow money under section 12 of the *Export Development Act*.

BORROWING STRATEGY

EDC will capitalize FinDev Canada with CAD 100 million in each of 2018, 2019 and 2020. EDC will provide debt financing to FinDev Canada once the CAD 300 million injection has been fully utilized. EDC Treasury will leverage its expertise to undertake all borrowing, investing, hedging and foreign exchange activities on behalf of FinDev Canada.

Development Finance Institute Canada (DFIC) Inc.