FinDev Canada

Corporate Plan Summary 2019-2023

Canada

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

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1.0 EXECUTIVE SUMMARY

FinDev Canada's mandate is to provide development financing and other forms of development support in a manner that is consistent with Canada's international development priorities. To deliver on this mandate, FinDev Canada is building an industry-leading team of professionals who will execute an innovative strategy, with a goal to position itself as a leading organization in development finance.

The current trends within the development finance space suggest that one of the most powerful engines for inclusive growth in developing countries are businesses that generate positive impact for their communities[1]. However, efforts to ensure that these enterprises can access the required capital and assistance are insufficient. Existing Development Finance Institutions (DFIs) are facing challenges to truly meet the needs of the private sector while remaining additional to other players. On the other hand, investors around the world are increasingly interested in opportunities for impact-oriented investment. This puts FinDev Canada in a unique position to play a role in mobilizing private sector finance and direct it to the markets that need it the most thereby contributing to the achievement of the Sustainable Development Goals (SDGs).

FinDev Canada's primary objective is to achieve meaningful, demonstrable and sustainable development impact by contributing to the success of private enterprises in developing countries. FinDev Canada will seek to stand out as an innovator in the field. It will differentiate itself over time by its nimbleness, its attention to customer needs, and by leveraging technology and data to deliver new areas of value for its customers and partners. Its action will be guided by the ability to achieve change in three main areas: women's economic empowerment, climate change mitigation and economic development through job creation. Appreciating that this endeavour will not be easy, FinDev Canada will seek to focus in the markets where it can drive the most value and be truly additional, such as least developed countries. It will position itself, over time, to better address the needs of smaller, growth stage businesses with outsized development impact potential.

Investing in women remains one of the best ways to realize impact, and yet progress towards full gender equality remains far too slow. FinDev Canada is launching its activities with a comprehensive gender lens, a boldness to conduct part of its activities in lower income (LICs) and least developed countries (LDCs), and a dedication to innovative approaches. The commitment to consider all its investments through a gender lens will position FinDev Canada as a leader in helping its clients realize the business benefits of empowering women at all levels in the economy. FinDev Canada's other ambition is to act as a pioneer, including in LDCs, which will help it identify high-impact investment opportunities and seek to mobilize its peers. All this will be done by focusing on development impact while ensuring financial sustainability. It will offer debt and equity investment solutions, either directly or through intermediaries, with a view to mobilize additional capacity from private sector investors and lenders. It will always strive to deploy its capacity in a manner that is additional to other players, both from a financial and a value perspective.

1 Business Commission. (2017). *Better Business, Better World*. Business & Sustainable Development Commission.

To ensure greater effectiveness in what it does, FinDev Canada will initially prioritize activities in two broad regions: Latin America and the Caribbean, and Sub-Saharan Africa. It will also initially focus on three main sectors: agribusiness, green growth and the financial industry. It will seek to stand out as an innovator in the field. Its preferred mode of delivery will be in partnership with complementary, like-minded organizations in both the public, private and civil society sectors, in Canada and beyond.

FinDev Canada's financial sustainability is a condition of its credibility in the market and its ability to leverage the financial capacity of others. It will measure and report on its financial performance on a portfolio basis as highlighted in the financial plan. Similarly, the financial plan describes the key business assumptions and how FinDev Canada will trend towards financial sustainability within approximately seven years.

FinDev Canada will pay particular attention to the impact of its business activities on local communities, and to the opportunities for elevating the standards of its clients in the environmental, social and governance (ESG) fields. As it conducts due diligence on its transactions, it will benchmark the performance of its clients against best practices and standards, such as the International Finance Corporation (IFC) Performance Standards and the United Nations General Principles.

To establish a strong internal foundation from which the organization can deliver on its strategic goals, FinDev Canada will employ rigorous risk management, agile operational processes and procedures, and sustainability protocols that align with best practices of the private sector. FinDev Canada's organizational model will rest on a strong team of dedicated professionals performing the functions that are critical to the delivery of its mandate, in turn supported by the considerable depth and expertise of its parent Export Development Canada (EDC).

VISION

A more sustainable and inclusive world, where women contribute to, and benefit from economic opportunities.

MISSION

To provide financial solutions to businesses in developing countries, with the potential to empower women, mitigate climate change and develop markets.

2.0 OVERVIEW

2.1 BACKGROUND

The Government of Canada announced in March 2017 its intention to create a Development Finance Institution (DFI) housed under EDC. The new Canadian DFI was incorporated under the Canadian Business Corporations Act (CBCA) in October 2017 as Development Finance Institute Canada (DFIC) Inc. / Institut de financement du développement Canada (IFDC) Inc. (hereinafter "FinDev Canada"). It will initially be capitalized with C$300 million, of which C$100 was paid in early 2018. FinDev Canada began operations in February 2018 with the signing of its first transaction.

The present Corporate Plan outlines the strategy that will guide FinDev Canada in its early years. Of note, this is FinDev Canada's first Corporate Plan as an operating company, and 2019 will be its first full year of operations.

FinDev Canada fills a gap in Canada's current development assistance toolbox, by offering solutions that enable the success of the private sector in developing countries, where access to capital is limited, and through it generate lasting economic and social impacts. Nine out of ten jobs created in developing economies are in the private sector, making it a critical contributor to sustainable development.

FinDev Canada envisions a more sustainable and inclusive world, where women contribute to, and benefit from economic opportunities. In delivering on its mandate, it will ensure it is aligned with the Government of Canada's Feminist International Assistance Policy. Foremost, it will be a leader in promoting women's economic empowerment through the private sector. This will be implemented through its mission of providing financial solutions to businesses in developing markets with the potential to positively impact market development, empower women and mitigate climate change.

2.2 BUILDING MOMENTUM

FinDev Canada enters the global development finance space with an ambitious strategy and agenda. Its goal is to offer solutions tailored to the needs of customers in underserved markets, that have the potential to have outsized impact on women. It has adopted a bold development impact framework that will be used to assess all transactions against three key impact goals: women's economic empowerment, market development and, environment and climate action. By applying a gender lens to 100% of its investments, FinDev Canada positions itself amongst the leaders within the DFI community in harnessing the effects of women's economic empowerment to maximize development impact.

To reach its impact targets, FinDev Canada will seek to operate at the leading edge of innovative finance and demonstrate that there is a viable class of businesses that can deliver commercial returns while also delivering women's economic empowerment, environment and climate action, and local market development. It will invest in markets where it can drive the most value and be truly additional, including least developed countries. It will position itself, over time, to better address the needs of smaller, growth stage businesses with outsized development impact potential.

Investment in these areas will not be easy, as demonstrated by the lack of actors—from institutional investors to other Development Finance Institutions (DFIs)—investing in them. FinDev Canada's commitment to this level of additionality, despite the inherent challenges, will require a bold, multi-faceted approach. Notwithstanding, it will keep its operations nimble and identify opportunities that match its strategy and skills. It will leverage technology and data to drive innovative solutions and provide value to its customers. It will incorporate a strong Technical Assistance stream to build sustainable businesses in challenging environments.

FinDev Canada has already started to build momentum towards its ambitious targets. Its first transaction —a US $10 million equity investment in the Kenyan energy provider M-KOPA (see p. 14)—will bring solar power to 1.5 million low-income homes across East Africa, improving the lives of women and spurring more economic activity. FinDev Canada's unique value proposition and gender focus is drawing attention across the impact investment space, helping it develop a pipeline of business opportunities. Crucially, FinDev Canada has built up its human capital, hiring in 2018 a dozen experienced professionals to help build out, in time, the organization's operations and investment capabilities. The present strategy outlines how FinDev Canada will build its capabilities and reach its goals over the planning period.

3.0 THE OPERATING ENVIRONMENT

3.1 THE GLOBAL OUTLOOK

One of the most powerful engines for inclusive growth in developing countries are businesses that generate positive impact for their communities[2]. These businesses can deliver positive impact while also providing investors with competitive rates of return on their capital[3]. To achieve success, these enterprises require capacity building, an enabling environment, and capital. A variety of public and private actors work to build enterprise capacity and shape enabling environments. They do so by increasing market access or improving businesses' market strategy - also resulting in knowledge spillovers that businesses need to innovate. However, enterprises rely almost exclusively on investors to provide the capital they need to grow and survive.

Efforts to ensure that these enterprises can access the required capital and assistance are insufficient. SMEs for example, which typically represent around 45% of the labour market and generate one third of a country's GDP, often face even more limited access to capital. In countries with low traditional banking capacity, SMEs lack access to equity financing and struggle to attract investment. Innovative financial instruments and significant risk appetite are required to cater to such enterprises, as traditional approaches have demonstrated their limits.

Investors around the world are increasingly interested in opportunities for impact-oriented investment. Institutions that manage large amounts of private capital, including banks, private equity firms, pension funds asset managers and sovereign wealth funds have increasingly invested in inclusive growth in emerging markets[4]. For example, between 2013 and 2015, impact-oriented endowments, pension and insurance funds grew substantially, by 28% and 24%, respectively. Gender-lens investing as a form of impact investing is also gaining momentum. According to a study, funds targeting women and girls have raised $1.3 billion in capital as of 2017. More funds were launched in 2017 than any other year tracked[5]. In an indication of a longer-term trend, organizations making impact investments have increased their activities by over 100% in the past 10 years[6].

While some investors are compelled by specific market opportunities, particularly in areas such as clean technology, others are responding to growing pressure to invest responsibly. Shareholders are increasingly wielding their voting power to advance environmental, social, or governance issues[7]. These trends exist within Canada as well, most notably with the rise of collaborative networks. The Responsible Investment Association (RIA), a network of Canadian investors actively integrating ESG factors into their investment strategies, has more than doubled in size since 2013[8].

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2 Business Commission. (2017). *Better Business, Better World.* Business & Sustainable Development Commission.
3 Cambridge Associates. (2017). *The Financial Performance of Real Assets Impact Investments: Introducing the Timber, Real Estate, and Infrastructure Impact Benchmarks.* Cambridge Associates.
4 *The CEO of the world's largest asset manager has encouraged public companies to incorporate a development lens in their management decisions for the past two years.* (Fink, L. (2017). *Annual Report to CEOs.* Retrieved from BlackRock: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter)
5 Project Sage: https://socialimpact.wharton.upenn.edu/news/five-things-know-project-sage/
6 Bouri, A., Mudaliar, A., Schiff, H., Bass, R., & Dithrich, H. (2018). *Roadmap for the Future of Impact Investing: Reshaping Financial Markets.* GIIN.
7 Mufson, S. (2017). Financial firms lead shareholder rebellion against ExxonMobil climate change policies. *The Washington Post.*
8 RiA. (n.d.). *About Us.* Retrieved from Responsible Investors Association: https://www.riacanada.ca/about/

Notwithstanding, much more needs to be done to translate this interest among private sector investors into consistent, impactful action. The 2015 Addis Ababa Action Agenda on financing for development recognizes the role that private sector finance – estimated at US $200TN in assets under management[9] - must play in accomplishing 2030 Sustainable Development Goals (SDGs). The Agenda calls for an additional US$2.5TN of annual private sector investment to realize the SDGs[10]. Private sector investment often occurs in middle-income countries, where investment and financing needs are less dire. However, the largest financing gaps are in least developed (LDCs) and low-income countries (LICs), as well as fragile and conflict affected countries (FCAS), where the potential for development impact is highest. Currently, only 7% of private capital mobilized by development finance institutions reaches these markets[11]. Mobilizing this level of investment for the markets that need it the most within the 2030 timeframe will require a step change in global efforts to catalyze private sector financing for development. The enormous scale of the development finance gap indicates the complexity of the challenge facing development finance institutions (DFIs), and more generally the community of players attempting to direct investments to the markets that need it most.

The surging energy demands of rapidly growing urban populations will outpace efforts to curb fossil fuel emissions. The International Energy Agency projects a 30% increase in global energy demands by 2040, despite abatement efforts[12]. As the negative impacts of climate change become a "new normal" around the world, policymakers and investors will shift their focus from abatement to adaptation.

Investing in women will remain one of these best investments to realize impact, and yet progress towards full gender equality remains far too slow. Women in emerging markets will enter the world of work in record numbers – as entrepreneurs and as job seekers. A recent OECD study[13] found that investing in women's participation in the economy could drive GDP growth by an extra 6 percent by 2030. However, the prospects for realizing gender equality will remain uncertain – a recent study by the World Economic Forum' Global Gender Gap Report indicates that gender equality actually worsened in 2016 and, under current trajectories, realizing full economic gender equality will take another 170 years[14].

3.2 THE ROLE OF A DEVELOPMENT FINANCE INSTITUTION

Development Finance Institutions (DFIs) fill gaps left by private sector investors by investing in difficult environments, improving investment scale and developing market resilience. While there are generally significant amounts of capital available from a vast array of international financial service providers and donors, further innovation is necessary to achieve the commercial rates of return that will drive mobilization – one of DFIs' common strategic goals -, while also achieving quality development impact[15].

DFIs can play an important role in mobilizing private sector finance and direct it to the markets that need it the most. The share of global investment in developing countries increased from less than 20% in 2000 to 40% in 2009 and is projected to increase to 66% by 2030, driven largely by increases in middle income countries (MICs)[16]. These shifts demonstrate the reduced need for public sector efforts to mobilize investments in MICs. As a result, DFIs have begun to shift focus to investment opportunities in LDCs.

9 The Blended Finance Taskforce. (2018). *Who is the Private Sector?* Business & Sustainable Development Commission.
10 UNCTAD. (2014). *World Investment Report.* United Nations.
11 Lee, N. (2017). *Billions to Trillions? Issues on the Role of Development Banks in Mobilizing Private Finance.* Center for Global Development.
12 IEA, World Energy Outlook 2017
13 OECD Recommendation of The Council on Gender Equality in Education, Employment, and Entrepreneurship, 2013
14 World Economic Forum, The Global Gender Gap Report, 2016
15 The Blended Finance Taskforce. (2018). *Who is the Private Sector?* Business & Sustainable Development Commission.
16 World Bank. (n.d.). *The Emerging Pattern of Global Investment.* World Bank.

Notably, for investment and mobilization to be successful in these environments, they generally require the complementary provision of Technical Assistance (TA). Investments in Lower Middle-Income Countries (LMICs) and LDCs encounter a dual challenge: insufficient market readiness, and a shortage of entrepreneurs able to bring their business to a bankable stage. This, despite the fewer number of financial service providers, tends to result in increased competition around few business opportunities. TA helps build capacity both at an industry and an enterprise level, generate bankable business opportunities and mitigate the risks of investments.

DFIs deploy innovative financing by building strategic relationships with bilateral donor agencies, and specializing in niche products and geographies. Strategic alignment between DFIs and their respective bilateral donor agencies can bring together the capital and capacity building that create enabling markets and support enterprises to thrive. In other contexts, financial product specialization positions DFIs to fill a specific market gap. Proparco and OPIC, the French and US DFIs, use debt issuance for up to 90% of their investments[17]. Other DFIs, like CDC, leverage regional expertise to build long-term relationships with private sector investors. CDC's nearly exclusive focus in Sub-Saharan Africa and South Asia has allowed it to occupy an outsized development finance role in those regions[18]. Collaboration with partners like Global Affairs Canada (GAC) will be critical for FinDev Canada to achieve its ambitions.

Many DFIs have struggled to maximize the additionality of their investments. Lower income and higher risk countries carry the highest impact potential but comprise only a small portion of DFI portfolios. The IFC and five of the largest DFIs[19] commit a larger share of their portfolios to LMICs (35%, on average) than to LICs and FCAS (7.5% and 12% on average, respectively)[20]. In addition, the role of DFIs will come under pressure as capital markets deepen in the countries and sectors where they have typically operated, hence the need for them to demonstrate their continued relevance alongside other sources of capital in driving measurable progress towards the SDGs.

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17 Charles Kenny, Jared Kalow, Ben Leo, and Vijaya Ramachandran. 2018. "Comparing Five Bilateral Development Finance Institutions and the IFC." CGD Policy Paper. Washington, DC: Center for Global Development.
18 CDC. (2017). *Investing to Transform Lives: Strategic Framework 2017-2021.* CDC.
19 OPIC, FMO, DEG, Proparco, and CDC.
20 Kenny, C., Kalow, J., Leo, B., & Ramachandran, V. (n.d.). *Comparing Five Bilateral Development Finance Institutions and the IFC.* Center for Global Development.

4.0 FINDEV CANADA'S BUSINESS STRATEGY

FinDev Canada has a unique and critical role to play in Canada's global development agenda. FinDev Canada's mandate—to make financially sustainable investments in the local private sector that produce development impact—positions it to fill an important role in Canada's diversified, modernized international development finance assets. Wielding a varied set of financial solutions like debt, equity, and guarantees, FinDev Canada will expand Canada's range of development financing capabilities and help position Canada in a more catalytic role within innovative financing structures. As a young, nimble organization, FinDev Canada aims to differentiate itself by its focus on customer needs and the ability to address them with innovative approaches and solutions.

4.1 GOALS AND THE PATH TO ACHIEVE THEM

FinDev Canada is launching its activities with a comprehensive gender lens, a willingness to invest in LDCs and a dedication to innovative approaches. Its commitment to consider all its investments through a gender lens will position FinDev Canada as a leader in helping its clients realize the business benefits of empowering women at all levels in the economy. This will be achieved by examining each investment with a view to determine its anticipated impact on women and its potential to generate greater gender equality and women's economic empowerment. FinDev Canada's other ambition is to act as a pioneer in LDCs, which will help it identify high-impact investment opportunities and seek to mobilize its peers. Taking these approaches will require innovation and time. FinDev Canada will weave innovative approaches into its strategy and operations, leveraging technology to reimagine traditional models of structuring deals, disbursing funds, and supporting clients. All this will be done by focusing on development impact while ensuring financial sustainability.

4.1.1 DEVELOPMENT IMPACT

FinDev Canada places development impact at the core of its decision-making. It will make investments that deliver on three types of impact: women's economic empowerment, market development, and environment and climate resilience. These areas of focus correspond to SDGs 5, 8 and 9, and 7 and 13, respectively, and will anchor FinDev Canada's strategy and operations. A robust development impact framework built around these areas of focus, as well as efforts to achieving financial returns commensurate with the risks taken, will guide all investment decisions. All three impact goals are important to FinDev Canada's mission, however the goal of women's economic empowerment will be considered a key driver of its investment decisions.

FinDev Canada has adopted women's economic empowerment as a primary objective due to its potential to produce outsized development impact. A growing evidence base demonstrates the business and societal benefits of expanding women's economic opportunities as mentioned in the global outlook section. Beyond GDP, such growth could have additional, far-reaching development impacts. Evidence shows that when women have increased economic opportunities – whether through entrepreneurship, employment or access to services – they reinvest up to 90% of their income in their families, especially in their health and education[21].The private sector has a distinct role to play towards realizing these opportunities. Studies suggest that gender diversity can improve company performance. For instance, companies with more than 15% women managers reported a ROE premium of 33% compared with those with less than 10%[22]. This stance places FinDev Canada in alignment with Canada's Feminist International Assistance Policy and will enable it to contribute strategically to Canada's international assistance objectives and priorities. To ensure that we prioritize opportunities with the highest potential impact on women, we give the women's economic empowerment goal a higher weighting than the other impact areas in the final development impact score.

21 http://womendeliver.org/resources/infographics
22 Dawson, J., Natella, S., & Kersley, R. (2016). *The CS Gender 3000: The Reward for Change.* Credit Suisse.

FinDev Canada will also invest in inclusive market growth. Market development investments will aim to provide decent jobs, grow local value chains and contribute to local GDP growth. Efforts to grow local value chains will focus on increasing local production and expanding local market and value chain linkages. Additionally, investments in SMEs – directly or indirectly - will be given particular consideration as part of FinDev Canada's broader market development efforts; every dollar invested in SMEs generates on average[23] an additional $13 in the local economy. Together, investment in these areas will support the creation of decent jobs. As it grows, FinDev Canada will consider opportunities to provide its support in the currency of its clients, an important contributor to the sustainability of portfolio companies.

Impact on climate and the environment will be the third key driver for FinDev Canada. Investments will focus on business initiatives in the areas of climate change mitigation and adaptation. Renewable energy investments, in particular, will dovetail with market development efforts to fill some of the 26 million jobs expected within the renewable energy sector by 2050[24]. In addition, these investments will support businesses and markets that can contribute to the reduction of fossil fuel consumption and resulting carbon emissions.

M-KOPA SOLAR

M-KOPA is a Kenyan energy company that is providing high quality solar home systems to off-the-grid customers in rural areas. As of January 2018, M-KOPA has connected over 600,000 homes to affordable solar power with 500 new homes being added every day. Current customers will make projected savings of US$ 450M over the next four years. M-KOPA customers will enjoy 75 million hours of kerosene–free lighting per month. FinDev Canada's first deal was to support M-KOPA to expand its operations with a goal of bringing solar power to low-income homes across East Africa and improving the lives of women by affording them first time access to electricity and spurring more economic activity. In line with FinDev Canada's gender focus, M-KOPA is creating good-quality jobs for women; over 50% of its workforce are women.

The impact FinDev Canada intends to produce with this investment is co-linear; the growth of a business such as M-KOPA translates to sustainable impact in FinDev Canada's priority areas such as women's economic empowerment and climate action.

You can keep up to date with the transformative work that M-KOPA is doing by following @mkopasolar on twitter

4.1.2 FINANCIAL SUSTAINABILITY

At the portfolio level, FinDev Canada will maximize its development impact while meeting its general objective of becoming financially sustainable. Based on current projections, the organization is expecting to reach break-even shortly beyond the current planning period, after approximately seven years from its launch. It will achieve this goal by balancing commercially-priced, higher-risk investments, with lower-risk investments providing a reliable return stream. While it will initially not set specific return targets, FinDev Canada will monitor its portfolio on an on-going basis to ensure it remains on track with its sustainability objectives.

23 Komsa, S., Wheeler, K., & Atanasova, T. (2011). *Impact Beyond Investment*. Small Enterprise Assistance Funds.
24 IRENA. (2017). *Untapped Potential for Climate Action: Renewable Energy in Nationally Determined Contributions.* International Renewable Energy Agency.

4.2 MARKET POSITIONING

In order to be effective, FinDev Canada needs to build its expertise in limited sectors and geographies. Being a new organization with fewer resources, FinDev Canada needs to be strategic in the deployment of its resources so as to be effective. Moreover, deep understanding in a particular area contributes heavily towards the organization's success, hence the decision to start by focusing and building expertise in limited sectors and geographies.

FinDev Canada will initially concentrate its business origination efforts in sectors that align with Canada's broader priorities and areas of expertise: agribusiness, green growth, and financial services. In many developing economies, agribusiness supply chains are a key contributor to employment and livelihoods, particularly for women. FinDev Canada's efforts to improve these supply chains—from production to distribution, including enabling infrastructure—will help boost production, increase liquidity, and improve logistics and distribution.

FinDev Canada's activities in green growth will focus on supporting innovative and sustainable delivery models to expand access to clean energy and water, especially for women. It will support specific climate change mitigation and adaptation solutions but will also consider environmental performance improvements as cross-cutting to all types of investments. And it will place an emphasis on growth stage enterprises with significant potential to scale, as these businesses face significant financing gaps despite their potential for strong market returns.

FinDev Canada will collaborate with local financial institutions to increase the offer of financial services to those who have difficulty accessing them, such as women entrepreneurs and small and medium size enterprises. In doing so, FinDev Canada will seek to leverage the recognized capabilities of Canada's financial industry. Working with local financial institutions will help FinDev Canada reach smaller, high impact customers that it could not serve directly.

FinDev Canada will concentrate its investments in countries where Canada's strong institutional connections align with existing gaps in development financing[25], focusing initially in Latin America, the Caribbean and Sub-Saharan Africa. A successful private sector is dependent on the local business environment and the existence of adequate rule of law, governance and regulatory frameworks. As such, FinDev Canada will generally select priority markets where capacity-building initiatives are underway and, where relevant, leverage those led by the Canadian government and Canadian civil society. Within Latin America and Sub-Saharan Africa, FinDev Canada will particularly focus on LDCs and those countries insufficiently served by private sector financial service providers, such as smaller countries and island states in the Caribbean.

GENDER STRATEGY

Its commitment to consider all its investment through a gender lens will position FinDev Canada as a leader in helping its clients realize the business benefits of empowering women at all levels in the economy. To ensure a common and consistent approach to promoting gender equality and women's economic empowerment throughout FinDev Canada's operations and transactions, in alignment with Canada's Feminist International Assistance Policy, a customized gender strategy will be developed and adapted to its size, capitalization, and country and sectoral focus. It will build upon its existing Development Impact Framework which makes the potential for positive impact on women a central element in its decision making. To optimize the delivery of the gender strategy, FinDev Canada has created and staffed a gender advisor position, whose role will be to lead the development, implementation, monitoring and evaluation of the activities and disciplines that will deliver on its gender objectives.

25 Development financing gaps are particularly acute in small island developing states. These countries' middle-income status precludes their access to IDA financing and high debt service ratios that deters other potential lenders. (Richards-Kennedy, S. (2015). *The paradox of development financing in Caribbean small islands.* UNDP.)

Expected to be finalized in 2019, the gender strategy will draw from innovative approaches and latest thinking on promoting gender equality and women's economic empowerment in the private sector, including DFI and private sector best practices in this area. The strategy will be fully aligned with – and maximize the outcomes of – FinDev Canada's development impact framework. It will keep evolving over time, as FinDev Canada strives to remain at the forefront in promoting women's economic empowerment in the Development Finance space.

FinDev Canada has already positioned itself in a leading role with its active role in launching the 2X Challenge in the spring of 2018 (see below).

2X CHALLENGE
FINANCING FOR WOMEN

FinDev Canada together with other G7 development finance institutions (DFIs) launched the *2X Challenge* - an initiative to raise USD 3 billion by 2020 in financial support for development finance projects that would benefit women: as business owners, leaders and beneficiaries of products and services provided by business.

The DFIs have made a commitment to invest their own resources as well as to mobilize and 'crowd in' "2X" that amount of capital from other sources, principally from the private sector. These resources will be directed toward financing or investments in businesses or Funds and other financial vehicles that would provide women in developing countries access to leadership opportunities, quality employment, finance, enterprise support and products and services that enhance economic participation and access for women.

Since the June 9th,2018 launch at the G7 Summit, the seven DFIs have established a working group with the short-term aim of attracting other non-G7 DFIs to this initiative and to better define the underlying terms of the commitment, the means to track and monitor progress, and to determine how to assess impacts.

The 2X Challenge will be an important component of FinDev Canada's gender-focused business strategy over the planning period and will be used as a platform to test and launch innovative approaches and initiatives in a highly collaborative environment, and giving them visibility and scale.

4.3 INVESTMENT STRATEGY

FinDev Canada will focus on investment targets with the highest potential for development impact, additionality, and mobilization. To preserve its long-term financial sustainability, FinDev Canada will take a holistic portfolio approach, balancing ambitious investments with the highest potential for long-term innovation and impact, with investments that represent more short-term impact and stable financial returns.

4.3.1 ADDITIONALITY AND MOBILIZATION

As FinDev Canada identifies opportunities in target sectors and geographies, it will also ensure its investments are additional. It will assess additionality along two dimensions: financial additionality, which refers to the provision of capital that is not offered by the private sector, or only offered in insufficient quantity or with unreasonable terms;[26] and value-added additionality, which refers to the knowledge, connections and capacity provided in support of the advancement of its clients and their potential for success. Measures of additionality will play an important role in the investment screening process and may inform which financial products FinDev Canada deploys in specific markets and investment circumstances.

FinDev Canada is developing a methodology for measuring additionality which will be implemented over the course of 2019, drawing from examples such as the additionality test adopted by the World Bank[27] and the definition of additionality promoted by the OECD.

The requirement of additionality will reinforce FinDev Canada's intention to focus on lower-income markets with limited access to long-term, appropriately structured financial instruments and the potential for significant development impacts. FinDev Canada will seek to develop solutions that enable, over time, the reduced dependency of local economies on external noncommercial support.

FinDev Canada will use its investments to engage in innovative finance and mobilize private sector financing for development. Mobilization is the use of approaches and tools to attract private sector investment where it would otherwise not go. FinDev Canada will prioritize opportunities for direct mobilization, in which it deploys capital alongside that of private sector actors. It will also consider opportunities for indirect mobilization – where its investments create the right environment or demonstrate an opportunity for other investors to get involved in those markets. Across its portfolio, FinDev Canada will initially target a rate of mobilization of one-to-one on average given its bold portfolio ambitions – where each dollar invested by FinDev Canada can be shown to have mobilized a dollar of private sector investment. FinDev Canada will work with its peers and refine its definition and methodology for tracking mobilization that reflects best practices and ensures consistency across areas of activity. Over time, it will seek to increase its mobilization targets.

FinDev Canada envisions targeting a broad array of actors in its efforts to mobilize private sector funds, including pension funds, insurance companies, private equity, sovereign wealth funds, corporations, family offices and foundations. Mobilizing funds from these investor groups in the long term will require dedicated outreach, as well as proactive efforts to demonstrate and highlight adequate returns. Achieving success in this space will require time and strong partnership, as the nature and scale of investment opportunities sought by these organizations do not always match the type of business opportunities originated by FinDev Canada. Collaboration with partners like Global Affairs Canada, which offer pre-commercial innovative finance, Convergence, a platform for blended finance transactions, and others, can set the stage for successful and commercially viable and scalable mobilization initiatives where FinDev Canada's capability for innovation would be instrumental.

26 CDC. (2017). *Investing to Transform Lives: Strategic Framework 2017-2021*. CDC.
27 World Bank. (2017). *Maximizing Finance for Development: Leveraging the Private Sector for Growth and Sustainable Development*. Development Committee of the World Bank.

Co-financing will be an important component of its mobilization efforts early on in FinDev Canada's development. It will position itself alongside strategic partners that share its mission and impact focus, while ensuring that the partnership adds more value to the transaction than it would have alone. Many of FinDev Canada's early transactions will be syndicated with other DFIs or other strategic partners that have an impact focus on women's empowerment, market development, or climate action. FinDev Canada will build these partnerships by sharing market insights transparently with its peer DFIs and impact investors using a variety of tools, including digital platforms. Knowledge-sharing encourages collaboration across these different groups and enhances their missions for development impact rather than letting competition impede reaching its development goals.

As it implements its strategy, FinDev Canada's will seek to maintain a balance between additionality, which is more easily achieved in least developed markets where the offer of financial services is limited, and mobilization, which is more easily achieved in more developed markets. In markets where mobilization is not immediately possible, FinDev Canada will maximize its additionality and strive to pave the way for future private capital involvement by demonstrating how to invest successfully.

4.3.2 INVESTMENT PARAMETERS AND ORIGINATION APPROACH

FinDev Canada's investment and go-to-market strategy for 2019 will be governed by the following criteria, established to ensure the sound initial development of its portfolio: FinDev Canada will only offer products and currencies that are also offered by its parent EDC; it will engage in individual transactions up to a maximum of US$20 million; it will prioritize transactions conducted in partnership with other DFIs or strategic partners; and it will not leverage its balance sheet until it has used up its initial capital.

As FinDev continues building its investment team, its origination and deal-structuring capacity is more limited. It will therefore focus its efforts on a limited number of key, trusted partners to generate business opportunities, complemented by the existing networks of its key professionals, the business opportunities that are brought to its attention by a broad network of Canadian or impact stakeholders, and leads identified through its web presence. FinDev Canada will also initially be mindful of transaction costs and avoid engaging in very small transactions until such a time it has developed the requisite technological and staffing capabilities. At the start, the target range for its investments will notionally be between US$5 – 20 million, with smaller transactions being considered if due diligence arrangements can be found with third parties, to expedite the process and reduce transaction costs, while remaining compliant with FinDev Canada's risk and investment policies.

4.3.3 PORTFOLIO MIX

FinDev Canada is developing initial plans for the portfolio's target composition, its complementary offerings such as Technical Assistance, and the partnerships necessary to realize the portfolio's goals. Its portfolio's composition will change over time, and the composition described here is an illustrative view of the portfolio's long-term characteristics rather than a discrete target or requisite composition.

FinDev Canada will build its investment portfolio from a blend of products, and direct and indirect investments. FinDev Canada will initially target a 60/40 mix between debt (including guarantees) and equity over time, pursuing more innovative deal structures in less difficult operating environments and more traditional structures in more difficult operating environments. It will endeavour to concentrate its equity investments in direct deals with immediate disbursement. FinDev Canada will, however, leverage intermediaries and Funds where direct investment proves unfeasible due to investment size, operating environment, or risk, and where Fund Managers embrace its development impact model and mobilization targets.

4.3.4 INCENTIVE USE AND STRUCTURE

FinDev Canada's will consider innovative deal structures, particularly where high potential impact is expected. By blending the use of traditional structuring tools, such as longer tenor and extended grace periods, with more flexible conditions, such as performance-based pricing incentives, FinDev Canada will explore new ways to demonstrate financial viability and increase mobilization levels. While experimenting with product design and issuance, FinDev Canada will manage the risks inherent in innovative deal structures—credit, political, environmental, and reputational—through close coordination with investees, local counterparts, and a variety of partners, including Global Affairs Canada.

4.3.5 TECHNICAL ASSISTANCE

Technical assistance (TA) will be an essential contributor to realizing FinDev Canada's high impact strategy. The sectors and impact objectives that it has chosen will require that it be able to help its clients build capabilities as successful enterprises and ensure their sustainability. FinDev Canada can reduce risk and bolster financial returns with investee-targeted TA that improves the operational, governance, management, and technological capacity of a specific enterprise. It can also favour the emergence of bankable business opportunities by directing TA to clusters of pre-investment stage companies in sectors and regions that match its priorities and align well with its development impact objectives.

TA will be particularly instrumental in achieving FinDev Canada's women's economic empowerment objectives, especially in jurisdictions where there exists limited understanding of its impact and little buy-in to its principles. The organization can better monitor and evaluate its impact with TA that advises investees on improved operational policies and impact measurement.

FinDev Canada does not currently have funds available for TA. It will seek to leverage donor funding, in a manner consistent with its mandate and authorities. To optimize the delivery of TA in conjunction with its investment strategy, FinDev Canada has created a dedicated role, which has recently been staffed. Over the remainder of 2018, a comprehensive strategy will be developed for the design and delivery of TA. The strategy will include the identification of potential beneficiaries, a typology of TA missions and a fundraising strategy.

In particular, FinDev Canada intends to develop a strong design and delivery capability for TA in the field of gender-related impact in the private sector. It will collaborate closely with GAC in developing TA solutions that contribute to the achievement of Canada's priorities.

4.4 PARTNERSHIPS

As it develops its portfolio, FinDev Canada will leverage operational relationships with Canadian developmental institutions, other DFIs, the private sector, and civil society. Where strategic goals align, entities such as GAC's development focal points and trade streams such as the Trade Commissioner Service can play a role in developing and delivering complementary services, such as TA. FinDev Canada will also work with EDC to identify local partners with the capacity to support emergent investees. EDC's expansive international network may help to highlight investment opportunities and investment partners. FinDev Canada will leverage its relationships with other DFIs to identify market gaps and develop new products. FinDev Canada will seek to bolster its relationship with private sector and civil society actors in Canada, as well as in target markets.

Canadian businesses can be a strong partner and help FinDev Canada achieve its impact objectives. Although FinDev Canada's activities are not tied to Canadian interests, its areas of focus were identified in part on the basis of Canada's competitive strengths. FinDev Canada will seek to develop strong relationships with the business community to identify opportunities where it can work with businesses that can contribute technological knowhow, local presence, networks and help identify business opportunities that meet its development impact objectives.

FinDev Canada will also seek to partner with organizations such as Canada's International Development Research Centre (IDRC) and Convergence, that receive funding from the Government of Canada and have complementary expertise and mandates in the international assistance space.

4.5 TECHNOLOGY STRATEGY

FinDev Canada plans to differentiate itself from other players in this space by incorporating technology and leveraging data in all facets of its business. Over the course of 2019, it will develop an Information Technology (IT) roadmap, that will articulate strategic objectives and propose technology options to achieve those objectives. The roadmap will seek to integrate leading technological solutions into its operations and investment activities. The use of transactions and Customer Relationship Management (CRM) tools will help maximize efficiency as well as mitigate risks due to availability of better data on clients' risk profiles and performance.

Appreciating the need to be client centric, FinDev Canada will utilize data collection and analytics tools to better connect with clients and understand what drives their success. Creation of platforms for data-sharing and visualization will create opportunities for deeper analysis, lead to better-informed investment decisions and generate tailored offerings to best suit the clients' needs.

FinDev Canada will look to develop partnerships with other digital innovators to help provide insights and expertise on new ways to aggregate, analyze and utilize both internally generated and externally sourced data.

The goal of the IT roadmap is to truly differentiate FinDev Canada from other organizations in this space as well as, over time, lower transaction costs and help to consider smaller investment opportunities.

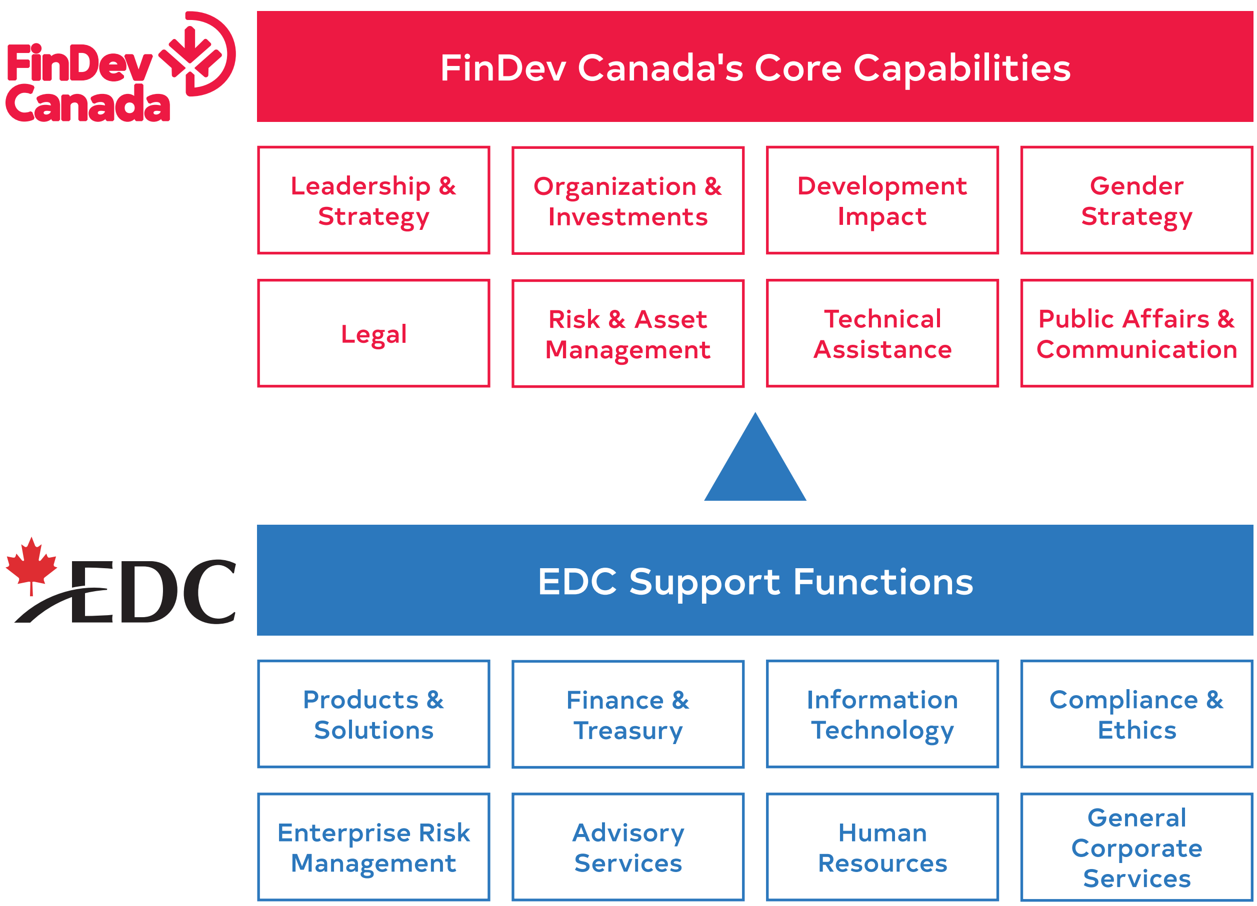
5.0 STRATEGY IMPLEMENTATION

FinDev Canada was established as a subsidiary of EDC to be best positioned to deliver on its mandate and objectives. The operating model that was developed and the capabilities that were established over 2017 and 2018 constitute the base on which FinDev Canada will continue to build in 2019 and beyond to execute its strategy.

5.1 ORGANIZATIONAL MODEL

FinDev Canada's critical functions will be performed by a core team of FinDev Canada employees based at its head office in Montreal. This includes all customer and most externally-facing roles, as well as all functions that are specific to the mission of FinDev Canada. They will receive the support of EDC, through contracted shared services, for general corporate functions and specialized roles that cannot initially be supported by a small structure or are better performed within a dedicated team. The delivery of shared services is governed by a series of Service Level Agreements, developed according to industry best practices. The functioning of this shared services model will be constantly assessed and adjusted to reflect the needs and capacities of both organizations. It will evolve with the growth and maturity of FinDev Canada.

Chart 1: Shared services model



5.2 CAPABILITIES

In 2018, FinDev Canada has built an initial team of high-performing professionals, with a goal to give the organization the means to achieve its ambitious strategy. In 2019 and beyond, the team will be complemented with new roles that will shore up its capabilities and position FinDev Canada as a leader in its space. Attention will be given to the ability of the team to operate in a customer-centric manner and be agile to respond to business opportunities which will contribute towards its development objectives.

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. FinDev Canada offers and will continue to offer an Employee Value proposition that ensures it can attract and retain the talent it needs, drawing from EDC's best practices in human resource management, including its code of conduct for employees.

5.3 MONITORING AND EVALUATION

It is important for FinDev Canada to assess the performance and the developmental impact of its investments. FinDev Canada will, over the course of 2019, establish a monitoring and evaluation framework that will ensure impact is measured and reported accurately. In building this system, FinDev Canada will also take into account the need for a cost-efficient and practical framework from the perspective of its customers. Furthermore, it intends to incorporate in the process a double feedback loop: to management and staff, to inform the institution's decision-making; and to customers, to provide them with value-added information and benchmarks

5.4 BUILDING A DISTINCT BRAND

The FinDev Canada brand, under the tagline "Inclusive business for a sustainable future" will be synonymous with transparency, credibility, collaboration and inclusion. The brand will be supported by online and social media platforms as the core means of connecting with its clients, partners and stakeholders, complemented by traditional media channels.

FinDev Canada will focus on creating rich, educational, dynamic content. This will help increase awareness about FinDev Canada and the development finance space in general, especially targeting new actors that do not usually play in this domain. Also, through sharing impact reports and storytelling, light will be shed on the enterprises and communities in its target regions, drawing in more players.

FinDev Canada expects to initiate a debate in the development finance sphere through thought-leadership pieces that will be internally generated and through collaboration with experts in the field. To elicit credibility and in the spirit of transparency, communication of new deals, impact reports and high responsiveness on pertinent issues through social media will be undertaken.

5.5 RISK MANAGEMENT FRAMEWORK

It is critical for a Financial Institution, particularly when operating in developing economies, to rely on solid risk management practices. Building on EDC's recognized expertise in this domain, FinDev Canada is building a comprehensive Enterprise Risk Management Framework that will inform its decisions across all areas of risk. The framework and its policies and charters it comprises will reflect the particular nature of the business and ensure that FinDev Canada adequately identifies and manages its risks while maximizing its development impact, in accordance with its mandate. The framework will be based on the principle of three lines of defense (3LD), which is consistent with industry best practice and EDC's approach to risk management. FinDev Canada's risk identification process distinguishes risks across three key group – strategic, financial and operational, which are regularly monitored and assessed.

The risk management group will assess the impact and likelihood of each risk element inherent to FinDev Canada's business annually or when the business arises. Those risk elements considered to have the highest impact and/or likelihood of occurrence bearing in mind existing controls and processes are identified as top priorities.

On a quarterly basis, a status check against each risk response plan will be performed and reported to the Board of Directors.

To mitigate risks, particularly in its early years, FinDev Canada will focus on transactions done in partnership with organizations it can trust, particularly fellow DFIs. It will also ensure it conducts activities in a limited number of markets and sectors, to build expertise and networks that will help guide its decisions.

A PHASED APPROACH

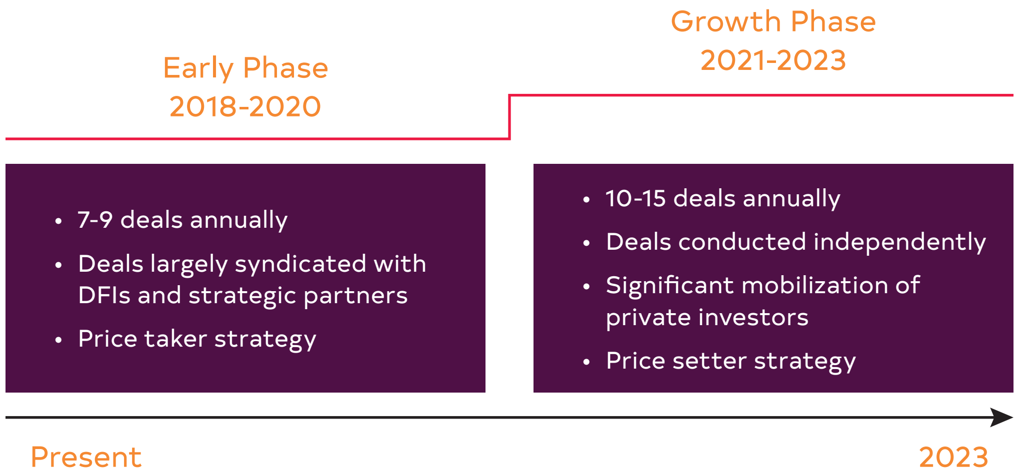
To reach its impact targets, FinDev Canada will seek to operate at the leading edge of innovative development finance and demonstrate that there is a viable class of investments that can deliver commercial returns while also delivering on women's economic empowerment, local market development and environment and climate action. Achieving these bold ambitions will take time. As such, FinDev Canada will take on a phased implementation approach as outlined below; highlighting how it intends to build its capabilities, origination approach, product offering and general market positioning in order to reach its goals over the planning period.

Its growth will occur in phases:

- Early phase: over its first three years of operations (2018-2020), FinDev Canada will focus on building its capabilities and a viable portfolio. During this period, the team will validate its strategic choices, refine its market positioning, and experiment with innovative approaches and tools, thereby building a solid base for its future success. It will still operate alongside other more experienced organizations.

- Growth phase (2021-2023): having established its operations, demonstrated its credibility, shown initial mobilization success and built relationships with key partners, FinDev Canada will start to clearly demonstrate the boldness of its ambitions. During this period, FinDev Canada will more systematically propose innovative structures in challenging jurisdictions and be in a position to lead transactions to which it will convene other actors and play a much greater role in defining terms and conditions.

Figure 1: ILLUSTRATIVE FinDev Canada Development Timeline



5.6 ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICE

DFIs must pay particular attention to the impact their activities have on local communities and the environment. To this end, FinDev Canada will follow a stringent set of international standards to conduct its Environmental, Social and Governance (ESG) activities, notably the International Finance Corporation's Performance Standards for Environmental and Social Sustainability. Furthermore, FinDev Canada will look to EDC to provide the necessary expertise, taking into account its considerable experience in this space, and will leverage the current review of practices being undertaken by EDC, based on broad consultations with the stakeholder community and subject matter experts.

FinDev Canada will apply rigorous screening to every transaction it supports. ESG assessments of all transactions will be critical to not only identify risks, but also to surface opportunities to work with clients to improve their practices in these areas, and by extension to improve their development impacts. Environmental and Social Action Plans (ESAPs) will be included in transactions wherever relevant, setting objectives that customers are committed to meet. FinDev Canada ESG practice will continue to evolve, to ensure that it is on par with international best practices, through continued engagement with other DFIs, as well as the stakeholder community.

5.7 TRANSPARENCY AND DISCLOSURE

FinDev Canada will apply a high level of transparency to its activities in line with international best practices and international requirements, including those of the Organisation for Economic Co-operation and Development/ Development Assistance Committee. Since inception in early 2018, FinDev Canada has actively engaged stakeholders in a variety of ways: through dedicated stakeholder sessions aimed at discussion and ideation, an online consultation process around its development impact framework, numerous individual meetings and briefings, and via its website. It will continue to not only engage with stakeholders, but also collaborate with other organizations including professional bodies and academic institutions.

An important forum to involve the stakeholder community is FinDev Canada's Advisory Council, first convened in May 2018 (see appendix 1).

FinDev Canada's disclosure policy makes it one of the few DFIs that commit to disclose the transactions it considers prior to signing. In addition, it will endeavour to provide to the public, information on all its investments and their impact, compatible with its commercial confidentiality obligations.

6.0 MEASURING SUCCESS

FinDev Canada's 2019 scorecard will help achieve its ambitious objectives by driving behaviours and corporate decisions. At its core will be its Development Impact Framework and its proposed performance indicators. Measures of impact will indicate how it is doing against its core mandate. They will be complemented by measures related to two other important dimensions of its activities, as outlined by the Government of Canada: the ability to mobilize other investments, particularly from the private sector; and its own financial sustainability. Lastly, it also intends to track the level of satisfaction of its clientele.

Actual targets under this scorecard will be defined in late 2018.

6.1 DEVELOPMENT IMPACT FRAMEWORK

KEY PRINCIPLES AND ARCHITECTURE

Development impact is the primary consideration in FinDev Canada's investment process, from pre-screening through to investment due diligence, approval, monitoring and reporting. A company's current and potential contribution to its three impact goals is the most critical factor in its deal selection and decision-making process. Once a company is in its portfolio, it supports the client to fulfill its operational impact goals and closely monitor actual KPIs and results.

Its impact measurement approach draws on industry accepted development impact methodologies and aligns with globally accepted standards such as the Harmonized Indicators for Private Sector Operations (HIPSO), the Global Impact Investing Network (GIIN)'s Impact Reporting and Investment Standards (IRIS) and others.

Data will be drawn at three levels: company, end customer and national or sectoral.

PERFORMANCE INDICATORS:

The framework rests on three main goals, each with a number of related Key Performance Indicators (KPIs). FinDev Canada's Corporate scorecard will be derived from its performance under these KPIs:

Goals	Examples of potential KPIs (draft)
Women's economic empowerment	Women-owned companies supported (%, #) Women in senior leadership (%, #) Women in direct and indirect employment (%, #) Gender-inclusive governance (%, #) Women with first time access to essential services or empowerment tools (#, %)
Environment & climate	Renewable energy produced (KwH) Natural resource use reduction Net CO2 emissions avoided (MT) (MT=metric tons) Waste reduced (tonnes) Customers accessing climate adaptation tools (#)
Market development	SME companies supported (#) Decent jobs created & sustained (#, M/F) Local procurement ($, %) Net profit ($) Salaries paid ($, mgt/staff) Taxes paid ($) Local ownership (%)

OTHER ELEMENTS OF METHODOLOGY:

FinDev Canada will align with industry initiatives that seek to attribute results amongst collaborating partners. It continues to refine its attribution model, which will differ between direct client engagements and indirect engagements.

6.2 MOBILIZATION

It is developing a methodology to measure FinDev Canada's ability to mobilize investments from private sector sources. It will be based on industry best practices. Its initial goal will be to reach a ratio of mobilization of one-to-one. As FinDev Canada grows and gains experience, this target can be adjusted.

6.3 FINANCIAL RESULTS

FinDev Canada's financial sustainability is a condition of its credibility in the market and its ability to leverage the financial capacity of others. It will measure and report on its financial performance on a portfolio basis. FinDev Canada has not set specific return targets at the corporate or the transactional level.

6.4 CUSTOMER CENTRICITY

As it develops its portfolio and building on the experience of EDC in this domain, FinDev Canada will develop, over the planning period, a measure of the satisfaction of its clients, and their likelihood to recommend working with FinDev Canada ("net promoter score").

7.0 FINANCIAL OVERVIEW

7.1 SUMMARY

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"). An injection of $100 million occurred in 2018. Further injections of $100 million are forecast to occur in 2019 and 2020.
- FinDev Canada is projecting a net loss of $12 million in 2018. In its early years of operation, FinDev Canada is concentrating its efforts on building up its capabilities and market presence, and progressively building a portfolio that meets its impact goals. The profile of transactions that match FinDev Canada's strategy also do not typically generate strong revenue streams at an early stage. Losses are projected over the plan period with a trend to profitability in the out years.
- Loans receivable are projected to grow to $372 million over the plan period.
- Investments are projected to be $26 million in 2018 and are expected to grow to $301 million by the end of the plan period.
- FinDev Canada expects to have consumed the capital injections from EDC by the end of 2020. At that time, to support its continuing growth, EDC will borrow money on its behalf or may decide to further capitalize FinDev Canada.

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

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

7.2 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 FinDev Canada's business activity and financial performance, drive the Financial Plan. Using these assumptions, which align with its 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 the business strategy or to the underlying assumptions may materially affect the projections over the planning period.

BUSINESS FACILITATED

The level of business facilitated for each program is presented in the table below.

Table 1: Projected Level of Business Facilitated (2017-2023)

(in millions of Canadian dollars)	2017 Actual	2018 Plan	2018 Fcst	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Business Facilitated								
Direct lending	-	41	-	50	90	90	90	85
Investments	-	14	26	50	60	60	60	65
	-	55	26	100	150	150	150	150

2018 FORECAST

The 2018 financing and investments business facilitated is projected to be $26 million, which is less than the $55 million forecast in the 2018 Corporate Plan. Business development efforts were slower than anticipated in the original plan as FinDev Canada continued to establish operations and hire the investment team.

2019 TO 2023 PLAN

FinDev Canada is projecting growth in business facilitated in the financing and investments program of 50 per cent between 2019 and 2020, as market awareness of FinDev Canada increases and early business development efforts start to deliver benefits. Business facilitated is expected to remain stable in 2021 and beyond.

RISK PROFILE OF BUSINESS FACILITATED

FinDev Canada is projecting that the financing and investment business undertaken by it will be largely non-investment grade due to its high-impact strategy. 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 2018 and all subsequent years. This methodology removes the volatility associated with yearly dollar fluctuations and ensures more easily comparable projections. The rate used in this Plan, as represented by the average rate for the period January 2018 through June 2018, is U.S. $0.78.

8.0 APPENDICES

APPENDIX 1: STATEMENT OF PRIORITIES AND ACCOUNTABILITIES

The Export Development Act (ED Act) was amended in June 2017 to give 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".

Directions regarding FinDev Canada are provide to EDC by the Minister of International Trade, in consultation with the Minister of International Development, in the annual Statement of Priorities and Accountabilities [2019 SPA].

APPENDIX 2: CORPORATE GOVERNANCE STRUCTURE

As a corporation established under the Canadian Business Corporations Act (CBCA), FinDev Canada is governed by an independent Board of Directors, appointed by EDC's Board of Directors. FinDev Canada's Board was initially composed of Directors of EDC. Several new members were appointed to EDC's board in the summer of 2018; consequently, EDC will conduct an in-depth assessment of the skills required on FinDev Canada's Board, identify potential gaps in the skills available among EDC's directors and, as required, conduct a search for additional talent, with a goal to have a tailored Board in place by the end of 2018.

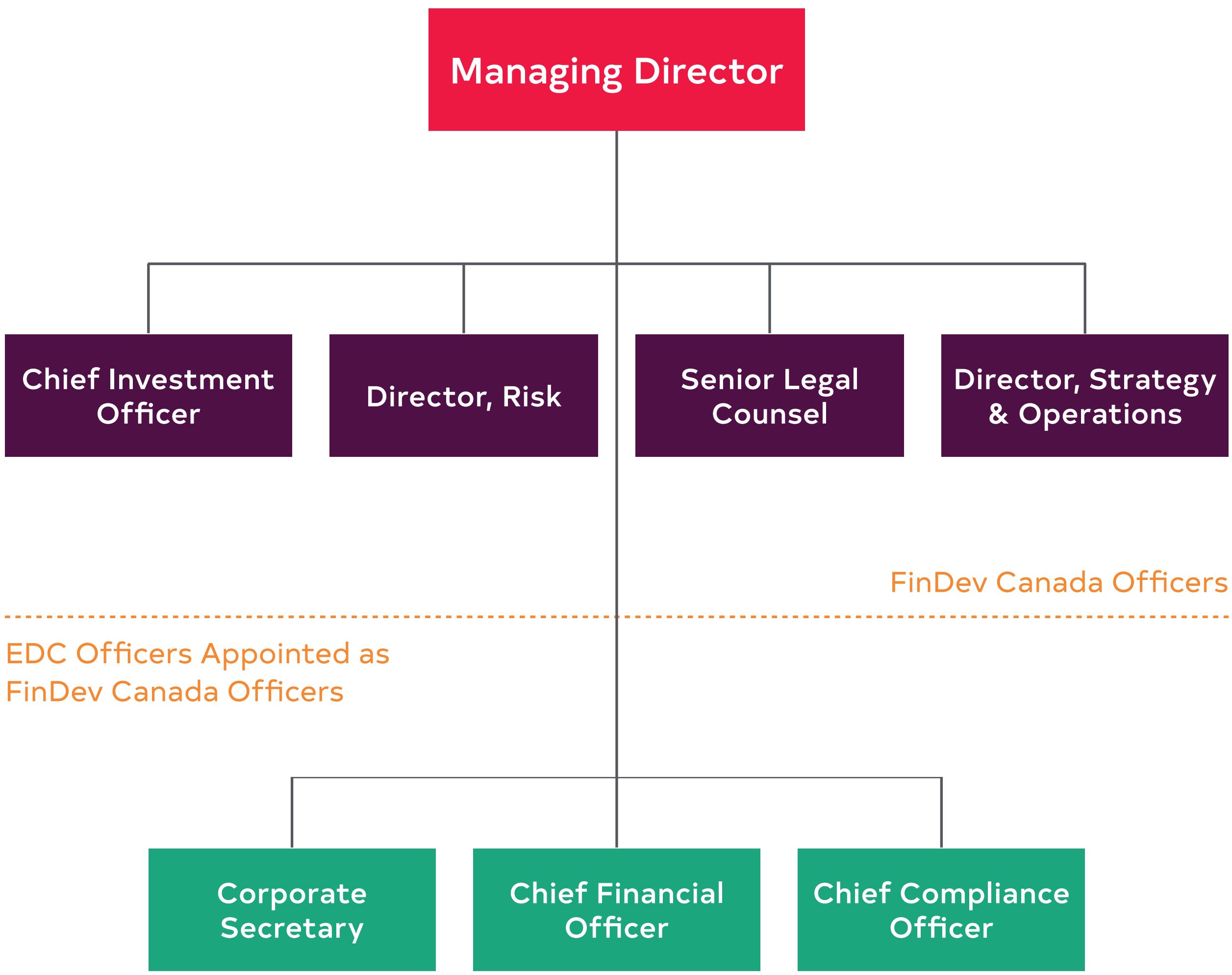
In order to ensure adequate coordination between the two organizations, and optimize the deployment of shared services, FinDev Canada's Board of Directors is chaired by EDC's President and CEO.

FinDev Canada created an Advisory Council on Development Finance, in consultation with the Ministers of International trade and International Development, which was first convened in the spring of 2018. The Advisory Council is composed of independent personalities, appointed for their recognized depth of expertise in the fields of development and development finance. The Advisory Council will provide guidance and advice on topics such as: priority sectors and regions of activity, development impact framework, opportunities for innovative approaches to development finance, monitoring and evaluation, transparency, technical assistance, disclosure and reporting, grievance mechanism(s), stakeholder management and engagement, and sustainability goals. The Council will not be involved in operational, transactional, governance or staffing matters.

The duties of the Council are solely advisory in nature – to act as a sounding board in the formulation of some of the procedures and policies of FinDev Canada. The Advisory Council advises the leadership of FinDev Canada. The Advisory Council will be convened annually for a strategic planning session with FinDev Canada's Board, to fully leverage their complementary roles.

FinDev Canada is led by a Managing Director reporting directly to the Board of Directors and whose responsibility is to determine the business strategy, in line with the government of Canada's mandate guidance and the Board's direction. The Managing Director is responsible for building and leading a team of professionals and is accountable for the performance of the corporation. He is assisted in his functions by a senior management team.

MANAGERIAL AND ORGANIZATIONAL STRUCTURE



APPENDIX 3: CHIEF FINANCIAL OFFICER ATTESTATION

In my capacity as Chief Financial Officer at FinDev Canada, accountable to the Board of Directors of FinDev Canada through the Managing Director, I have reviewed the financial projections provided in FinDev Canada's 2019-2023 Corporate Plan. It is in all material respects, in accordance with International Financial Reporting Standards, based on information available at the time of the preparation of this submission, that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the proposal is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported.
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to change in key assumptions, and the related risk-mitigation strategies have been disclosed.
3. Financial resource requirements have been disclosed and are consistent with the assumptions stated in the proposal, and options to contain costs have been considered.
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the proposal.
5. The proposal is compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place or are being sought through the proposal.
6. Key financial controls are in place to support the implementation and ongoing operation of the proposal.

In my opinion, the financial information contained in this proposal is sufficient overall to support decision making.

The Corporate Plan 2019-2023 was approved by FinDev Canada's Board of Directors on September 18, 2018.

I, therefore, recommend that you endorse this submission for the Minister for International Trade's approval.

Ken Kember
Senior Vice-President, Finance and Technology, and Chief Financial Officer
Export Development Canada

October 19, 2018

APPENDIX 4: FINANCIAL STATEMENTS AND BUDGETS

4.1 FINANCIAL STATEMENTS AND NOTES

STATEMENT OF COMPREHENSIVE INCOME

Table 2: Projected Condensed Statement of Comprehensive Income

for the year ended December 31 *(in millions of Canadian dollars)*	2017 Actual	2018 Plan	2018 Fcst	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Financing and Investment Revenue:								
Loan	-	1	-	1	8	15	22	29
Marketable securities	-	-	1	2	2	-	-	-
Total financing and investment revenue *	-	1	1	3	10	15	22	29
Interest expense	-	-	-	-	-	2	6	10
Net Financing and Investment Income	-	1	1	3	10	13	16	19
Administrative Expenses	2	9	13	15	15	16	17	18
Income (Loss) before Provision for Credit Losses	(2)	(8)	(12)	(12)	(5)	(3)	(1)	1
Provision for Credit Losses	-	1	-	2	4	11	10	7
Net and Comprehensive Loss	(2)	(9)	(12)	(14)	(9)	(14)	(11)	(6)

** During the Plan period, FinDev Canada does not expect to earn investment revenue or divest any investments.*

2018 FORECAST

FinDev Canada is forecasting a net loss of $12 million for 2018 due to costs incurred to establish FinDev Canada.

2019 CORPORATE PLAN

FinDev Canada is forecasting a net loss of $14 million in 2019. Although it is forecasting $3 million of net financing and investment income, this revenue will be offset by administrative expenses and provision for credit losses. For the years 2019 to 2023, net losses are projected to gradually decline as FinDev Canada trends towards profitability.

STATEMENT OF FINANCIAL POSITION

Table 3: Projected Condensed Statement of Financial Position

as at December 31 *(in millions of Canadian dollars)*	2017 Actual	2018 Plan	2018 Fcst	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Assets								
Cash	-	-	2	2	2	2	2	2
Marketable securities	-	44	57	48	-	-	-	-
Loans receivable	-	40	-	50	141	227	304	372
Allowance for losses on loans	-	(1)	-	(2)	(7)	(17)	(22)	(24)
Investments at fair value through profit or loss	-	1	26	72	126	182	241	301
Property, plant and equipment	-	1	1	1	1	-	-	-
Intangible assets	-	2	-	1	1	1	1	2
Building under finance lease(1)	-	-	-	2	2	1	1	1
Total Assets	-	87	86	174	266	396	527	654
Liabilities and Equity								
Owing to Export Development Canada	2	-	-	-	1	146	288	421
Obligation under finance lease(1)	-	-	-	2	2	1	1	1
Total Liabilities	2	-	-	2	3	147	289	422
Equity								
Share capital(2)	-	100	100	200	300	300	300	300
Retained earnings (deficit)	(2)	(13)	(14)	(28)	(37)	(51)	(62)	(68)
Total Equity	(2)	87	86	172	263	249	238	232
Total Liabilities and Equity	-	87	86	174	266	396	527	654

(1) 2019-2023 reflects the adoption of IFRS 16
(2) Share capital at the end of 2017 was $100 Canadian dollars

2019 CORPORATE PLAN

FinDev Canada is funded by capital injections from its parent company, EDC. A capital injection of $100 million occurred in 2018, with additional capital injections planned in 2019 and 2020 of $100 million each. Surplus capital will be invested in marketable securities until it is required for cash outlays.

Investments are projected to reach $72 million in 2019 and are expected to grow to $301 million over the Corporate Plan period. Loans receivable in 2019 are expected to reach $50 million with strong growth over the plan.

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

STATEMENT OF CHANGES IN EQUITY

Table 4: Projected Condensed Statement of Changes in Equity

for the year ended December 31 *(in millions of Canadian dollars)*	2017 Actual	2018 Plan	2018 Fcst	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Share Capital	-	100	100	200	300	300	300	300
Retained Earnings (Deficit)								
Balance beginning of year	-	(4)	(2)	(14)	(28)	(37)	(51)	(62)
Net loss	(2)	(9)	(12)	(14)	(9)	(14)	(11)	(6)
Balance end of year	(2)	(13)	(14)	(28)	(37)	(51)	(62)	(68)
Total Equity (Deficit) at End of Year	(2)	87	86	172	263	249	238	232
Return on Equity	n/a	-9.6%	-12.9%	-10.9%	-4.1%	-5.5%	-4.5%	-2.6%

STATEMENT OF CASH FLOWS

Table 5: Projected Condensed Statement of Cash Flows

for the year ended December 31 *(in millions of Canadian dollars)*	2017 Actual	2018 Plan	2018 Fcst	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Cash Flows from (used in) Operating Activities								
Net loss	(2)	(9)	(12)	(14)	(9)	(14)	(11)	(6)
Adjustments to determine net cash from (used in) operating activities								
Provision for credit losses	-	1	-	2	4	11	10	7
Depreciation and amortization	-	-	-	-	-	1	1	1
Changes in operating assets and liabilities								
Change in accrued interest and fees receivable	-	-	-	-	(1)	1	5	8
Other	-	(7)	(2)	-	3	(1)	(10)	(14)
Loan disbursements	-	(41)	-	(50)	(92)	(91)	(86)	(82)
Loan repayments	-	1	-	-	1	5	9	14
Net cash used in operating activities	(2)	(55)	(14)	(62)	(94)	(88)	(82)	(72)
Cash Flows from (used in) Investing Activities								
Disbursements for investments	-	(1)	(26)	(46)	(54)	(56)	(59)	(60)
Purchases of marketable securities	-	-	(102)	(87)	(90)	-	-	-
Sales/maturities of marketable securities	-	-	52	113	114	-	-	-
Purchases of property, plant and equipment	-	-	(1)	-	-	-	-	-
Purchases of intangible assets	-	-	-	(1)	(1)	(1)	(1)	(1)
Net cash used in investing activities	-	(1)	(77)	(21)	(31)	(57)	(60)	(61)
Cash Flows from (used in) Financing Activities								
Amounts borrowed from Export Development Canada	2	-	-	-	1	145	142	133
Capital injection	-	100	100	100	100	-	-	-
Net cash from financing activities	2	100	100	100	101	145	142	133
Net increase (decrease) in cash and cash equivalents	-	44	9	17	(24)	-	-	-
Cash and cash equivalents								
Beginning of year	-	-	-	9	26	2	2	2
End of year	-	44	9	26	2	2	2	2
Cash and cash equivalents are comprised of								
Cash	-	-	2	2	2	2	2	2
Cash equivalents included within marketable securities	-	44	7	24	-	-	-	-
	-	44	9	26	2	2	2	2

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 effective for reporting periods beginning on or after January 1, 2019. As a result of adopting the new standard, one lease is expected to be capitalized on transition resulting in additional assets and liabilities of approximately $2 million. The Corporate Plan has included the impacts of the new standard in the "Building under finance lease" and "Obligation under finance lease" lines on the balance sheet which will be reclassified beginning on January 1, 2019.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY POLICY (CAP)

For the initial years of operations, it is anticipated that 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.

4.2 OPERATING BUDGET AND NOTES

ADMINISTRATIVE EXPENSES

Table 6: Projected Administrative Expenses

(in millions of Canadian dollars)	2017 Actual	2018 Plan	2018 Fcst	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Salaries and benefits	1.0	5.9	6.4	8.0	8.4	9.0	9.5	10.2
Professional services	0.9	1.1	2.6	2.8	2.8	2.9	2.9	2.9
Amortization and depreciation	-	0.4	0.1	0.3	0.4	0.6	0.7	0.8
Occupancy	-	0.4	0.4	0.7	0.7	0.7	0.7	0.6
Systems costs	-	0.1	0.6	0.5	0.4	0.4	0.4	0.4
Marketing and communications	0.1	0.7	1.1	0.7	0.7	0.7	0.7	0.8
Travel, hospitality and conferences	0.1	0.5	0.5	0.9	1.0	1.0	1.1	1.1
Other	-	0.3	0.8	0.7	0.9	0.7	0.8	0.8
Total administrative expenses	2.1	9.4	12.5	14.6	15.3	16.0	16.8	17.6

2018 FORECAST

Administrative expenses are expected to be $3.1 million higher than projected in the 2018 plan. Certain foundational work that was initially planned to occur in 2017 during the creation of FinDev Canada was deferred to 2018, leading to the increased expenditures.

2019 PLAN

FinDev Canada is targeting administrative expenses of $14.6 million for 2019. Items of significance in the administrative expense projections for 2019 and beyond are as follows:

- Salaries and benefits are projected to increase as new employees are onboarded to support FinDev Canada's business. Salaries and benefits also include the chargeback of EDC salaries and benefits for supporting FinDev Canada.
- Professional services are mainly consulting fees to 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 FinDev Canada builds 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.
- Travel costs are expected to grow in 2019. FinDev Canada's business objectives call for a presence in target markets at various stages of transaction development. Although FinDev Canada intends to leverage partnerships and technology to reduce the need for travel, its success will in many respects depend on a local presence and the expertise that it helps build over time. As the organization matures and its portfolio grows, the ratio of travel costs to revenue will steadily decrease.

Table 7: Travel and Hospitality Expenses

(in thousands of Canadian dollars)	2017 Actual	2018 Plan	2018 Fcst	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Travel	53	435	385	770	820	870	920	970
Hospitality	4	10	20	35	35	36	36	36
Conferences	-	100	50	100	101	102	103	104
Total	57	545	455	905	956	1,008	1,059	1,110

Table 8: Travel and Hospitality Expenses as a Percentage of Total Administrative Expenses

(in thousands of Canadian dollars)	2017 Actual	2018 Plan	2018 Fcst	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Total travel, hospitality and conferences	57	545	455	905	956	1,008	1,059	1,110
Total administrative expenses	2,137	9,441	12,509	14,608	15,291	16,023	16,793	17,577
Travel and hospitality as a % of total administrative expenses	2.7%	5.8%	3.6%	6.2%	6.3%	6.3%	6.3%	6.3%

4.3 CAPITAL BUDGET AND NOTES

CAPITAL EXPENDITURES

Table 9: Projected Capital Expenditures

(in millions of Canadian dollars)	2017 Actual	2018 Plan	2018 Fcst	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Facilities*	-	1.3	0.5	0.1	0.1	0.1	0.1	0.1
Information technology	-	2.1	0.2	0.7	0.7	0.7	0.7	0.7
Total capital expenditures	-	3.4	0.7	0.8	0.8	0.8	0.8	0.8

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

Facilities expenditures of $0.5 million are included in the 2018 forecast for leasehold improvements and purchases related to opening the FinDev Canada office in Montreal.

Capital expenditures for information technology are projected to be $0.2 million for 2018 and $0.7 million for 2019 for purchases and enhancements of required technology.

No capital expenditures during the plan period meet the requirements for disclosure per the value and risk tests.

APPENDIX 5: BORROWING PLAN

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 (DFIC), trade name FinDev Canada, as a wholly owned subsidiary of EDC.

BORROWING STRATEGY

FinDev Canada does not plan to borrow in 2019. EDC may provide debt financing to FinDev Canada or EDC may decide to further capitalize FinDev Canada. EDC Treasury will leverage its expertise to undertake all borrowing, investing, hedging and foreign exchange activities on behalf of FinDev Canada.

APPENDIX 6: COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

FinDev Canada takes compliance with the Government of Canada's legislative and policy requirements seriously in order to protect the company, its employees, and the Government of Canada from potential exposure to legal, reputational and financial consequences.

FinDev Canada's suite of policies are, among other business objectives, designed to address the legislative and policy requirements that are relevant to its operations. In preparation for launch, a preliminary list of compliance obligations was identified to ensure FinDev Canada's initial operations included appropriate controls. Furthermore, EDC systematically monitors new bills that are tabled in Parliament to ensure that EDC and FinDev Canada are prepared for continued compliance with any new federal requirements.

As a company engaged in development finance, FinDev Canada is subject to a diverse range of laws, regulations, international agreements and treaties, government policies, directives and industry standards across multiple jurisdictions resulting in a wide array of compliance obligations. To manage the risk of non-compliance with its many compliance obligations, FinDev Canada is aligning its approach to Compliance Risk Management with that of EDC, with the support of EDC's Compliance and Ethics team.

FinDev Canada will align its practices with those of EDC whenever relevant to its mandate and to its operating environment. This is the case for directives that are issued to EDC under Section 89 of the under the Financial Administration Act (FAA), and in particular:

- The 2008 directive instructing EDC to give due consideration to the personal integrity of those they lend to or provide benefits to is in accordance with Government's policy to improve the accountability and integrity of federal institutions;

- the directive issued in July 2015 to EDC and other federal crown corporations to align their travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. FinDev Canada will report on a regular basis on its travel and hospitality through the Corporate Plan and Annual Report.

- The directive, issued in 2014, requiring a number of Crown corporations to implement pension plan reforms. All employees of FinDev Canada are employees of EDC seconded to its subsidiary, and therefore fall under the same Human Resources management practices. EDC supports the principles underlying the directives and has taken action to implement the spirit and intent of these reforms such as increases to employee contributions in the Defined Benefit plan and a later age of retirement for Defined Contribution employees hired since 2015. Further detail on the implementation of this directive can be found in EDC's Corporate Plan.

APPENDIX 7: GOVERNMENT PRIORITIES AND DIRECTION

TRANSPARENCY AND OPEN GOVERNMENT

FinDev Canada is committed to establishing relationships based on trust and accountability with its stakeholders, which includes accurate and timely disclosure of information. Transparency was an important aspect raised by its stakeholders in its pre-launch consultations. A Transparency & Disclosure Policy (the Policy) was one of the critical deliverables of the project to launch FinDev Canada. It was approved by its Board in December 2017, prior to beginning its business activities. FinDev Canada will continue to evolve and build on this policy as its activities and the complexity of its organization grow.

Its transparency efforts aim to provide access to information while maintaining the commercial confidentiality of its customers. The Policy governs how it publicly releases significant quantities of information on transactions. It places FinDev Canada in a leading position, alongside just a few others, by proposing to conduct pre-signing disclosure of the transactions it considers entering into. FinDev Canada will also provide regular reporting on its aggregate activities, in particular, its development impact performance, as well information on all transactions it enters into.

In addition to the disclosure of transaction information, it makes publicly available on its website information on FinDev Canada's:

- Travel and Hospitality expenses;
- Annual Reports on the Administration of the Access to Information Act;
- Information about EDC's function, programs, activities and information holdings (Info Source);
- Any disclosure reports of wrongdoing under the Public Servants Disclosure Protection Act.

FinDev Canada will continually work to enhance its ability to provide increased access to information for its customers, partners and civil society over the planning period.

GENDER-BASED ANALYSIS PLUS

Gender equality is at the core of FinDev Canada's priorities. This applies both to its activities as a financial institution in the development finance space, and to its own corporate practices.

As is outlined in the present Corporate Plan, FinDev Canada will apply a gender lens to all its investments, therefore placing it among leading organizations in this field. To do so, it has developed a set of screening tools and practices to operationalize this goal. It has created a role dedicated to gender equality, who will have several key responsibilities:

- Actively engage with practitioners globally to monitor - and contribute to -best practices in the field;
- Contribute to the development and implementation of FinDev Canada's strategy and priorities, with a goal to achieve lasting impact;
- Develop a body of expertise and tools to support the work of other colleagues as well as customers and partners;
- Contribute to the assessment of individual transactions to ensure they meet its goals.
- FinDev Canada will strive to lead by example in its own management practices in matters of gender equality. Its hiring and management practices will create a culture of equal opportunity and advancement (see diversity and employment below).

DIVERSITY AND EMPLOYMENT EQUITY

Diversity and inclusion are fundamental dimensions of the work FinDev Canada is conducting, helping businesses of developing countries, and these values will be reflected in its own corporate practices.

FinDev Canada's relies on the support of its parent for its Human Resources management, and as such benefits from the breadth of experience and the recognized leading practices of EDC as an employer. The recognition of EDC as one of Canada's Best Diversity Employers in 2018 is a testament to its ongoing efforts to strengthen the diversity of its organization over the years.

FinDev Canada's initial team reflects a strong openness to gender diversity with a majority of female employees. As it grows its team, FinDev Canada will seek to expand its diversity by encouraging hiring professionals originating from - or with ties to - the countries where it operates. To build a culture of equality and openness, FinDev Canada has chosen to make its Montreal office entirely open space, with identical work stations for all employees, including senior management.

INDIGENOUS ISSUES

FinDev Canada will only operate outside of Canada. Through its Environmental, Social and Governance due diligence process it will pay close attention to the impacts of the activities of its clients on local communities, including indigenous communities. It will also seek to maximize, through its support to local businesses, the benefits to the poorest communities, including indigenous ones.

Development Finance Institute Canada (DFIC) Inc.