

→ **Corporate Plan Summary 2021-2025**

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1.0 EXECUTIVE SUMMARY

FinDev Canada is a Crown corporation with a mandate to provide development financing and support to businesses in developing countries—in order to empower women, mitigate climate change and develop markets, consistent with Canada’s international development priorities.

The role of development finance institutions (DFIs) is more important than ever today, as is the need to mobilize private investors to become more involved in development finance. That said, development finance today is not without its challenges, given slow growth in traditional funding sources for development assistance and the inherent risks of conducting business in developing countries. The COVID-19 pandemic has further exacerbated these challenges, with forecasts indicating that—while the effects of the pandemic vary differently from country to country—developing countries are expected to be hit the hardest due to their greater vulnerability.

Despite these challenges and operational limitations, FinDev Canada swiftly adjusted its activities to continue delivering on its mandate. Its COVID-19 response strategy was designed to play its natural, countercyclical role, focusing on a transition phase and growth phase. In the short-term, business will focus on liquidity-enhancing transactions to enable its clients to continue creating impact through their operations. As such, it will continue to work with Financial intermediaries (FIs) who, given their greater reach and knowledge of their local markets, can direct liquidity where it is needed most. FinDev Canada will also place a greater emphasis on simpler lending instruments with compressed turnaround times, and on providing liquidity financing for clients whose alternate sources of financing are no longer available.

In the longer term, as FinDev Canada moves out of this transition phase, efforts will be placed on shifting from a greater reliance on syndicated deals with other DFIs, to deals where it plays a more active, independent role. Focus will also be taken towards balancing FinDev Canada’s portfolio across various instruments and leveraging its capacity for innovation. As it navigates the post COVID-19 landscape, FinDev Canada will continue to focus on maximizing its impact while achieving its financial sustainability objectives.

In the spring of 2020, the Government of Canada conducted an operational review of FinDev Canada, assessing the organization’s operations under its initial capitalization of C\$300 million. In response to the review, FinDev Canada has developed an Action Plan that highlights the measures the organization has put in place to address the recommendations and is fully incorporated in the present Plan.

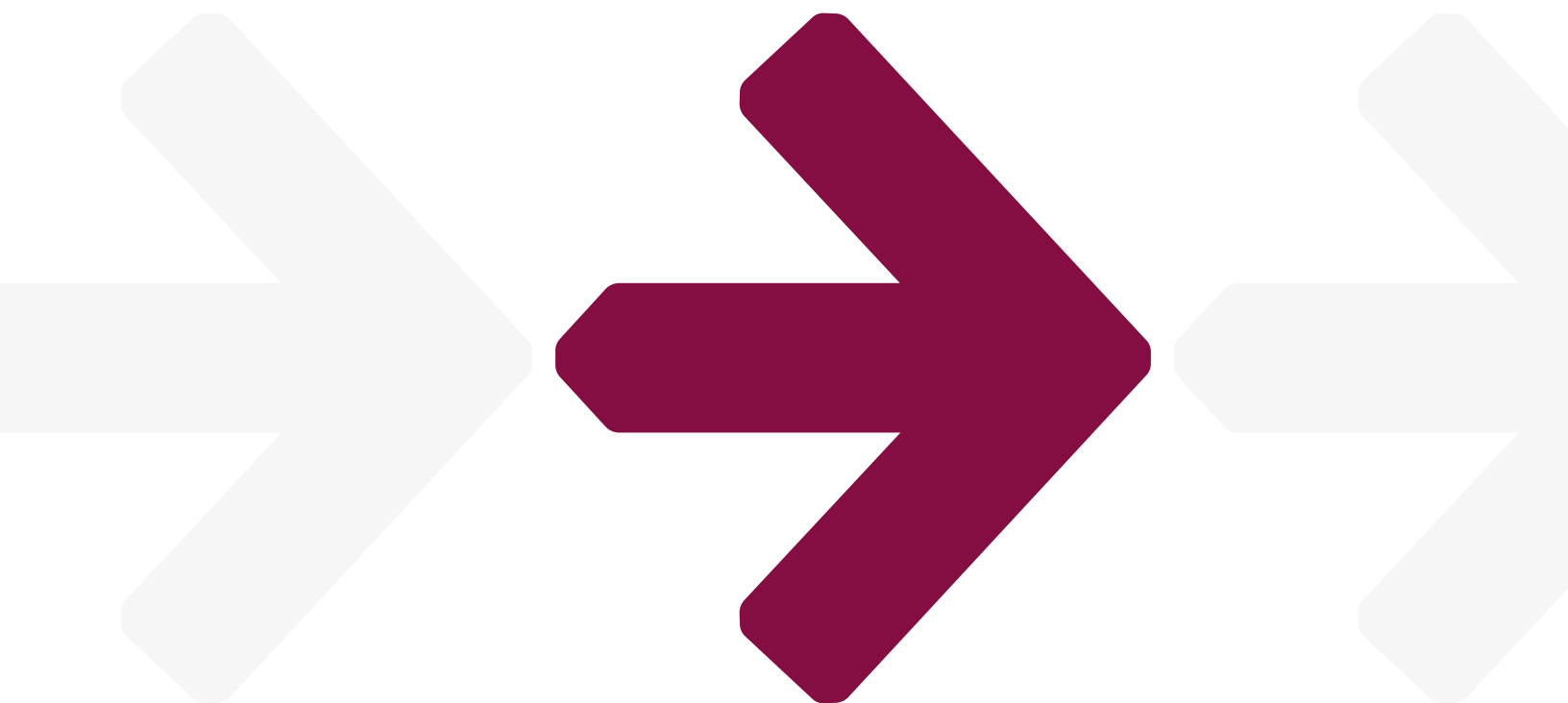
In collaboration with Global Affairs Canada’s (GAC) Innovative Finance and Climate Finance Bureau-, FinDev Canada has indicated its willingness to help establish a Canadian concessional mechanism that would support longer-term recovery and resilience and yield high impact in gender equality and climate action. With the ability to offer combined DFI and concessional financing in a seamless and innovative way, Canada would have a broader reach to support entrepreneurs in targeted developing countries and achieve greater development outcomes—positioning FinDev Canada among global leaders in this space, at a time when the needs are considerable. To do so, FinDev Canada will create capacity and processes to administer these mechanisms, while maintaining its own operational capacity to deliver on its core mandate.

Despite the pandemic, FinDev Canada has been able to undertake its activities with notable achievements. These include the organization building out its portfolio and launching its technical assistance facility with a dedicated team and delivering its first projects. Furthermore, it published its 2019 Annual Report which includes extensive reporting on Development Impact. Paired with a successful term chairing the 2X Challenge Working Group, the organization has been delivering on its goal of promoting impact. Additionally, 2020 saw FinDev Canada increase its operational capabilities, through recruitment across all functions. Internal processes and policies were reinforced or introduced, and the organization will continue to build upon them.

Building on this foundation, FinDev Canada's 2021 – 2025 Corporate Plan highlights how it will continue to accelerate efforts to move from market-taker – participating in transactions which terms have been defined mostly by other institutions - to a market-maker – playing a leading role in defining the features and terms of a transaction. Of a particular note, the organization aims to expand its Technical Assistance strategy to respond quickly to clients' needs while advancing impact goals. FinDev Canada will also direct efforts to refine its government and stakeholder relationship strategies and formalize its Risk Management strategy. The organization aims to continue working to become a leader in the DFI space by expanding its Environmental and Social practices and continuously investing from a gender lens, which COVID-19 makes all the more important. FinDev Canada is committed to bolstering its operational capacities and will be building out its technology roadmap in order to leverage data-enabled business models and digital technology to scale business functions and grow opportunities.

While the financial forecasts in the 2020-2024 Corporate Plan indicated that FinDev Canada would reach break-even by the end of 2024, the forecasts for the 2021-2025 Plan paint a different picture, with break-even remaining beyond the planning period. A number of key factors explain this change: lower base interest rates (LIBOR), reduced margins on lending activity in the foreseeable future, downward pressure on the book value of investments and increased provisioning due to a general increase in risk levels.

Throughout the 2021-2025 planning period, FinDev Canada will accelerate the pace of these initiatives, continue in its effort to apply a gender lens to everything it does, build its portfolio, develop partnerships and raise awareness of the FinDev Canada brand globally.



2.0 OVERVIEW

2.1 INTRODUCTION

This Corporate Plan reflects the economic and social uncertainty for developing countries and for FinDev Canada's operating environment. As such, 2021 will be a transition year, where it will focus on providing support to its clients and liquidity to its target markets. It will also be a very important planning year during which, working with the Board, the stakeholder community and the Government of Canada, FinDev Canada will closely monitor markets and adjust its strategy to prepare for opportunities that arise as the global economy transitions to a post-COVID 19 "new normal."

While the global economic challenges presented by the pandemic led to increased business activity in the first half of 2020, it also placed pressure on its forecasted financial performance, with the compounded negative effect of lower base interest rates (LIBOR), reduced margins on lending activity, downward pressure on the book value of investments and increased provisioning due to a general rise in risk levels. Financial forecasts indicate that during the planning period, FinDev Canada will fully utilize its initial capitalization of C\$300 million indicating a need for additional funding in order to maintain its long-term growth trajectory. While further capitalization opportunities are being considered, FinDev Canada will leverage its borrowing ability to continue supporting its growth and maximizing its asset portfolio.

2.2 2020 ACHIEVEMENTS

BUILDING ITS PORTFOLIO

By re-orienting its investment strategy in response to the COVID-19 pandemic, FinDev Canada expects to have approved 12 new transactions in the course of 2020, on target with its corporate objectives. In 2020 FinDev Canada continued strengthening relationships with peers and other industry experts, resulting in closer collaboration in pipeline development and due diligence.

FinDev Canada launched its technical assistance facility and delivered on its first projects and began building its asset management function with recruitment and process development.

As a result of COVID-19, FinDev Canada had to modify its planned on-site visits to conduct portfolio monitoring and evaluation, to a virtual format, complemented by regular client contact. In 2021, the team will continue to build the infrastructure necessary to ensure results across its focus areas as it supports its clients and market development efforts.

PROMOTING IMPACT

In 2020, FinDev Canada published its first 2019 Annual Report, which included extensive reporting on development impact and its first impact portfolio dashboard (Figure 1). FinDev Canada transferred chairpersonship of the 2X Challenge¹ Working Group upon successful completion of the 2019-2020 term. FinDev Canada's tenure as Chair of the 2X Challenge was marked by the surpassing of the initiative's initial \$3 billion target, with 2X members committing and mobilizing nearly \$4.5 billion so far. Additionally, under FinDev Canada's leadership the 2X Challenge also made significant contributions to the field of gender lens investing through the publication of guidance for investors on the application of the 2X Criteria and guidelines for responding to the COVID-19 crisis with a gender lens, among others.

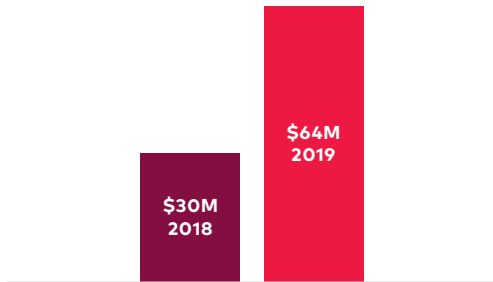
9 clients in portfolio

5.2X clients in portfolio (56%)¹

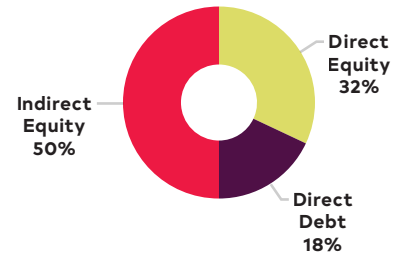
82% of total equity investments committed

\$94M in signed commitments 

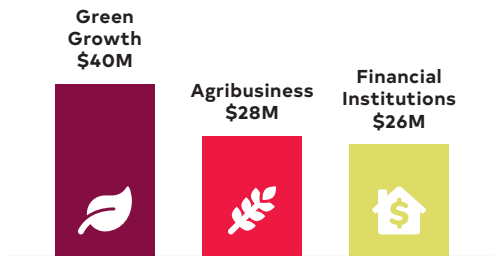
New Commitments



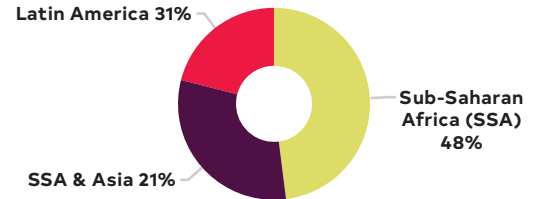
Equity vs Debt (% Total Commitments)



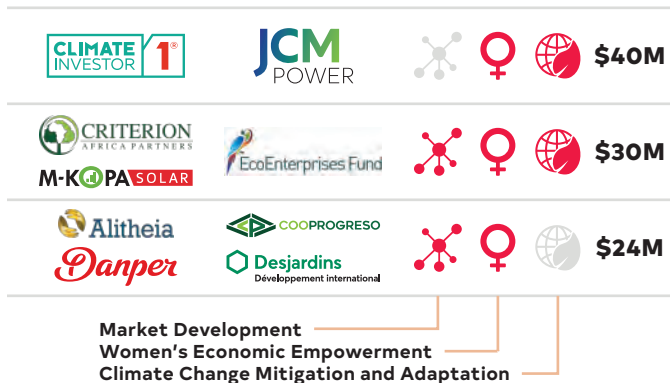
Commitments by Sector



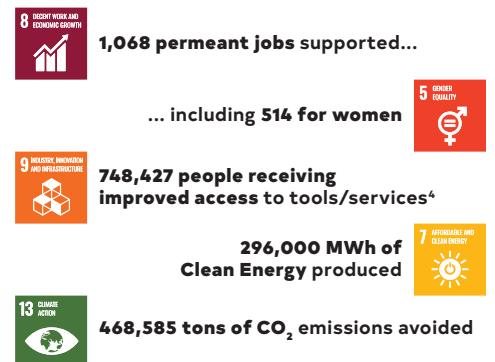
Geographic Split (% Total Commitments)



Commitments by Impact Focus²



Interim Impact Reported by Investees in 2019³



All figures stated in US\$

1 - 2X Qualified deals: Alitheia, Cooprogreso, Danper, EcoEnterprises Fund, M-KOPA

2 - Areas where clients are currently delivering impact and/or made a commitments to increase their impact in the future.

3 - Based on data reported by M-KOPA, Climate Investor One, and Danper. Others report annual KPIs later in the year.

4 - Represents direct and indirect customers with improved access to energy. Indirect estimates come from FMO Impact model.

Figure 1: FinDev Canada's 2019 Portfolio Dashboard

INCREASING OPERATIONAL CAPABILITIES

FinDev Canada continued to grow, recruiting across all functions: Investment, Impact, Risk Management, Strategy and Operations. To match its growth trajectory FinDev Canada continues to build and refine its internal processes and policies and began implementing its digital strategy to leverage technology and enhance its agility and client-centricity.

2.3 OPERATIONAL REVIEW

The Government of Canada conducted an operational review of FinDev Canada in the spring of 2020 to assess its operations under the initial funding of \$300 million and provide recommendations for the next phase of its growth. Global Affairs Canada (GAC) undertook the strategic alignment section of the review while Export Development Canada (EDC) conducted an audit of the organizational effectiveness of FinDev Canada. The operational review provided a strong endorsement of FinDev Canada's mandate, policy alignment with Canada's international development assistance priorities, leadership in gender lens investing and its operational foundation. The Minister of International Development and the Minister of Small Business, Export Promotion and International Trade also reviewed and approved the operational review and provided an update to the Canada in the World & Public Security Cabinet Committee on August 24, 2020.

FinDev Canada has developed an Operational Review Action Plan presented throughout this Corporate Plan. Moving forward, it will continue to build out its organizational frameworks, secure and manage required resources, including staff, to ensure that it is equipped to deliver on its development and policy objectives.

3.0 OPERATING ENVIRONMENT

3.1 GLOBAL OUTLOOK: EFFECTS OF COVID-19

The COVID-19 pandemic created unprecedented public health and economic challenges around the world. Economic recovery will depend on a variety of interconnected factors: the evolving nature of the pandemic itself and potential subsequent waves, the availability of a vaccine, the responses of individual countries, regarding fiscal stimulus, how restrictions are lifted, and consumer confidence. Considerable uncertainty remains on how the situation will return to a form of normal, and what this normal will be, making any long-term planning challenging.

As the crisis, and governments' responses unfold in the coming months, we will continue to monitor and analyze the situation and adjust our strategies accordingly. The issues and trends analyzed below reflect what can reasonably be forecasted given the information at hand today. They will influence how FinDev Canada can best fulfill its mandate.

3.1.1 EFFECTS OF COVID-19 ON DEVELOPMENT

THE EFFECTS ON SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The global health crisis is triggering widespread and likely durable disruption across most aspects of economic activity and the social fabric of all countries. What is clearly emerging is that far from being a "great equalizer" as suggested by some at the outset, the COVID-19 crisis will most likely exacerbate inequalities - between countries that have the infrastructure and fiscal capacity to respond versus those who do not; and between segments of society that are economically resilient and those whose livelihood is precarious at the best of times.² Developing countries are expected to be hit the hardest due to their greater vulnerability. Many lack the fiscal capacity to launch broad support packages for their businesses and households, as have been implemented in most developed countries. Given the combined effects of local lockdown measures and shrinking demand from international markets, poverty levels are expected to rise, reversing much of the progress achieved in recent years.

Employment in the formal sector is expected to drop, and the informal sector to be hit even harder. As a result, the livelihoods of a large proportion of the population are directly threatened. Furthermore, international remittances are projected to drop significantly. The disruption of food supply chains compounded with loss of revenue will place the poorest strata of the population in a situation of food insecurity.³

These economic impacts will in turn weaken the social fabric. The lack of social safety nets in many countries contributes to the insecurity the poorest populations will face in the case of loss of revenue. Economic inequalities tend to fuel racial, ethnic and gender divisions, with knock-on effects on political stability and community violence. Food insecurity also has direct impacts on health and education levels, as every resource is directed to livelihood.

THE EFFECTS ON WOMEN

Previous health epidemics have demonstrated that women suffer disproportionately. A recent analysis by CARE noted that COVID-19 outbreaks in developing countries could have multiple negative impacts on women and girls, "including adverse effects on their education, food security and nutrition, health, livelihoods, and protection."⁴

Women make up more than two-thirds of the work force in the global health sector. As reported in *The Lancet* after the 2014-16 Ebola crisis outbreak in West Africa, "gendered norms meant that women were more likely to be infected by the virus, given their predominant roles (...) as front-line health-care workers." Similarly, there are more women working in lower-skilled and lower-paying jobs globally, often in the service sector or the agriculture and manufacturing industries. As such, they are among the first to see their employment ended during a crisis. Many are the sole wage earners and are often single mothers with little, if any, savings. A reduction of women in the labour force can also result in reduced decision-making ability and the authority women previously held within their families, workplace and communities.

As a result of COVID-19, women in many developing countries are expected to see funding for reproductive health or gender violence programs reduced, or eliminated, as scarce resources are reallocated to combat the pandemic. This could in turn lead to an increased risk of maternal or neonatal mortality, and a rise in unwanted pregnancies, domestic abuse and sexual assault incidents. Prolonged school closings also mean girls are more likely to drop out of school altogether, which is in turn associated with higher rates of early marriage and teen pregnancies.

3.1.2 EFFECTS OF COVID-19 IN FINDEV CANADA'S TARGET MARKETS

LATIN AMERICA AND THE CARIBBEAN

COVID-19 threatens to exacerbate existing structural challenges and discontent in Latin America and the Caribbean. Prolonged economic weakness has hindered regional efforts at tackling structural impediments to economic growth and development. Relatively limited economic diversification, fragile labour markets, high inequality and poverty, weak institutional quality and constrained public finances have contributed to a difficult political environment for several countries.

Latin America emerged as an epicenter of the global health crisis. While most governments have rolled out measures to support the private sector, many countries in the region are facing significant financing and debt sustainability risks, with many on the verge of, or already in, default. The regions' debt burden will weigh on long-term prospects among the more vulnerable economies. Moreover, many governments across the region are struggling to balance economic and public health priorities, which could have an impact on subsequent outbreaks and the reopening of their economies.

While the collapse in global energy prices reduces external imbalances among net energy importers, many of these economies – particularly in the Caribbean – are highly dependent on the hard-hit tourism sector and are also vulnerable to natural disasters, all of which could impede recovery prospects. Overall, Latin America is expected to underperform, with the largest three economies of Brazil, Mexico and Argentina mired in crisis.

In the agribusiness sector, while the long-term outlook is stable, the region continues to face structural challenges such as inefficient supply chains and fragmented production. The mixed effectiveness of resource and policy management and infrastructure development, compounded with the effects of climate change, undermine Latin America's ability to ensure sustainable and inclusive growth. In the financial sector, liquidity is drying up and Central Banks are stepping in where they can. Asset quality and profitability will be at risk through 2021. While governments have put measures in place to support businesses and consumers through increased lending and relaxation of regulatory requirements, access to credit for the most vulnerable countries will be further exacerbated.

SUB-SAHARAN AFRICA (SSA)

The pandemic is having adverse and varying impacts on the region. The World Bank estimates the economic and social impacts will cost the region an estimated US\$37 to US\$79 billion in output losses in 2020. In 2020 alone, many African countries face an additional financing need of over US\$110 billion, pushing several into debt distress. Risk appetite for SSA is likely to diminish and access to financing will be a top concern for many countries. A continued economic recession from key importing nations, mainly China, the European Union (EU) and the United States (U.S), could have a major impact on commodity exports, tourism and various supply chains disruptions.

One of the success factors in SSA over the past 30 years has been the rise of the middle class, rising to about 170 million out of a population of 1.3 billion. The pandemic and its economic fallout not only put this cohort in jeopardy, but is likely to reverse the decline in poverty rates overall. The International Monetary Fund (IMF) estimates that COVID-19 will push 26 to 39 million people into extreme poverty. Real per capita GDP in the region is projected to contract by 5.4 per cent in 2020, bringing it back to its 2010 level and if the pandemic persists indefinitely, the implications could be more significant.

While many SSA countries are among the fastest growing economies in the world, a contraction of global growth by 4.9 per cent in 2020 will weaken access to capital in many markets. A drop in Foreign Direct Investment (FDI), collapse in tourism, disruptions in supply chains and a contraction in remittances are creating liquidity shortfalls and balance of payments crises that will require further external assistance. The burgeoning infrastructure sector – key to unlocking SSA's growth – is expected to be one of the hardest hit by rising sovereign debt in most countries. Overall, economic recovery is expected to be uneven from country to country. Diversified economies are likely to come out of the crisis faster than commodity-dependent markets or those dependent on tourism or remittances.

Agriculture continues to play an outsized role in many SSA markets. This dependence on agribusiness means that vulnerabilities in the sector – particularly volatile crop yields and pricing, as well as trade shocks – could pose additional challenges to many economies. In the near term, the outlook for regional agribusiness will be negatively affected by COVID-19, a collapse in demand for major crop exports, chronic shortages of food-related crops brought about by climate-related disruptions and infrastructure deficits that limit supply chains and impact efficiency, productivity and resource management. A locust outbreak in eastern Africa is currently compounding existing volatility and food security and could have a severe impact on the future viability of some crops.

The outlook for SSA's access to capital in the short-to-medium term appears to be uniformly trending negative, given the global downturn triggered by COVID-19 and pre-existing vulnerabilities of the region's financial sectors. COVID-19 has led to two concurrent financing pressures that are likely to remain in the medium term: a significant, region-wide financing gap for sovereigns and corporates forced to contend with sharp contractions in growth and higher spending; and fewer or reduced financing options available to meet these growing liquidity shortfalls, given a reduction in global capital inflows. These trends are set to negatively affect Financial Institutions' asset quality, increase already elevated levels of non-performing loans and lower the growth of what were rapidly expanding loan volumes. In the longer-term, the outlook for finance in SSA is more favourable, but very dependent on the pace of the global economy recovery.

3.2 THE DFI LANDSCAPE

The COVID-19 pandemic is presenting significant challenges to development finance institutions (DFI). While their role as complementary players to financial service providers places them at the centre of the response to the economic impact of the crisis, restrictions on travel are putting traditional business models under pressure.

In the early days of the pandemic most DFIs, faced with a sudden increase of risk across the board, focused on preserving their existing portfolios. Soon after however, as commercial lenders or investors retired from the market, DFIs began to make fresh liquidity available to their clients to allow them to weather the crisis.

DFIs have been underwriting new commitments to their existing client base, focusing on those financial intermediaries (FIs) in a better position to reach the unbanked or the "no-longer-banked". Working with financial intermediaries also addresses the current inability to conduct on-the-ground due diligence, as FIs are more conveniently assessed remotely. For the same reasons however, this situation hinders the ability of DFIs to establish new relationships and expand their clientele and reach. This puts a greater emphasis on collaboration and intelligence sharing among DFIs and the ability to leverage trusted, local networks, particularly among organizations such as the European Development Finance Institutions (EDFI) and the DFI Alliance, a tripartite agreement between EDFI, US-DFC and FinDev Canada.

Moving forward, as uncertainty around the global economy remains, DFIs will be under pressure to revisit their operating models, and place a larger emphasis on innovation, technology and the ability to operate effectively without travel.

3.3 THE CANADIAN LANDSCAPE

The Canadian development finance landscape continues to evolve with new initiatives and organizations emerging in both the public and private sectors.

In the private sector, the Canadian Forum for Impact Investment and Development (CAFIID)⁵ - a platform bringing together Canadian individuals, organizations and investors working in developing countries to learn, share, collaborate and act as a collective voice to strengthen the value and the volume of impact investment- has emerged as a critical voice for the industry, with an aim to strengthen the value and volume of impact investment in developing countries. Canadian businesses are active in developing markets and contribute to Canada's collective expertise and value added. Furthermore, the Equality Fund,⁶ launched in 2019, intends to drive the cultural, economic and political changes required to make global gender equality a reality. With a \$300 million investment from the Government of Canada, the single largest investment in women's rights organizations, Canada has the opportunity to lead in creating capacity for women's organizations around the world. Organizations such as Convergence, Grand Challenges Canada and the International Development Research Centre (IDRC) are also consolidating their roles as recognized centres of expertise globally in their respective fields.

Sustainable development financing in Canada includes a range of mechanisms and tools to advance impact driven, private sector-oriented solutions in emerging markets. From investing in upstream innovations in health, to commercial investments in agribusiness and blended-finance solutions in renewable energies – Canada has much to offer its developing country partners at this time. FinDev Canada plays a critical role in the Government of Canada's expanded international development toolbox, as the organization dedicated to providing commercial financing solutions to the private sector in developing countries in order to achieve positive development outcomes.

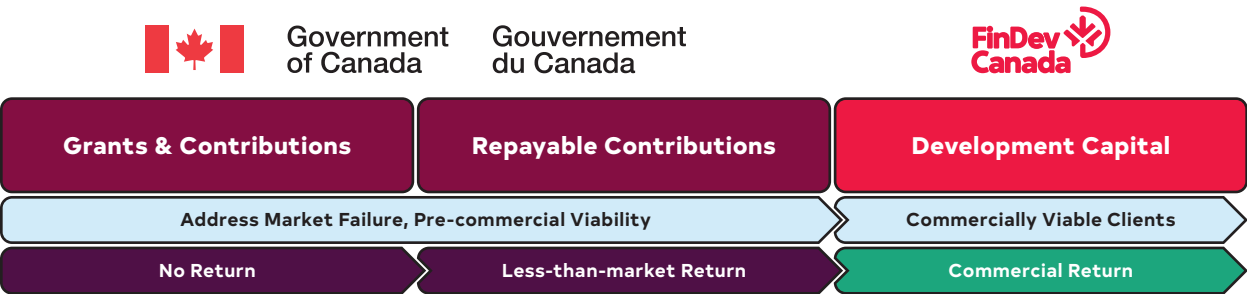


Figure 2: A Continuum of Canadian solutions for the private sector in developing countries

The scale of the economic disruption caused by the COVID-19 pandemic has challenged financing and investment models in developing countries and regions, with an unprecedented demand for financing, as well as blended concessional financing from developing country partners. In response, Canada has an opportunity, to position itself at the forefront of development finance.

4.0 BUSINESS STRATEGY

4.1 INTRODUCTION: LEADING WITH IMPACT

As a small and new organization, FinDev Canada can differentiate itself and be a niche player in the market, by focusing on a few, well-chosen areas of activity. To this end, FinDev Canada's investment activities place impact at their core, centered around the three impact goals: women's economic empowerment, market development, and environment and climate action. Guided by its core impact objective – to be a gender-lens investor – FinDev Canada has, in just over two years, established itself as a leader in the gender finance space. It will continue to build on this reputation through its core activities such as investments and technical assistance and intensified efforts on thought-leadership.

4.2 INVESTMENT AND ORIGATION

4.2.1 INVESTMENT PRIORITIES

FinDev Canada's long-term vision is to build a portfolio that generates high development impacts while ensuring financial sustainability through stable returns. The emphasis for 2020 was progressing from start-up phase to growth phase by strengthening its asset management capabilities and executing on its origination strategy. However, in response to the COVID-19 pandemic, an 18-month interim investment strategy was developed for 2020-2021 to help address the challenges facing existing and prospective clients. The revised investment strategy focuses on delivering liquidity rapidly to its target markets, leveraging the intermediary role of local financial institutions. It constitutes a transition phase during which FinDev Canada will continue building a diversified and impactful investment portfolio while taking into account the economic, political, social, and environmental effects of the pandemic and adjusting to the logistical constraints it represents.

FinDev Canada remains focused on its target regions and sectors. Given the increased demand for DFI financing in markets faced by a withdrawal of private sector capacity, it expects growth volumes to remain as projected or higher. Its shift in focus towards local financial intermediaries has resulted in a slight increase in the average size - US\$15M of transactions. As it begins to adjust to a new normal in 2021-2022, it will assess how the business environment impacts the profile of its transactions, from a counterparty, a structure and a size perspective. The number of transactions in figure 3 are therefore indicative only.

FinDev Canada has reoriented its business objectives towards transactions that are better suited to current operational constraints, with an emphasis on clients and counterparties where due diligence can be conducted remotely. It has also reinforced partnerships and collaboration with other DFIs and similar organizations, which has become crucial in response to the pandemic. 2021 will be a transition phase for FinDev Canada to enable it to address the effects of the pandemic and prepare for a growth phase starting in 2022. As market conditions evolve and the new normal is better understood, FinDev Canada will continue to adapt its priorities, target portfolio and origination activities.

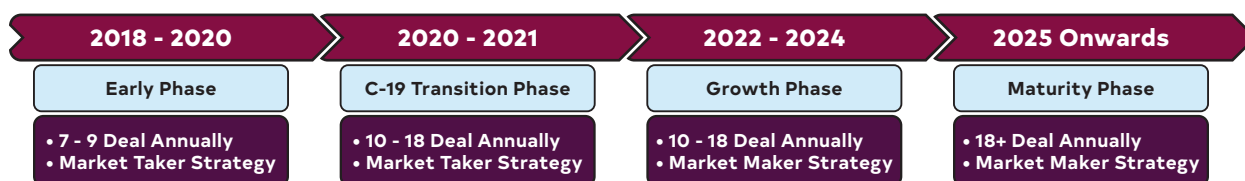


Figure 3: FinDev Canada's updated development timeline

4.2.2 IMPLICATIONS ON FINDEV CANADA'S PORTFOLIO

TRANSITION PHASE (2020-2021)

While the full impact of COVID-19 remains to be seen, there is already evidence and forecasts of the negative effects on the global economy, particularly in FinDev Canada's target regions as highlighted in the Planning Environment.

FinDev Canada's strategy is to fully play its natural, countercyclical role. In the short-term, it will focus on liquidity-enhancing transactions, to enable its clients to continue creating impact through their operations. A credible conduit for this are financial intermediaries (FIs) which have greater reach and knowledge of local situations, to direct liquidity where it is truly needed. FIs are one of FinDev Canada's target sectors; this will however result in a higher concentration in its portfolio than initially targeted. It will also place a greater emphasis on simpler lending instruments with compressed turnaround times, to quickly provide liquidity to clients whose alternate sources of financing are no longer available. Overall, this reorientation of the strategy is not expected to cause significant changes to FinDev Canada's impact results or to the risk profile of its portfolio.

GROWTH PHASE (2022-2025)

As FinDev Canada moves beyond the transition phase, it will focus on implementing its market-maker strategy, shifting from a greater reliance on deals led by other DFIs to deals where it plays a more active structuring role. The current level of uncertainty in the markets makes it premature to develop the components of this strategy. It will however involve ongoing monitoring of the market, an analysis of the sectors and countries which will be most conducive to achieving FinDev Canada's impact goals, the gaps that may exist in those, FinDev Canada's value proposition and the partnerships – global or local - that will be required to progressively pivot to a more active role in the market. The strategy will also identify the resources required to execute it, including how new foreign representations will be involved in sourcing and developing deals (see "origination" below), and how technology will be leveraged to better connect with the market (see digital roadmap - 4.3.4). In the meantime, despite the uncertainty with the pandemic and FinDev Canada's inability to travel, it is exploring the possibility of joint, virtual due diligence for non-financial institution transactions. This will help build expertise and develop local networks. It will also make efforts to rebalance its portfolio across the various instruments and leverage innovation. As its portfolio grows, it will ensure its financial sustainability objectives are met and continue to develop its asset management function.

COVID-19 RESPONSE INVESTMENT

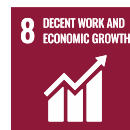
FirstRand Bank

US\$ 20M loan to support lending activities to SMEs in Sub-Saharan Africa, including 30% towards 2X qualified business.

- Up to 435 WSMEs access to financial services
- US\$ 6M channeled to women-owned and led businesses
- Est. 49,000 jobs supported at SME clients
- Supporting a sustainable market player and financing for renewable energy investments



More sustainable and inclusive financial sector in South Africa, providing women, WSMEs, with financial services that support jobs and improve thousands of lives.



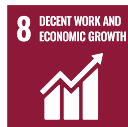
Latin America Agribusiness Development Corporation (LAAD)

US\$ 20M loan to expand agricultural financing to SMEs that produce food in a sustainable manner in over 15 countries across rural Latin America.

- 60,000+ indirect jobs supported annually leading to est. 325,000 lives improved
- 20,000+ agricultural jobs for women annually
- Sustainable food production using fewer inputs
- High-value conservation areas protected



Greater access to finance for agri-SMEs in LAC, contributing to more sustainable and climate-resilient food production and supporting thousands of jobs in rural areas.



INVESTMENT PARAMETERS

FinDev Canada will continue to focus on its target sectors and regions as outlined in the 2020-2024 Corporate Plan. In the transition phase, FinDev Canada's will continue to monitor opportunities in the agribusiness and green growth sectors and evaluate the viability to close deals, to complement its pipeline currently weighted on financial intermediaries. This will be important as it will lay the groundwork for the growth phase and work towards rebalancing its portfolio. Beyond 2021, it will explore investments in sub-sectors (examples listed below) within priority sectors that offer a high potential for impact but receive less attention than others. FinDev Canada is also open to reviewing other sectors where there is high impact potential.



Figure 4: Illustration of sub-sectors within FinDev Canada's priority sectors

FinDev Canada’s geographic focus on Sub-Saharan Africa, Latin America and the Caribbean will remain unchanged over the 2021-2025 planning period. It will continue to build knowledge and partnerships to enable effective transaction origination, structuring, and management.

4.2.3 ORIGINATION

FinDev Canada recognizes that in order to become a market maker, it is imperative to have a robust origination strategy. Origination channels, as shown in figure 5 below, are being implemented and are at various levels of progress. During the COVID-19 crisis, FinDev Canada continues to leverage its peers and other intermediaries, such as investment funds and financial institutions, to originate its own business.

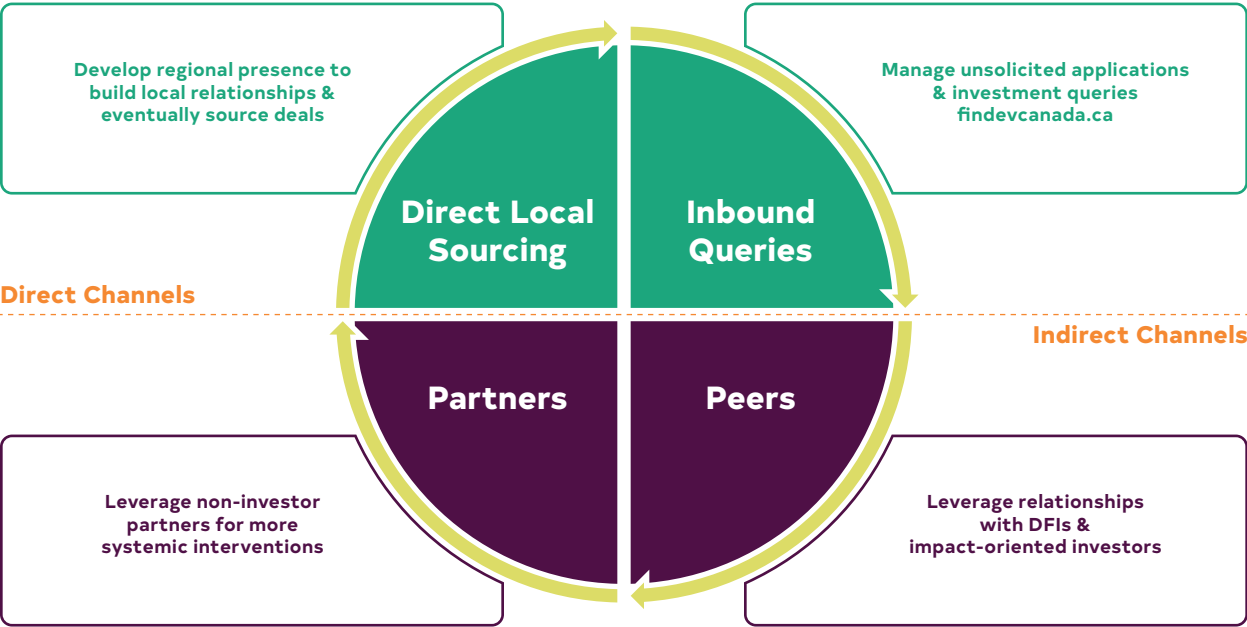


Figure 5: FinDev Canada's origination channels

LEVERAGE RELATIONSHIPS WITH DFIS AND IMPACT-ORIENTED INVESTORS

FinDev Canada has well-established collaboration channels with peer DFIs and other development finance players that have been instrumental in building its portfolio. In the wake of the pandemic, FinDev Canada leveraged its connections with DFI and Multilateral Development Bank (MDB) partners to bolster its origination capacity and due diligence capabilities - with travel restrictions and adoption of remote due diligence calling for closer collaboration to analyze transactions. The experience gained and relationships developed during this crisis will help establish a strong foundation for FinDev Canada post-2021 as it transitions to being a market maker.

DEVELOP REGIONAL PRESENCE

In 2020, FinDev Canada began work towards establishing a local presence in key target markets with a focus on gathering intelligence and building relationships. In the early stages of its presence in a market, FinDev Canada will focus on understanding market dynamics and constraints, and identifying the right business opportunities and partners. With assets in market, local intelligence will help manage risk, and to anticipate and address potential issues. At a later stage, its local presence will help develop comprehensive regional strategies and partnerships to maximize its impact. Several DFIs have established an international presence, some of them substantial, as it is seen as a key to success in reaching their core targets and securing key intelligence. A local presence would allow FinDev Canada to operate at the same level as its peers and strengthen its brand.

FinDev Canada's plans to secure its first in-market presence, with a likely focus on East Africa, by the end of 2020 were hindered by the COVID-19 pandemic. With the foundational work completed, it will explore the next steps, contingent on the effects of the pandemic and the feasibility of moving the project forward. Based on the preliminary work, FinDev Canada anticipates recruiting a minimum of two locally engaged professionals; leveraging their expertise in both development finance and local networks. Their mandate will be, at the onset, gathering intelligence, building relationships and representing FinDev Canada within the region. All transaction-related activities will still be conducted in Canada.

FinDev Canada will set up its representation in colocation with a partner institution already present in the market. Initial conversations have taken place with IDRC and with Global Affairs Canada.

It will seek the required authorities from the Government of Canada in order to formally proceed with the project.

Lessons learned from this will help to plan expansions in the other markets in subsequent years, including Sub Saharan Africa and Latin America and the Caribbean. A more detailed plan for future representations will be drawn up once initial results of the first one can be analyzed. In parallel, FinDev Canada will in any case continue to build on the relationships it has established with the Trade Commissioner Service, both in Canada and in-market to complement its own market intelligence and presence.

4.2.4 ADDITIONALITY

Additionality is based on the premise that development finance institutions ("DFIs") supporting private sector operations should make a contribution beyond what is available in the market and should not crowd out the private sector.⁷ Additionality means providing financial solutions that are complementary to what the market already offers, as well as bringing non-financial value added to clients through support and advice.

Additionality is an important dimension of the work FinDev Canada conducts in developing countries. It underpins its commitment to bring to the market services and solutions that are not otherwise available in a form that responds to the needs of our clients. FinDev Canada has considered its additionality in all transactions it has engaged into since inception.

In 2020, FinDev Canada embarked on the refinement of its practices to assess and demonstrate additionality, and further embed them in its decision-making. This exercise involved investigating how additionality is currently being approached by its peers as well as other subject matter experts in the industry. It identified best practices, conducted a needs assessment, and is finalizing the design of an additionality framework that meets FinDev Canada's needs and is easy to implement and use. The additionality framework will be rolled-out in 2021.

4.2.5 MOBILIZATION

FinDev Canada has made it a core objective to mobilize private sector resources and will leverage its understanding of emerging markets to engage with targeted private sector investors both in Canada and abroad. Although COVID-19 has created challenging conditions for effective mobilization, FinDev Canada will continue to refine its strategy and reach out to potential partners and investors in 2021, to build a strong foundation for subsequent years. Building on its initial successes, it will seek to mobilize insurance companies through reinsurance arrangements by building or strengthening strategic relationships. FinDev Canada also seeks to mobilize greater amounts of capital for gender-lens investing through its active participation in the 2X Challenge initiative: the institutions participating in the Challenge are building relationships with potential private sector partners and exploring mechanisms specifically geared towards channeling new investment flows towards eligible transactions.

Effective mobilization requires an intimate understanding of the investment strategies and priorities of potential partners. FinDev Canada will conduct this exercise in phases, beginning with mapping and prioritizing relationships and exploring collaboration models. FinDev Canada will then develop an outreach strategy to build more visibility for its activities and identify or structure specific opportunities for consideration. With a greater understanding of the needs of the market and strategic objectives of various players, FinDev Canada will seek to organize meetings of like-minded Canadian stakeholders. It will also continue to work alongside international networks such as the Investor Leadership Network (ILN) to explore avenues to collaborate.

FinDev Canada will work with GAC to leverage complementary government programs and provide greater incentives for potential investors to invest alongside FinDev Canada. The ability to deploy highly catalytic capital such as GAC’s new Innovative Finance programs, combined with FinDev Canada’s capabilities and structuring expertise, can be instrumental in building up mobilization flows.

4.2.6 ASSET MANAGEMENT

Starting in 2020 and throughout the planning period, FinDev Canada will continue to develop its internal capabilities to manage its assets over their lifetime, through both technology and human resources. To that effect, it has created a new dedicated asset management function that will work closely with EDC to enhance guidelines and processes. This will include the management of its assets’ financial and development impact performance, Environmental & Social and gender action commitments, and all aspects of FinDev Canada’s exposure. With increased capabilities, FinDev Canada will be able to identify potential performance and sustainability issues in its portfolio companies and undertake appropriate courses of action.

It will also take into consideration the sustainability of the businesses it supports and their ability to generate positive development impact over time. In aggregate, the portfolio will need to remain diversified across sectors, geographies, types of investment, and risk profiles. Managing these assets will help preserve FinDev Canada’s interests and reputation.

4.3 CORPORATE BUILD-OUT: REFINING CAPABILITIES

4.3.1 DEVELOPMENT IMPACT

FinDev Canada’s Development Impact Framework encompasses a variety of tools to assess the current and potential impacts of client operations and guide investment decisions and results reporting, in order to ensure that impact is integrated in each step of an investment cycle (Figure 6).

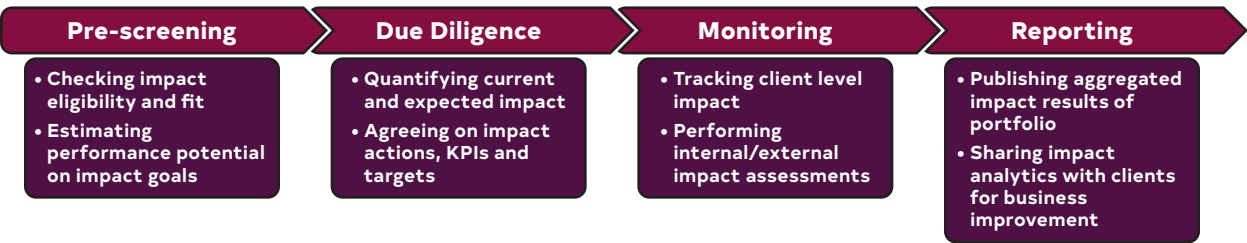


Figure 6: FinDev Canada’s Development Impact Management Process

Now that an initial portfolio has been built, FinDev Canada has started incorporating monitoring and reporting activities into its work plan while continuing to refine impact tools and processes throughout the origination process, which it will expand and refine as its portfolio grows.

The COVID-19 pandemic and subsequent global economic crisis elevated the need to respond quickly and efficiently to investment opportunities and inject more liquidity where needed. It reinforced the importance of rigorous analytical tools and processes to assess the impact potential of a client from both economic and social perspectives.

In 2020, FinDev Canada integrated environmental Key Performance Indicators (KPIs) into its development impact tool, such as carbon sequestration and emissions reduction (measured in absolute tons of CO₂/year), and the differentiation between current and potential impact of the opportunities under consideration. FinDev Canada team continues to refine its Development Impact tool and strengthen its internal capacity to deliver on its impact objectives.

The Operating Principles⁸ for Impact Management, launched by IFC in the spring of 2019, provide a reference point against which the impact management systems of funds and institutions may be assessed. They draw on emerging best practices from a range of asset managers, asset owners, asset allocators, and development finance institutions. They have become a reference standard for the development finance industry. As a founding signatory and Advisory Board member of the Operating Principles for Impact Management, which offer a common framework for impact management practices, FinDev Canada published its first disclosure statement⁹ in 2020 which confirms that FinDev Canada's investments are managed in alignment with the Principles. FinDev Canada also plays an active role in several impact data harmonizing and streaming initiatives, in partnership with other DFIs and multilateral development banks.

Throughout the planning period, FinDev Canada will continue to build its portfolio management processes and tools to ensure that its impact assessment tools are relevant and aligned with the investment strategy. Key priorities include:

1. Creating a clear **governance structure for the Development Impact tool** and a protocol for the periodic review as well as an independent validation of the model embedded in the tool.
2. Advancing **Development Impact analytics**, tools and processes for portfolio management and building the team's capacity to monitor and report on the portfolio's impact performance.

4.3.2 GENDER EQUALITY

FinDev Canada's Gender Equality Strategy informs all of FinDev Canada's activities, underpinned by a Gender Equality Policy that establishes overarching principles to integrate and promote gender equality and women's economic empowerment. The Gender Equality Strategy, designed with its priority sectors, impact areas, gaps and resources in mind, complements the Development Impact Framework, the Investment Strategy, the Technical Assistance Strategy and the Environmental & Social Policy.

In response to the operational review, in 2021 and beyond, FinDev Canada will develop a plan to engage with women in its target markets in order to refine its gender strategy and priorities according to their experiences and their needs. It will also explore opportunities for coordination with other DFIs, in particular the members of the 2X Challenge working group to gain more insights into matters of gender equality.



Figure 7: The Gender Equality Strategy four priority action areas

STEERING CAPITAL TOWARDS TRANSACTIONS WITH HIGH WOMEN'S ECONOMIC EMPOWERMENT (WEE) IMPACT AND BRIDGE GAPS IN GENDER-LENS INVESTING

Reducing the legal, social and economic disparities between women and men is a fundamental human rights issue that is also critical to reducing poverty and enabling a stable, prosperous future for all. However, women and girls in FinDev Canada's priority markets continue to face constraints in gaining access to basic services, earning their own livelihoods, owning property and participating in decision-making. The corporation has been actively working to utilize capital in order to bridge these gaps through gender-lens investing. It is proud to have invested in companies such as Alitheia IDF, a women-led first-time fund manager focusing on women owned and led SMEs in Sub Saharan Africa.

As noted in chapter 3, the COVID-19 pandemic is having a disproportionate impact on women in the regions where FinDev Canada operates. When women have less decision-making power, in households or in government, their needs during an epidemic are less likely to be met. As a result, FinDev Canada and its partners in the 2X Challenge and the DFIs' Gender Finance Collaborative, are co-leading the development of a set of recommendations,¹⁰ aimed to help investors respond to the COVID-19 pandemic with a gender lens. Embedding a gender lens into its development impact framework and impact assessment methodology has enabled FinDev Canada to screen for gender in all transactions, despite the limitations of the pandemic.

Moving forward, FinDev Canada will analyze its immediate and longer-term response to the pandemic from a gender lens to refine its strategy and inform funding considerations and processes in 2021. This will enable it to guide and support its clients' ability to adapt to the new reality. In addition, work with its 2X Challenge partners will inform how DFIs can better evaluate and address the effects of a widespread crisis from the perspective of intersectionality – the consideration and analysis of multiple, interconnected social and economic dimensions.



While 40% of Africa's SMEs are women-owned, only 2% of them successfully access finance, leading to a funding gap of over \$20 billion in unmet financing needs. Alitheia is a joint venture fund developed to proactively finance businesses that are majority-owned, majority-run or primarily created by women, while supporting priority sectors in agriculture, agro-processing and companies that provide essential goods and services.

In late 2019, FinDev Canada invested \$7.5 million into the fund, which will be used to finance locally-owned, high-growth SMEs and will help Alitheia create 5,000 jobs for women and provide up to 100,000 women with access to essential products and services.

PROMOTING GENDER ACTION WITH CLIENTS

FinDev Canada continues to refine its methodology to engage with clients on gender action. Using its Development impact tool and WEPs Gender Gap Analysis Tool, FinDev Canada is identifying opportunities to strengthen its due diligence processes and establish gender action plans with our clients, as needed.

FinDev Canada has the capacity to offer technical assistance to clients in order to help them implement recommended actions. It is currently developing gender-action specific interventions, including a 2X Challenge gender lens investing tool kit for fund managers.

LEADING BY EXAMPLE IN ITS OWN PRACTICES

Alongside its parent company EDC, FinDev Canada is in the process of obtaining a gender parity certification, helping the organization lead by example when it comes to gender equality and diversity. Internal targets linked to employee remuneration for the number of 2X-qualifying transactions carried out have also been established. Furthermore, FinDev Canada has been building its internal capacity on gender/WEE through new hires and regular capacity-building sessions for staff and will continue throughout the planning period.

In a recent survey, FinDev Canada ranked among the top development finance institutions for its commitment to integrating gender equality across its activities both externally and internally.¹¹ In 2021, it intends to use the results of the survey and the related recommendations to continue improving its practices and remain at the forefront of the industry in this domain.

Leading by Example

At FinDev Canada, we want to lead by example when it comes to gender inclusion, and to become an employer of choice for women and men.

Gender Parity at FinDev Canada

As of December 31, 2019, women comprised:

57%

of our
workforce

40%

of our
Senior Leadership
team

40%

of our
Executive Risk
and Investment
Committee

56%

of our
Advisory Council

45%

of our
Board of Directors

A CHANGE AGENT IN THE INVESTMENT COMMUNITY

FinDev Canada strives to be an agent for change in the development finance community. It is proud to have held the position of 2019-2020 Chair of the 2X Challenge, which surpassed its initial target of \$3 billion by committing and mobilizing \$4.5 billion in capital towards women economic empowerment, and produce a COVID-19 response¹² document. The 2X Challenge has grown steadily, with two new members and one multilateral development bank supporter, for a total of 15 partner institutions.

FinDev Canada and its 2X partner CDC Group produced a gender-lens investing guide to support investors wishing to use the 2X Criteria in their transactions. FinDev Canada also supports Invest2Impact, a competition under the 2X Challenge that aims to spur growth of high potential, women-led businesses in developing countries to increase their commerciality and impact.

FinDev Canada will support the continuation of Invest2Impact until 31 Dec 2021. During this period, FinDev Canada will continue to deliver value-added services to the competition winners, including business advisory services to help them scale up and improve their investment-readiness. In 2021, it will consider options for the future of Invest2Impact including the potential to expand in terms of geography, format, and pool of women entrepreneurs supported.

Invest2Impact

Business competition and support for 100 women entrepreneurs in East Africa

Location:

- East Africa (Ethiopia, Uganda, Kenya, Rwanda, Tanzania)

Funding Partners:

- CDC
- Mastercard Foundation
- Proparco
- US DFC

Objectives:

- Business competition for women-owned SMEs in East Africa. 100 winning entrepreneurs selected from over 778 applicants.
- 2XConnect business community created linking winners to group trainings, professional networking, COVID-19 support, and custom business mentorship.
- Group and individual business support with investment-readiness support and opportunities to connect with funders.

4.3.3 TECHNICAL ASSISTANCE

Technical assistance (TA) is a core component of development finance, which DFIs, multilateral development banks and impact investors deploy to expand the capacity of the private sector to enhance development outcomes, mitigate risks and drive business performance. In 2020, FinDev Canada launched its technical assistance facility (TA Facility) and delivered its first projects. The program was funded by GAC through an administrative agreement signed in 2019 for an initial amount of C\$ 3.8 million to cover TA needs until March 2023. In the course of 2021, FinDev Canada will be developing the strategy to ensure the sustainability of the TA Facility, so it can continue to support clients in 2023 and beyond.

JCM Power Gender Action Plan

Location:

- Somalia
- Golomoti, Malawi

Funding Partners:

- JCM Power
- Swedfund
- IFU
- FMO

Objectives:

- Create policies and frameworks to address the gender gap present in the company's governance.
- With local consultants, develop staff training and community reporting for gender-based violence and harassment (GBVH).
- Ensure 100% of the local project companies have a Gender Equality Management Plan in place within 12 months of financial close.

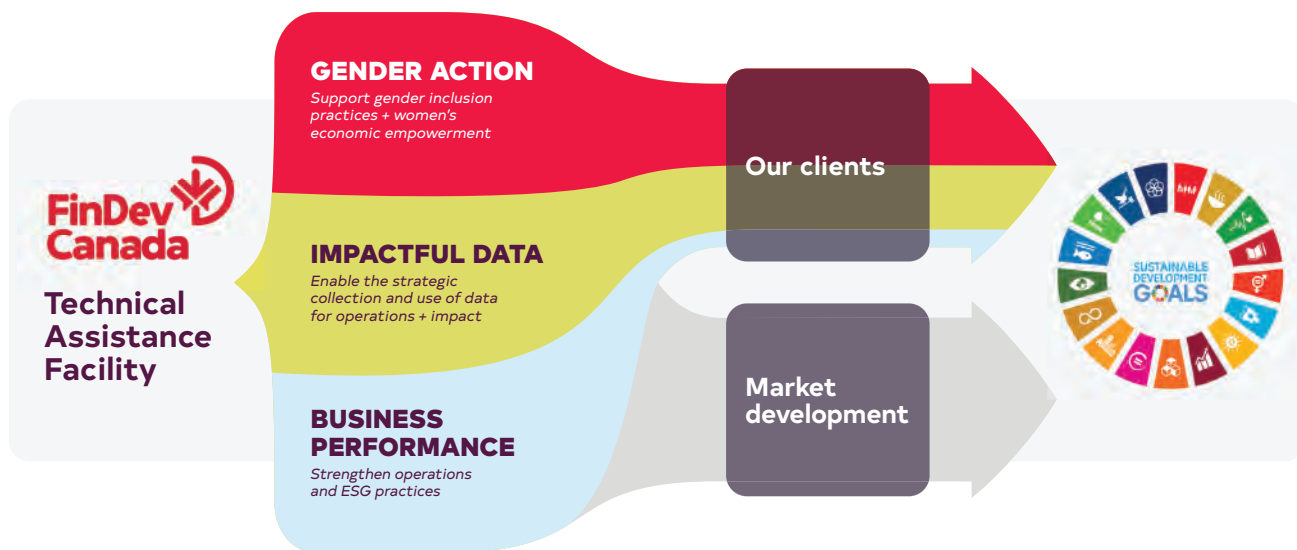
"The Technical Assistance Facility has helped JCM assess and build a gender action plan to support their ambition of incorporating a gender lens to their day-to-day decision-making. Through the engagement, JCM reviewed their company policies and, through implementation of key activities including prioritization of women's empowerment as one of their core impact objectives, are working towards reducing the gender gaps within multiple levels of the organization."



Figure 8: Technical assistance in practice: An example of how FinDev Canada's TA support is helping companies improve their business and impact performance

FinDev Canada seeks to build a TA approach that is efficient, flexible and agile, in order to respond quickly to clients' needs and advance its impact goals. FinDev Canada's TA Facility will be intentional in its approaches and target specific gaps in the private sector in order to accelerate its impact. Through transparent reporting, learning and feedback, the facility will demonstrate the value added with each project to inform future TA assignments and the overall strategy.

The TA Facility addresses a range of needs critical for the growth and impact generated by the private sector, including governance and leadership, human capital development, financial management and analysis, impact measurement and reporting through three focus areas (shown below). TA projects can target FinDev Canada existing or prospect clients and support the private sector more broadly, to help shape and grow the market for impact and gender-lens investing.



Six guiding principles shape the development and operations of the Technical Assistance Facility:

1. **Client centricity:** projects are co-designed with clients, based on a deep understanding of their strategic priorities, needs, available resources and capacity;
2. **Sustainability:** interventions designed to deliver sustainable outcomes and long-term change;
3. **Agility:** ability to respond quickly to client capacity building needs; capture learnings and continuously improve approach to remain impactful and relevant;
4. **Local capacity:** leverage local talent and transfer knowledge locally; when working with third-party professionals, source local providers as much as possible;
5. **Additionality:** mindful not to distort markets or displace private capital; support initiatives that would not have happened otherwise and that cannot be covered entirely by the client's own budget; and,
6. **Transparency:** demonstrate good use of funds, publish data and lessons learned wherever possible.

The TA facility has a collaborative and transparent approach to governance and operations. The annual work plan is approved by the TA Steering Committee, composed of FinDev Canada and GAC representatives. Projects are screened and approved in monthly TA Committee meetings composed of FinDev Canada directors and independent members. Given the approval of the 2020-2021 Implementation Plan and budget, coupled with recruitment of key staff within the TA function, we were able to approve six projects by year end.

In 2021, the team will continue to build the infrastructure necessary to ensure results across its three focus areas as it scales up its operations. A priority will be to develop the strategy to ensure the sustainability of the Facility beyond the 2019-2024 GAC agreement period.

4.3.4 TECHNOLOGY ROADMAP

The COVID-19 pandemic clearly demonstrates the importance of technology for development finance institutions. FinDev Canada has developed a digital strategy to guide its technology activities as it seeks to position itself as a 'DFI for the Future'. Underpinned by key digital building blocks, its digital strategy aims to improve FinDev Canada's effectiveness and connectivity with clients, and to identify technology-based initiatives that lead to greater development impact.



Figure 9: FinDev Canada's Digital Building Blocks

FinDev Canada's objectives focus on promoting digital, data-enabled business models and use of technology as a tool to scale up businesses and to unlock new opportunities. They include efforts to:

- Broaden the use of data in decision making and management of high-performance portfolios;
- Expand service offerings by leveraging technology in product innovation; and
- Enhance customer experience by use of digital platforms to collect and disseminate knowledge efficiently.

FinDev Canada was initially launched with limited technological capabilities. Its digital strategy reflects its growth and the diversity of its activities: investing in leading-edge technologies will bring efficiencies while maintaining its agility. The strategy will be implemented in a phased manner over the course of the Planning period (see figure 10 below).

In the short-term, FinDev Canada will focus on building the internal infrastructure to create greater operational efficiencies; it involves developing a cloud-based platform for transaction management and impact reporting, a customer relationship system to better understand and serve customers and stakeholders alike, and productivity tools for enhanced collaboration and analytics.



Figure 10: Digital Strategy Implementation Plan

In the medium term, focus will be on enhancing the corporation's service value added for its clients by designing integrated systems that capture and leverage external data, and make valuable intelligence available to its clients in support of their business objectives.

Throughout the planning period, FinDev Canada will continue to develop partnerships with peers, academia, and digital innovators in the private sector, and connect stakeholders with converging interests. FinDev Canada aims to build on action points proposed at the 'DevMeetsTech' Roundtable held in Washington DC in April 2019¹³ and, together with its partners, continue to pursue thought leadership initiatives.

4.4 PARTNERSHIPS

Partnership is at the core of FinDev Canada's operating model. As a young and small organization, its ability to leverage other organizations' capabilities is instrumental in achieving its goals. FinDev Canada pursues a multi-faceted partnership strategy, both at the transactional and at the strategic level.

4.4.1 ENGAGEMENT WITH THE GOVERNMENT OF CANADA

FinDev Canada and the Government of Canada have significant opportunities to partner to achieve Canada's international assistance objectives. As a leader in Canada's development finance sector, FinDev Canada will continue to build and strengthen its relationship with GAC and other government departments during this planning period.

REFRESHED GOVERNMENT ENGAGEMENT STRATEGY

FinDev Canada is aligned with the Government of Canada's international assistance policies and priorities. Its investment strategy applies a gender lens to all transactions, in support of Canada's Feminist International Assistance Policy which emphasizes the promotion of gender equality and women's empowerment as the most effective approach to eradicating poverty and building a prosperous and inclusive world.

In 2020, FinDev Canada worked closely with GAC's International Assistance Innovation Program, sharing intelligence and best practices. FinDev Canada's Chief Investment Officer was seconded to GAC for six months in order to assist the team in building its internal capabilities and processes. In 2021, collaborative work will continue to ensure that FinDev Canada's expertise as a financial institution is shared as appropriate, with GAC. Moving forward, FinDev Canada will strengthen this relationship, particularly with respect to climate action initiatives, to support sustainable development and poverty reduction in developing countries through our financial and advisory services.

Sustainable development financing in Canada includes a range of initiatives and organizations to advance impact driven private sector-oriented solutions in emerging and frontier markets. FinDev Canada's goal is to maintain leadership within the Canadian sector by encouraging innovation, convening on good practices and learning, and driving change. To do so, it will adjust its strategy for government engagement to reflect the current operating environment and implement the recommendations of the operational review. It will continue to conduct quarterly bilateral meetings with GAC, Finance Canada, the Treasury Board and other departments and agencies as appropriate to discuss specific issues, provide updates on operations and strategic orientations, and review of FinDev Canada's active portfolio and pipeline.

FinDev Canada will continue to work with GAC and contribute to Canada's reporting to the Organisation for Economic Co-operation and Development (OECD) on private sector mobilization and Official Development Assistance.

DEVELOPING TANGIBLE COLLABORATION WITH OTHER CANADIAN DEVELOPMENT FINANCE ORGANIZATIONS

FinDev Canada seeks to ensure it leverages the natural synergies between Canadian organizations with complementary mandates. As such, it has built a strong partnership with the International Development Research Centre (IDRC), supported by the one-year secondment to FinDev Canada of an IDRC officer. The two organizations have joined forces to launch an initiative to establish a research agenda grounded in the experience and knowledge of Canada's development finance sector. They will, along with other partners, share lessons on good practices, advance research and policy guidance and identify innovative finance solutions for crisis response and recovery. This work will establish a foundation for tangible action during the planning period and contribute to positioning Canada as an innovator in the space.

Other Canadian organizations, such as Canadian Forum for Impact Investment and Development (CAFIID), Convergence, the Equality Fund and Grand Challenges Canada have been invited to participate in the initiative. Each will participate according to its strengths and benefit from the outcomes in support of their respective strategies.

FinDev Canada has taken a leadership role in developing a response to COVID-19 involving the above-mentioned organizations. This work will continue in 2021 and over the planning period, with a focus on building complementary action where organizations were previously acting separately.

DEVELOPING MADE-IN-CANADA INNOVATIVE BLENDED SOLUTIONS

The COVID-19 pandemic is disrupting global health, economic and financial systems at remarkable speed. Emerging markets are being hit especially hard. Developing countries, donor countries, international financial institutions and project sponsors are appealing for greater access to concessional financing to help address the needs of the private sector in developing markets. Blended finance, which combines various sources of capital to respond to the needs of clients where individual solutions cannot, has a crucial role to play in the medium and longer-term recovery of developing countries. High impact investments that leverage concessional financing can accelerate economic reconstruction, improve resiliency to future shocks, incentivize efforts to resolve inequalities, reduce vulnerabilities and contribute to a green economy.

Sustainable economic recovery requires solutions that cover a wide spectrum of needs, many of which exceed the capability of commercial instruments. FinDev Canada is in a unique position to provide Canadian leadership in identifying and supporting solutions to the economic needs of the private sector in emerging markets through this crisis. In collaboration with GAC's Innovative Finance and Climate Finance Bureaus, FinDev Canada has indicated its willingness to help establish a Canadian concessional mechanism that will support longer-term recovery and resilience and yield high impact in gender equality and climate action.

With the ability to offer combined DFI and concessional financing, Canada would have a broader reach in targeted developing countries and achieve greater development outcomes, positioning Canada among global leaders in this space.

Based on preliminary discussions with government officials, this concessional mechanism is expected to draw from international best practices and key guiding principles such as:

- Contribute to supporting private sector businesses and, through them, local communities affected by COVID-19, with clearly defined expected outcomes;
- Gender equality will be targeted and integrated across all investment activities; and,
- Any facility will align with strategic priorities and operating principles of both GAC and FinDev Canada.

This mechanism will leverage FinDev Canada's market knowledge, financial expertise and operational processes, but will be established in a way that does not undermine FinDev Canada's capability to deliver on its core mandate. At the time of writing, no formal decision has been taken and details of the mechanisms are still being defined in collaboration with GAC. It would however follow the following operating parameters:

- An Arrangement between the parties will set out the detailed parameters of the program
- The facility will enable the deployment of funds from both GAC's Climate Finance and International Assistance Innovation Programs
- It will complement FinDev Canada's core mandate by carrying a higher risk appetite and/or lesser expectation of return (concessionality);
- GAC will provide one Unconditionally Repayable Contribution for each program window;
- FinDev Canada will be responsible for all aspects of the administration of the program, from business origination to asset management. It will set up the required additional capabilities (human resources, processes, technology...) to enable the program, building on its own existing capabilities and expertise.
- FinDev Canada will report to GAC on the operations of the Facility on the basis of criteria and on a frequency to be defined in the Arrangement;
- Detailed parameters of the facility will be determined by the Arrangement, including sectors of focus and financial parameters
- The activities funded under the arrangement will not appear on FinDev Canada's balance sheet and will be administered separately.
- In order to preserve FinDev Canada's own capacity to operate, all costs incurred by FinDev Canada in administering the Facility will be recovered from GAC; the modalities of such recovery will be provided for in the Arrangement.

The above will ensure that the mechanism achieve the agreed objectives while preserving FinDev Canada's operational capacity and establishing a clear distinction with FinDev Canada's core programs, as well as with EDC's activities.

4.4.2 ENGAGEMENT WITH THE STAKEHOLDER COMMUNITY

FinDev Canada continues to reach out to stakeholders for feedback on its strategy and policies, manage a regular flow of information requests through its website and social media channels, and respond to stakeholder inquiries.

In 2020, FinDev Canada sought stakeholder comments as it updated its Environmental & Social (E&S) Policy¹⁴ and participated in virtual events to address potential anti-Black racism in gender lens investing and business origination with private equity General Partners.

In 2021, it will continue to position FinDev Canada as a thought leader on gender lens investing and development finance and implement an independent accountability mechanism to address any potential concerns of its stakeholders.

ADVISORY COUNCIL

FinDev Canada's Advisory Council¹⁵ was created in the spring of 2018 and has grown to eight members by the end of 2020, after recruiting two professionals upon the resignation of a founding member. It is gender balanced and composed of individuals with expertise in development, international corporate affairs and development finance. The Council is not involved in operational, transactional, governance or staffing matters. Its duties are solely advisory in nature—to act as a sounding board in the formulation of the strategies, procedures and policies of FinDev Canada.

In 2021, efforts will be undertaken to recruit international voices to the Council from FinDev Canada's regions of operations. Over the planning period, it will continue to solicit the views of the Council and hope to conduct a regional meeting to provide greater insight and augment their knowledge as they play their role providing their views and valuable advice.

CANADIAN BUSINESS COMMUNITY

In pursuing its international development mandate, FinDev Canada intends to leverage Canadian capabilities to the extent possible. It selected priority sectors in which Canada is a recognized global leader. Similarly, FinDev Canada operates in many markets where Canada has had a strong presence over time. While respecting the untied nature of its mandate, FinDev Canada seeks to involve other Canadian entities in its business activities and is developing the processes and relationships to achieve that. It will leverage the expertise of the Canadian business community wherever possible, with a focus on businesses with existing international experience and presence, or those that offer solutions that can help enhance the developmental impact of FinDev Canada's activities. This includes not only sharing local intelligence, expert advice but, to the extent applicable, consider investments in Canadian businesses working in FinDev Canada's target regions and sectors, as well as exploring opportunities to include Canadian technology in the projects it supports.

FACILITATING REFERRALS AMONG PORTFOLIO ORGANIZATIONS

FinDev Canada and EDC work closely to refer potential clients to each other based on their respective strengths. They also seek to collaborate, whenever possible, with Canadian businesses with experience and a presence in their target markets. In the planning period, FinDev Canada will conduct targeted outreach to the business community in alignment with its sector and geographic priorities.

Building on existing effective relationships, FinDev Canada will continue to work closely with Canada's Trade Commissioner Service in its target markets, to share intelligence and identify and pursue opportunities to strengthen Canada's presence in developing economies.

FinDev Canada is a member of the CAFIID, whose goal is to strengthen the value and the volume of impact investment in developing countries. Through this partnership FinDev Canada will continue reaching out to the members of the business community interested in conducting responsible business in developing countries.

5.0 OPERATIONS AND INTERNAL STRATEGIES

5.1 RISK MANAGEMENT

Effective risk management begins with sound risk governance. Risk governance at FinDev Canada ensures that:

1. risks are assumed and managed in accordance with a thoughtful risk appetite framework;
2. appropriate checks and balances are in place, enabling FinDev Canada to operate in accordance with its mandate as well as industry best practices; and,
3. information provided to the Board of Directors and management is complete, accurate and timely to enable risk-informed and sound decision-making.

Risk management activities at FinDev Canada are governed by the Three Lines of Defense (3LD) Model. The 3LD model distinguishes roles and responsibilities through three layers of management involving employees from every area of the organization. First Line activities are performed by the Investments Team, which executes front-line business operations, supported by various teams such as Impact Enablement, Legal, Compliance & Ethics and others. Second Line activities are performed by the Risk Management Team, while Third Line activities are performed by the internal audit function.

In 2020, FinDev Canada enhanced its risk governance framework by forming an internal Risk Management Team, establishing the Enterprise Risk Management Framework (ERMF), which touches on all of our risk-taking activities, and Board approval of a Capital Management Policy, which defines how FinDev Canada will balance the various capital sources needed to adequately conduct its risk-taking activities.

Risks are monitored and addressed on an ongoing basis. A detailed Risk Management Report, providing a comprehensive view of FinDev Canada's risk exposure against its established risk limits, is presented to the Board of Directors quarterly by the Director, Risk Management.

For the remainder of 2020 and in 2021, the focus of the corporation will be to continue building its tools and processes. This will include:

- Formalizing a Strategic Risk and an Operational Risk Management Frameworks, with documents stemming from the recently established ERMF. These frameworks will seek to define, as is appropriate for each category of risk, quantitative and/or qualitative measures and tolerances or limits;
- Enhancements to the existing Risk Appetite Framework, which draws largely from EDC's methodology and expertise to define how risks are assessed, categorized and managed, while taking into account FinDev Canada's specific mandate to determine its risk appetite.
- Formalizing and improving our transaction asset management activities, including establishing an Asset Watch List Guideline, an Asset Review Guideline and Early Warning System. These activities are scheduled to be completed at the end of 2020.

Looking ahead at 2022 and beyond and in response to the operational review, FinDev Canada will continue to evolve its policy framework to accompany its growth and the increased complexity of its portfolio. This will include establishing policies for the management of market, liquidity and asset transfer risks. The work on these policies will be initiated well in advance of the actual risk becoming material for FinDev Canada, as was done in 2020 for the Capital Management Policy and will continue to leverage EDC's experience in this domain.

5.2 TRANSPARENCY & DISCLOSURE

FinDev Canada endeavours to provide stakeholders information of its transactions prior to signing. Disclosure of transactions under consideration are posted on FinDev Canada's website 30-days prior to signing, giving stakeholders sufficient time to be made aware of FinDev Canada's pipeline and raise any concerns. Similarly, summaries of transactions with additional details on environmental, social and governance practices, and development impacts are published after signing.

5.3 ENVIRONMENTAL & SOCIAL PRACTICES

FinDev Canada applies rigorous screening to every transaction it supports. Business Integrity and Environmental & Social (E&S) risks assessments of all transactions are critical in identifying risks. They provide opportunities to work with clients to improve their practices in these areas and, by extension, improve their development impacts. Environmental and Social Action Plans (ESAPs) are included in transaction documents wherever relevant, setting objectives that customers are committed to meet.

FinDev Canada's E&S practices to ensure they are aligned with international best practices, through continued engagement with other DFIs, as well as the stakeholder community. After 18 months of operations, the corporation completed the review of the interim Environmental & Social policy adopted in the Fall of 2017, prior to the start of its operations. In 2019, it undertook a benchmarking and stakeholder consultation exercise to update its policy based on market practices and trends in the field. A revised E&S policy came into effect March 2020 and the organization is now developing the implementation plan which will be completed in 2021.

In August 2020, a Senior E&S Advisor was recruited to expand the E&S practice at FinDev Canada, lead the implementation plan of the E&S policy and reinforce the liaison with EDC's Environmental and Social Risk Management team. Together with a successful onboarding exercise, initial work to develop an asset management practice related to E&S Policy, and conducted staff training on the new policy.

In the 2021-2025 planning period, work will be undertaken to develop a procedures manual and guidance notes. With potential support from FinDev Canada's Technical Assistance facility, ongoing assistance will be explored and provided, as appropriate, to clients to improve their E&S practices.

FinDev Canada and Global Affairs Canada will continue to work through the recommendations made in the operational review regarding FinDev Canada's E&S policy and practices.

5.4 FINDEV CANADA'S OPERATING MODEL

MANAGING THE UNCERTAINTY

Like most organizations today, FinDev Canada has had to re-think its current operating model and strategy on what the Future of Work will look like. In the short-term, it has implemented measures to ensure the safety, wellness and health of all employees and enable them to work remotely. In collaboration with EDC, planning for the gradual return to office is underway, with the preference to remain working virtually until further provincial and local government directives are provided and the safety of employees can be adequately ensured. Until a vaccine or treatment is widely available, employees will continue to work remotely to reduce risk of exposure while we assess the need for physical presence. In the long-term, FinDev Canada will identify the vision for the office of the future and digital workplace.

BUILDING AN EXPERT TEAM

FinDev Canada's success to date is a result of the world-class team it has assembled. With a growing investment portfolio and new technical assistance offering, it will continue building its capabilities. A number of key positions were established in 2020 including the Technical Assistance unit, the reinforcement of the Impact team (with additional capacity on gender equality and climate action) and investment teams (with creation of an asset management function), a Digital officer and an Environmental & Social advisor. These positions will help FinDev Canada achieve its corporate objectives and management of its exposure to financial and non-financial risks.

In 2021, FinDev Canada expects to hire new resources to support growth in a variety of areas.

SERVICE LEVEL AGREEMENTS

EDC continues to support FinDev Canada's operations through the delivery of services including general corporate functions and specialized roles. The provision of services is governed by a Master Service Level Agreement and 19 separate Service Level Agreements that cover each of the specific service areas (Summarized in Figure 11). The SLA model allows FinDev Canada to efficiently source functions that would be costly to create in-house or would create unnecessary duplication. In areas where FinDev Canada has created its own internal capacity, it can still benefit from the broader "community of practice" and additional capacity provided by EDC.

FinDev Canada's operating model has evolved since its inception in 2018, due largely to its growth and the changing environment in which it operates. The ability to leverage the capabilities of EDC has been instrumental in ensuring its ability to adapt. In the 2021-2025 Planning period, FinDev Canada will continue to develop its transaction-related functions while leveraging EDC's corporate services.

The Service Level Agreements that govern the relationship between FinDev Canada and EDC were reviewed in 2019 and 2020, to update the definition of the services rendered, improve internal process and governance, and identify and address any factor that may limit the effectiveness of the overall framework. Going forward, Service Level Agreements will be reviewed and amended annually. The Master Service Level Agreement will be reviewed biennially to ensure it accurately reflects the operating environment and will include a review of pricing methodology to ensure its continued appropriateness.

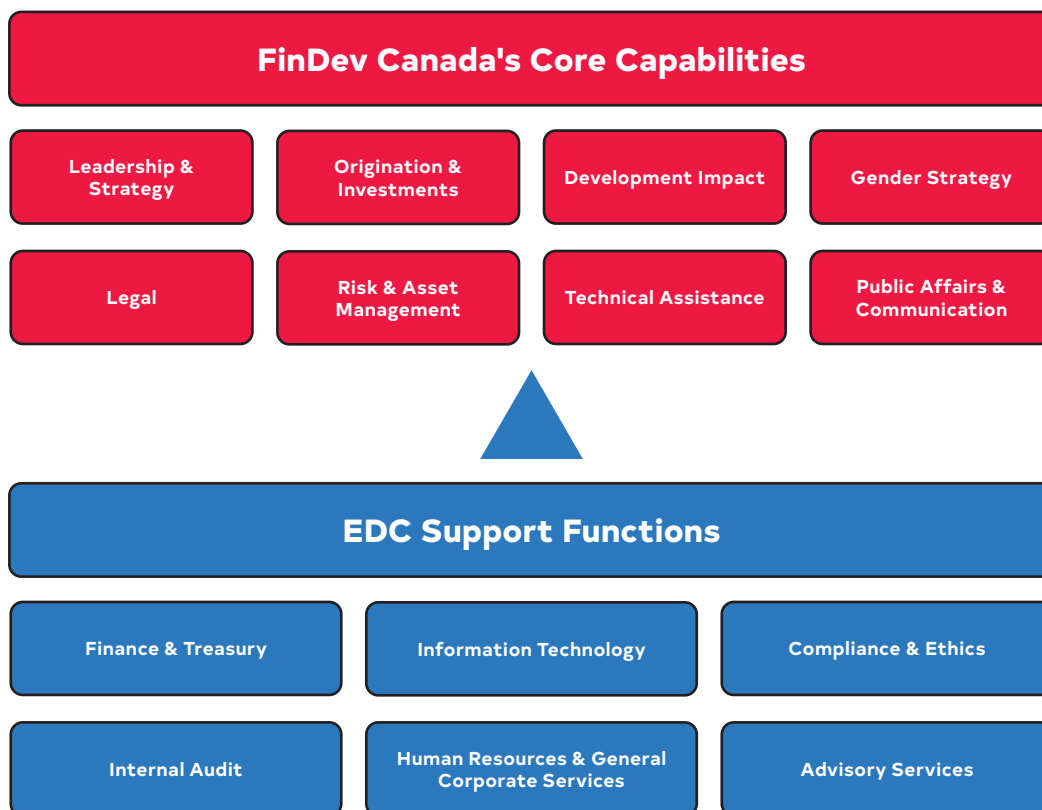


Figure 11: Shared services model

REFINING CORPORATE PROCESSES AND POLICIES

In addition to the continuous improvement of its impact and risk management frameworks, FinDev Canada will continue to build its corporate policies guidelines and processes, in pace with its growth throughout the planning period.

STRENGTHENING THE BRAND

The FinDev Canada brand will continue to be synonymous with transparency, credibility, collaboration and inclusion. In addition to posting of deals prior to signing, as part of its transaction process, it engages with clients, partners, peers and various stakeholders to create brand awareness and foster greater collaboration. In 2020, FinDev Canada launched the 2019 Annual Report¹⁶ in an interactive session, to share its achievements, engage with stakeholders and showcase clients and their stories.

In 2021 and throughout the planning period, FinDev Canada will continue to leverage traditional and social media channels to increase awareness. It will enhance its website to create a more interactive, informative and dynamic platform for its stakeholders to achieve the following:

- Client centricity: highlight its clients' work by sharing impact reports and through storytelling.
- Thought leadership: creating rich, educational, and dynamic content, to increase awareness about FinDev Canada and the development finance space in general, and to target new players.
- Brand awareness: expand our reach by working with strategic partners and associations, participation in events and design initiatives on issues such as women's economic empowerment and climate change mitigation, in order to identify solutions and position FinDev Canada as a leader in the field.

6.0 MEASURING SUCCESS

FinDev Canada's scorecard measures the success of its activities including; the impact it generates in its target markets, the strength of its investment activities and financial sustainability, its ability to mobilize the private sector and the value it provides to its clients, as well as risk appetite and sustainability targets. The scorecard is tied to compensation and drives the activities and behaviours that ensure FinDev Canada builds an impactful portfolio while adequately balancing risks and return.

6.1 IMPACT MANAGEMENT

FinDev Canada released in 2020 its first comprehensive Annual Report, including an in-depth analysis of its impact. The impact scorecard measures FinDev Canada's ability to be an agent of change along its key impact objectives. For gender equality and women's economic empowerment, it will continue to leverage the work done by the 2X Challenge by measuring the proportion of transactions eligible under 2X criteria.



Market Development (MD)

- SMEs supported (3)
- Decent jobs (#, M/F)
- Local procurement (\$, %)
- Net profit and taxes paid (\$)
- Salaries paid (\$, mgt/staff)
- Local ownership (%)



Women's Economic Empowerment (WEE)

- Women-owned companies supported (#, %)
- Women in senior leadership (#, %)
- Gender-inclusive governance (#, %)
- Women gaining access to basic services or empowerment tools (#)



Climate Change Mitigation and Adaptation (CMA)

- Renewable energy produced (GWh)
- Net CO₂ emissions avoided (MT)
- Natural resources used reduction
- Waste reduction
- Customers gaining access to climate adaptation tools (#)

6.2 INVESTMENT ACTIVITY

FinDev Canada's ability to generate impact is through the continued building of a diversified portfolio. The scorecard will identify the number of transactions to be approved during the year in order to achieve its growth targets.

6.3 FINANCIAL SUSTAINABILITY

FinDev Canada will manage its budget in order to progress towards financial sustainability within the timeframe established in the financial plan.

6.4 MOBILIZATION

FinDev Canada will establish a quantitative target for the mobilization of private sector capacity, which takes into account the expected challenging market conditions that will prevail in the initial years of the planning period.

6.5 CUSTOMER CENTRICITY

Throughout 2020, FinDev Canada developed a "Voice of the Customer" methodology to gauge the satisfaction of its clients which will be deployed, after thorough testing and validation, as part of its scorecard in 2021.

7.0 FINANCIAL OVERVIEW

7.1 SUMMARY

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

- FinDev Canada is initially being funded by capital injected by its parent company, Export Development Canada (EDC). An initial injection of \$100 million occurred in 2018, followed by injections of \$100 million in 2019 and 2020.
- The financial statements in this plan cover the years 2020, 2021 and 2022. The years 2023, 2024 and 2025 are shown with nil amounts. While normally included in a corporate plan, the financial information for these years is currently unavailable. The reasons for the unavailability of this information are as follows (as per Section 5 of the *Crown Corporation Corporate Plan, Budget and Summaries Regulations* (SOR/95-223))
 - following the successful completion of a review of FinDev Canada's first years of operation, a decision by the Government of Canada regarding an increase in its capital beyond the initial C\$ 300 million is pending.
 - based on the Corporation's financial projections, operations in the years 2023, 2024 and 2025 would require further injections of capital and are therefore conditioned by such decision.

Subsequent Corporate Plans will reflect the decision and present Financials accordingly.

- FinDev Canada is projecting a net loss of \$24 million in 2020, an increase of \$14 million when compared with the 2020 Corporate Plan net loss of \$10 million. The increase is mainly due to lower than anticipated lending volumes in 2019 resulting in lower net financing and investment income in 2020, as well as the impact of the COVID-19 pandemic. The economic crisis brought on by the pandemic has resulted in an increase in our provision for credit losses on our loan portfolio as well as unrealized losses on our investments portfolio.
- Loans receivable are projected to grow to \$454 million in 2022.
- Investments are projected to be \$104 million in 2020 and are expected to grow to \$184 million in 2022.
- FinDev Canada expects to have consumed the \$300 million capital injection from EDC in 2021. To support its continuing growth, FinDev Canada intends to borrow from EDC during the Corporate plan period.

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 volume, risk profile of business volume, 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 VOLUME

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

Table 1: Projected Level of Business Volume

<i>(in millions of Canadian dollars)</i>	2019 Actual	2020 Plan	2020 Fcst	2021 Plan	2022 Plan	2023 TBD	2024 TBD	2025 TBD
Business Volume								
Lending	22	132	167	192	203			
Investments	63	67	87	61	68			
	85	199	254	253	271			

2020 FORECAST

The 2020 lending and investments business volume is projected to be \$254 million, \$55 million higher than the \$199 million forecast in the 2020 Corporate Plan. The increase is due to greater business development efforts that have been underway since the beginning of the year, coupled with the expansion of the corporation's operational capacity.

2021 TO 2022

FinDev Canada is projecting business volume in the lending and investments program of \$253 million in 2021 and \$271 million in 2022 as market awareness of FinDev Canada increases and early business development efforts continue to deliver benefits.

RISK PROFILE OF BUSINESS VOLUME

FinDev Canada is projecting that the lending and investment business it undertakes 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 month-to-date average rate as the U.S. dollar foreign exchange rate assumption for the remainder of 2020 and all subsequent years. This methodology removes the volatility associated with yearly exchange rate fluctuations and ensures more easily comparable projections. The rate used in this Plan, as represented by the average rate for August 2020, is U.S. \$0.76.

INTEREST RATES

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

8.0 APPENDICES

APPENDIX 1: STATEMENT OF PRIORITIES AND ACCOUNTABILITIES

Pursuant to the *Export Development Act* (ED Act), the Minister of Small Business, Export Promotion and International Trade, in consultation with the Minister of International Development, is responsible for providing direction to EDC regarding FinDev Canada, as per the annual Statement of Priorities and Accountabilities (2021 SPA).

APPENDIX 2: CORPORATE GOVERNANCE STRUCTURE

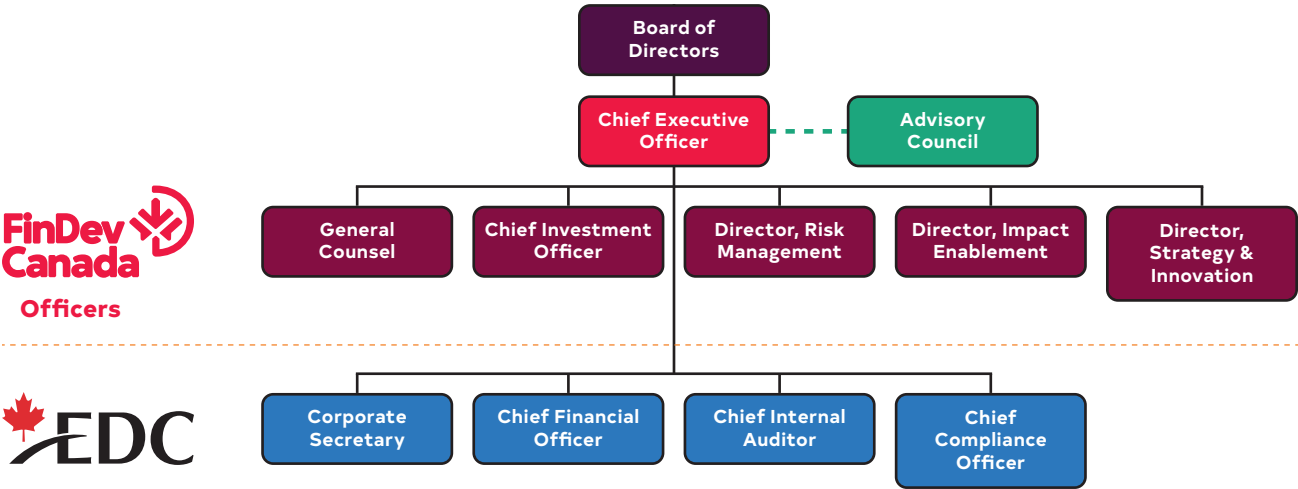
MANAGERIAL AND ORGANIZATIONAL STRUCTURE

FinDev Canada, through EDC, reports to the Minister of Small Business, Export Promotion and International Trade in consultation with the Minister of International Development.

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. The Board, chaired by EDC's President and Chief Executive Officer (CEO), is composed of members of the EDC Board of Directors, as well as independent members with expertise and experience regarding the facets of its business and markets. Together, Board members bring expertise in the wide range of domains required to successfully lead the organization.

FinDev Canada has established an Advisory Council composed of individuals with expertise in development and development finance, appointed by FinDev Canada in consultation with the Minister of International Development. The Council provides expert advice in the determination of the corporation's general strategic direction, as well as on specific strategic projects, procedures and policies. It complements the role of the Board of Directors.

FinDev Canada is led by a CEO who reports to the Board of Directors and whose responsibility is to determine the business strategy and lead its execution, in accordance with the Government of Canada's mandate and the Board's direction. The CEO is assisted by a senior management team.



Officers appointed as FinDev Canada Officers

Figure 12: FinDev Canada's Managerial and Organization 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 2021-2025 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 2021-2025 was approved by FinDev Canada's Board of Directors on September 30, 2020.

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



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

September 30, 2020

APPENDIX 4: FINANCIAL STATEMENTS AND BUDGETS

4.1 FINANCIAL STATEMENTS AND NOTES

STATEMENT OF COMPREHENSIVE INCOME

Table 2: Projected Condensed Statement of Comprehensive Income

<i>for the year ended December 31 (in millions of Canadian dollars)</i>	2019 Actual	2020 Plan	2020 Fcst	2021 Plan	2022 Plan	2023 TBD	2024 TBD	2025 TBD
Financing and Investment Revenue:								
Loan	-	8	2	7	13			
Marketable securities	1	1	1	-	-			
Total financing and investment revenue*	1	9	3	7	13			
Interest expense	-	-	-	-	1			
Net Financing and Investment Income	1	9	3	7	12			
Other (Income) Expense	(3)	-	6	(4)	(4)			
Administrative Expenses	10	15	13	20	21			
Provision for Credit Losses	2	4	8	8	9			
Net Income (Loss)	(8)	(10)	(24)	(17)	(14)			
Other Comprehensive income	-	-	-	-	-			
Comprehensive Loss	(8)	(10)	(24)	(17)	(14)			

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

2020 FORECAST

FinDev Canada is forecasting a net loss of \$24 million for 2020, an increase of \$14 million from the 2020 Corporate Plan. Items of note regarding this forecast are as follows:

- Net financing and investment income have decreased by \$6 million primarily due to a decrease in 2019 lending volume resulting in a lower opening loans receivable balance for 2020 than originally planned.
- Year to date unrealized losses on the investments portfolio of \$6 million.
- An increase in provision for credit losses of \$4 million resulting from updates to the macroeconomic forecast due to the economic crisis brought on by COVID-19.
- Administrative expenses are lower than Corporate Plan by \$2 million mainly due to lower professional services and travel.

2021 CORPORATE PLAN

FinDev Canada is forecasting a net loss of \$17 million in 2021 and \$14 million in 2022. Although it is forecasting \$7 million of net financing and investment income, this revenue will be offset by administrative expenses and provision for credit losses.

STATEMENT OF FINANCIAL POSITION

Table 3: Projected Condensed Statement of Financial Position

<i>as at December 31</i> <i>(in millions of Canadian dollars)</i>	2019 Actual	2020 Plan	2020 Fcst	2021 Plan	2022 Plan	2023 TBD	2024 TBD	2025 TBD
Assets								
Cash	4	2	6	6	6			
Marketable securities	106	-	17	-	-			
Derivative Instruments	1	-	2	2	2			
Loans receivable	22	160	139	295	454			
Allowance for losses on loans	(2)	(6)	(10)	(14)	(19)			
Investments	51	111	104	135	184			
Other assets	2	2	2	2	2			
Property, plant and equipment	1	1	1	-	-			
Intangible assets	-	1	1	1	2			
Right-of-use asset	2	1	1	1	1			
Total Assets	187	272	263	428	632			
Liabilities and Equity								
Accounts payable and other credits	2	-	1	1	1			
Owing to Export Development Canada	1	3	2	185	403			
Lease Liability	2	2	2	1	1			
Total Liabilities	5	5	5	187	405			
Equity								
Share capital	200	300	300	300	300			
Deficit	(18)	(33)	(42)	(59)	(73)			
Total Equity	182	267	258	241	227			
Total Liabilities and Equity	187	272	263	428	632			

2021 CORPORATE PLAN

FinDev Canada is funded by capital injections from its parent company, EDC. An initial capital injection of \$100 million occurred in 2018, followed by \$100 million in both 2019 and 2020. Surplus capital will be invested in marketable securities until it is required for cash outlays.

Loans receivable are expected to reach \$295 million in 2021 and \$454 million in 2022. Investments are projected to reach \$135 million in 2021 and are expected to grow to \$184 million by 2022.

After the initial capital of \$300 million is consumed, debt will be raised through EDC to support its continuing growth. FinDev Canada intends to borrow from EDC during the Corporate plan period starting in 2021, for such amounts, term and conditions as EDC and FinDev Canada may agree. EDC will engage in any borrowing, investing and hedging activities on behalf of FinDev Canada.

STATEMENT OF CHANGES IN EQUITY

Table 4: Projected Condensed Statement of Changes in Equity

<i>for the year ended December 31</i> <i>(in millions of Canadian dollars)</i>	2019 Actual	2020 Plan	2020 Fcst	2021 Plan	2022 Plan	2023 TBD	2024 TBD	2025 TBD
Share Capital	200	300	300	300	300			
Retained Earnings								
Balance beginning of year	(10)	(23)	(18)	(42)	(59)			
Comprehensive loss	(8)	(10)	(24)	(17)	(14)			
Balance end of year	(18)	(33)	(42)	(59)	(73)			
Total Equity at End of Year	182	267	258	241	227			
Return on Equity	-5.9%	-4.5%	-10.9%	-6.8%	-6.0%			

STATEMENT OF CASH FLOWS

Table 5: Projected Condensed Statement of Cash Flows

<i>for the year ended December 31 (in millions of Canadian dollars)</i>	2019 Actual	2020 Plan	2020 Fcst	2021 Plan	2022 Plan	2023 TBD	2024 TBD	2025 TBD
Cash Flows from (used in) Operating Activities								
Net loss	(8)	(10)	(24)	(17)	(14)			
Adjustments to determine net cash from (used in) operating activities								
Provision for credit losses	2	4	8	8	9			
Change in fair value of investments and accrued interest on loans receivable	(2)	(1)	8	1	1			
Change in derivative instruments	-	-	(4)	-	-			
Other	-	3	(3)	-	(3)			
Loan disbursements	(22)	(92)	(117)	(168)	(179)			
Loan repayments	-	1	1	8	18			
Net cash used in operating activities	(30)	(95)	(131)	(168)	(168)			
Cash Flows from (used in) Investing Activities								
Disbursements for investments	(35)	(61)	(57)	(31)	(49)			
Receipts from investments	-	-	1	-	-			
Purchases of marketable securities	(29)	(70)	-	-	-			
Sales/Maturities of marketable securities	57	102	-	-	-			
Purchases of intangible assets	-	-	(1)	(1)	(1)			
Net cash used in investing activities	(7)	(29)	(57)	(32)	(50)			
Cash Flows from (used in) Financing Activities								
Increase (decrease) in amount due to EDC	(5)	3	1	183	218			
Issuance of share capital	100	100	100	-	-			
Net cash from financing activities	95	103	101	183	218			
Net increase (decrease) in cash and cash equivalents	58	(21)	(87)	(17)	-			
Cash and cash equivalents								
Beginning of year	52	23	110	23	6			
End of year	110	2	23	6	6			
Cash and cash equivalents are comprised of								
Cash	4	2	6	6	6			
Cash equivalents included within marketable securities	106	-	17	-	-			
	110	2	23	6	6			

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) does not have any projects underway that will affect the standards relevant to FinDev Canada.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY POLICY (CAP)

As its investment strategy has gained good traction in the past year, FinDev Canada expects to have consumed the full \$300 million capital injection from EDC before the end of 2020. Accordingly, to support its continuing growth, the Corporate Plan contemplates FinDev Canada borrowing from EDC in the coming years.

Consequently, FinDev Canada recently formalized the manner in which it will govern itself with respect to capital adequacy risk. Doing so, FinDev Canada established its initial Capital Management Policy. This document serves to define, given its actual capital base and anticipated portfolio, a prudent level of borrowing.

At a high level, FinDev Canada's approach to capital management introduces the concept of Economic Capital, which is the amount of equity needed to absorb losses over a certain time horizon while maintaining a target solvency. Such approach to capital management is rooted in Basel 3 inspired principles and aligns with practices in place at most international commercial financial institutions.

4.2 OPERATING BUDGET AND NOTES

ADMINISTRATIVE EXPENSES

Table 6: Projected Administrative Expenses

<i>(in millions of Canadian dollars)</i>	2019 Actual	2020 Plan	2020 Fcst	2021 Plan	2022 Plan	2023 TBD	2024 TBD	2025 TBD
Salaries and benefits	4.3	6.3	6.2	8.4	8.6			
Professional services	1.1	3.0	2.2	3.1	3.1			
Administration costs	1.5	2.0	1.4	1.4	1.5			
Marketing and communications	0.5	1.0	1.0	0.8	0.8			
Travel, hospitality and conferences	0.9	1.3	0.4	0.5	0.9			
Other	1.9	1.7	2.0	6.1	5.6			
Total administrative expenses	10.2	15.3	13.2	20.3	20.5			

2020 FORECAST

Administrative expenses are expected to be \$2.1 million lower than projected in the 2020 plan mainly due to reductions in professional services and travel costs.

2021 PLAN

FinDev Canada is targeting administrative expenses of \$20.3 million for 2021. Items of significance in the administrative expense projections for 2021 are as follows:

- Salaries and benefits are projected to increase as new employees are hired to support FinDev Canada's business.
- Professional services are expected to grow in 2021, driven primarily by higher consulting fees and business projects.
- FinDev Canada is planning to establish in 2021, with funding from GAC, a concessional mechanism that will support longer-term recovery and resilience and yield high impact in gender equality and climate action. In order to preserve FinDev Canada's capability to deliver on its core mandate, all costs incurred in administering this mechanism would be recovered from GAC, subject to an agreement to be developed. Initial estimates indicate a cost for 2021 of \$3 million, based on a management fee of 2 per cent of managed assets of \$100 million, and initial set up costs of \$1 million. Cost in subsequent years would be 2 per cent of managed assets.
- In 2020, FinDev Canada launched a Technical Assistance Facility to build the capacity of private sector entities operating in emerging and frontier markets so they can deepen their development outcomes and scale sustainably. For the 2020-2022 period, the Facility's programmatic and administrative expenses are funded by GAC (86 per cent) and FinDev Canada (14 per cent) through an administrative agreement.
- The 2021 administrative expenses are partially offset by the management fee of \$3 million and grant revenue of \$1 million which is included in other (income) expense.

Table 7: Travel and Hospitality Expenses

<i>(in thousands of Canadian dollars)</i>	2019 Actual	2020 Plan	2020 Fcst	2021 Plan	2022 Plan	2023 TBD	2024 TBD	2025 TBD
Travel	743	1,190	360	439	850			
Hospitality	72	43	33	70	71			
Conferences	36	57	56	27	28			
Total	851	1,290	449	536	949			

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

<i>(in thousands of Canadian dollars)</i>	2019 Actual	2020 Plan	2020 Fcst	2021 Plan	2022 Plan	2023 TBD	2024 TBD	2025 TBD
Total travel, hospitality and conferences expenses	851	1,290	449	536	949			
Total administrative expenses	10,169	15,332	13,164	20,348	20,509			
Travel and hospitality as a % of total administrative expenses	8.4%	8.4%	3.4%	2.6%	4.6%			

4.3 CAPITAL BUDGETS AND NOTES

CAPITAL EXPENDITURES

Table 9: Projected Capital Expenditures

<i>(in millions of Canadian dollars)</i>	2019 Actual	2020 Plan	2020 Fcst	2021 Plan	2022 Plan	2023 TBD	2024 TBD	2025 TBD
Facilities	0.2	0.1	0.1	-	0.1			
Information technology	-	0.7	0.8	0.8	0.8			
Total capital expenditures	0.2	0.8	0.9	0.8	0.9			

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

Capital expenditures for information technology are projected to be \$0.8 million for purchases and enhancements of required technology in 2020 and 2021.

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

BORROWING STRATEGY

FinDev Canada currently forecast to borrow from EDC \$183 million in 2021 and \$218 million in 2022. 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 is subject to a diverse range of legislation, regulations, international agreements and treaties, government policies, directives and compliance with industry standards across multiple jurisdictions.

FinDev Canada's suite of policies address the legislative and policy requirements relevant to its operations in order to protect the company, its employees, and the Government of Canada from potential exposure to legal, reputational and financial consequences.

To manage the risk of non-compliance with its obligations and policies, FinDev Canada aligns 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 *Financial Administration Act* (FAA)

Furthermore, EDC monitors new bills tabled in Parliament, to ensure that EDC and FinDev Canada are in compliance with new federal requirements.

APPENDIX 7: GOVERNMENT PRIORITIES AND DIRECTION

TRANSPARENCY AND OPEN GOVERNMENT

FinDev Canada is committed to trust and accountability, including accurate and timely disclosure of information. As such, we continue to evolve and build on our Transparency & Disclosure Policy¹⁷ approved by our Board in 2017, in response to the evolution of our operating environment.

FinDev Canada's transparency efforts aim to provide access to information while maintaining the commercial confidentiality of our customers. The Policy governs how we publicly releases information on transactions. It places FinDev Canada in a leading position, 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, including development impact performance and information on all transactions we enter into. FinDev Canada also makes certain information publicly available on its website, including:

- 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); and,
- Any disclosure reports of wrongdoing under the *Public Servants Disclosure Protection Act*.

FinDev Canada engages with stakeholders and civil society through consultations and by participating in events to discuss issues of mutual concern and solicits feedback on our own practices. For example, FinDev Canada issued a draft Environmental and Social (E&S) Policy for stakeholder consideration on November 19, 2019 as part of the E&S Policy revamp. The E&S Policy and Stakeholder comments are available on its website.¹⁸

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 DFI and to its own corporate practices. As is outlined in the Corporate Plan (see gender equality section above), FinDev Canada will apply a gender lens to all investments. It strives to lead by example in its own management practices regarding gender equality, to create a culture of equal opportunity and advancement (see diversity and employment below).

DIVERSITY AND EMPLOYMENT EQUITY

Diversity and inclusion are core aspects of FinDev Canada's practices in support of businesses in developing countries. In collaboration with industry partners, FinDev Canada works with its clients to develop customized action plans that address inequality gaps in their operations.

FinDev Canada recognizes the importance of an inclusive workplace environment. It relies on the support of EDC Human Resources management and benefit from the breadth of experience and recognized leading practices of EDC as an employer. FinDev Canada's Gender Lead seats on the EDC Diversity and Inclusion Committee, a platform geared towards raising awareness of issues and employee concerns and inclusively crafting solutions.

With a majority of female employees, FinDev Canada's employee base represents a large degree of gender diversity. As it grows, it will seek to increase diversity further, by hiring professionals that originate from, or have ties to, the countries in which it operates.

INDIGENOUS ISSUES

FinDev Canada operates outside of Canada only. Through its Environmental and Social due diligence process, it continues to monitor the impact of its clients' activities on local communities, including indigenous communities. Through its support to local business, it also seeks to maximize benefits to the poorest communities, including indigenous ones.

9.0 ENDNOTES

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- 2 Mimi Alemayehou, *Preventing Covid-19 from becoming a hunger crisis in Africa* (Mail & Guardian, 2 Jul 2020) <https://mg.co.za/africa/2020-07-02-preventing-covid-19-from-becoming-a-hunger-crisis-in-africa/>
- 3 Nancy Birdsall, Karen J. Greenberg, John Berger; *Resilience in Developing Nations* (CGD, 8 Jun 2020) <https://www.cgdev.org/blog/resilience-developing-nations>
- 4 The Conspicuous Absence of Women in COVID-19 Response Teams and Plans, and Why We Need Them (CARE, Jun 2020) - https://care.ca/wp-content/uploads/2020/06/CARE_COVID-19-womens-leadership-report_June-2020.2.pdf
- 5 CAFIID <https://www.cafiid.ca/>
- 6 Equality Fund <https://equalityfund.ca/>
- 7 Sennett et al., 2018, *Multilateral Development Banks' Harmonized Framework for Additionality in Private Sector Operations*, MDB Taskforce on Additionality
- 8 Operating Principles for Impact Management - <https://www.impactprinciples.org/principles>
- 9 Disclosure Statement <https://www.findevcanada.ca/sites/default/files/2020-04/Disclosure%20Statement%20Operating%20Principles%20signed.pdf>
- 10 *2X Challenge and gender finance collaborative response to the Covid-19 pandemic* (2X Challenge, 7 April 2020) <https://www.2xchallenge.org/press-news/2020/04/07/2x-challenge-and-gender-finance-collaborative-response-to-covid19-pandemic>
- 11 *New Survey Reveals Key Data Gaps in Measuring Development Banks' Commitment to Gender Equity* (September 2020) <https://www.cgdev.org/article/new-survey-reveals-key-data-gaps-measuring-development-banks-commitment-gender-equity>
- 12 *2X Challenge and gender finance collaborative response to the Covid-19 pandemic* (2X Challenge, 7 April 2020) <https://www.2xchallenge.org/press-news/2020/04/07/2x-challenge-and-gender-finance-collaborative-response-to-covid19-pandemic>
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- 14 *Environmental & Social Policy* - <https://www.findevcanada.ca/sites/default/files/2020-04/FinDev%20Canada%20ES%20Policy%20-%20%20Q2Mar%202020.pdf>
- 15 *Advisory Council* - <https://www.findevcanada.ca/en/who-we-are/advisory-council>
- 16 *FinDev Canada 2019 Annual Report* (FinDev Canada, 2020) https://www.findevcanada.ca/sites/default/files/annual-report/2019/downloads/AR2019_PDF.pdf or <https://www.findevcanada.ca/en/annual-report-2019>
- 17 *Transparency and Disclosure Policy* (FinDev Canada, 2020) https://www.findevcanada.ca/sites/default/files/2018-02/disclosure_interimpolicy_11dec2017_final.pdf
- 18 *Environmental and Social Policy: Summary of Stakeholder Comments and FinDev Canada Response* (FinDev Canada, Feb 2020) https://www.findevcanada.ca/sites/default/files/2020-04/SUMMARY%20OF%20STAKEHOLDER%20COMMENTS%20AND%20FINDEV%20CANADA%20RESPONSE_FINAL%20.pdf

