

CORPORATE PLAN SUMMARY

2022-2026



Table of Contents

Executive Summary	IV
1 FinDev Canada at a Glance	6
1.1 Introduction	6
1.2 Strategic Positioning	7
1.3 Partnerships	11
1.4 Incentives and Scorecard	12
1.5 2021 Achievements - Snapshot	13
2 Operating Environment	16
2.1 Global Outlook: Effects of COVID-19	16
2.2 The DFI Landscape	19
2.3 The Canadian Landscape	20
3 2022-2026 Business Strategy: Leading With Impact	21
3.1 Development Impact Priorities	21
3.2 Development Impact in Action	24
4 External Engagement	33
4.1 Government Relations	33
4.2 Stakeholder Relations	34
4.3 Transparency & Disclosure	35
4.4 Independent Accountability Mechanism	35
5 Corporate Capabilities	36
5.1 Risk Management	36
5.2 Technology Roadmap	37
5.3 Communication Strategy	37
5.4 Delegation of Authority Framework	38
5.5 FinDev Canada's Operating Model	38
6 Financial Overview	43
6.1 Summary	43
6.2 Key Business Assumptions	44
7 Appendices	46
Appendix 1: Statement of Priorities and Accountabilities	46
Appendix 2: Corporate Governance Structure	47
Appendix 3: Chief Financial Officer Attestation	48
Appendix 4: Financial Statements and Budgets	49
Appendix 5: Borrowing Plan	55
Appendix 6: Compliance with Legislative and Policy Requirements	55
Appendix 7: Government Priorities and Direction	56
Endnotes	58

Executive Summary

FinDev Canada (or the Corporation) is Canada's Development Finance Institution (DFI), a Crown corporation established in 2018 with the mandate to provide financial solutions to the private sector and mobilize private investment in developing countries. Its goals are to economically empower women, develop local markets, and combat climate change, in a manner consistent with Canada's international development priorities.

While the COVID-19 pandemic began only two years into FinDev Canada's operations, we were able to adapt and to continue to support the markets we serve. However, there remains significant uncertainty on the duration and magnitude of the resulting economic and social crises in our target markets, and the negative effects on their economies are expected to continue throughout the 2022-2026 planning period.

Micro, small and medium size enterprises (MSMEs) have been particularly affected, with reduced access to credit following a retreat of commercial financial providers. The disproportionate effect of the crisis on women will also continue to play out for the foreseeable future as more women than men are losing jobs and being pushed into poverty. At the same time, the urgency of the climate crisis continues to grow and is estimated to push an additional 100 million people below the poverty line by 2030. Developing countries are the most impacted by climate change and the least able to mitigate its consequences. Furthermore, natural disasters, receding coastlines and rising temperatures have led to increased food and water insecurity, damage to infrastructure and the services it provides, and the disruption of supply chains.

From the onset of the pandemic, FinDev Canada quickly adjusted its activities in order to deliver on its mandate. Our COVID-19 response strategy, rolled out in 2020 and continued in 2021, focused on transactions that could most effectively inject liquidity into target markets in order to generate impact. A greater emphasis on working with financial intermediaries helped us reach end-clients that most needed support, in a timely manner.

Throughout 2021, FinDev Canada achieved some notable milestones in its corporate growth despite the challenges posed by COVID-19. These include rollout of the updated Environmental and Social Risk Policy, launching a Climate Change Policy, developing a Climate Change Strategy, and internalizing the new Business Integrity function. The Corporation also continued to build its portfolio and services, introducing a new Technical Assistance Facility Menu, and adding blended finance to our financial solutions, while continuing to approve and close new deals. As of June 30, 2021, FinDev Canada booked assets totaling US \$294.6 million (58 per cent debt and 42 per cent equity; 48 per cent in sub-Saharan Africa, 39 per cent in Latin America and the Caribbean and 13 per cent multiple geographies) across 22 clients. We also mobilized US \$12 million to date and approved six technical assistance projects.

As it is expected that the effects of the pandemic will continue to be felt throughout our target markets well beyond the first year of the 2022-2026 planning period, FinDev Canada expects to **stay the course** adopted in 2020- 2021. As such, we will continue to expand our presence in the financial industry by working with financial intermediaries. Efforts to strengthen our internal capabilities will also be extended over the planning period to maintain our agility to respond to the evolving conditions in our target markets. At the same time, we will explore – and building our readiness for – **new business opportunities** within our priority sectors where gaps persist, and which match FinDev Canada's capabilities.

While FinDev Canada will continue to focus on the priority sectors of **agribusiness** value chain, **green growth** and the **financial industry** to provide an effective response to the conditions created by the pandemic and the climate crisis, we will also explore sub-sectors within these priority sectors that offer a high potential for impact.

As the world turns its attention to recovery and resilience, governments and development agencies are focused on supporting a “build back better” agenda by improving and expanding access to basic services, particularly for women, and contributing to economic growth, social progress and climate action. We see a potential to play a greater role in the sustainable infrastructure space, as part of our focus on green growth in those areas that are especially relevant to our development impact goals. Similarly, as we deepen our support to the financial industry, we will also look for opportunities to expand into supply chain and trade finance, an area of vulnerability for MSME’s in developing countries, and one where we can benefit from the expertise of our parent, Export Development Canada (EDC), in developing innovative solutions.

An additional \$300 million capitalization of FinDev Canada announced in the 2021 Federal Budget, and the launch of the \$76 million *2X Canada: Inclusive Economic Recovery (2X Canada)* concessional finance facility, will allow us to broaden and deepen our activities with a greater impact. FinDev Canada will continue to collaborate with the Government of Canada throughout the planning period, in order to fulfill its mandate as a critical tool to achieve impact through the private sector in developing countries.

Over the planning period, we will continue to affirm our position as a leader in gender-lens investing by participating in the 2X Challenge global initiative, exploring domains such as the care economy and, as part of implementing our Climate Change strategy, examine the intersectionality of gender-climate investments.

Efforts to play a more active and independent role in developing transactions is a priority for FinDev Canada. While we will continue to partner with other DFIs, we will seek to gradually expand our role in leading the structuring of impactful transactions.

As we transition from a start-up phase to more structured growth, and to position the organization as a leader in the development finance space, we will build on 2021 achievements, enhance existing strategies, policies and frameworks, expand our impact management tools, and continue to build our team, which has grown steadily since the onset of the pandemic. Moving forward, FinDev Canada will implement a hybrid working model, enabling employees to work remotely or in the physical office, while maintaining stringent standards for health and safety. As the recovery takes shape, we will resume our consideration to develop a presence in our target markets.

During the 2022-2026 planning period, FinDev Canada will also work to enhance our profile with the Canadian public, as recommended by the 2020 Operational Review undertaken by the Government of Canada. We will, among other initiatives, leverage social media channels to increase awareness of our clients’ successes, foster discussions and promote innovation in the sector and enhance our website and online presence.

In line with our objective to achieve financial sustainability, FinDev Canada’s financial forecast indicates that we expect to begin generating profits towards the end of the planning period, while continuing to deliver on our impact mandate.



1 FinDev Canada at a Glance

1.1 Introduction

With a mandate to provide development financing and other forms of development support to the private sector in a manner consistent with Canada's international development priorities, FinDev Canada envisions a more sustainable and inclusive world, where women contribute to, and benefit from economic opportunities. As such, we consider every investment through a gender lens, thereby helping our clients realize the business benefits of empowering women at all levels in the economy.

Since its inception in 2018, FinDev Canada has grown steadily, building a portfolio of impactful transactions of nearly US \$300 million at June 30, 2021. We have established ourselves among the Development Finance Institution (DFI) community as a leader in gender-lens investing, and an efficient organization that delivers on client and partner needs in a timely and business-focused fashion.

As we transition from our start-up phase, our goal is to achieve meaningful, demonstrable, and sustainable development impact by contributing to the success of private enterprises in developing countries. Despite the COVID-19 pandemic and the resulting economic and social crises, we were able to rapidly respond and adjust to the circumstances, maintain our growth, meet business and impact objectives, and position the organization as a leader in the market.

The present Corporate Plan reviews the organization's strategic priorities and achievements to date and presents its plans for the period 2022-2026.

1.2 Strategic Positioning

1.2.1 Development Impact Priorities

FinDev Canada's mission is to provide financial solutions to businesses and mobilize private investment in developing countries that generate positive impact in the areas of **women's economic empowerment, climate change mitigation and adaptation** and **market development**. These three target impact areas anchor our strategy, with women's economic empowerment standing out as a key goal and a core driver of our decision-making.

FinDev Canada's Development Impact Framework¹ reflects the critical social and economic impacts needed to reduce poverty and achieve a more stable and prosperous future in developing countries. By 2030, FinDev Canada envisions a private sector that accelerates sustainable and inclusive local economic growth, increases women's participation in local economies, creates jobs, and is well-positioned for a low-carbon, climate-resilient future.



Figure 1: FinDev Canada's Development Impact Goals

These development impact priorities align with the challenges facing FinDev Canada's priority markets, which have been exacerbated by the economic and social crises triggered by the COVID-19 pandemic. They also align with several of the United Nations Sustainable Development Goals (SDGs), particularly SDG 5 (Gender Equality), SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 13 (Climate Action) and SDG 17 (Partnerships).



Figure 2: FinDev Canada's Priority SDGs

1.2.2 Regions of Focus

FinDev Canada has prioritized and developed expertise in two broad regions: **Latin America and the Caribbean**, and **Sub-Saharan Africa**. These regions align with the Government of Canada's development assistance priorities and include countries at varying degrees of development and income levels facing diverse sets of issues and opportunities.

Sub-Saharan Africa US \$57 million

DPI | Development
Partners
International

MIRO
FORESTRY & TIMBER PRODUCTS

PHATISA

ETG

Latin America & Caribbean US \$90 million

**Cooperativa
Pacífico**

Produbanco 
Grupo Promerica

Alianza del Valle
Cooperativa de Ahorro y Crédito

PC CAPITAL 

avla
Respaldamos tu empresa

**SISTEMA
FEDECREDITO**

**Banco
SOFISA**

Figure 3: Clients signed in 2021 (as of August 31st)

1.2.3 Priority Sectors

FinDev Canada's has prioritized three broad sectors: Agriculture and agribusiness value chains, green growth and financial services, which align well with Canada's broader priorities and areas of expertise.

Agriculture and agribusiness value chains are key sources of livelihoods and employment in many developing countries, particularly for women, and important contributors to Gross Domestic Product. FinDev Canada works with companies across value-chains to strengthen production, processing for value addition, storage, logistics and distribution, and access to markets. We invest in businesses which contribute to realizing the sector's potential and we seek to leverage sector-specific technological innovations ("ag-tech") to address issues around income generation, diversity of jobs and food security.

Green growth: The detrimental effects of climate change and their impact on the natural environment have exacerbated inequalities in developing countries, especially for women and rural communities. This has led to an urgency for investments in green growth including renewable energy, energy infrastructure, energy efficiency, water supply, water management, waste management, waste-water management, bio-refinery products, green industrial production, as well as climate mitigation and adaptation solutions to help create more sustainable, inclusive and climate resilient economies.

Financial services serve a critical role in the markets we serve. Yet accessing them is challenging in many markets, especially for women entrepreneurs and MSMEs, who are inadequately equipped to sustain external influences such as trade and supply chain disruptions. Supporting local financial institutions, including banks, non-bank financial entities, cooperatives, leasing, and factoring companies enables them to increase financial services offerings to underserved segments and to leverage technological solutions dedicated to financial services ("fin-tech"). Working with local financial institutions also helps FinDev Canada reach smaller, high impact customers that it could not otherwise serve directly.

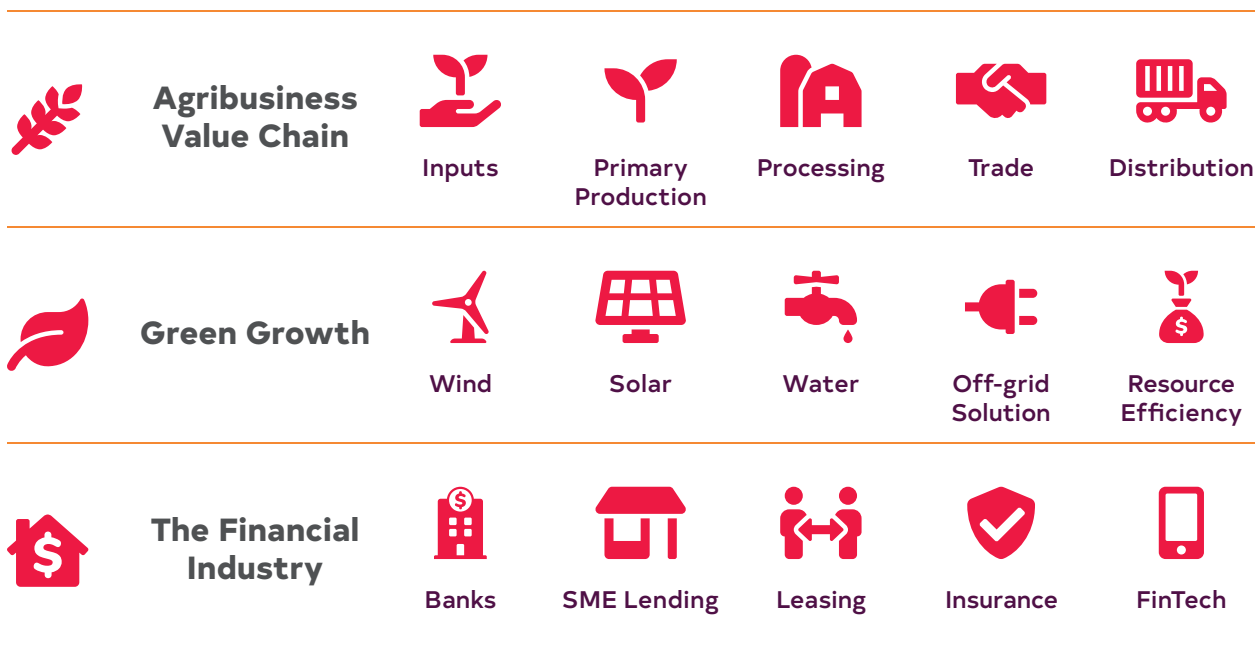


Figure 4: Illustration of Sub-sectors Within FinDev Canada's Priority Sectors

1.2.4 Solutions Offering

INVESTMENTS

As a financial institution, FinDev Canada aims to build a diversified portfolio, balancing ambitious impact objectives with long-term financial sustainability. We offer a range of commercial financial solutions to viable clients that demonstrate their ability to generate sustainable economic, social and environmental benefits for local communities. Our financial products comprise direct loans, including structured and project financing, equity investment - either directly or through funds – and guarantees. We provide tailored and timely solutions to our clients' needs. FinDev Canada seeks an appropriate return for its investments while at the same time complementing and mobilizing – not displacing – commercial sources of funding in the markets where we operate.

CONCESSIONAL AND BLENDED FINANCE

In order to be an even more effective development finance partner to the private sector in the markets we serve, FinDev Canada has recently added concessional finance in its suite of solutions.

Concessional finance products – whether debt, equity or guarantees – by definition, carry terms and conditions more generous than market. Concessional finance combined with financing on commercial terms provides **blended finance solutions** to clients to bring investments to fruition. In instances where an investor is unwilling to commit capital due to real or perceived risks. The judicious use of concessional finance, upholding the principle of minimum concessionality among other aspects^{2 3}, can be an effective way to mobilize investment.

What is Blended Finance?

Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development

[Convergence](#)

In April 2021 FinDev Canada established *2X Canada: Inclusive Economic Recovery*, a \$76 million concessional finance facility funded by the Government of Canada through Global Affairs Canada (GAC), that aims to enhance the socio-economic well-being of underserved, vulnerable populations, particularly women, primarily in Latin America, the Caribbean and Sub-Saharan Africa. The facility complements FinDev Canada's core mandate, expands the reach of Canada's development finance capabilities and contributes to a gender-smart economic recovery, as our target markets struggle with the impacts of COVID-19, by mobilizing additional public and private investment.

TECHNICAL ASSISTANCE

FinDev Canada's Technical Assistance (TA) Facility was launched in early 2020 with funding from Global Affairs Canada and with the objective to enable our private sector clients and other market players to build capabilities, deepen their development outcomes and scale sustainably. TA is an important tool to complement investment activities and helps foster more holistic relationships with our investees and with relevant market players. The TA Facility is central to our ability to support private sector development in developing countries.

The TA Facility addresses capacity gaps in three areas: gender action, impactful data and business performance. The TA Facility's primary beneficiaries are our clients, including companies and financial institutions as well as intermediary fund managers and their portfolio companies. Market development projects involve non-client private sector enterprises or other market players; their goal is to build gender lens investing approaches, impact measurement methodologies and address other shortcomings or opportunities in specific areas.

FinDev Canada's Technical Assistance Facility

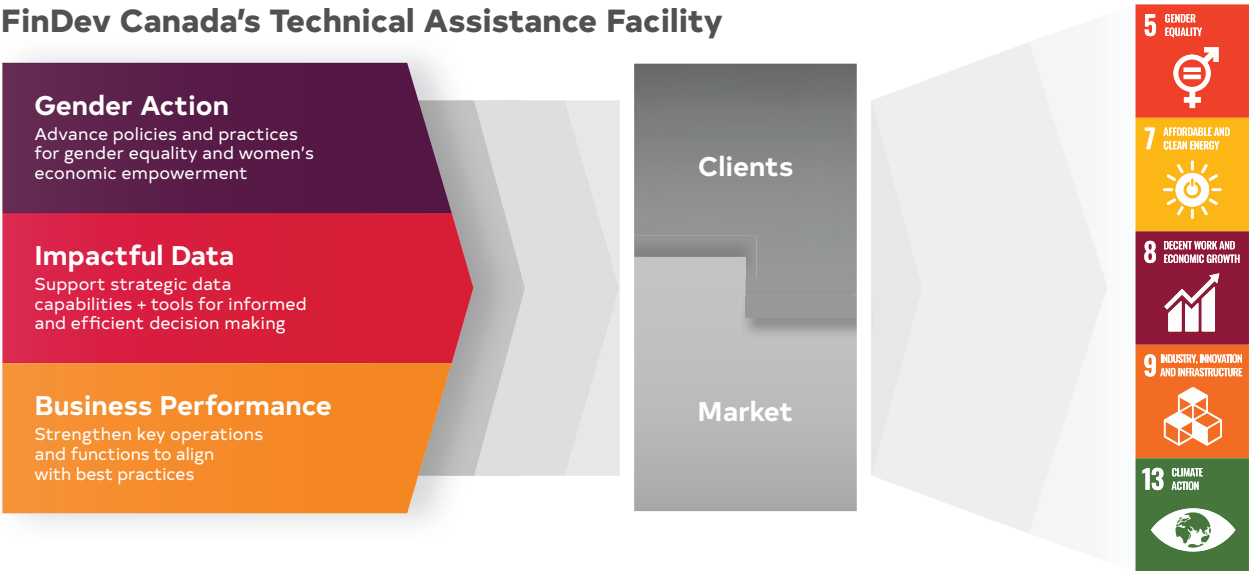


Figure 5: FinDev Canada's Technical Assistance Facility Priorities

1.3 Partnerships

Since inception, FinDev Canada has adopted a partnership-preferred philosophy, in order to build expertise, share learnings and increase effectiveness by combining its strengths with those of like-minded organizations.

To-date, we have signed Memorandums of Understanding (MoUs) with 12 organizations, including bilateral DFIs and multilateral organizations. The goal of these MoUs is to collaborate on sourcing and developing business opportunities, share intelligence and best practices and generally leverage each other's strengths.



Figure 6: Organizations That Have Signed Memorandums of Understanding With FinDev Canada

FinDev Canada is also a member of various organizations and coalitions, including:

- A founding member of the **2X Challenge**, a multilateral initiative launched during the G7 Charlevoix Summit in June 2018 with the ambitious objective of deploying and mobilizing capital to support projects that empower women as entrepreneurs, business leaders, employees and consumers of products and services.
- The **Operating Principles for Impact Management (OPIM)**, a nine-principle framework used by investors to help ensure that impact considerations are integrated throughout the entire investment lifecycle.
- The **DFI Alliance**, launched in the spring of 2019, as a joint initiative of the association of European DFIs (EDFI), the Development Finance Corporation of the United States (US-DFC) and FinDev Canada. Its goal is to act as a common voice and channel for action on issues of common interest, and complement the work already accomplished bilaterally or in other fora.
- The **Canada Forum for Impact Investment and Development (CAFIID)**⁴, 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.

By participating in these organizations in Canada and abroad, we are able to learn from and contribute to industry development and best practices, identify business opportunities, and maximize our impact potential.

1.4 Incentives and Scorecard

FinDev Canada's scorecard measures the success of our activities, including the impact we generate in our target markets, the strength of our investment activities, our ability to mobilize the private sector, the value we provide to our clients, as well as risk appetite and sustainability targets.

Employee compensation is tied to the scorecard and drives the activities and behaviours that ensure FinDev Canada builds an impactful portfolio while adequately balancing risks and return.

Impact Management	<p>The impact scorecard measures FinDev Canada's ability to be an agent of change along our key impact objectives.</p> <p>For gender equality and women's economic empowerment, we will continue to leverage the work done by the 2X Challenge by measuring the proportion of transactions eligible under 2X criteria.</p>
Investment Activity	<p>The ability to generate a diversified portfolio is integral to FinDev Canada's success.</p> <p>The investment scorecard measures the strength of our investments against set targets identified including the volume of approved transactions.</p>
Mobilization	<p>FinDev Canada established a quantitative target for the mobilization of private sector investment. This takes into account the expected challenging market conditions that will prevail, particularly in the early years of the 2022-2026 planning period.</p>
Financial Sustainability	<p>FinDev Canada manages its expense budget efficiently and seeks to generate the revenues required to progress towards financial sustainability within the planning period, as established in the Financial Plan.</p>

1.5 2021 Achievements - Snapshot

1.5.1 Operational Results

Investment portfolio: Based on the current pipeline of transactions, FinDev Canada expects to close up to 15 transactions in 2021 for a total of up to US \$230M and mobilize US \$45M in private investment.



Phatisa Food Fund II

US \$10 million equity investment to contribute towards food security in Sub-Saharan Africa through the promotion and expansion of sustainable and resilient local food production and distribution.

- 12,000+ jobs supported and 90,000+ smallholder farmers and micro-entrepreneurs reached
- 50+% reduction in food losses due to promotion of climate-smart agricultural practices
- 25+% increase in farmer yields and +3M tons of food (products) produced in Africa
- 14,000+ women benefiting from market linkages and TA, with at least 30% of the Fund's portfolio companies meeting the 2X criteria



Cooperativa Pacifico

US \$10 million loan to provide liquidity to Peru's hard-pressed small and medium-sized enterprises by the COVID-19 pandemic.

- 140+ SMEs with improved access to finance and 4,200+ jobs supported
- 25+ women-owned SMEs supported and job creation of 1,000+ jobs for women across a variety of sectors
- Enhanced liquidity to allow SMEs to maintain or expand operations, contributing to economic and social benefits in the community



Technical Assistance (TA): In 2021, six TA projects were approved as of September, as we continued to build our capabilities, with a focus on a client engagement and evidence-based TA programming.



UN Women/Lelapa Fund Design Workshop

FinDev Canada, together with UN Women and Lelapa (a woman-founded African fintech advisory firm), hosted a workshop in November 2020 to convene 52 women fund managers and DFIs, from across 30 organizations, to discuss the challenges of investing with a gender lens in African SMEs. Insights from the workshop have been put together in a [publication](#) shared with the broader DFI and impact investment community. The report highlights that investing with a gender lens requires a rethinking of traditional parameters on risk-measurement, type of capital, technical assistance, and deal sizes, because many women-led businesses have risk capital requirements below \$1 million.



AFRICAN
FINTECH
ADVISORY



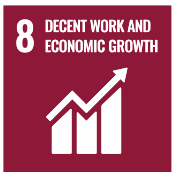
WAI
GROUP



2X Canada facility: FinDev Canada signed an arrangement with Global Affairs Canada in March 2021 to establish 2X Canada, a facility that will strengthen Canada's presence in the global blended finance arena. With the internal implementation framework finalized and operational, FinDev Canada is currently developing a pipeline and we anticipate the approval of at least one blended finance deal by year-end 2021.

Achieving impact: FinDev Canada's 2020 Annual Report included extensive reporting on its development impact to date, as highlighted in our impact portfolio dashboard.

Impact Reported by Investees



4,711
total quality jobs
supported



1,937
quality jobs for
women



1,647,637
people receiving
improved access
to tools and
services



678,756
MWh of clean
energy produced



38%
of total
investments in
climate finance

Figure 7: FinDev Canada's Impact Reported by Investees as of December 2020

1.5.2 Corporate Achievements

Capitalization	In Budget 2021, the Government of Canada announced an additional \$300 million of capitalization starting in 2023-2024, to support the growth of FinDev Canada.
Operational Review	The Corporation executed the majority of recommendations from the Operational Review conducted in 2020 by the Government of Canada. Outstanding recommendations are long-term in nature and will be completed over the planning period (see Appendix 4).
Building a Strong Team	FinDev Canada virtually on-boarded 10 new employees, including a new CEO.
Strengthening Capabilities	<p>FinDev Canada established or reinforced the following internal capabilities and processes:</p> <ul style="list-style-type: none"> → Mobilization strategy, streamlining the organization's methodology and outreach approach (see section 3.2.2). → Internalization of the Environmental and Social (E&S) function within FinDev Canada and its incorporation in the Gender & Impact Management team. → Internalization of the Business Integrity (BI) function. In both cases this evolution from EDC-provided services through the SLA model is a sign of the maturing of the organization and of its specific needs. → Begun the implementation of our internal digital strategy.
Fostering Collaboration	As a founding member of the 2X Challenge, FinDev Canada collaborated closely with other members. Collectively, the Challenge raised US \$7 billion, more than doubling the initial US \$3 billion targets. The 2X Challenge has now set a new collective target of US \$15 billion.
Promoting Transparency	As a signatory to the Operating Principles for Impact Management (OPIM), in Q1 2021, FinDev Canada commissioned an independent verification of its alignment with the Impact Principles, benchmarked against its peers. The verification report validated that impact is embedded throughout FinDev Canada's investment process and concluded that we are particularly strong at defining strategic objectives, systematically managing, and assessing and monitoring impacts and Environmental and Social (E&S) risks for each transaction.



2 Operating Environment

2.1 Global Outlook: Effects of COVID-19

The impact of the pandemic will remain a focal point of the near-term outlook for the world economy. Current growth and expectations support an aggressive rebound throughout 2021 and 2022. This year, significant momentum will propel world growth to 6.2 per cent, followed by an almost equally impressive 5.7 per cent⁵ gain in 2022. While most economies in the developed and emerging worlds will benefit from resurgent activity, figures from the World Bank show that this growth will not be evenly spread – and most countries in Sub-Saharan Africa and Latin America and the Caribbean are expected to see a reduction in economic growth.

The discrepancy between emerging and developed markets is especially apparent with respect to global vaccination rates. At the time of writing, 74 per cent of the Canadian population has received their first dose, with 69 per cent fully vaccinated⁶. On the other hand, 28 per cent of the population in Latin American countries are fully vaccinated while many countries in Sub-Saharan Africa remained below 5 per cent for a first dose. According to Bloomberg's COVID-19 tracker, at current rates most of Sub-Saharan Africa are more than 120 months away from vaccinating 75 per cent of their populations – the threshold generally considered for "community immunity"⁷.

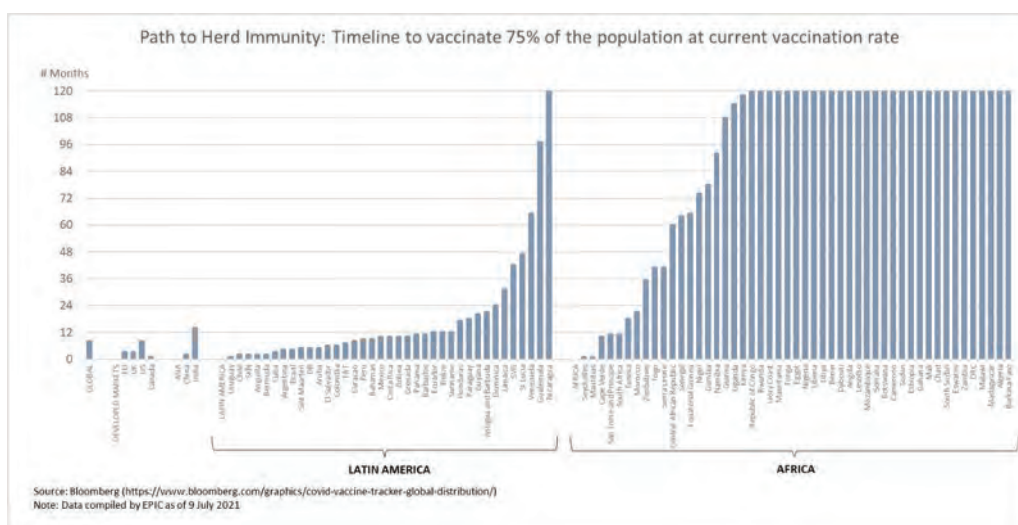


Figure 8: Path to Herd Immunity as Reported by Bloomberg

The pace of economic recovery is dependent on: i) Vaccine distribution – early indicators suggest emerging economies adoption rates are still very low but are expected to increase in 2022-2023; ii) susceptibility of countries and regions to additional significant waves that would curtail the forecasted growth trajectory; and, iii) the reduction in labour force participation, particularly for the hardest hit sectors such as tourism, manufacturing, agriculture and transportation.

In addition to these factors, individual countries' response and recovery efforts, as well as consumer confidence will play a significant role in the recovery. In many instances, central banks have stepped in where possible to support market liquidity, with governments implementing measures to support businesses and consumers, but their fire power is often limited or achieved at the cost of significant public debt.

Eighteen months on, uncertainty remains on how fast the situation will return to some form of normalcy, and what this normal will look like.

2.1.1 Effects of COVID-19 on FinDev Canada's Target Markets

The effects of the COVID-19 pandemic have exacerbated the long-standing challenges that development finance has sought to address, particularly around income and social inequalities and inclusive and sustainable economic growth. At the same time, the urgency of the climate crisis continues to grow.

The following section analyzes the effects of the crisis on Latin America and the Caribbean and Sub-Saharan Africa, FinDev Canada's target regions.

ENTERPRISES AND LOCAL NETWORKS

There has been an increased need for policy response and support, coupled with private investment to fuel market development. Projected Gross Domestic Product and unemployment rates have fallen considerably across developing countries, while global supply chain issues continue to impact developing countries⁸. For instance, with limited economic activity, furthering public debt vulnerabilities and reduced opportunities for informal sector workers, women and youth⁹, Sub-Saharan Africa experienced in 2020¹⁰ its first recession in 25 years. Similar fate faces the Latin America and the Caribbean region, where it is expected that per capita incomes in the region will not catch up with pre-pandemic levels until 2024¹¹.

The effects of the pandemic have been substantial, but more so for micro, small and medium-sized enterprises (MSMEs), which have experienced significant revenue losses as a result of business failures¹². With a large proportion of these businesses operating within the informal economy, they are more likely to have less resilience and flexibility to deal with increasing costs, along with the lower levels of support and availability of teleworking¹³. Furthermore, many of the developing states and small islands such as the Caribbean are reliant on the tourism industry, which has plummeted in the wake of COVID-19. Considering it is a sector integral to the health of the local economies, robust fiscal policy and private sector support is required to support vulnerable MSMEs¹⁴.

With a reduction in household income and private consumption, the effects of the economic downturn and health crisis triggered by the pandemic will require much-needed investment in key sectors. While a relaxation of COVID-19 measures in some regions may slightly improve access to inputs, access to credit continues to remain a challenge for MSMEs.

WOMEN

Gender inequity and vulnerabilities are magnified during times of crises. The United Nations estimates that the pandemic will widen the gender poverty gap, with more women being pushed into poverty than men, due to the compounded effects of job and income losses, increase in unpaid care work, lack of social protection, and the overrepresentation of women workers and entrepreneurs in informal sectors and sectors affected by lockdown measures¹⁵.

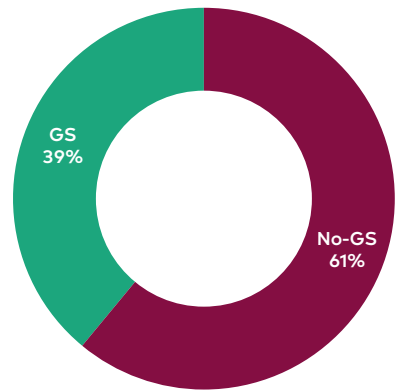
In fact, in Sub-Saharan Africa, 41 per cent of women-owned businesses closed versus 34 per cent for men-owned; in Latin America and the Caribbean, these figures are 40 per cent versus 29 per cent, and in South Asia, 51 and 45 per cent, respectively¹⁶.

Economic sectors dominated by women have been among the worst hit; COVID-19 shutdowns have curtailed activities in industries such as tourism, hospitality, transport and retail¹⁷. The negative impact has been compounded by reduced access to funding from local lenders who, in the absence of gender-smart banking products, may require higher levels of collateral. Faced with a credit gap that is likely to increase from an estimated US \$1.5 trillion¹⁸ in 2019, women-owned businesses will require smaller ticket sizes, more patient capital, and skills-building interventions in support of their recovery.

The International Labour Organization's (ILO) 2021 report on COVID-19 and the World of Work¹⁹ states that the employment-to-population ratio fell 2.6 per cent for women compared to 1.8 per cent for men in low-income countries. While this can be attributed to revenue losses as discussed above, the burden of care, which falls primarily to women, is a key contributor.

Numerous initiatives, measures and policies have been put in place by governments and development agencies to combat the negative effects of the pandemic, but few have been designed to address women's needs and constraints such as those presented above. A report by UN Women and the United Nations Development Programme (UNDP) found that just 39 per cent (graph 1) of global measures were gender sensitive, with the majority addressing violence against women²⁰. The statistics are much worse for developing regions. In Latin American and the Caribbean, policies to support women's security, unpaid care work and violence against women are inadequate (graph 2).

Graph 1
Proportion of Gender Sensitive (GS) and Non-sensitive (No-GS) Measures Globally



Graph 2
Measures by Type — Global vs. Latin America and the Caribbean

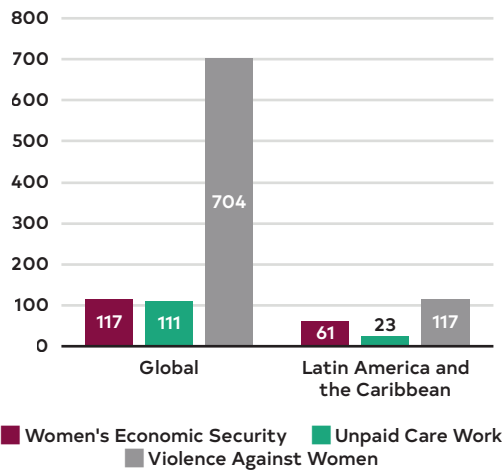


Figure 9: Analysis of Measures Put in Place to Combat the Negative Effects of the Pandemic

The increase in unstable income and limited access to social security protections for women makes them more vulnerable to economic crisis²¹.

CLIMATE CHANGE

The effects of climate change have been felt across the globe, exacerbating many existing inequalities. The World Bank estimates that the impact of climate change could push an additional 100 million people below the poverty line by 2030²². Natural disasters, receding coastlines and rising temperature have led to increased food and water insecurity, damage to infrastructure and disruption of supply chains. Unfortunately, while developing countries are the most impacted by climate change, they are the least able to afford its consequences. Women and children bear the brunt of these effects, deepening the already existing social and economic inequalities.

There is consensus within the development community that supporting developing countries through climate-smart investments has the potential to unlock economic growth and drive new sustainable, inclusive and equitable jobs. International initiatives, in particular the successive Conferences of the Parties (COP) under the United Nations Framework Convention on Climate Change (UNFCCC) have, in recent years, helped increase the urgency of climate action and contributed to significant deployment of capital to ensure progress on climate change mitigation, adaptation and resilience.

Environment and climate interventions are most effective when women play an active role. As employees in the climate sensitive sectors and consumers of food and energy, they can be powerful agents to help curb pollution and other climate related issues, highlighting the importance for development agencies and donor countries to design climate and gender smart solutions.

Food and water security remain complex issues. A high dependency on agriculture and supporting industries (transport and processing) for economic prosperity in regions like Sub-Saharan Africa make them susceptible to climate change. Similarly, global feeders such as Latin America - which make up around 25 per cent of world agricultural production - have struggled to pivot to more sustainable and inclusive food and supply chain systems.

While strides have been made to support economic diversification and development of sustainable infrastructure, the lack of efficient resource use and robust policy management has led to a lag in climate action. Institutions such as the World Bank Group have continued to provide technical and financial support in the region, especially around clean energy, forest restoration, climate-smart agriculture and urban resilience²³. With a goal of meeting the Nationally Determined Contributions (NDCs) set forth in the Paris Agreement²⁴, there is need for more support to transition to a clean and sustainable economy.

2.2 The DFI Landscape

When the COVID-19 pandemic hit, many DFIs had to re-evaluate their strategies; concentrating first on immediate needs and then looking at their role in the recovery process. The first course of action was to mitigate any effects of the pandemic on their balance sheets and maintain their portfolio by supporting existing clients. Eighteen months on, while investing has been challenging - particularly conducting due diligence during travel restrictions - many DFIs report better portfolio performance than initially feared. Concerns that their balance sheets would be significantly weakened did not materialize, nor did the type of demand they expected for urgent liquidity support.

As a result of the pandemic, DFIs had to adapt to new ways of working including virtual and shared due diligence. Moving forward, as uncertainty around the global economy remains, DFIs will need to continue adapting their business models to address market needs effectively despite travel limitations, by leveraging technology and fostering innovation.

Perspectives of a post-pandemic 'normal' and of a return to a pre-crisis state are contrasted by persisting, if not increasing, strain on clients' businesses. DFIs must simultaneously be prepared to kick-start business when markets open up while remaining vigilant to persistent threats posed to their clients in the foreseeable future.

That said, the pandemic did bring opportunities for greater collaboration. Several task forces were created, particularly under the leadership of EDFI - the European DFIs' umbrella association - to share information and coordinate on investments and policies. Multilateral initiatives such as the 2X Challenge have mobilized billions in capital for women's economic empowerment and recovery, further strengthened global alliances across the development space, creating a more robust and formalized approach to centralizing development finance and international support. DFIs are working more collaboratively than ever and the expectation is that this becomes the norm moving forward.

2.3 The Canadian Landscape

Canada's Feminist International Assistance Policy (FIAP) has positioned Canada and Canadian impact investors as leaders on Gender Lens Investment (GLI). More than 70 per cent of impact investors employ a GLI focus when evaluating deals, and over half apply a customized metrics for GLI.

Despite the effects of COVID-19, impact investing for development in Canada continues to show resilience and growth. Recent research conducted by the Canada Forum for Impact Investment and Development (CAFIID) to assess the effects of the pandemic on Canadian investors shows that more than 60 per cent of respondents have either not been affected by COVID-19 or have been positively affected - with only 34 per cent reporting a negative impact to their portfolio. While much of this can be attributed to increases in government funding, capital injections also stemmed from the entrance of new players and existing private sector firms increasing their assets under management²⁵.

Climate action is priority for Canada, and an area where it intends to take a leadership role. During the G7 meeting in June 2021, the Government of Canada announced a doubling of its previous commitment to international climate finance to \$ 5.3 billion over five years, which includes increased funds for adaptation and biodiversity. This is expected to stimulate the development of climate-focused initiatives as the government seeks partnerships to achieve this goal.

There is still much to be done to attract Canadian investors to developing markets. The use of blended finance is expected to continue growing as a tool of choice to bridge this gap²⁶. Almost 60 per cent of impact investors and advisors work with blended finance instruments. With organizations such as Convergence²⁷ playing a leading role by providing much needed research, education and collaboration, blended finance is increasingly sought as solution to mobilize larger firms in the private sector to commit to investing for impact.



3 2022-2026 Business Strategy: Leading With Impact

In planning for 2022, FinDev Canada intends to stay the successful course adopted in 2020 and continued in 2021. We will continue to explore opportunities to expand our presence in the financial industry within our target markets, with an emphasis on financial institutions and intermediaries that can reach underserved segments, particularly gender and climate-smart clients that create jobs and drive sustainable and inclusive local economic growth.

While the future of developing economies remains uncertain as they continue to grapple with the impact of the COVID-19 crisis, expectations are that market conditions will evolve significantly over the planning period. FinDev Canada will continue to scan the environment to ensure we are ready to adjust our strategy to seize emerging opportunities. We will also continue to build and strengthen our corporate capabilities in support of our growth, from both a human resources and organizational perspective. The financial forecast shows that FinDev Canada expects to begin generating profits towards the end of the planning period, while continuing to deliver on its impact mandate.

Development impact is at the core of what we do and drives our programming decisions. The section presents the initiatives that we will continue to pursue and expand. It also presents new initiatives that were developed in the course of 2020 and 2021 and have recently been launched or are ready to be launched and introduces areas for expansion that we will validate as market conditions become clearer.

3.1 Development Impact Priorities

As outlined in section 1 of this plan, FinDev Canada's impact priorities rest on three main pillars: Women's Economic Empowerment, Climate Change Mitigation and Adaptation and Market Development.

3.1.1 Women's Economic Empowerment

Guided by the four action areas outlined in the Gender Equality Strategy, FinDev Canada continues to strengthen its focus on women's economic empowerment (WEE) and refine its role as gender-lens investor. In 2021 we took efforts to drive progress on gender equality by undertaking activities on several fronts that will carry over into the planning period.



Figure 10: The Four Priority Action Areas of FinDev Canada's Gender Equality Strategy

- **Steering capital towards transactions with high WEE impact:** The COVID-19 pandemic has had a disproportionate impact on women in the regions where FinDev Canada operates. As highlighted in chapter 2, while women have lost more employment leading to high income losses, measures and policies designed to address the effects of the pandemic have generally not targeted the specific issues faced by women. As a result, FinDev Canada, has been working to deploy its capital to bridge these gaps.



Alianza del Valle

US \$7.5 million to provide financing to microenterprises, half of which will be women-owned SMEs, and contribute to promoting sustainable livelihoods.

- access to 600+ loans for microenterprises, half of which are expected to be women-owned microenterprises thereby improving access to finance
- provide comfort and relief in the Ecuadorian microfinance market, which is currently facing significant liquidity needs.



FinDev Canada will continue to deploy and mobilize capital over the planning period to help clients enhance their impact on WEE, drawing from the learnings from Financial Intermediaries.

- **Promote gender action with clients:** FinDev Canada will continue to leverage our TA Facility to help clients implement better practices in gender matters. In 2021, we rolled out a 2X Challenge training for fund managers, as well as a gender action Technical Assistance Menu (see TA section). In 2022 and beyond, we will deploy this new offering, to help fund managers incorporate a gender lens into their investment strategy using the 2X framework as a blueprint.
- **Lead by example with WEE practices:** Alongside its parent company Export Development Canada (EDC), FinDev Canada obtained *Women in Governance (WiG) Parity* certification, helping us lead by example in gender equality and diversity. We intend to take this assessment annually and implement any recommendations.

In addition, executing on the recommendation from the Government of Canada's Operational Review, FinDev Canada developed and began executing on a plan to engage with women in our target markets and refine our gender strategy and priorities according to their experiences and their needs.

FinDev Canada is committed to integrating gender equality across its activities both externally and internally. We will continue to implement internal targets linked to employee remuneration for the number of 2X-qualifying transactions and ensure our committees and governing bodies are gender balanced.

As at December 31, 2020, women comprised:

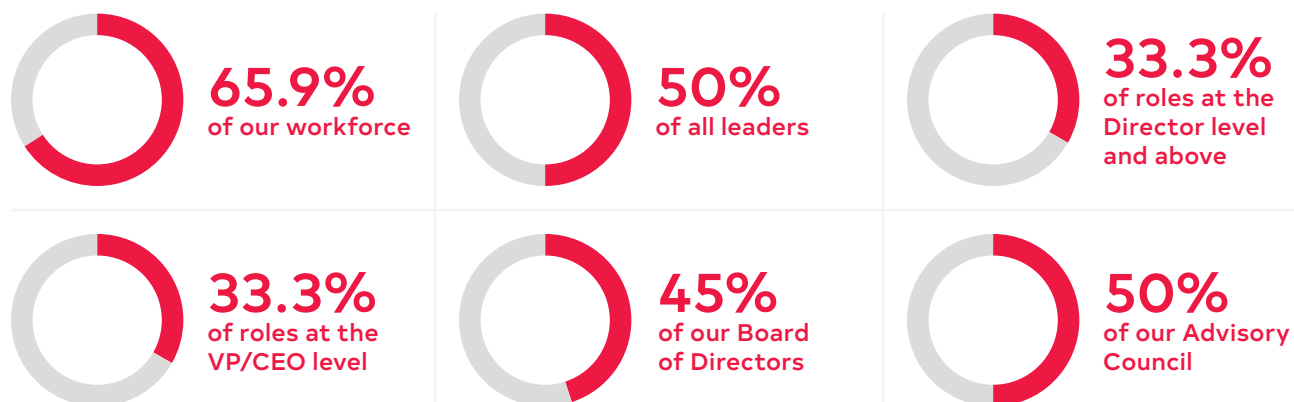


Figure 11: FinDev Canada's Internal Composition of Women Employees

- **Be an agent of change in the investment community:** We are taking a leading role in chairing the 2X Plus taskforce, working towards strengthening the 2X criteria to embed additional dimensions on gender and justice, equality, diversity, and inclusion. We are also a leading contributor to the 2X Climate Taskforce. Additionally, FinDev Canada was involved in the launch of the 2X Collaborative Industry Body, which includes private sector actors, including the Investor Leadership Network.

FinDev Canada has begun work on issues of women's economic empowerment. To tackle gender-based violence and harassment (GBVH), we are helping to create a DFI Roadmap on GBVH. By collaborating with peers such as the 2X Collaborative, we will seek to deepen our understanding of intersectionality, care work and GBVH in the context of DFI investments to inform our WEE approach. Internally, we rolled out a new Environmental and Social (E&S) policy that considers gender risks in our investments.

3.1.2 Climate Change

FinDev Canada is committed to implementing an investment approach that is aligned with the objectives of the Paris Agreement, and consistent with a net-zero greenhouse gas emissions pathway. To do so, we help our clients in enhancing their climate mitigation and adaptation practices.

In 2021, FinDev Canada developed a Climate Change Strategy, based on a multi-stakeholder approach and informed by peer and market best practices, a key step in shaping our position as an agent of change in climate and gender-smart investing. The Climate Change Strategy is underpinned by the Climate Change Policy approved by the Board in 2021, articulating the guiding principles and our commitment to climate action. It is an integral part of our overarching policy framework and serves to promote climate mitigation and adaptation through our investments and operations.

The Climate Change Strategy describes how the Policy will be implemented, structured around three pillars:

- **Gender & climate-smart investing:** apply gender and climate lens to all investments thereby establishing our positioning as leader on gender and climate-smart investing.
- **Driving net-zero emissions:** as the second DFI with a net-negative portfolio, FinDev Canada seeks to maintain this status. We will publish in October 2021 audited portfolio greenhouse gas (GHG) emissions against the standards of the Partnership for Carbon Accounting Financials (PCAF).
- **Enabling climate resilience:** FinDev Canada is an active member of DFI+ Adaptation & Resilience Collaborative, developing a climate risk management approach.

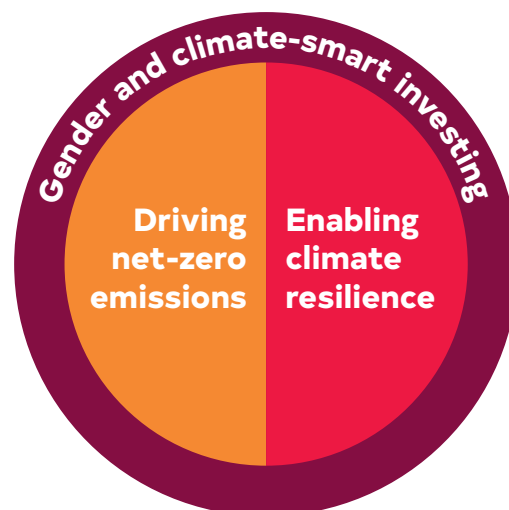


Figure 12: FinDev Canada's Climate Strategy

FinDev Canada will begin implementing the Climate Strategy in 2022, focusing on four priority areas: transactions, clients, internal practices and the investment community.

Transactions: Since the beginning of the pandemic, the share of climate finance in the portfolio has decreased given our focus on reaching MSMEs through financial intermediaries. In 2022, FinDev Canada will seek to increase its climate finance transactions, as investments in other target sectors such as agri-business and green growth, continue to grow.

Clients: FinDev Canada will expand our approach to support clients in enhancing their climate mitigation and adaptation outcomes, notably through the development of a Climate Action Menu as part of the TA Facility.

Internal practices: We will continue to apply a climate lens throughout the investment analysis and decision-making processes, such as climate risk management and a net-negative emissions portfolio. We will report publicly on the implementation and outcomes of our Climate Change Strategy, in line with the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) recommendations.

Investment community: FinDev Canada will continue to demonstrate leadership on climate action in the investment community, through knowledge sharing and peer collaboration, especially on the climate and gender-smart investing nexus and driving net-zero emissions, among other strategic considerations.

3.1.3 Market Development

In 2021, FinDev Canada is expecting strong results under our market development impact goal, due in part to a focus on financial institutions and intermediaries in their COVID-19 response, which enabled us to strengthen our approach and explore further opportunities to drive inclusive market development.

Going forward, FinDev Canada will develop a strategy to expand its efforts to support local enterprises that create jobs and contribute meaningfully to their economies. The strategy will complement existing Gender Equality and Climate Strategies, ensuring synergies among our development impact priorities. Through the strategy, FinDev Canada will design a structured methodology to strengthen our market development approach by focusing on quality employment and local economic value addition through our investments.

3.2 Development Impact in Action

Heading into its fifth year of operation, FinDev Canada has positioned itself as a leader in the gender finance space. A continued focus on a few, well-chosen areas of activity will be critical to future success, especially given the size of our organization. Over the planning period, FinDev Canada will focus on its core investment and TA Facility activities to deliver on our three development impact goals.

This section details initiatives we will pursue throughout the planning period. Some initiatives are the continuation of initiatives launched previously, others are new activities that have been identified – or are in the process of being validated – based on their potential for impact and alignment with FinDev Canada's competitive strengths.

3.2.1 Investment Strategy

To achieve its development impact goals, FinDev Canada will continue building a diversified and impactful investment portfolio of private sector clients. In 2020, we adapted our business strategy to account for the economic and social effects of the COVID-19 pandemic and adjusted to the operational constraints it imposed. To do so we concentrated on financial intermediaries, as these entities are best placed to channel liquidity and financial services to the clients that most need it. We also focused on clients and counterparties where due diligence could be conducted remotely, leveraging partnerships with other DFIs and similar organizations.

In 2021 FinDev Canada maintained its 2020 strategy, while adjusting to account for evolving health and economic conditions. This approach enabled us to adapt and respond to the growing crisis facing existing and potential clients, with a limited negative impact on our portfolio. Overall, we continue to enjoy a diverse portfolio in terms of geography and asset type, despite a heavier emphasis on financial intermediaries in response to the pandemic.

As FinDev Canada plans for 2022 and beyond, two considerations are critical:

- ➔ **The Corporation's maturity level:** While partnering and co-financing with DFIs will remain important, as we continue to grow and strengthen our portfolio, FinDev Canada will seek to shift from a greater reliance on deals led by other DFIs, to deals where it plays a more active structuring role (see below "managing portfolio growth").
- ➔ **The effects of the pandemic:** COVID-19 is expected to lead to a contraction of economies across most of FinDev Canada's target markets, the effects of which are yet to be fully understood. Potential implications on our portfolio may include i) credit quality deterioration as well as non-performing loans of FI clients, which would affect the overall financial health of financial intermediaries and ii) slowdown in equity fund drawdowns, which would make it harder for funds to meet their long-term return targets.

Some of FinDev Canada's assets experienced a credit deterioration in 2021 which has led to downward pressure on the value of our portfolio. Although we expect this value to be recovered over time, we will continue to monitor the situation of all our assets.

FinDev Canada aims to support our clients' recovery and contribute to their resilience. As such, over the planning period, we will continue to monitor our target markets and adjust our strategy to focus on the sectors and opportunities that are the most conducive to achieving our development impact goals and filling existing gaps.

MANAGING PORTFOLIO GROWTH

The Financial Plan provides a detailed view of the anticipated business volumes over the next five years. At the time of writing, 2021 is anticipated to be a strong year in terms of the volume of business signed. This is due, in large part, to the delayed signing of 2020 transactions. The pace of 2021 signings may not be sustainable in the current market circumstances.

Given the uncertainty of the markets, FinDev Canada is planning for moderate growth over the planning period, with \$184 million of anticipated signings in each of the first two years (2022 and 2023), followed by three years of relative stability at \$208 million per year. This will allow us to build our capabilities at a manageable pace and pursue transactions where we have more influence and where we can generate impact.

As we continue to build our internal capabilities, we will gradually move to playing a greater role in structuring transactions. While we have played a leadership role in many transactions, we will build on our credibility with our closest partners to exert increasing degrees of influence from an early stage of transaction development.

INVESTMENT PRIORITIES

In 2022 and beyond, FinDev Canada will focus on building knowledge and partnerships to enable effective transaction origination, structuring, and management. Within our three priority sectors, we also see room for expanding our impact.

As the world turns its focus towards recovery and resilience, governments and development agencies are committed to "build back better", by supporting improved infrastructure and social systems, and revitalized livelihoods, economies and the environment²⁸. This theme was central to the 2021 G7 summit. Similarly, the G20 recently underlined its focus on an inclusive and sustainable future. Aligned with these efforts, FinDev Canada's sectors of agri-business value chain, green growth and the financial industry will continue to enable an effective response to the needs created by the pandemic and the growing urgency represented by the climate crisis. Our current portfolio and pipeline is heavily weighted towards financial intermediaries in response to COVID-19. However, we are actively monitoring our two other priority sectors in order to identify emerging opportunities and build our readiness to seize them. Within these priority sectors we will in particular explore existing sub-sectors that offer a high potential for impact, and where financing gaps exist.

EXPLORING SUSTAINABLE INFRASTRUCTURE

The lack of access to basic services, particularly among women and rural communities, and inadequate infrastructure are major impediments to economic growth, social progress and climate action in developing countries. In 2010, the World Bank identified the lack of social and gender analysis in infrastructure projects as one of the five key challenges to reducing gender inequalities. The emphasis on “building back better” in the face of COVID-19 means expanding access to basic services and improving infrastructure. By targeting sustainable infrastructure in the regions we serve, FinDev Canada can have an impact on women’s economic empowerment, as users of services, as workers or as entrepreneurs. Well-designed projects can reduce women’s unpaid care responsibilities and free up their time to participate in productive activities, including paid employment. This can be achieved through better access to energy, access to reliable, safe and affordable transport, access to clean water, and affordable digital technologies.

To date, FinDev Canada has successfully supported several sustainable infrastructure projects under its broad **green growth** priority area. We however have identified, that further opportunities exist that have the potential to generate significant impact and also align well with FinDev Canada’s capabilities and competitive advantages, including our ability to work within commercial timeframes and identify innovative solutions. We present below a preliminary analysis of the potential that these areas can represent and the rationale for further investments. In 2021 and leading into 2022, FinDev Canada will conduct further analysis on those opportunities in sustainable infrastructure, with a focus on validating the impact potential across our three development impact priorities of women’s economic empowerment, climate change mitigation and adaptation, and market development, while also contributing to the SDGs. Attention will be given to the possibility of including gender considerations throughout the lifetime of projects, from design through to construction, operations and maintenance. We will also consider Canada’s priorities, funding gaps in the market, as well as potential partners and clients, in order to support transactions best aligned with FinDev Canada’s impact objectives and value proposition.

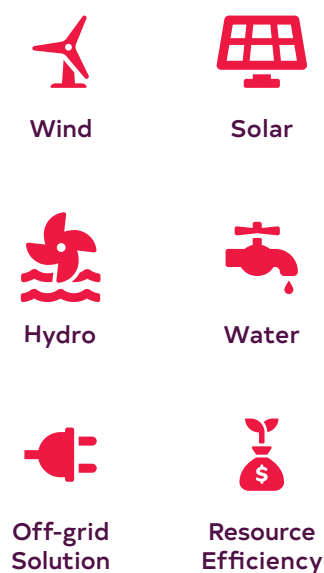
Access to clean energy: According to the World Bank, 759 million people lacked access to electricity in 2019, the majority of which are located in middle- and low-income countries. Over the last decade the number of people without electricity in Sub-Saharan Africa actually increased. Moreover, currently, about 3 billion people use highly polluting fuels (e.g., kerosene, wood, charcoal, coal) to cook in poorly ventilated homes. Women and children are the most exposed to indoor smoke and are twice as likely to suffer from chronic pulmonary disease than women who use clean energy sources²⁹. In 2016, it was the cause of 1.8 million female premature deaths. Women are typically the primary users of energy within the household and are often responsible for paying household bills.

Access to reliable electricity from off-grid solutions can increase the ability for rural women to work outside the home by 23 per cent³⁰. It could improve indoor air quality, improving the health of women. It could also free up billions of hours currently used to gather firewood, freeing up the equivalent of a workforce of 80 million people and would allow women to use energy for productive uses as entrepreneurs or in value chains³¹. Access to off-grid energy can in turn provide women with access to more productive technologies (e.g. solar powered filters, etc.), and allow women entrepreneurs to strengthen and expand their business models (e.g. opening hours, productivity).

Developing countries emit less Greenhouse Gas than developed countries and renewable energy enables households, communities and countries to diminish dependence on fossil fuels. Overall, increased access to renewable, affordable and reliable electricity is good for economic growth, as energy use is positively correlated with Gross Domestic Product, and is good for social progress and climate action.

Gender-smart water infrastructure: A 2019 report by World Health Organization and UNICEF shows that globally in 2017, more than 785 million people did not have access to at least basic water services and more than 884 million people did not have safe water to drink. Across particularly low-income countries, women and girls have primary responsibility for management of household water supply. Tending to this need precludes other productive engagement so enhancing access to water services is a key driver in achieving gender equity. In addition, a World Bank study of 64 water and sanitation utilities in 28 countries found that only 18 per cent of employees were women, 32 per cent of the utilities had no female engineers and 12 per cent had no women in management³². Women are typically the primary users of water within the household and often responsible for paying the household water bill. However, women are not always represented in consultations about service design or tariff structure. Access to affordable and safe water could free up billions of hours currently used to fetch water and allow women entrepreneurs to strengthen and expand their business models, among other benefits.

Green Growth



Sustainable Infrastructure

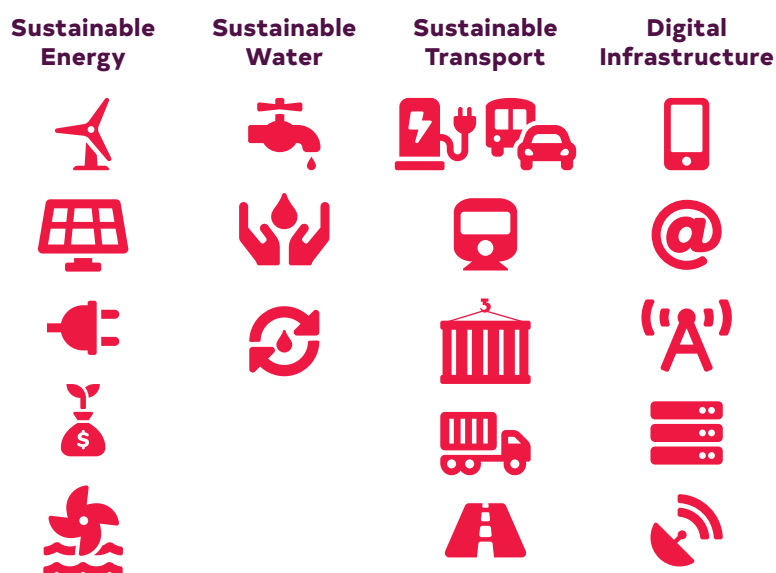


Figure 13: Deepening Green Growth

ASSESSING THE POTENTIAL OF TRADE AND SUPPLY CHAIN FINANCE

Evidence suggests that the demand for trade and supply chain finance solutions is significant in emerging markets, especially for MSMEs. Among them, Women-led MSMEs face additional challenges and barriers. The COVID-19 crisis has disrupted global and regional supply chains and at the same time led to a partial withdrawal of commercial financial service providers, leaving the most vulnerable businesses faced with even greater hurdles to get their products to market.

Fostering trade and supply-chain finance in emerging markets drives local economic growth, increases financial inclusion and helps close market gaps³³, with significant benefits to local communities. In the context of COVID-19, DFI capital has become critical to maintaining trade flows and supporting economic growth. Several DFIs or Multilateral Development Banks, including International Finance Corporation (IFC), the United Kingdom's CDC or Inter-American Development Bank (IDB Invest), have moved to make more trade finance solutions available in vulnerable countries most affected by the crisis³⁴.

Based on preliminary analysis, supply chain and trade finance offerings would enable FinDev Canada to:

- Build on our existing activity with Financial Institutions to help them expand their support to vulnerable businesses.
- Provide solutions that are crucial to the success of developing countries and offered by few.
- Integrate sustainability and women economic empowerment into trade and supply chain financing.
- Mitigate inhibitors of normal economic activity by partnering with local banks to increase capacity and share risk, allowing for reliable access to finance in challenging markets.
- Help support SMEs to maintain operations and jobs, by providing financial stability with systemic liquidity during the COVID-19 crisis.

In exploring this opportunity, FinDev Canada will validate the nature of the market gap and identify areas where it can bring value. We intend to leverage EDC's expertise in this domain, which is not common on the development finance market and can help bring real value added to our clients and partners. We will conduct additional research on the specific barriers that women entrepreneurs face, as well as their needs and preferences, when it comes to accessing trade and supply chain finance. This will include exploring the potential of financial technology ("fin-tech") solutions, that have proven in many circumstances their ability to bring value to smaller market players otherwise kept on the margins of commercial financial solutions. The potential for Women's Economic Empowerment is significant in this domain, but needs to be well understood before we define an offering.

FinDev Canada will analyze the potential impact of these activities, to ensure they meet our impact objectives. It is important to note that FinDev Canada is not specifically pursuing the development of Canadian trade with its markets of operation, but rather to reinforce local and regional supply chains and their connection with global ones by offering targeted financial solutions. Particular attention will be given to developing a gender-smart offering that addresses the gaps in access to short term finance for women-owned and led companies.

3.2.1.1 Origination

FinDev Canada’s long-term goal is to build a portfolio that generates high development impacts while ensuring financial sustainability through stable returns. Critical to the success of this goal is a robust origination strategy. To this end, FinDev Canada has been executing on our Origination Strategy, leveraging both direct and indirect channels.

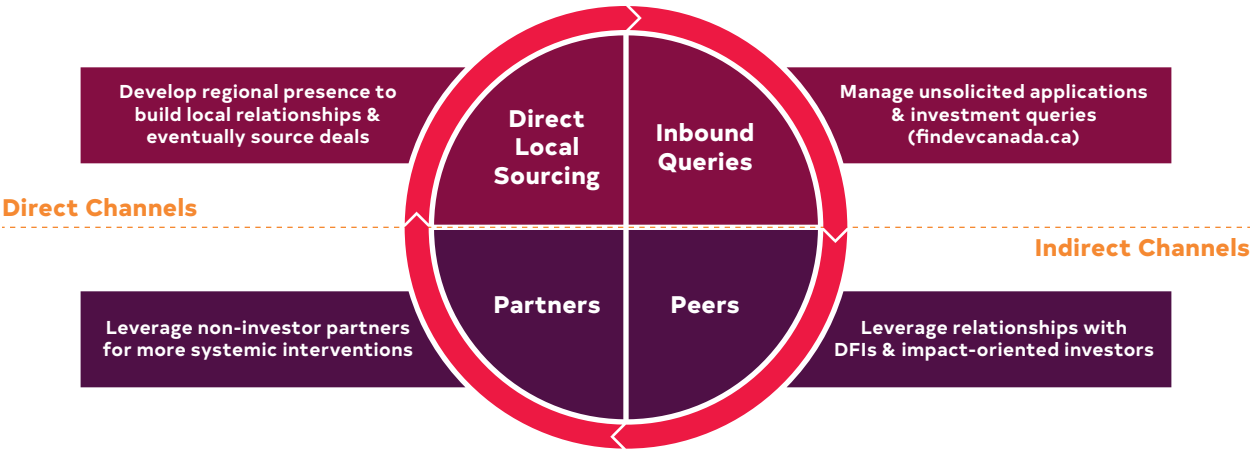


Figure 14: FinDev Canada’s Origination Channels

During the COVID-19 crisis, FinDev Canada continued to rely on its indirect channels - leveraging our peers and other intermediaries, such as investment funds and financial institutions, to originate business. We will continue to leverage relationships with peer DFIs and other impact-oriented investors and work towards greater collaboration with non-investor partners such as local advisory and research organizations.

Plans to establish a first in-market presence, as noted in FinDev Canada’s 2020 Corporate Plan, were suspended due to the pandemic. However, we will continue to gather intelligence, build local relationships and explore opportunities to establish a presence, directly or indirectly. To do so, we will collaborate with EDC and its network of foreign representations in FinDev Canada’s priority markets, as well as with the Government of Canada’s network of missions and the Trade Commissioner Service. Any formal step that we may take in the future will of course follow all required approval processes.

3.2.1.2 Partnerships

The pandemic also underscored the imperative for partnership among DFIs and other complementary organizations. FinDev Canada has worked with the global DFI community to respond to the COVID-19 crisis, both at transactional level and at strategic and policy levels. FinDev Canada representatives have played an active role in several working groups to analyze the effects of COVID-19 and initiate joint responses, under the auspices of the association of European Development Finance Institutions (EDFI). Over the planning period, we will continue to reinforce and deepen our partnerships in order to identify and develop new business opportunities.

We will continue to collaborate through MoUs with peer organizations (see section 1.3). While we will consider new partnerships, emphasis will be on achieving the greatest value from existing agreements by implementing mutually agreed business strategies that optimize the respective strengths of each partner.

3.2.1.3 Impact Management

OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

The independent verification of FinDev Canada’s alignment with the Impact Principles undertaken in the first quarter of 2021 validated its alignment to the Framework. It also informed future action areas, such as introducing a standardized process to consider sustainability at transaction exit.

As we begin exploring business opportunities in other sectors and additional financing instruments, we will assess their potential to generate positive development impact and map their environmental and social risks. This will ensure that FinDev Canada’s strategy is driven by impact. Collaboration with other DFIs will be key. As such, we will continue to engage with DFI peers and clients to ensure alignment between policy, procedures and implementation.

DEVELOPMENT IMPACT FRAMEWORK

FinDev Canada created a Development Impact Framework, which defines the strategic impact objectives and describes how the organization measures and manages its achievement. The Framework encompasses a variety of tools to assess the current and potential impacts of client operations and guide our investment decisions and reporting, to ensure that impact is integrated in each step of the investment cycle as shown in figure below.

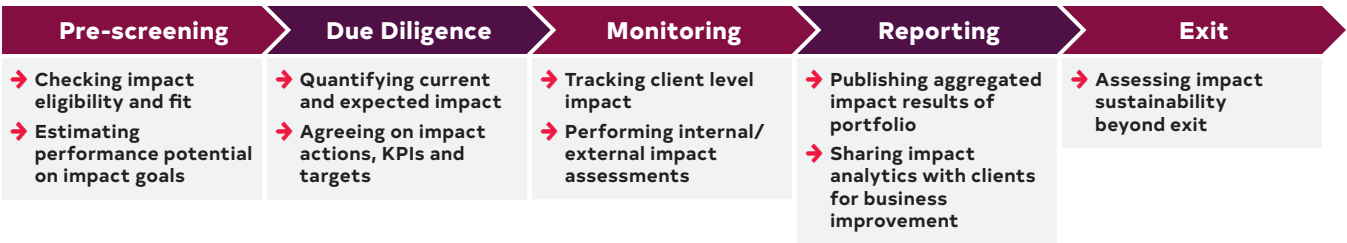


Figure 15: FinDev Canada’s Development Impact Process

We continue to refine and consolidate impact management tools and processes, such as the Development Impact Tool Governance Framework and Impact Manual. These efforts will enhance our capacity to generate and analyze data at the portfolio and individual client level. FinDev Canada also completed the first phase of development for our new Impact Data Management System. We plan to improve our impact tools and processes for key areas such as asset management, and enhance our Monitoring, Evaluation & Learning methodology.

ENVIRONMENTAL AND SOCIAL RISKS

FinDev Canada is committed to rigorous Environmental and Social (E&S) risks assessment and monitoring throughout the life-cycle of our engagement with companies. Taking into account the recommendations from the operational review conducted by the Government of Canada in 2020, we continue to evolve our practices in 2021 with a focus on policy implementation and refining our E&S assessment (see appendix 4).

Given that our clients and countries of investment face different E&S challenges and capacity constraints, we recognize that compliance should be progressive and based on reasonable timelines. As such, our Environmental and Social Action Plans (ESAPs) and/or Technical Assistance facilities ensure E&S gaps are addressed appropriately. In 2021 FinDev Canada piloted a systematic approach to evaluating client E&S management capacity, with the goal of finalizing the methodology by year end. The long-term result of this method is to evaluate client E&S management capacity across the portfolio and throughout the transaction lifecycle to monitor evolving risk profiles, improve cross-team risk communication and estimate additionality.

In 2021, the E&S team focused on rolling out FinDev Canada's updated *E&S Policy*, which included new guidance, procedures, and training. In the first quarter of 2021 we reported on our progress in this area and outlined procedures to address any remaining gaps. We will continue to follow the objectives set out in the 2021 E&S Policy Implementation Report, with plans to achieve full policy compliance by 2023.

As we mature, we will continue to build internal capacity and capabilities and take-over responsibilities sourced until now from the EDC's E&S Risk Management function, such as screening, triage and, eventually, due diligence for all transactions.

3.2.1.4 Asset Management

FinDev Canada's goal is to maintain a sustainable and diversified portfolio in line with our growth plans. To that end, we created an asset management function in late 2020 to improve the management of our assets, including their financial and development impact performance, E&S and gender action commitments, and all other aspects of FinDev Canada's exposure.

Taking into consideration the recommendations from the Government of Canada's Operational Review (see Appendix 4), in 2021, we focused on internal infrastructure development and have made significant progress in areas such as:

- Design of sound guidelines, policies and procedures.
- Process documentation to ensure accurate mapping of the deal processes related to origination, closing and management of transactions.
- Deployment of an Asset Management Database to centralize transaction related data, ensure data integrity and facilitate management reporting. This project will continue throughout the planning period, to incorporate automated reporting with seamless integration to complementary systems such as the TA Facility and *2X Canada: Inclusive Economic Recovery*.

In 2022 and beyond, FinDev Canada will expand and strengthen its Asset Management processes and practices in the management of disbursement requests, the assessment of Waivers Amendments and Consents, and the validation of compliance reports sent by clients.

3.2.1.5 Additionality

Additionality is based on the premise that DFIs supporting private sector operations should contribute beyond what is available in the market and should not crowd out the private sector³⁵. As such, additionality means providing financial solutions that are complementary to what the market already offers, while bringing non-financial value to clients through support and advice.

Additionality is an important dimension of the work FinDev Canada conducts in developing countries and underpins our commitment to bring to the market services and solutions that are not otherwise commercially available. FinDev Canada considers additionality in all transactions.

In 2020, FinDev Canada refined its practices to assess and demonstrate additionality, and further embed them in our decision-making. This exercise investigated how additionality is currently approached by our peers and subject matter experts. We identified best practices, conducted a needs assessment, and designed an Additionality Framework, which contains guidelines for investment and impact officers on how to test and demonstrate additionality at the transactional level. The case for additionality is a required element of all transaction recommendations to the internal Investment Committee and the Board.

3.2.1.6 Business Integrity

Business Integrity (BI) supports FinDev Canada's commitment to high standards of ethical business conduct, and in carrying out our mandate in a socially responsible manner. The function is responsible for assessing financial crime risks and ethical and integrity concerns that could present reputational risks.

BI works alongside the Investment Team early in the transaction lifecycle, to identify risks and design transaction due diligence approaches and risk mitigation strategies. BI engages directly with potential clients to understand their control environments and propose recommendations to ensure transactions are within FinDev Canada's risk appetite.

BI was internalized as a core function within FinDev Canada in February 2021 and now operates independently from EDC's Business Integrity team. As a new function at FinDev Canada, BI aims to ensure alignment with EDC policies (e.g. the Financial Crime Policy), while adopting best practices from peer DFIs. Key priorities going forward include:

- ➔ Deepening FinDev Canada's non-credit risk awareness, with a focus on business integrity related issues. This includes promoting risk sharing approaches, developing closer collaborations with other FinDev Canada teams, and continuing our efforts to fully embed the BI function within FinDev Canada's business development and asset management activities.
- ➔ Improving BI risk reviews by ensuring existing methodology and processes meet FinDev Canada realities, and by adopting best practices observed through our planned peer DFI benchmarking exercise.
- ➔ Creating communities of practice with advisory services teams within EDC, as well as with peer DFIs in order to continue to benefit from their diverse experience and expertise.

3.2.2 Mobilization

FinDev Canada has made it a core objective to mobilize private sector resources and leverage our understanding of emerging markets to engage with targeted private sector investors in Canada and abroad. Although COVID-19 has created challenging conditions for effective mobilization, we continue to refine our strategy and reach out to potential partners and investors to build a strong foundation for subsequent years.

In 2021, we will complete the design of a mobilization strategy, to be rolled out in 2022. Underpinned by three key principles: clear demonstration of mobilization of private capital through FinDev Canada's intervention; simplicity in measurement and attribution of mobilization of private capital founded on concrete linkages, the strategy articulates our goals and provides a roadmap for private sector engagement centred on value-creation. Potential mobilization partners including, but not limited to, institutional investors, credit risk insurers, asset managers and impact investors.

Strengthened collaboration with the Government of Canada will be key to the success of the strategy. Leveraging blended finance mechanisms such as the *2X Canada: Inclusive Economic Recovery* and other such facilities, FinDev Canada will seek to design investment solutions or vehicles that will attract the private sector capital for greater impact.

FinDev Canada will seek to implement a mobilization strategy throughout the planning period, complemented by our participation in the 2X Challenge and 2X Collaborative initiatives. Institutions participating in the Challenge are building relationships with potential private sector partners and exploring mechanisms specifically geared to channeling new investment flows towards eligible transactions.

3.2.3 Technical Assistance

Activities of the TA Facility in 2021 focused on strengthening core elements of the offering:

- **Building relationships with peer DFIs and thought leaders:** FinDev Canada became a member of the EDFI TA working group, providing an opportunity for the TA Facility to align with industry best practices.
- **Establishing client engagement approaches** and programmatic frameworks for evidence-driven and technically robust projects: we refined the guiding principles and developed a gender action TA Menu to ensure nimbleness and client-centric project implementation. The TA menu articulates our offering around pre-defined types of gender action support tailored to clients' needs and context. These tools help facilitate conversations with our clients and expedite the project development process. Going forward, similar frameworks and menus will be considered for E&S and climate action.

Looking ahead to 2022, the TA Facility's priorities will include:

- **Expanding the portfolio:** We have entered into discussions with several financial institutions, from cooperatives to commercial banks, that are currently expanding their women-SMEs strategies. These TA projects include activities such as market research, internal data diagnostics, review of current product offerings, design and piloting of new products, as well as the development of non-financial products. Additionally, we are working on TA projects with Fund Managers to strengthen fund-level functions such as E&S risk management and portfolio-level advisory services. The TA Facility is also exploring market-level projects whose goal will be to bring consistent implementation and measurement approaches for cross-cutting issues in impact and gender-lens investments. For instance, FinDev Canada will assess the achievements of our Invest2Impact initiative and consider additional actions.
- **Operationalizing the monitoring, evaluation, and learning plan:** With a growing portfolio, there will be increased opportunity to gather insights across the TA Facility's and FinDev Canada's key areas of focus. As a first step, we will gather and aggregate results from individual projects for broader thematic insights.
- **Advance communications and thought leadership:** With the upcoming launch of a dedicated landing page, the TA Facility aims to leverage the space to publish blogs, resources, and TA projects.

Throughout the planning period, FinDev Canada will develop a long-term strategy for its TA Facility based on the maturity of the industry, as the impact investment space diversifies and becomes more competitive. With a plan to secure long term funding from the Government of Canada and other potential third parties, the TA strategy will continue to evolve the design of its offering to address in a more comprehensive manner the needs of our investees in the areas central to FinDev Canada investment strategy, such as gender- and climate-action.



4 External Engagement

4.1 Government Relations

In the context of COVID-19, Canada is looking at all available instruments and mechanisms that can advance international development commitments and priorities. This includes overseas development assistance (ODA) to scale up private finance, de-risk private public partnerships and mobilize much needed private capital for longer-term SDG related projects. The role of the private sector in generating sustained inclusive economic growth in developing countries is essential to closing the financing gap to meet the SDGs and contribute to Paris Agreement commitments.

As Canada's DFI, FinDev Canada is an important public policy instrument of the Government of Canada, as it seeks to mobilize private investment to support positive development outcomes in these markets. As such, our relationship with the Government is critical to our ability to deliver on our mandate.

In April 2021, the Federal Budget committed a further capitalization of \$300 million for FinDev Canada. The same month, the launch of the \$76 million 2X Canada Inclusive economic recovery facility, funded by Global Affairs Canada was announced. The increase in the size and scope of our financing and associated products creates opportunities to demonstrate how FinDev Canada can support Canadian policy objectives through the growth of a balanced, impactful portfolio.

Moving forward, FinDev Canada will engage with Government stakeholders to continue building the understanding of how we propose to achieve our mandate, including collaboration to achieve common goals. Adopting a "whole of Canada" approach will strengthen FinDev Canada's collaboration at an operational level. We will focus in particular on the following areas:

- ➔ **Market intelligence exchange and collaboration:** GAC's extensive presence around the world, in support of business in developing countries is complementary to FinDev Canada's expertise. FinDev Canada will work with regional teams to identify opportunities for collaboration.
- ➔ **Engagement with the Trade Commissioner Service (TCS):** Trade commissioners have access to valuable information on market conditions and business opportunities. FinDev Canada will strengthen its collaboration with the TCS by sharing information and participating in joint events.
- ➔ **Local engagement:** FinDev Canada officers traveling to the markets will continue to visit Canadian missions to share intelligence and explore opportunities.

FinDev Canada will continue to engage with Parliamentarians to communicate our expertise in development and blended finance, and private investment in developing countries.

FinDev Canada will also strengthen its analysis function to demonstrate our leadership on relevant policy priorities and our expertise on private sector engagement and mobilization, climate- and gender-smart finance and blended concessional finance for sustainable and inclusive growth.

4.2 Stakeholder Relations

Despite the challenges of the COVID-19 pandemic, FinDev Canada continued to build its profile with stakeholders in 2021. We engaged with various international stakeholder groups, including with multilateral institutions and international associations dedicated to development finance and development impact. We also conducted a webinar for over 100 participants to launch our 2021 Annual Report.

In 2022, FinDev Canada will engage more with Canadian stakeholders including the Canadian public, the business community, academia, international development specialists and non-governmental organizations. If travel conditions permit, the CEO will conduct a cross-Canada tour to engage directly with stakeholder groups.

Canadian business community: FinDev Canada is part of a broader Canadian business community engaged in developing countries. As we grow our portfolio, we will seek to strengthen our ties with complementary Canadian entities including the impact investment community, such as CAFIID, as well as civil society organizations that target the private sector, and technology providers.

To do so, we will:

- Enhance the domestic visibility of our activities, in line with the recommendations of the Statement of Priorities and Accountabilities (SPA).
- Develop an engagement strategy towards selected Canadian industry players, in areas where there is demonstrated strategic alignment.
- Play an active role in selected industry representative associations.
- Continue the work with EDC to improve cross-referral opportunities.

Canada Forum for Impact Investment and Development (CAFIID): FinDev Canada is an active member of CAFIID. Among other initiatives, we were a key contributor to the CAFIID State of the Sector Report (to be published in December 2021) which examines trends in the size, scale and characteristics of Canadian organizations involved in impact investing in emerging and frontier markets, to advance Canada's contributions to the SDGs and the Paris Agreement.

FinDev Canada is collaborating with CAFIID and the Table of Impact Investing Practitioners (TIIP), to help reestablish Canada's presence on the international scene through the Global Steering Group for Impact Investment (GSG). Building on this collaboration, we will leverage this platform by participating in events and joint initiatives, to stay abreast of the trends within the community. It will also provide greater visibility of FinDev Canada's activities and priorities, creating a better understanding of our role and position in the market.

EDFI: The association of European DFIs, with a membership of 16 peer institutions, is an important hub for collaboration, intelligence sharing and policy engagement on issues of common interest to the industry, beyond Europe. FinDev Canada has been invited to participate as a member of several of its working groups, and to collaborate on strategic issues at senior management level. In 2022 and beyond, we will solidify our relationship with EDFI by establishing periodic touch points, identifying priority issues for common work and removing obstacles to open and mutually beneficial collaboration.

DFI Alliance: In 2022, the DFI Alliance aims to be an active contributor to the initiatives that can affect the way DFIs operate, such as harmonization initiatives pursued under the auspices of the Organization for Economic Co-operation and Development (OECD). Together, members of the Alliance intend to enhance the visibility and credibility of the DFI industry among international stakeholder groups.

Investor Leadership Network (ILN): Created at the 2018 G7 summit in Charlevoix, ILN is an open and collaborative platform for leading investors interested in addressing sustainability and long-term growth. It focuses on concrete actions and global partnerships. We are strengthening ties with ILN to identify possible synergies and joint initiatives on gender-Lens investing, and ILN's institutional investor mobilization strategy.

Collaboration with **International Development Research Centre (IDRC):** IDRC and FinDev Canada have joined forces to work with ON Think Tanks, a global platform dedicated to support policy research centres. FinDev Canada and IDRC have identified emerging research opportunities including the challenges of regulatory frameworks to the sector, sector-level analysis to inform investment strategies, successful experiences and good practices; and the intersection of impact investing and public policy.

4.3 Transparency & Disclosure

FinDev Canada is committed to transparency about our operations, strategies and policies. In 2021 and into 2022, we will work to finalize our *Disclosure Policy*, to ensure the policy reflects best industry practice and stakeholder expectations for the flow of information, recognizing that FinDev Canada is restricted in its ability to disclose commercially sensitive and confidential information. Moving forward, we will focus on developing procedures to implement the Transparency Policy.

4.4 Independent Accountability Mechanism

The global trend towards Independent Accountability Mechanisms (IAMs) or Grievance Mechanisms was motivated by three interrelated trends:

- ➔ The realization of the existence of a gap between social and environmental policies and standards of IFIs and their implementation on the ground;
- ➔ The emergence of new thinking surrounding issues of accountability, transparency, governance and human rights; and
- ➔ The growing influence of international social movements.

In 2020-2021, FinDev Canada prepared an Issues paper, undertook consultations with over 20 external stakeholders representing civil society, international financial institutions and development finance institutions, and prepared a final report on these consultations. The findings pointed to the benefits of IAMs which serve to encourage greater accountability, provide an opportunity for communities to have their voices heard, ensure compliance with policies critical to environmental and social performance, and provide an independent and impartial assessment of claims about harm. They also contribute towards institutional learning and help further improve development effectiveness. Following the report outcomes, we will work to finalize and implement procedures to implement an IAM for FinDev Canada.



5 Corporate Capabilities

5.1 Risk Management

Risk management is a critical function of FinDev Canada, given the inherent risks associated with conducting business in developing countries. As such, we have made concerted efforts to embed risk management best practices across the Corporation, leveraging our Enterprise Risk Management Framework, and our internal Risk Management Team.

Governed by the Three Lines of Defense (3LD) Model, we will continue to build on our overall framework to accommodate the increasing complexity of our portfolio and growth, in order to ensure that risk management remains an integral part of the our overall strategic direction and various initiatives. Risk management activities at FinDev Canada are guided by frameworks and policies covering financial, operational and strategic risks of the organization.

In 2021, we enhanced our Enterprise Risk Management architecture by:

- Re-organizing our Risk Appetite Framework, which draws largely from EDC's methodology, to define how risks are assessed, categorized and managed, while considering FinDev Canada's specific mandate to determine its risk appetite.
- Formalizing initial Strategic Risk and an Operational Risk Management Frameworks. These frameworks seek to define, as is appropriate for each category of risk, how FinDev Canada handles or mitigates them.
- Formalizing and improving certain asset management activities, including the establishment of a Watchlist Guideline and a Delegation of Authority Framework for Financing and Equity Commitments.

In order to establish sound governance principles throughout the planning period, we will continue to expand and formalize guidelines and procedures that align with our robust framework and policy architecture, while remaining mindful of the need to remain nimble to quickly adapt to a dynamic environment.

5.2 Technology Roadmap

FinDev Canada is launching a dedicated technology ecosystem, a robust and mature platform that will protect against cyber threats while ensuring a consistent user experience. The overarching digital strategy looks to improve our internal effectiveness, foster increased connectivity with our clients and partners, and leverage technology-based initiatives that contribute to greater development impact.

In 2021, we focused on developing a reliable digital infrastructure. Key activities included building a digital framework and dedicated network; adopting a cloud-based collaborative platform to enhance the digital workplace environment, facilitating both remote and hybrid work models; and, implementing a modern device management system that monitors and applies cybersecurity best practices

Looking ahead, we will focus on building quality data platforms to help streamline investment and asset management processes, strengthen customer relationship management, promote internal knowledge sharing, ensure the use of effective document generation and storage, and respond to client needs more effectively.

FinDev Canada will work closely with EDC as it continues upgrading its own systems, to ensure there is seamless collaboration in key corporate areas, such as accounting and HR management, while FinDev Canada's specific needs are taken into account in the design of new solutions.

In light of the future of work environment, the digital technology roadmap will facilitate a hybrid working model giving employees the flexibility to return to FinDev Canada's physical office locations or to work from home.

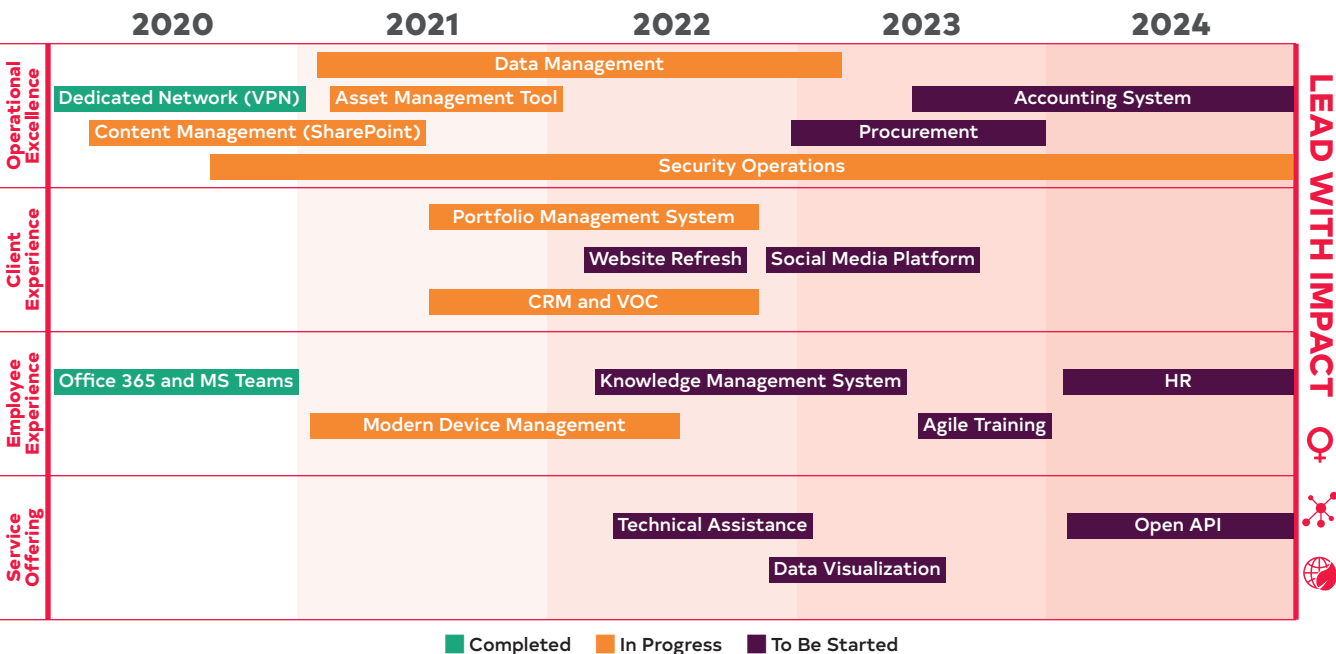


Figure 16: FinDev Canada Digital Strategy Implementation Roadmap

5.3 Communication Strategy

To attract clients and build a robust pipeline of transactions, it is important to develop a strong brand based on transparency, credibility, collaboration and inclusion. FinDev Canada, in addition to posting deals prior to signing, engages with a variety of stakeholders to create brand awareness and foster greater collaboration to share client success stories and highlight the impact that the organization is generating.

We also published an interactive portfolio dashboard that allows for heightened transparency and client centricity. Site visitors can customize their data visualization experience, filter transactions according to different criteria and download data for further analysis.

One of the goals of an enhanced communication strategy will be to increase awareness of FinDev Canada's mandate and activities with the Canadian and International stakeholder communities, as per the recommendation of the 2020 Operational Review.

5.4 Delegation of Authority Framework

Given our robust governance infrastructure including an Enterprise Risk Management Framework and internal committees, FinDev Canada has reached a level of maturity where we have greater autonomy from the Board in our decision-making processes.

In 2021, FinDev Canada implemented a Delegation of Authority (DoA) from the Board of Directors to management. The DoA Framework establishes the guiding principles for sound governance and decision making, thereby streamlining operations at the Board level, while preserving the Board's authority where the risks are greater and/or the impact more significant for FinDev Canada. To accompany ongoing growth, we will continue to refine the DoA Framework to facilitate decision-making activities.

5.5 FinDev Canada's Operating Model

BUILDING A WORLD-CLASS TEAM

FinDev Canada recognizes that our employees are the key drivers to our success. In the current market conditions, there are challenges that come with attracting and retaining the specialized talent that we need. Leveraging EDC's deep talent acquisition and human resources management expertise, as well as our specialized networks, we continue developing the tools and practices to ensure we are able to attract a diverse pool of candidates and support the growth of our employees.

FinDev Canada has grown significantly since its inception in 2018. As we continue to build our capabilities in various areas and introduce new initiatives such as 2X Canada, the need to recruit and retain qualified employees is crucial. Despite the challenges brought about by the pandemic, 10 positions were filled to date confirming our ability to build a strong team in the current digital and remote working environment.

In June 2021 FinDev Canada welcomed Lori Kerr as its new CEO. Ms Kerr is a widely experienced development finance specialist with more than two decades of leadership in international development, with a specialization in sustainable infrastructure, climate change, and private investment in emerging markets. Ms Kerr's impressive track record in many areas of international development finance and her experience working with private sector developers, international financiers, governments and DFIs will be instrumental in leading FinDev Canada through the next stage of its growth and establishing the organization as a successful, innovative player in this space.

Going forward, we will focus on building capacity in select areas including, Investments, Information Technology, E&S Risk Management, Marketing and Communications, Technical Assistance and Business Integrity to support our growth.

INCLUSION, DIVERSITY AND EQUITY (ID&E)

FinDev Canada values and respects diversity among colleagues, particularly as an organization with a strong international presence. Employees come from a variety of cultural backgrounds, speak several languages and bring a breadth of shared and unique experiences that enrich our organization's efforts to fulfil its mandate. FinDev Canada is committed to addressing systemic barriers faced by employees who belong to marginalized groups, ensuring that inclusion is treated with the utmost importance and that all are valued.

By leveraging resources such as EDC's Employee Resource Group, Women and Indigenous Entrepreneurs, and FinDev Canada's Inclusivity, Diversity and Equity Committee, we will continue to review and improve our policies and processes that lead to a more inclusive workplace.

FUTURE OF WORK

As a result of the COVID-19 pandemic, FinDev Canada, as with many corporations, had to re-visit and refine our operating model and strategy as it pertains to the Future of Work. Appreciating that success is underpinned by a well-equipped team, we will continue to develop a work culture that empowers employees and makes them feel valued. FinDev Canada is continuously refining its human resources function to support our employees. We implemented health and safety measures to support their wellness. We will continue to apply these measures as we work to adopt a hybrid model that promotes team collaboration while acknowledging each individuals' preferences with respect to workspaces.

SERVICE LEVEL AGREEMENTS

EDC continues to support FinDev Canada's operations by delivering services, including general corporate functions and specialized roles. This support is carried out through a Master Service Level Agreement (MSLA), an operative instrument that governs the delivery of services. To date, there are 20 SLAs in place. This arrangement has been instrumental to our success.

As part of continuous improvement culture at FinDev Canada, the MSLA is scheduled for biennial review to ensure it is reflective of our needs and operating environment. Upon its first review in 2020, key changes were implemented in 2021 to refine the scope, revise the governance structure, update the list of applicable policies and processes, and introduce requests for new services and projects. A review of the MSLA is scheduled for 2022.

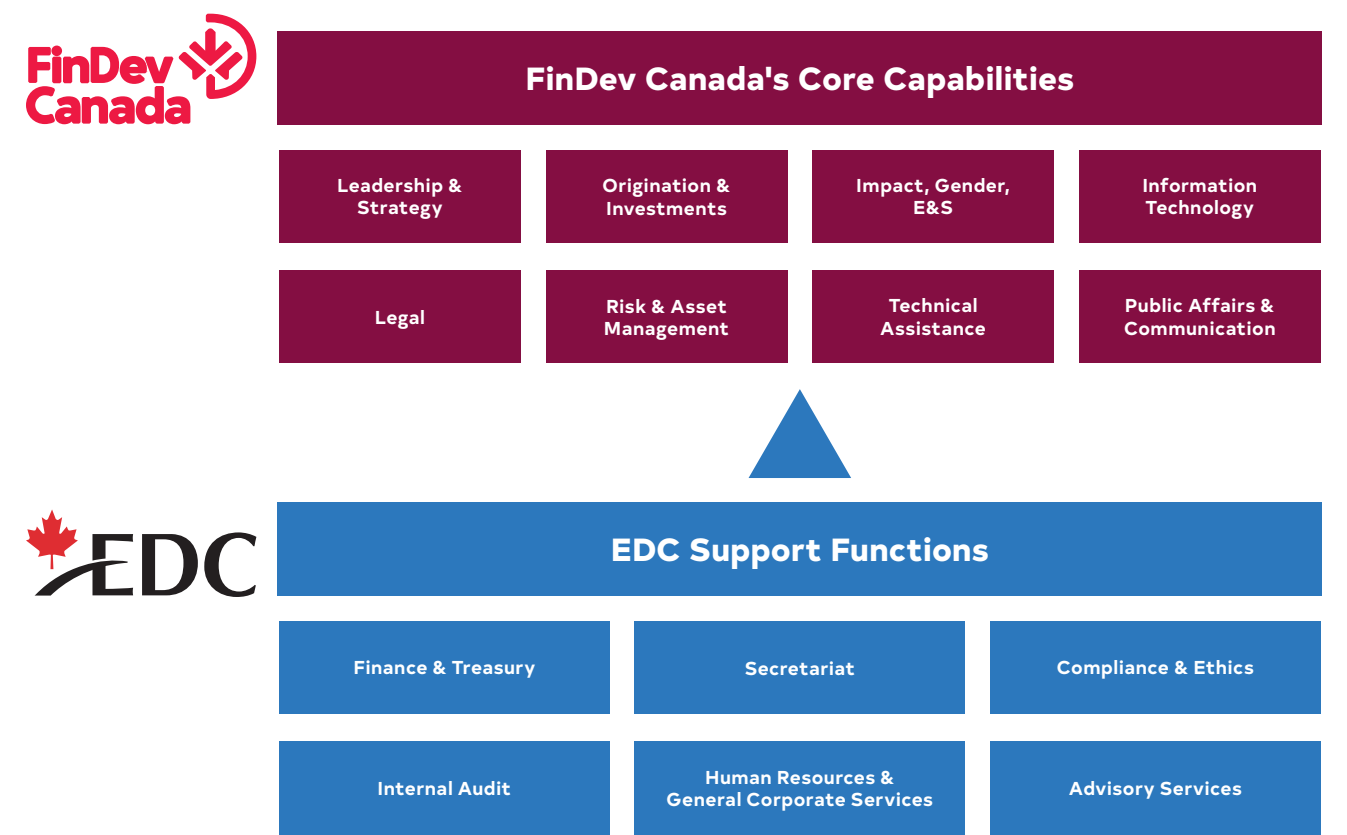


Figure 17: FinDev Canada's Shared Service Model With Export Development Canada

5.5.1 2X Canada: Inclusive Economic Recovery

Launched in April 2021, *2X Canada: Inclusive Economic Recovery* ("2X Canada" or "the Facility") is a \$76 million concessional finance facility managed by FinDev Canada and funded by the Government of Canada through Global Affairs Canada (GAC). 2X Canada aims to enhance the socio-economic well-being of underserved, vulnerable populations, particularly women, primarily in Latin America and the Caribbean and sub-Saharan Africa. By unlocking the possibility to invest in riskier, and underserved markets in which FinDev Canada would otherwise not be able to be active, 2X Canada seeks to address persistent market gaps and structural barriers facing its target populations, thereby widening the reach of Canada's development finance and increasing its potential impact. It will contribute to a gender-smart economic recovery, including through the mobilization of additional public and private investment.

OVERARCHING PRINCIPLES

FinDev Canada has developed an approach to blended concessional finance that combines the two main sets of principles that govern the work of DFIs and other financial institutions - the *OECD-DAC Blended Finance Principles* and the *DFI Blended Concessional Finance Principles*. The following principles will be applied when considering new investments under the Facility:

- ➔ **Reinforce markets and tailor to local context:** investments will demonstrate how they are addressing market failures and supporting market development that is consistent with local development priorities.
- ➔ **Provide a rationale for blended concessional finance:** a strong case for the deployment of concessional finance must exist.
- ➔ **Minimum concessionality and crowding-in to achieve mobilization:** the investment should demonstrate financial additionality and that it is not crowding out the private sector.
- ➔ **Commercial sustainability:** 2X Canada expects investments to have a pathway to commercial viability and avoid creating a dependence on concessionality.
- ➔ **Promoting high standards and transparency:** It is expected that in the medium to long-term 2X Canada investments will be held to the same high standards regarding E&S issues (e.g. IFC Performance Standards a), BI and other standard policies and procedures of FinDev Canada's own-account investments.

BUSINESS STRATEGY

In 2021 FinDev Canada began identifying business opportunities that match the requirements and objectives of 2X Canada. The Facility's funds will be deployed primarily on structured transactions, where different tranches are offered to meet the investment criteria of different categories of donors and financial partners. In most transactions, FinDev Canada will invest or lend alongside 2X Canada, generally in different tranches, leading to significant efficiencies in transaction development and management.

The 2X Canada portfolio will support liquidity-enhancing transactions, to enable investees to sustain and enhance operations, and support long-term economic resilience and recovery, in light of the current health, social, and economic challenges. The sectors and geographies will align with our existing priorities, to maximize synergies and efficiencies.

FinDev Canada will seek to leverage partnerships with organizations which already operate in this space, such as DFIs that administer comparable programs and Canadian organizations with a track-record in developing projects in this space.

2XCanada includes a dedicated \$ 2.5 million Technical Assistance (TA) component for both market- and client-level projects to support clients in their growth, enhance their development impact and help them adjust to the new realities due to COVID-19. FinDev Canada will administer the TA component of the Facility using its existing TA expertise and processes.

ADMINISTRATION

In the first half of 2021, leveraging its established policies, procedures and frameworks and building on global best practices and standards in blended finance, FinDev Canada developed the internal infrastructure required to administer this facility, which includes:

- Preparing an assessment framework, that lays out the criteria against which transactions will be assessed at all stages of the investment process;
- Setting up the governance processes to ensure that decisions made in respect of the Facility follow internationally recognized principles and practices, in particular in terms of independence and taking into account the distinct criteria that govern the Facility;
- Building internal capabilities in blended finance; and
- Developing dedicated communications to maintain clarity between the respective offerings of FinDev Canada and 2X Canada.

We will also develop a monitoring and evaluation and a reporting framework to ensure the Facility achieves the desired goals. This will include a process to capture the learnings from implementing the Facility, which will be used to improve management and delivery and be shared to inform best practice.

We will establish a Joint Advisory Committee with GAC, whose role will be to provide strategic guidance to 2X Canada and serve as a vehicle through which the effectiveness of the partnership is maintained.

Looking to 2022, developing a pipeline and establishing an active portfolio for 2X Canada will be priority. We will establish a foothold in the market and continue to maintain an effective and collaborative relationship with GAC.

BUILDING READINESS FOR FUTURE INITIATIVES WITH THE GOVERNMENT OF CANADA

Throughout the planning period FinDev Canada will continue to work closely with the Government of Canada and consider opportunities, should they arise, to establish similar concessional and blended finance facilities in order to address specific gaps in available financing to the private sector in areas that align with Government of Canada priorities and FinDev Canada's capabilities. Climate Finance is one area where FinDev Canada's expertise can play a role in the implementation of Canada's ambitious climate action agenda using a whole-of-government approach. Early-stage discussions are taking place in 2021, which will help identify opportunities for collaboration and the design and implementation of specific initiatives targeted at the private sector in developing countries.

If such initiatives were to come to fruition, FinDev Canada would develop arrangements with the Government of Canada to specify the objectives and scope of each initiative, the proposed business strategy and results framework, an operating budget and investment plan, as well as governance mechanisms and internal processes.

FinDev Canada, working with government officials, would apply learnings from the design and implementation of 2X Canada to future potential partnerships.

5.5.2 Beyond Investing: Shaping the Thinking on Gender-lens Investing

FinDev Canada continues to position itself as a thought leader in the development finance space, creating value for stakeholders while undertaking new initiatives and approaches. Moving forward, FinDev Canada will focus on conducting and sharing research and learnings and contributing to the SDGs through gender lens investing. Key priority areas include:

- ➔ **Gender/climate nexus:** After successfully building our brand as a gender-lens investor, we are committed to establishing a leadership position as a gender and climate-smart investor by increasing focus on mitigation, as well as adaptation and resiliency. We currently hold a high proportion of 2X-qualified climate finance transactions in our portfolio, demonstrating a solid foundation for 2022 and beyond.
- ➔ **Care economy:** We are exploring additional areas with high impact potential, such as the care economy. FinDev Canada has begun working with 2X Challenge peers to reflect the role DFIs can play in this sector, which is increasingly recognized as a central component to a gender-smart COVID-19 recovery. We have begun work to understand the implications of care work to women's economic empowerment, contributing to the Overseas Development Institute (ODI)³⁶/EDFI essay series³⁷ in 2021. As we gain a greater understanding, we will consider measures in investment decision-making and TA activities.
- ➔ **Understanding the lived experience:** We are also building our engagement approach with diverse groups of women in target regions, to learn directly from their voice and lived experiences. These insights will be shared with stakeholders and investors to help create greater value in the market and inform the evolution of FinDev Canada's Development Impact Framework over time.



6 Financial Overview

6.1 Summary

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

- ➔ FinDev Canada is funded by capital injections from 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. Further injections of \$100 million are planned for 2024, 2025 and 2026, up to a total share capital of \$600 million.
- ➔ FinDev Canada is projecting a net loss of \$24 million in 2021, an increase of \$7 million when compared with the 2021 Corporate Plan net loss of \$17 million. The increase is mainly due to unrealized losses in the Corporation's investments portfolio.
- ➔ Loans receivable are projected to grow to \$787 million over the Plan period.
- ➔ Investments are projected to be \$78 million in 2021 and are expected to grow to \$318 million by the end of the Plan period.
- ➔ To support its continuing growth, FinDev Canada intends to borrow from EDC during the Corporate Plan period. FinDev Canada is currently forecast to borrow \$137 million in 2021 and \$176 million in 2022. Borrowings at the end of 2026 will total \$561 million.

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.

6.2 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>	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Business Volume								
Lending	108	192	290	184	184	208	208	208
Investments	30	61	45	61	61	67	67	67
	138	253	335	245	245	275	275	275

2021 FORECAST

The 2021 lending and investments business volume is projected to be \$335 million, \$82 million higher than the \$253 million forecast in the 2021 Corporate Plan. The increase is due to certain signings that were projected to occur in 2020 being delayed to 2021.

2022 TO 2026

With several closings scheduled to take place by the end of 2021, FinDev Canada is projecting business volume in the lending and investments program of \$245 million in 2022 and 2023. This reflects the prevailing uncertainty of the recovery in FinDev Canada’s target markets. Slight growth is projected for 2024 as market awareness of FinDev Canada increases and business development efforts continue to deliver benefits as the economic recovery gains momentum.

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 2021 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 2021, is U.S. \$0.79.

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.

OTHER KEY ASSUMPTIONS

Due to the volatility and difficulty in estimating fair value gains or losses on marketable securities, investments and related derivative instruments, no forecast for these items is included in the Corporate Plan financial results.



7 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 Parliament through 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), Development Finance Institute Canada (DFIC) Inc./Institut de financement du développement Canada (IFDC) Inc. – operating as 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. Two Directors, who had been on the Board since inception, stepped down in 2021 upon successful completion of their terms; two new Directors were appointed with experience in development, finance and exposure to our target markets, adding to the wealth of experience that FinDev Canada can rely on.

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 on the Corporation's general strategic direction, and on specific strategic projects, procedures and policies, complementing 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.

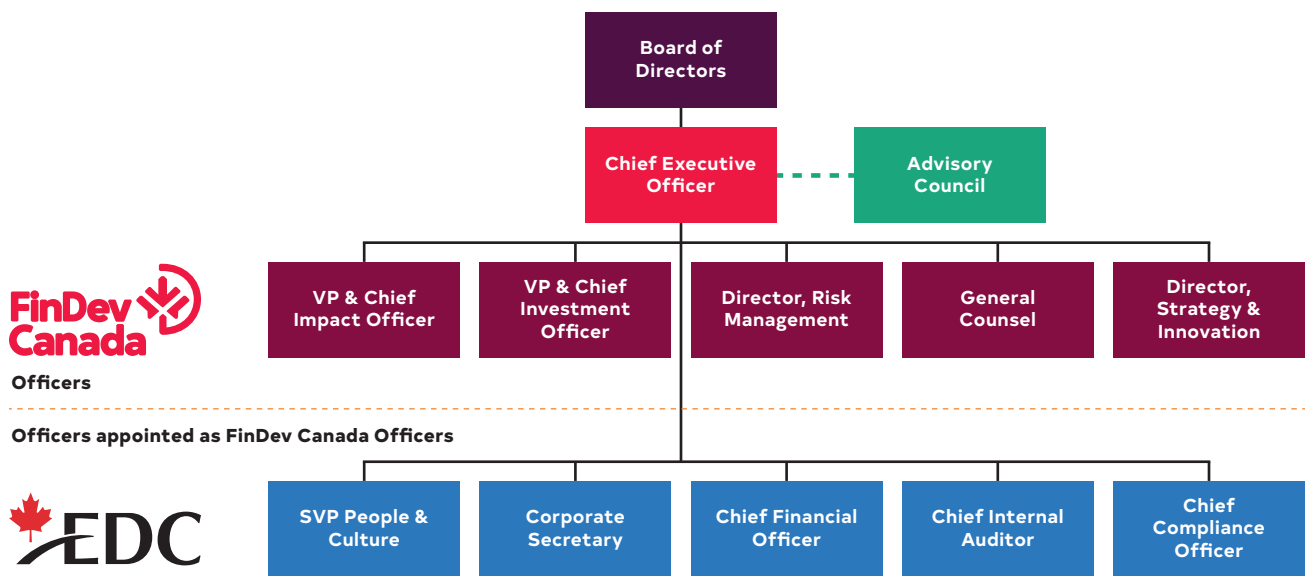


Figure 18: FinDev Canada's Managerial and Organization Structure

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 Chief Executive Officer, I have reviewed the financial projections provided in FinDev Canada's 2022-2026 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 2022-2026 was approved by FinDev Canada's Board of Directors on September 29, 2021.

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



Ken Kember
Chief Financial Officer
FinDev Canada

September 29, 2021

Appendix 4: Financial Statements and Budgets

4.1 Financial Statements and Notes

STATEMENT OF COMPREHENSIVE INCOME

Table 2: Projected Condensed Statement of Comprehensive Income

for the year ended December 31 (in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Financing and Investment Revenue:								
Loan	2	7	9	18	23	30	36	41
Marketable securities	1	-	-	-	-	-	-	-
Total financing and investment revenue	3	7	9	18	23	30	36	41
Interest expense	-	-	-	1	3	6	7	8
Net Financing and Investment Income	3	7	9	17	20	24	29	33
Donor Contributions	-	4	2	2	1	1	1	1
Other (Income) Expense	-	-	7	-	-	-	-	-
Administrative Expenses	13	20	15	21	22	23	24	25
Provision for Credit Losses	3	8	13	9	7	9	9	8
Net Income (Loss)	(13)	(17)	(24)	(11)	(8)	(7)	(3)	1
Other Comprehensive income	-	-	-	-	-	-	-	-
Comprehensive Loss	(13)	(17)	(24)	(11)	(8)	(7)	(3)	1

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

2021 FORECAST VERSUS 2021 CORPORATE PLAN

FinDev Canada is forecasting a net loss of \$24 million for 2021, an increase of \$7 million from the 2021 Corporate Plan. Items of note regarding this forecast are as follows:

- ➔ Other expenses have increased by \$7 million mainly due to the volatility associated with FinDev Canada's financial instruments carried at fair value through profit or loss, resulting in unrealized losses in the investments portfolio. Due to the volatility and difficulty in estimating fair value gains or losses on financial instruments, a forecast for unrealized gains or losses is not included in the Plan.
- ➔ The unrealized losses observed on specific assets relate in particular to a slower rate of pipeline development and investment by funds in which FinDev Canada is invested, due to adverse market conditions. This results in lower than expected cash flows for these funds which in turn brings down their estimated value. These issues are monitored closely by FinDev Canada and regularly discussed with the clients.
- ➔ An increase in the provision for credit losses of \$5 million is primarily due to projected 2020 disbursements being delayed to 2021, coupled with a decline in the forecast average credit rating for new loan signings.
- ➔ Administrative expenses are projected to be lower than planned by \$5 million mainly due to the following:
 - ➔ A significantly lower level of spending on 2X Canada, signed with Global Affairs Canada in March 2021, for which only rough estimates were available at the time the budget was established;
 - ➔ Similarly, a lower than planned level of spending on the Technical Assistance Facility; and
 - ➔ Projected decreases in professional services costs, particularly on information technology (IT) consulting, due to the deferred implementation of the IT roadmap.

2022 CORPORATE PLAN VERSUS 2021 FORECAST

FinDev Canada is forecasting a net loss of \$11 million in 2022. Items of note are as follows:

- ➔ Net financing and investment income is expected to increase by \$8 million as a result of higher disbursements at the end of 2021, the revenue impact of which will materialize in 2022.
- ➔ Administrative expenses are expected to increase by \$6 million mainly due to:
 - ➔ Additional headcount to support the continued growth of the organization;
 - ➔ An increase in IT expenses, with a budget aligned with the initial 2021 budget, as the Corporation implements its IT roadmap; and
 - ➔ The Plan assumes a return to travel, with slightly higher expenses than had been planned in 2021. Persisting uncertainty on the duration of the pandemic and associated travel restrictions in FinDev Canada's target markets may lead to significant variability in actual expenses, as was the case in 2021.
- ➔ The provision for credit losses is expected to decrease by \$4 million as the economic outlook post-pandemic begins to stabilize.

2023 TO 2026

Net losses are projected to gradually decline as FinDev Canada trends towards profitability in 2026.

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>	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Assets								
Cash	10	6	7	7	7	7	7	7
Marketable securities	87	-	12	10	9	8	7	6
Derivative instruments	5	2	5	5	5	5	5	5
Loans receivable	102	295	305	449	517	627	718	787
Allowance for losses on loans	(4)	(14)	(13)	(18)	(22)	(28)	(33)	(37)
Investments	68	135	78	105	142	190	248	318
Other assets	4	2	2	2	2	2	2	2
Property, plant and equipment	-	-	-	-	3	3	2	2
Intangible assets	-	1	-	1	2	2	3	3
Right-of-use asset	1	1	1	1	1	1	1	-
Total Assets	273	428	397	562	666	817	960	1,093
Liabilities and Equity								
Accounts payable and other credits	2	1	14	13	11	10	9	8
Loan payable	-	183	137	313	426	484	529	561
Owing to Export Development Canada	1	2	1	2	3	4	6	8
Lease liability	2	1	1	1	1	1	1	-
Total Liabilities	5	187	153	329	441	499	545	577
Equity								
Share capital	300	300	300	300	300	400	500	600
Deficit	(32)	(59)	(56)	(67)	(75)	(82)	(85)	(84)
Total Equity	268	241	244	233	225	318	415	516
Total Liabilities and Equity	273	428	397	562	666	817	960	1,093

2022 CORPORATE PLAN

FinDev Canada is funded by capital injections from its parent company, EDC. After the initial capital of \$300 million was consumed in early 2021, FinDev Canada borrowed US \$40 million from EDC. Further borrowings are expected over the Plan period, for such amounts, terms and conditions as EDC and FinDev Canada may agree. EDC will engage in any borrowing, investing and hedging activities on behalf of FinDev Canada. Additional capital injections of \$100 million are planned in 2024, 2025 and 2026. Surplus capital will be invested in marketable securities until it is required for cash outlays.

Loans receivable are expected to reach \$305 million in 2021 with strong growth over the planning period. Investments are projected to reach \$78 million in 2021 and are expected to grow to \$318 million over the Corporate Plan period.

STATEMENT OF CHANGES IN EQUITY

Table 4: Projected Condensed Statement of Changes in Equity

<i>for the year ended December 31 (in millions of Canadian dollars)</i>	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Share Capital	300	300	300	300	300	400	500	600
Retained Earnings								
Balance beginning of year	(19)	(42)	(32)	(56)	(67)	(75)	(82)	(85)
Comprehensive loss	(13)	(17)	(24)	(11)	(8)	(7)	(3)	1
Balance end of year	(32)	(59)	(56)	(67)	(75)	(82)	(85)	(84)
Total Equity at End of Year	268	241	244	233	225	318	415	516
Return on Equity	-5.8%	-6.8%	-9.4%	-4.6%	-3.5%	-2.6%	-0.8%	0.2%

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>	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Cash Flows from (used in) Operating Activities								
Net income (loss)	(13)	(17)	(24)	(11)	(8)	(7)	(3)	1
Adjustments to determine net cash from (used in) operating activities								
Provision for credit losses	3	8	13	9	7	9	9	8
Depreciation	-	-	-	-	-	-	-	1
Changes in operating assets and liabilities	-	-	-	-	-	-	-	-
Change in fair value of investments and accrued interest on loans receivable	-	1	4	-	-	-	-	-
Change in derivative instruments	3	-	5	-	-	-	-	-
Other	(2)	-	5	(1)	(3)	(2)	-	(4)
Loan disbursements	(87)	(168)	(225)	(173)	(162)	(187)	(189)	(187)
Loan repayments	2	8	21	25	92	75	95	116
Net cash used in operating activities	(94)	(168)	(201)	(151)	(74)	(112)	(88)	(65)
Cash Flows from (used in) Investing Activities								
Disbursements for investments	(20)	(31)	(21)	(27)	(37)	(48)	(59)	(70)
Receipts from investments	1	-	2	-	-	-	-	-
Purchases of marketable securities	-	-	(8)	-	-	(100)	(100)	(100)
Sales/Maturities of marketable securities	-	-	1	2	1	101	101	101
Purchases of property, plant and equipment	-	-	-	-	(3)	-	-	-
Purchases of intangible assets	-	(1)	-	(1)	(1)	-	(1)	-
Net cash used in investing activities	(19)	(32)	(26)	(26)	(40)	(47)	(59)	(69)
Cash Flows from (used in) Financing Activities								
Issue of long-term loans payable at amortized cost	-	183	137	176	161	146	222	144
Repayment of long-term loans payable at amortized cost	-	-	-	-	(48)	(88)	(177)	(112)
Increase (decrease) in amount due to EDC	-	-	-	1	1	1	2	2
Issuance of share capital	100	-	-	-	-	100	100	100
Net cash from financing activities	100	183	137	177	114	159	147	134
Net increase (decrease) in cash and cash equivalents	(13)	(17)	(90)	-	-	-	-	-
Cash and cash equivalents								
Beginning of year	110	23	97	7	7	7	7	7
End of year	97	6	7	7	7	7	7	7
Cash and cash equivalents are comprised of								
Cash	10	6	7	7	7	7	7	7
Cash equivalents included within marketable securities	87	-	-	-	-	-	-	-
	97	6	7	7	7	7	7	7

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 following standards and amendments issued by the International Accounting Standards Board (IASB) have been assessed as having a possible effect on FinDev Canada in the future. We are currently assessing the impact of these standards and amendments on our financial statements:

- ➔ **IFRS 16 – Leases:** In May 2020, the IASB issued an amendment related to COVID-19 Related Rent Concessions which provides a practical expedient in assessing whether a COVID-19 related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and we do not anticipate any impact to the financial statements.
- ➔ **Interest Rate Benchmark Reform – Phase 2:** In August 2020, the IASB issued amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases to address the reforms related to the interest rate benchmark. These amendments are effective for annual reporting periods beginning on or after January 1, 2021 with early application permitted. The amendments include changing the effective interest rate of financial instruments to reflect the change to the alternative benchmark rate, as well as additional disclosures about new risks arising from the reform and how we are managing the transition to alternative benchmark rates. These amendments are highly relevant to FinDev Canada and will impact the loans receivable and derivative instruments balances on our financial statements and related disclosures, however the impact cannot be reasonably estimated at this time. Currently, our project working group is focused on key activities including assessing the impact on existing systems and processes as well as the impact of converting our existing loan agreements to using the new relevant alternative benchmark rates.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY POLICY (CAP)

As its investment strategy has grown since inception, FinDev Canada had, by mid-2021, consumed the full initial \$300 million capital injection from its parent, EDC. Accordingly, and in line with its approved 2021-2025 Corporate Plan, FinDev Canada initiated the financial leveraging of its growing investment activities by borrowing from its parent, EDC.

In anticipation of the time at which it would start to borrow, FinDev Canada established in 2020 a Capital Management Policy which formalizes how it governs itself with respect to capital adequacy risk. The policy serves to define a prudent level of borrowing, given its actual capital base and anticipated portfolio.

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 III principles and aligns with practices in place at most regulated international commercial financial institutions. It has also been designed to ensure alignment with EDC. Like its parent, FinDev Canada's target solvency rating has been set to AA.

4.2 Operating Budget and Notes

ADMINISTRATIVE EXPENSES

Table 6: Projected Administrative Expenses

<i>(in millions of Canadian dollars)</i>	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Salaries and benefits	7.7	8.4	8.6	12.1	13.2	14.2	15.0	15.4
Professional services	1.6	3.1	1.6	2.6	2.7	2.7	2.7	2.8
Administration costs	1.3	1.4	1.6	1.6	1.7	1.7	1.8	1.8
Marketing and communications	0.3	0.8	0.6	0.8	0.8	0.8	0.9	0.9
Travel, hospitality and conferences	0.1	0.5	-	0.3	0.5	0.6	0.6	0.6
Other	1.5	6.1	2.8	3.1	2.8	3.1	3.2	3.2
Total administrative expenses	12.5	20.3	15.2	20.5	21.7	23.1	24.2	24.7

2021 FORECAST

Administrative expenses are expected to be lower than projected in the 2021 Plan mainly due to changes in the assumptions for the 2X Canada facility between Global Affairs Canada and FinDev Canada which was entered into earlier this year, along with projected decreases in professional services costs. The change to 2X Canada results in a reduction in both donor contributions and administrative expenses.

2022 PLAN

FinDev Canada is targeting administrative expenses of \$20.5 million for 2022. Items of significance in the administrative expense projections for 2022 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 2022, driven primarily by higher consulting fees. These are driven by unrecoverable transaction-related fees, as well as external consulting to assist various new business initiatives such as the elaboration of an independent accountability mechanism, or a 5-year strategic refresh exercise.
- ➔ Information Technology (IT) expenses are forecast to increase as the Corporation implements its IT roadmap to build the minimum viable infrastructure required to manage its business effectively and securely. The 2022 IT budget is aligned with the initial 2021 IT budget, which was delayed in its implementation.
- ➔ In 2021, FinDev Canada officially launched 2X Canada. The facility will support longer-term recovery and resilience and yield high impact in gender equality and climate action. To preserve FinDev Canada's capability to deliver on its core mandate, all costs incurred in administering this mechanism will be recovered from GAC.
- ➔ 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 2020-2024 period, the Facility's administrative expenses are funded by GAC (86 per cent) and FinDev Canada (14 per cent) through an administrative agreement.
- ➔ The 2022 administrative expenses are partially offset by grant revenue of \$1.9 million.

Table 7: Travel and Hospitality Expenses

<i>(in thousands of Canadian dollars)</i>	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Travel	58	439	33	289	487	496	506	516
Hospitality	22	70	5	24	24	25	25	26
Conferences	6	27	3	30	30	31	31	32
Total	86	536	41	343	541	552	562	574

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

<i>(in thousands of Canadian dollars)</i>	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Total travel, hospitality and conferences expenses	86	536	41	343	541	552	562	574
Total administrative expenses	12,548	20,348	15,191	20,509	21,742	23,137	24,193	24,749
Travel and hospitality as a % of total administrative expenses	0.7%	2.6%	0.3%	1.7%	2.5%	2.4%	2.3%	2.3%

4.3 Capital Budgets and Notes

CAPITAL EXPENDITURES

Table 9: Projected Capital Expenditures

<i>(in millions of Canadian dollars)</i>	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Facilities	0.1	-	-	0.4	3.0	0.2	0.2	0.2
Information technology	0.1	0.8	0.2	0.8	0.8	0.8	0.8	0.8
Total capital expenditures	0.2	0.8	0.2	1.2	3.8	1.0	1.0	1.0

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

Facilities expenditures are budgeted to increase in 2023 as FinDev Canada would require additional office space at the end of their current lease term. However, office space decisions will evolve based on future of work discussions.

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 is currently forecast to borrow from EDC \$137 million in 2021 and \$176 million in 2022. EDC Treasury will leverage its expertise to undertake all borrowing, investing, hedging and foreign exchange activities on behalf of FinDev Canada.

In March 2021, FinDev Canada received a two-year, fixed rate loan from EDC. The loan was made on commercial terms including a market interest rate. The balance of the loan payable to EDC was \$49.6 million as at June 30, 2021.

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 our operations in order to protect the company, our employees, and the Government of Canada from potential exposure to legal, reputational and financial consequences.

To manage the risk of non-compliance with our obligations and policies, FinDev Canada aligns its practices with those of EDC, whenever relevant to our mandate and to our 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, the Corporation continues to evolve and build on its Transparency & Disclosure Policy³⁸ approved by the Board of Directors in 2017, in response to the evolution of the operating environment.

FinDev Canada's provides access to information while maintaining the commercial confidentiality of our customers. The Policy governs how we publicly release information on transactions. We place FinDev Canada in a leading position, by instituting 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 entered into. FinDev Canada also makes the following information publicly available on its website:

- ➔ 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 website³⁹.

FinDev Canada will continue 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 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. We strive to lead by example in our 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. We rely on the support of EDC Human Resources management and benefits from the breadth of experience and recognized leading practices of EDC as an employer. FinDev Canada's Gender Lead sits 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 we grow, we will seek to further increase diversity, by hiring professionals that originate from, or have ties to, the countries in which we operate.

INDIGENOUS ISSUES

FinDev Canada operates outside of Canada only. Through our Environmental and Social due diligence process, we continue to monitor the impact of our clients' activities on local communities in the markets where we operate, including indigenous communities. Through our support to local business, we also seek to maximize benefits to the poorest communities, including indigenous ones.

Endnotes

- 1 FinDev Canada. "FinDev Canada Development Impact Framework- September 2018". Accessed 31 August, 2021 https://www.findevcanada.ca/sites/default/files/2018-10/development_impact_framework_en_-_final_092018.pdf
- 2 DFI Principles on Blended Concessional Finance.
- 3 OECD. "Blended Finance Principles Guidance, September 2020". Accessed on 1 September, 2021 [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC\(2020\)42/FINAL&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC(2020)42/FINAL&docLanguage=En)
- 4 CAFIID. "Canada Forum for Impact Investment and Development.". Accessed Aug 20, 2021. <https://www.cafiid.ca/>
- 5 Highlighted numbers are subject to revision and updating. The final version of all forecast data used should be from the approved EDC Corporate Plan.
- 6 Government of Canada. "COVID-19 Vaccination in Canada." Accessed Aug 19, 2021. <https://health-infobase.canada.ca/covid-19/vaccination-coverage/>
- 7 Randall, Tom, Cedric Sam, Andre Tartar, Paul Murray and Christopher Cannon. "Covid-19 Tracker.". Accessed Aug 11, 2021. <https://www.bloomberg.com/graphics/covid-vaccine-tracker-global-distribution/>
- 8 Deloitte. "The Impact of COVID-19 on East African Economies.". Accessed Aug 11, 2021. <https://www2.deloitte.com/za/en/tanzania/pages/finance/articles/impact-of-covid19-on-ea-economies.html>
- 9 The World Bank. "The World Bank in Africa.". Accessed Aug 11, 2021. <https://www.worldbank.org/en/region/afr/overview>.
- 10 The World Bank. *World Bank Confirms Economic Downturn in Sub-Saharan Africa, Outlines Key Policies Needed for Recovery* The World Bank, 2020. <https://www.worldbank.org/en/news/press-release/2020/10/08/world-bank-confirms-economic-downturn-in-sub-saharan-africa-outlines-key-policies-needed-for-recovery>
- 11 Werner, Alejandro, Takuji Komatsuzaki and Carlo Pizzinelli. "Short-Term Shot and Long-Term Healing for Latin America and the Caribbean.". Accessed Aug 11, 2021. <https://blogs.imf.org/2021/04/15/short-term-shot-and-long-term-healing-for-latin-america-and-the-caribbean/>.
- 12 Sunday, Nathan, Brian Sserunjogi, Rehema Kahunde, and Corti Paul Lakuma. "The Plight of Micro Small and Medium Enterprises Amidst COVID-19: A Post Lockdown Analysis Based on Business Climate Survey." *The Uganda Business Climate Index* no. 2 (March, 2021): p. 2. <https://eprug.org/publication/the-plight-of-micro-small-and-medium-enterprises-amidst-covid-19-a-post-lockdown-analysis-based-on-business-climate-survey/?wpdmdl=14056&refresh=60f31559842941626543449>.
- 13 OECD. "COVID-19 in Latin America and the Caribbean: An Overview of Government Responses to the Crisis.". Accessed Aug 11, 2021. <https://www.oecd.org/coronavirus/policy-responses/covid-19-in-latin-america-and-the-caribbean-an-overview-of-government-responses-to-the-crisis-0a2dee41/#contactinfo-d7e5107>.
- 14 United Nations. *Latin America and the Caribbean and the COVID-19 Pandemic*: United Nations, 2021. https://repositorio.cepal.org/bitstream/handle/11362/45351/6/S2000263_en.pdf
- 15 UN Women. "COVID-19 and its Economic Toll on Women: The Story Behind the Numbers.". Accessed Aug 11, 2021. <https://www.unwomen.org/en/news/stories/2020/9/feature-covid-19-economic-impacts-on-women>.
- 16 Jerving, Sara. "Hundreds of Studies Confirm: Women Hit Hardest by COVID-19." . Accessed Aug 19, 2021. <https://www.devex.com/news/hundreds-of-studies-confirm-women-hit-hardest-by-covid-19-99598>
- 17 UN Secretary General. *Policy Brief: The Impact of COVID-19 on Women*. New York: UN Women; United Nations Secretariat, 2020. <https://www.un.org/sexualviolenceinconflict/wp-content/uploads/2020/06/report/policy-brief-the-impact-of-covid-19-on-women/policy-brief-the-impact-of-covid-19-on-women-en-1.pdf>
- 18 Candia, Vanya, Roshin M. Joseph, Tanya Kynadi, Alvaro T. Soria, and Hui M. Toh. *IFC & Goldman Sachs 10,000 Women: Investing in Women's Business Growth*. Washington, DC: International Finance Corporation, 2019. https://www.ifc.org/wps/wcm/connect/dda519ef-ef2b-4bf4-910f-38d669ceddb7/WEOF_Report%2312-final.pdf?MOD=AJPERES&CVID=mTqacil
- 19 International Labour Organization. *ILO Monitor: Covid-19 and the World of Work. Seventh Edition*. Geneva, Switzerland: International Labour Organization, 2021. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_767028.pdf
- 20 Bergallo, Paola, Marcelo Mangini, Mariela Magnelli, and Sabina Bercovich. "The Impacts of COVID-19 on Women's Economic Autonomy in Latin America and the Caribbean." *UNDP LAC Covid-19 Policy Document Series* no. 25 (March, 2021): p.6. https://www.latinamerica.undp.org/content/rblac/en/home/library/womens_empowerment/los-impactos-del-covid-19-en-la-autonomia-economica-de-las-mujer.html.

- 21 Gutiérrez, Diana, Guillermina Martín, and Hugo Ñopo. "El Coronavirus Y Los Retos Para El Trabajo De Las Mujeres En América Latina." *UNDP LAC Covid-19 Policy Document Series* no. 18 (March, 2020): 1-32. <https://www.grade.org.pe/en/publicaciones/el-coronavirus-y-los-retos-para-el-trabajo-de-las-mujeres-en-america-latina/>.
- 22 The World Bank. "Climate Change Overview.". Accessed Aug 12, 2021. <https://www.worldbank.org/en/topic/climatechange/overview>.
- 23 The World Bank. "Promoting Climate Change Action in Latin America and the Caribbean.". Accessed Aug 12, 2021. <https://www.worldbank.org/en/results/2021/04/14/promoting-climate-change-action-in-latin-america-and-the-caribbean>.
- 24 United Nations Framework Convention on Climate Change, (UNFCCC). "The Paris Agreement.". Accessed Aug 12, 2021. <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>.
- 25 Preliminary Surveys – CAFIID State of the Sector Report 2021
- 26 Convergence. "Blended Finance.". Accessed Aug 12, 2021. <https://www.convergence.finance/blended-finance>.
- 27 <https://www.convergence.finance/>
- 28 UN Secretary General. *Report of the Open-Ended Intergovernmental Expert Working Group on Indicators and Terminology Relating to Disaster Risk Reduction*. New York: United Nations, 2016. <https://digitallibrary.un.org/record/852089>
- 29 World Health Organization. *Household air pollution and health* WHO, 2018. <https://www.who.int/news-room/fact-sheets/detail/household-air-pollution-and-health>
- 30 Grogan, Louise and Asha Sadanand. "Rural Electrification and Employment in Poor Countries: Evidence from Nicaragua." *World Development* 43, (Mar, 2013): 252-265. <https://www.sciencedirect.com/science/article/abs/pii/S0305750X1200215X>.
- 31 OECD. *Closing the Gender Gap in Infrastructure* OECD, 2019. https://www.oecd-ilibrary.org/environment/sustainable-connectivity_6350ba66-en
- 32 World Bank. *Women in Water Utilities: Breaking Barriers*. Washington DC: World Bank, 2019. <https://openknowledge.worldbank.org/handle/10986/32319>
- 33 International Finance Corporation. *Supply Chain Finance by Development Banks and Public Entities*. Washington DC: World Bank, 2021. <https://openknowledge.worldbank.org/handle/10986/35177>.
- 34 CDC Group. "CDC Unveils Additional US\$100 Million Trade Finance Agreement with Standard Chartered as Part of COVID-19 Response.". Accessed Aug 20, 2021. <https://www.cdcgroup.com/en/news-insight/news/cdc-unveils-additional-us100-million-trade-finance-agreement-with-standard-chartered-as-part-of-covid-19-response/>.
- 35 Senett, Laura et al. *Multilateral Development Banks' Harmonized Framework for Additionality in Private Sector Operations*: MDB Taskforce. <https://www.adb.org/sites/default/files/institutional-document/456886/mdb-additionality-private-sector.pdf>.
- 36 An international Think Tank specialized in global sustainability and development issues - <https://odi.org/en/about/>
- 37 Lemma, Alberto et al. *The Catalytic Effects of DFI investment – Gender Equality, Climate Action and the Harmonisation of Impact Standards*. London: ODI and EDFI, 2021. https://cdn.odi.org/media/documents/ODI_EDFI_essay_series_final.pdf
- 38 *Transparency and Disclosure Policy* (FinDev Canada, 2020) https://www.findevcanada.ca/sites/default/files/2018-02/disclosure_interimpolicy_11dec2017_final.pdf
- 39 *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

