CORPORATE PLAN SUMMARY

2024-2028

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Executive Summary

FinDev Canada is Canada's bilateral Development Finance Institution (DFI). Established in 2018, the corporation's mandate is "to provide, directly or indirectly, development financing and other forms of development support in a manner that is consistent with Canada's international development priorities." (*Export Development Act, s.10.1.c*) FinDev Canada is a subsidiary of Export Development Canada (EDC).

FinDev Canada supports development through the private sector by providing financing, investment, and blended finance solutions, as well as technical assistance and knowledge, to support sustainable and inclusive growth in emerging markets and developing economies (EMDEs) aligned with the Sustainable Development Goals (SDGs) and Paris Agreement commitments.

FinDev Canada is focused on supporting sustainable development through the private sector in alignment with the SDGs, Paris Agreement commitments and Canada's broader international development priorities. This focus on working with and through the private sector is critical given the scale of development challenges internationally. The corporation's efforts to mobilize private investment in and into EMDEs are guided by FinDev Canada's commitment towards:

- Building low-carbon and climate-resilient economies, including through sustainable infrastructure;
- Developing markets to support quality job creation, capital markets, and access to finance, products and services that raise living standards and add value to local and regional economies; and
- Mainstreaming gender equality investment activities to support women's economic empowerment, gender equality, and improve business performance.

The SDGs were adopted by members of the United Nations in 2015 as a call to action aimed at eliminating poverty, fighting inequality, and advancing economic growth while tackling climate change and broader environmental challenges. The 2016 Paris Agreement followed and put further emphasis on the need for urgent climate action. Today, these goals are more relevant than ever. The challenges they are intended to help address remain significant – and in many areas are, unfortunately, growing.

FinDev Canada is focused on three core themes which are driving the international development agenda: **climate change**, **COVID-19 recovery** and **conflict**. These "three Cs" directly corelate to FinDev Canada's strategy, including its development impact priorities (climate action, women's economic empowerment and market development) and its sectors of focus (the financial industry, agriculture and forestry and their value chains, and sustainable infrastructure).

Importantly, these global development challenges no longer exist in silos, but instead are increasingly overlapping with one another. Whether it is the climate crisis, global conflict, the continued fall-out from COVID-19, economic downturns, or broader societal challenges – the ties between and amongst these issues are creating more complexity and a greater need for immediate and sustained action. This is what guides international development policy and the work of FinDev Canada as Canada's DFI.

The 2024-2028 Corporate Plan lays out the aspirations and intent of FinDev Canada for the next five years, with particular focus on the *Growth with Purpose* strategy, including continued growth of its portfolio, the expansion into the Indo-Pacific region, and the deepening of its relationships in Latin America and the Caribbean and in Sub-Saharan Africa. This work is guided by the continued evolution of the corporation's Development Impact Framework (DIF), its human resources strategy, and the build-out and maturation of a range of systems and processes that collectively ensure FinDev Canada will scale efficiently, effectively, and sustainably.

As FinDev Canada looks forward over the 2024-2028 horizon, it is planning for significant growth aligned with its *Growth with Purpose* strategic intent. This growth mindset will benefit from the experience of the past five years, including the: benefits of developing strategic partners active in the markets the corporation serves; importance of taking a nimble, flexible, client-centric, and innovative approach when deploying financial solutions; and recognition that the transition from start-up to structured growth requires investment in key areas related to people, process, and technology.

These insights continue to guide and support the execution of the corporation's growth strategy. Further enabling this growth is the decision by the Government of Canada to inject an additional CAD 750 million of global capital into FinDev Canada. This capital will not only help the corporation build on its platform of success in Latin America and the Caribbean, and Sub-Saharan Africa, it will also enable FinDev Canada to expand into the Indo-Pacific region in support of Canada's broader strategy. This capital will position the corporation to take on a greater leadership role in the origination and underwriting of development finance opportunities across all its sectors of focus.

FinDev Canada's priorities over the planning period are focused on three core areas.

1. **Growing the Business** through continued emphasis on building out the portfolio across FinDev Canada's three main sectors (the Financial Sector, Sustainable Infrastructure and Agribusiness, Forestry and their value chains). Growth will also come not only from the deepening of relationships in its existing markets, but also through the expansion into the Indo-Pacific region. As the corporation advances in these areas it remains focused on how it can most effectively mobilize the private sector.
2. **Driving Impact,** through the continued modernization of FinDev Canada's Development Impact Framework and its emphasis on market development, women's economic empowerment and climate action. The deployment of Technical Assistance remains an important solution which enables the corporation to work with its clients to support development.
3. **Enabling Operations,** through its people and culture strategy, the development and reinforcement of a risk aware culture, and the maturation of its digital systems to enable business growth.

The 2024-2028 Corporate Plan further elaborates on the work planned in support of these broad objectives and the financial implications of this strategy.

1.0 FinDev Canada

1.1 Corporate Overview

FinDev Canada is Canada's bilateral Development Finance Institution (DFI). Established in 2018, the corporation's mandate is "to provide, directly or indirectly, development financing and other forms of development support in a manner that is consistent with Canada's international development priorities." (*Export Development Act, s.10.1.c*) FinDev Canada is a subsidiary of Export Development Canada (EDC).

FinDev Canada supports development through the private sector by providing financing, investment, and blended finance solutions, as well as technical assistance and knowledge, to support sustainable and inclusive growth in emerging markets and developing economies (EMDEs) aligned with the Sustainable Development Goals (SDGs) and Paris Agreement commitments.

DFIs (Development Finance Institution), as public policy mechanisms, are an important part of global development architecture. Their efforts complement the array of public grants and other aid instruments offered locally and internationally and enable public budgets to be leveraged by private finance in support of development goals.

On the spectrum of DFIs, FinDev Canada occupies an intermediate space between public aid and traditional commercial investment. The corporation has a dual mandate to achieve both development impact and financial sustainability. Accordingly, it is commercially oriented to avoid distorting markets and has a higher risk appetite than traditional investment. Commercial orientation is important to demonstrate the viability of private investment (jobs, income, purchasing power, taxes, and so forth) in generating sustainable economic growth, social progress, and climate action. FinDev Canada seeks impact in alignment with its three impact goals, measures, and reports on progress.

The establishment of a DFI by Canada effected an important complement to its existing suite of international assistance tools, allowing Canada to join its G7 partners in having a DFI supporting development through the private sector. By broadening its own architecture, Canada is a well-positioned, trusted partner internationally with the means to deploy a broader array of solutions in support of multiple development challenges and opportunities.

FinDev Canada is focused on supporting sustainable development through the private sector in alignment with the SDGs, Paris Agreement commitments and Canada's broader international development priorities. This focus on working with and through the private sector is critical given the scale of development challenges internationally. The corporation's efforts to mobilize private investment in and into EMDEs are guided by FinDev Canada's commitment towards:

- Building low-carbon and climate-resilient economies, including through sustainable infrastructure;
- Developing markets to support quality job creation, capital markets, and access to finance, products and services that raise living standards and add value to local and regional economies; and
- Mainstreaming gender equality investment activities to support women's economic empowerment, gender equality, and improve business performance.

The result? After five years in operations, FinDev Canada has built a portfolio totaling over USD 750M in private sector investments to 38 clients that generate positive impacts in terms of economic development, job creation, climate action and women's economic empowerment. More than a quarter of all financial commitments are in support of climate finance and over two-thirds qualify for the 2X Challenge, which looks to advance women's economic empowerment through better access to finance, leadership opportunities, quality employment and economic participation. Overall, 18 percent of the corporation's portfolio is concentrated in the least developed countries (LDCs).

To date, FinDev Canada's financing and investment activities have supported more than 132,000 jobs in low- and middle-income countries and provided over 4.9 million people with access to energy, technology, and financial services. The private-sector clients the corporation lends to or invests in finance over 1,137,000 micro, small and medium-sized enterprises.

1.2 The Development Challenge

The SDGs were adopted by members of the United Nations in 2015 as a call to action aimed at eliminating poverty, fighting inequality, and advancing economic growth while tackling climate change and broader environmental challenges. The 2016 Paris Agreement followed and put further emphasis on the need for urgent climate action.[1]

Today, these goals are more relevant than ever. The challenges they are intended to help address remain significant – and in many areas are, unfortunately, growing.

- Climate change is recognized as the pre-eminent existential threat, with its impact being felt with greater severity by increasingly more people globally, and with most severe impacts in EMDEs.
- Across EMDEs, the pandemic eroded progress that had been made towards inclusivity, particularly for women, and has a debilitating effect on the public finance needed to foster market development.
- Conflict, and most notably the war in Ukraine, has destabilized the world, strained global growth, and eroded food security, again with the most detrimental impacts experienced throughout EMDEs.[2]

1 United Nations Framework Convention on Climate Change, (UNFCCC). "The Paris Agreement.". https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement.

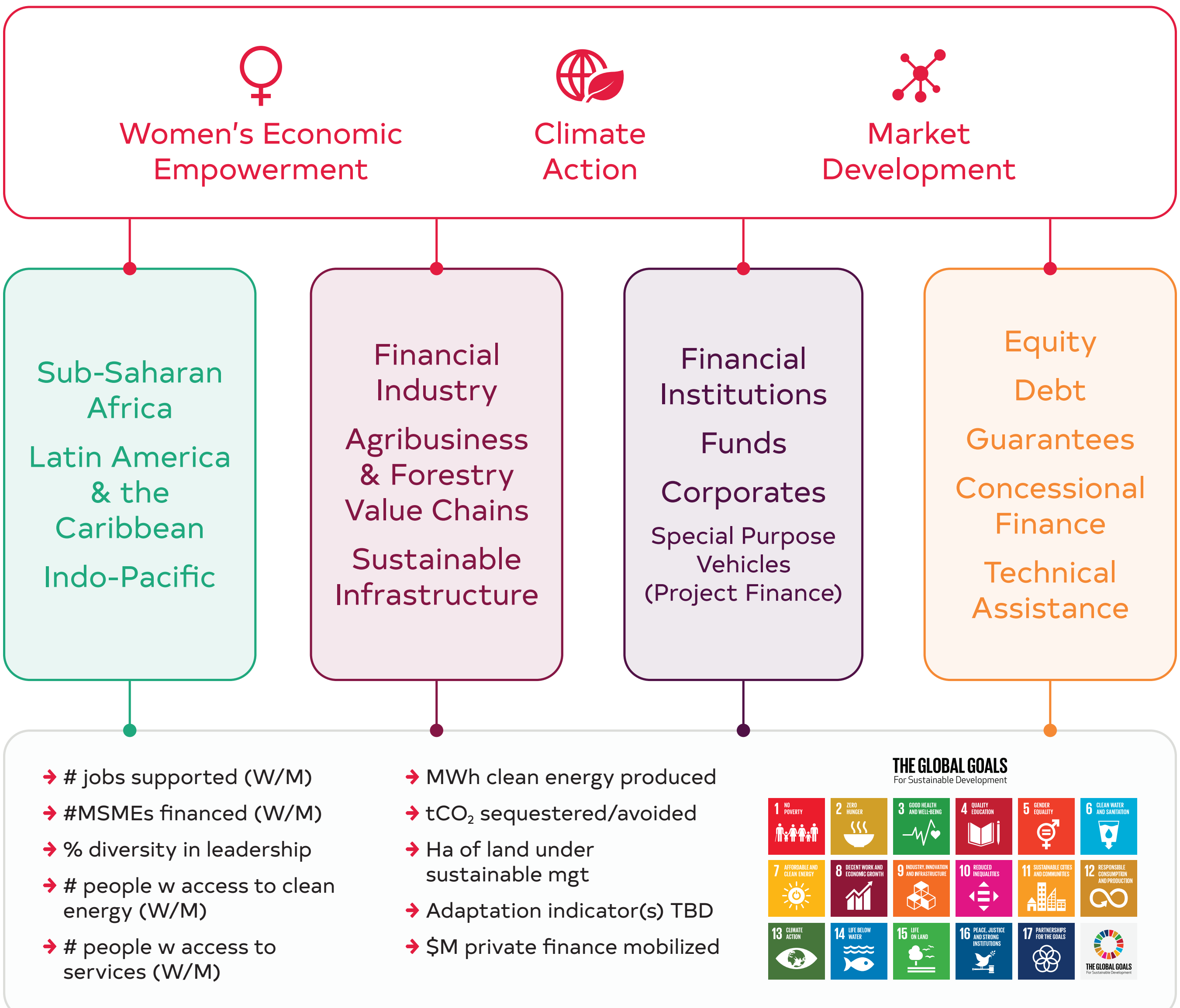
2 The World Bank. "Implications of the War in Ukraine for the Global Economy". The World Bank, 2022. Implications-of-the-War-inUkraine-for-the-Global-Economy.pdf (worldbank.org)

Importantly, these global development challenges no longer exist in silos, but instead are increasingly overlapping with one another. Whether it is the climate crisis, global conflict, the continued fall-out from COVID-19, economic downturns, or broader societal challenges – the ties between and amongst these issues are creating more complexity and a greater need for immediate and sustained action. This is what guides international development policy and the work of FinDev Canada as Canada's DFI.

1.3 Our Strategy

The persistence and growth of global development challenges lies at the centre of FinDev Canada's strategic orientation. It is the corporation's call to action. As noted, Canada has numerous tools which are intended to support international development. These include a variety of grant and aid mechanisms, for example. FinDev Canada plays in the commercial space, using its higher risk appetite to support development with and through the private sector in EMDEs. The core tenets of the corporation's strategy are depicted below.

Figure 1. Our Strategy



The development of this strategy flows from the corporation's consideration of five key questions:

1. What impacts are we driving towards?

To deliver on its mandate, FinDev Canada utilizes a Development Impact Framework (DIF) which defines its strategic development impact objectives and describes how the corporation measures, manages, and discloses progress. The DIF prioritizes three impact areas: market development; women's economic empowerment; and climate action.

- Market Development, through the expansion of local ownership and leadership, strengthening local SMEs and value chains, and increased employment and local economy value-add (taxes and salaries).
- Women's Economic Empowerment, through the support of women's business ownership, leadership, and decent employment, and improving equal access and control over basic services (water, energy) and economic tools (financial services, digital connectivity).
- Climate Action, through the reduction of global greenhouse gas emissions, support for businesses and investments that contribute to the transition to a low-carbon and climate resilient economy, and scaling climate adaptation and resiliency.

The DIF was introduced in 2018 at FinDev Canada's inception and was modernized in 2023 to reflect FinDev Canada's growth, experience and development aspirations flowing from its corporate strategy. Further details on FinDev Canada's development impact activities are found in Section 3.3.

2. What markets do we serve?

Since its inception, FinDev Canada has worked with clients in Sub-Saharan Africa, and Latin America and the Caribbean. The development needs and opportunities in these regions aligns strongly with FinDev Canada's strategy and sector priorities.

In 2022, Canada launched its Indo-Pacific Strategy (IPS), which includes an expansion of FinDev Canada's geographies to this region. As a new region for the corporation, following priority countries in Canada's IPS, FinDev Canada will seek initial focus on opportunities in Indonesia, Vietnam, the Philippines, and the Pacific Islands. From a development perspective, FinDev Canada will prioritize opportunities related to sustainable infrastructure and food security.

Figure 2. Markets We Serve

Specific markets served by FinDev Canada in any region currently fall under the eligibility for Canadian Overseas Development Assistance (ODA), though there is dialogue around the creation of a climate vulnerability index which might broaden eligibility. FinDev Canada is following these discussions. Further details about FinDev Canada's expansion into the region are provided in Section 3.2.2.

3. Which sectors do we support?

FinDev Canada's lending and investment, as well as its Technical Assistance solutions, are directed towards three sectors:

- The Financial Industry, including banks, non-bank financial institutions, and investment funds with the intent of strengthening institutions and access to financial services in the markets we serve;
- Agribusiness and Forestry, and their related value chains, with the intent of supporting food security, strengthening economic conditions, and addressing opportunities to support climate action.
- Sustainable Infrastructure, with the intent of supporting the development of low-carbon, climate-resilient infrastructure in the power, transportation, water, and digital sub-sectors.

4. What solutions do we bring to the table?

FinDev Canada has a suite of solutions available to support its development finance activities. In deploying its solutions, the corporation employs a client-centric approach which is focused on flexibility, nimbleness, and innovation. The corporation provides:

- Financing, including corporate loans and structured and project financing;
- Equity, either directly to clients or through fund investments;
- Blended Finance, currently through the 2X Canada concessional financing facility agreement with Global Affairs Canada (GAC); and
- Technical Assistance, funded by GAC, to support both clients' ability to strengthen operations, addresses knowledge gaps and create more inclusive and sustainable businesses, and to enable broader market development.

FinDev Canada can also provide guarantees, but to date has not deployed this solution. This is something that will be further explored and developed over the planning period.

5. What results do we drive towards?

FinDev Canada tracks its performance across several indicators. Taken collectively, these measures provide visibility on cross-corporate business performance, as well as performance in key areas – gender, climate, LDCs, and private capital mobilization. Recognizing the priority placed on financial sustainability, the scorecard also tracks financial performance from both an income and an expense perspective. The 2022 corporate scorecard is depicted below.

Measure	2022 Performance
Total Business Volume (Signed commitments)	CAD 207M
Climate Finance (Transactions approved)	CAD 39M
2X Challenge (Transactions approved)	CAD 187M
Private Capital Mobilization (Signed commitments)	CAD 28M
Least Developed Countries (% of portfolio)	22%
Net Financing and Investment Income	CAD 19M
Administrative Expenses	CAD 17M

Figure 3. Impacts Reported by Clients

132,352 jobs supported and **1,137,416 MSMEs** financed

59,696 jobs for women and **334,411 women-owned MSMEs** financed

4,919,498 people receiving improved access to tools and services

1,423 GWh of clean energy produced

398,971 tCO2e sequestered emissions

Further details on the forecasted performance for 2023 and planned performance for 2024 are found in Section 3.5. Further, the Financial Plan presented in chapter four and related appendices provide additional details on the corporation's financial performance over the planning period.

1.4 Private Capital Mobilization

Developing countries face an estimated 4 trillion annual SDG investment gap, according to the United Nations Conference on Trade and Development. The scale of this gap is such that public institutions – government, agencies, DFIs, etc. – will never possess sufficient resources to address it, be it through aid, grants, or commercial solutions. Public budgets in both developed and developing countries are under too much strain given the multiplicity of crises at home and abroad.[3]

The private sector is therefore critical to unlocking effective and sustainable paths toward development. This is why DFIs, including FinDev Canada, have made Private Capital Mobilization (PCM) a strategic priority.

While there are some segments of private capital that are willing to accept non-commercial returns, unlocking traditional private capital – the deep pockets responsible for USD 90 trillion of assets under management[4] – requires an awareness of and sensitivity towards the risk-return demands faced by the private sector. This holds true whether a commercial bank or an institutional investor. In all instances, the demands they face to manage risk and generate expected financial return will ultimately inform their lending and investment decisions.

The deployment of DFI risk appetite can provide a demonstration effect which ideally entices traditional private capital to lend to enterprises in EMDEs alongside DFIs.[5] Given the enormity of the SDG investment gap and the need to leverage as much commercial finance as possible into EMDEs, beyond their own balance sheets DFIs also deploy blended finance solutions. These solutions leverage third-party concessional capital, typically provided by public donors and with even greater risk appetite than DFIs, to address real and/or perceived risks of traditional private capital providers – a necessary tool in support of PCM.

More details on FinDev Canada's approach to PCM are found in Section 3.2.3.

3 United Nations Conference on Trade and Development. "More investment needed to get global goals back on track, says UNCTAD chief". UNCTAD, 2023. https://unctad.org/news/more-investment-needed-get-global-goals-back-track-says-unctad-chief-0

4 United Nations. "Financing Climate Action". https://www.un.org/en/climatechange/raising-ambition/climate-finance

5 This is particularly true of DFIs that benefit from privileges and immunities and have an A/B loan structure to facilitate traditional private capital participants behind the DFI (e.g. MDBs and FMO). FinDev Canada shall explore the development of such products during the planning period.

1.5 Conducting Business Responsibly

As a DFI, FinDev Canada recognizes the importance of ensuring that its activities are guided by a commitment to responsible business. The consideration of risks in the areas of environmental sustainability ("E"), social impacts ("S") and responsible governance ("G") is embedded within its transaction review processes, and informed by policies and procedures which collectively ensure that ESG is well understood and managed within the corporation.

Environmental and Social Practices

FinDev Canada published an environmental and social (E&S) policy in 2020 that governs its commitment to sustainable development and guides decision-making in the transactions it supports, all of which forms an important part of the corporation's approach to risk management. The policy is informed by, and aligned with, industry best practices and international frameworks – most notably the IFC Performance Standards on Environmental and Social Sustainability.

As part of the transaction lifecycle, FinDev Canada identifies and manages risks associated with its clients' operations and, when required, provides guidance and monitors progress against action plans or recommendations. This assessment and guidance are informed by the corporation's role as a DFI and considers the unique challenges and risks of transacting in EMDEs. The Environmental and Social Action Plans (ESAPs) developed with its clients ensure E&S gaps are well understood and addressed appropriately.

In 2023, FinDev Canada launched a review of its E&S Policy. That review – which included public consultations and engagement with GAC – will inform potential changes to the policy, including the corporation's approach to human rights.

Business Integrity

Business Integrity (BI) underpins FinDev Canada's commitment to high standards of ethical business conduct and good governance – for the corporation and for the companies it supports. It is fundamental to FinDev Canada's ability to carry out its mandate in a socially responsible manner. To that effect, throughout the transaction lifecycle, financial crime risks and ethical & integrity concerns that could present risks for local populations and reputational risks for the corporation, are all thoroughly assessed. Where relevant, mitigation strategies to ensure transactions meet both legal obligations and adhere to the high standards the corporation expects of its clients are put in place and monitored.

Transparency and Disclosure

FinDev Canada is committed to transparency around its operations, strategies, and policies. Disclosure by FinDev Canada builds awareness of, and confidence in, the execution of its mandate and is critical to demonstrate public accountability. As a Crown corporation, FinDev Canada takes seriously its responsibility for transparency regarding its business operations. At the same time, FinDev Canada is mindful of the need to protect certain commercially sensitive and/or personal or otherwise restricted information related to its private sector clients or other stakeholders. In 2023, the corporation updated its *Transparency & Disclosure Policy* to reflect best industry practices. This policy sets out FinDev Canada's commitment to transparency with respect to its business activities, and establishes the framework for the routine and proactive disclosure of information in areas such as:

- publishing information related to corporate planning and performance;
- publishing information on transactional activities, including in relation to environmental and social risks, mitigants and impacts, as well as anticipated development impacts related to a transaction; and
- publishing information on Independent Accountability Mechanism complaints and other activities.

In the case of transaction information, customer consent is required – consistent with standard business practice.

1.6 Inclusion, Diversity & Equity

FinDev Canada is committed to building and sustaining an inclusive workplace culture; one that is diverse and welcoming and where all employees - regardless of their gender, race, ethnicity, sexual orientation, ability or experience - are valued and supported throughout the employment lifecycle, with equal opportunities, and transparency and fairness embedded into all policies, strategies, processes, and practices.

Established in 2021, our Inclusion, Diversity and Equity (ID&E) Committee plays a key role in promoting ID&E to reflect the voice of our diverse employees and continuing to improve our practices. In accordance with the *Accessible Canada Act*, FinDev Canada is taking all necessary steps to ensure our external and internal tools are accessible to everyone.

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As Canada's bilateral DFI, FinDev Canada's work to catalyze sustainable development through the private sector is more critical than ever. The effects of the past several years – be they related to the pandemic, the climate crisis, global conflict, or economic uncertainty – are such that development challenges are growing.

This persistence and growth of global development challenges – and supporting development through the private sector – lies at the centre of FinDev Canada's strategic orientation. A fundamental tenet of the corporation's strategy is that Canada's DFI is well-positioned to grow further into its mandate and deliver greater impact in the markets it serves. The expansion into the Indo-Pacific region and the planned capital increases of over CAD 1 billion over the next three years will ensure that FinDev Canada can deliver on its ambitious strategy in support of Canada's international development priorities.

2.0 Operating Environment

The context in which FinDev Canada operates is not static. There are a range of issues which inform global development trends, and which collectively are contributing to the challenges and opportunities in EMDEs. Understanding these issues and their implications helps to inform the development and advancement of the corporation's strategy and key priorities.

2.1 Global Context

As noted in chapter one, global development gaps persist and in many cases are worsening. A term that has been increasingly used to describe the situation faced by EMDEs is "poly-crisis."[6] The term refers to the convergence of issues any of which individually would prove challenging, but in aggregate pose an even greater threat to advancement towards achieving the SDGs and Paris commitments.

Before exploring these further, it is important to note that the outlook for global growth is weak. According to EDC Economics, global growth is forecast to be 2.4 percent in 2023, before rising to 3.2 percent in 2024. At the same time, the World Bank's Global Progress Report notes that in EMDEs (minus China), the forecast is for a decline from 4.1 percent to 2.9 percent. Looking ahead to 2024, global growth is forecast to increase by 2.4 percent, while in EMDEs (minus China) growth is forecast to increase to 3.4 percent.[7]

6 We're on the brink of a polycrisis. How worried should we be? | World Economic Forum (weforum.org)
7 The World Bank. "Global Economic Prospects". World Bank Group, 2023. https://openknowledge.worldbank.org/server/api/core/bitstreams/6e892b75-2594-4901-a036-46d0dec1e753/content

A contributing factor to slowing growth are the effects of tighter monetary conditions. The global shocks from the pandemic and the war in Ukraine have led to significant supply disruptions in food and energy markets, contributing to persistent inflationary pressures and below-par global growth. Monetary policy in most G20 economies has been tightened to alleviate inflationary pressures consistent with central bank domestic mandates. While such synchronised tightening has helped curb inflationary pressures globally, including by exerting some downward pressures on certain commodity prices, it is recognized that the tightening has had spillover effects on EMDEs which has further weighed on their recovery in a few ways.

First, as the U.S. economy has slowed, this has decreased demand for imports from EMDEs. Second, tighter monetary policy in the U.S. increases debt-servicing costs for any USD denominated debt, again an area acutely felt by EMDEs, particularly in a post-pandemic world where debt loads have increased significantly. Should tighter monetary conditions necessarily persist, the situation becomes more challenging for these markets and has the effect of creating a downward spiral effect where growth continues to be sluggish and development gaps widen.

2.2 The Three "Cs"

Against this backdrop, FinDev Canada is focused on three core themes which are driving the international development agenda: **climate change**, **COVID-19** recovery and **conflict**. These "three Cs" directly corelate to FinDev Canada's strategy, including its development impact priorities (climate action, women's economic empowerment and market development) and its sectors of focus (the financial industry, agriculture and forestry and their value chains, and sustainable infrastructure).

Climate change is the existential crisis. Increasingly decisions, both in the public and the private sectors, are being made with climate mitigation & adaptation and resiliency lenses. This trend is only expected to increase as climate patterns continue to shift and become more erratic. Further, the effects of climate cut across multiple aspects of the development agenda, including inclusivity and market development. According to the World Bank, climate change could push an additional 100 million people below the poverty line by 2030, with most of those impacted living in EMDEs. Women and children withstand the worst of these effects.[8]

Climate is also driving food security challenges (in addition to issues such as migration), with shifting weather patterns creating the conditions for heat waves, heavy rainfall, and droughts. Rising food commodity prices continue to be a major factor in pushing millions of people in low-income countries towards food insecurity. Going forward, an increasing percentage of development challenges will continue to be linked to climate. This is why global efforts must continue to be focused on maintaining momentum in support of the Paris Agreements and the commitment to stabilize global warming at 1.5 degrees, while at the same time directing investment towards adaptation and resiliency.

On this latter point, the direction of investment, there are important gaps. Taking the example of investment in renewable energy, the Climate Policy Initiative (CPI) and the International Renewable Energy Agency (IRENA) note that, "regions home to about 120 developing and emerging markets continue to receive comparatively low investment",[9] with the lion-share going to Brazil, India and China. What this means is that some 50 percent of the global population received only 15 percent of global investments in renewables in 2022 (compared with 27 percent in 2017). The Report of the Independent High-Level Expert Group on Climate Finance further notes that while the private sector funds sum 81 percent of green investment in high income countries, that figure falls to 14 percent in developing countries.[10]

8 The World Bank. "Managing the Impacts of Climate Change on Poverty". The World Bank Group, 2015. https://openknowledge.worldbank.org/server/api/core/bitstreams/aa3a35e0-2a20-5d9c-8872-191c6b72a9b9/content

9 Climate Policy Initiative and the International Renewable Energy Agency. "Global Landscape of Renewable Energy Finance" CPI and IRENA, 2023. https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Feb/IRENA_CPI_Global_RE_finance_2023.pdf?rev=6213e7fa55ec4991a22514572e7996c5

10 Finance for climate action: Scaling up investment for climate and development. Report of the Independent High-Level Expert Group on Climate Finance

The multilateral and DFI ecosystems are shifting to redress this trend with an increased focus on both climate finance directly and through the mobilization of private capital. Accelerating climate finance in terms of dollars and velocity are stated priorities for the World Bank. Further, according to EDFI (the alliance of European DFIs), climate finance amongst their membership has increased by 21 percent since 2021. For its part, pursuant to its Climate Change Strategy of 2021, FinDev Canada has committed to increase climate finance[11] such that by 2025 it represents 35 percent of its portfolio.

COVID-19 recovery continues to be a major priority in EMDEs. The broad effects of the pandemic are three-fold.

First, pre-pandemic gains that were made in areas such as women's economic empowerment and building a more inclusive economy have unfortunately slid. According to the World Bank, "reversal" challenges were already underway prior to the pandemic, and then accelerated starting in 2020. Simply regaining those advancements will prove challenging.

Second, the diversion of public funding towards pandemic response programs, while understandable, has undermined progress against the SDGs. Simply put, SDG-focused funding cannot be re-routed as public budgets no longer have the fiscal capacity to do so, complicating matters further.

Lastly, the pandemic had a significant impact on supply chains. While this has been further exacerbated by conflict, the initial disruptions have strained access to critical goods and services and drove inflation to challenging levels.

Conflict, most notably caused by the Russian invasion of Ukraine, has had a destabilizing effect, especially in EMDEs. Food security is one area that has been severely compromised by the war given that Ukraine and Russia are two of the world's largest producers of grains and fertilizer. Prior to the war, Russia and Ukraine together accounted for one-third of global wheat trade, 17 percent of global maize trade, and almost 75 percent of global sunflower oil trade.[12]

The effect? The UN World Food Programme reports that a record 345 million people across 79 countries face acute food insecurity in 2023. This all-time high represents an increase of 200 million people compared to pre-pandemic. This is most acutely felt in EMDEs, and low- and middle-income, food-importing markets in Africa, the Middle East, and Asia. Other impacts emanating from conflict include rising energy prices and tightening financial conditions, which as noted hit EMDEs disproportionately hard.[13]

11 Transactions that contribute to climate change mitigation or adaptation as per the Common Principles for Climate Mitigation Finance Tracking and the Common Principles for Climate Change Adaptation Finance Tracking, developed by MDBs & IDFC; business volume approved.

12 CSIS. "Russia, Ukraine, and Global Food Security: A One Year Assessment". CSIS, 2023. https://www.csis.org/analysis/russia-ukraine-and-global-food-security-one-year-assessment

13 World Food Programme. "WFP at a Glance". WFP, 2023. https://www.wfp.org/stories/wfp-glance

What is striking about these three trends – climate, COVID-19 and conflict – is not simply their individual impacts, but the degree of intersectionality that exists between and amongst them. Rather than existing in silos, these trends are increasingly overlapping with one another and compounding, creating more complexity and a greater need for immediate and sustained action. Each of the three Cs has the effect of exacerbating the worst of the others. Further, the effects of all three have stretched public finances to such a degree that any form of adequate response provided solely through public finance in EMDE markets is extremely difficult, if not impossible.

- The costs of climate change – and more specifically the fallout from a growing number of natural disasters and limited adaptation and resiliency caused by an increasingly unpredictable climate – are growing. This is a reality across the globe and experienced especially in EMDEs. Simply put, the economic costs of the climate crisis are being felt today and will only grow, further taxing public budgets.
- The extraordinary fiscal implications from COVID-19 continue to be felt. Markets, even when accounting for pent-up demand, are still working to make up for economic contraction during the pandemic. This problem is particularly acute in EMDEs. Further, the initiatives undertaken to manage through COVID-19 have left public budgets severely challenged.
- The financial implications of conflict, most notably the significant investment in support of Ukraine by advanced economies, has resulted in broad-based reductions in aid and other forms of development assistance.

The combined impact of these issues is driving a point made earlier in this Plan; namely that public budgets and capacity are insufficient to tackle the extent of the development challenges facing EMDEs. Success is dependent on the degree to which private capital can be mobilized. The private sector is critical to unlocking effective and sustainable paths toward development. The degree to which a DFI can enable this involvement will depend on a variety of factors, including its loan structuring ability (e.g. A/B loan capabilities) and the availability of concessional capital.

The Case for Private Capital Mobilization (PCM)

The global dialogue around PCM and the role of multilateral development banks and bilateral development finance institutions in PCM is growing. This was most recently evidenced by the announcements made in Paris in June 2023 by the World Bank Group regarding creation of the Private Sector Investment Lab.[14]

The Lab will be led by the World Bank President, with co-Chairs from the Glasgow Financial Alliance for Net Zero (GFANZ) and Prudential PLC. The intent is to identify more effective ways to mobilize private capital into EMDEs to address climate change and reduce poverty through the development of new partnerships. Implicit in the announcement is the recognition that efforts to date by the development finance ecosystem in support of PCM have not been sufficiently successful.

Canada is examining ways to engage private investors more effectively in development.

14 The World Bank. "World Bank Group Intensifies Focus on Private Sector, Launches Effort to Scale Investment in Emerging Markets". The World Bank, 2023. https://www.worldbank.org/en/news/press-release/2023/06/22/world-bank-group-intensifies-focus-on-private-sector-launches-effort-to-scale-investment-in-emerging-markets

2.3 The DFI Context

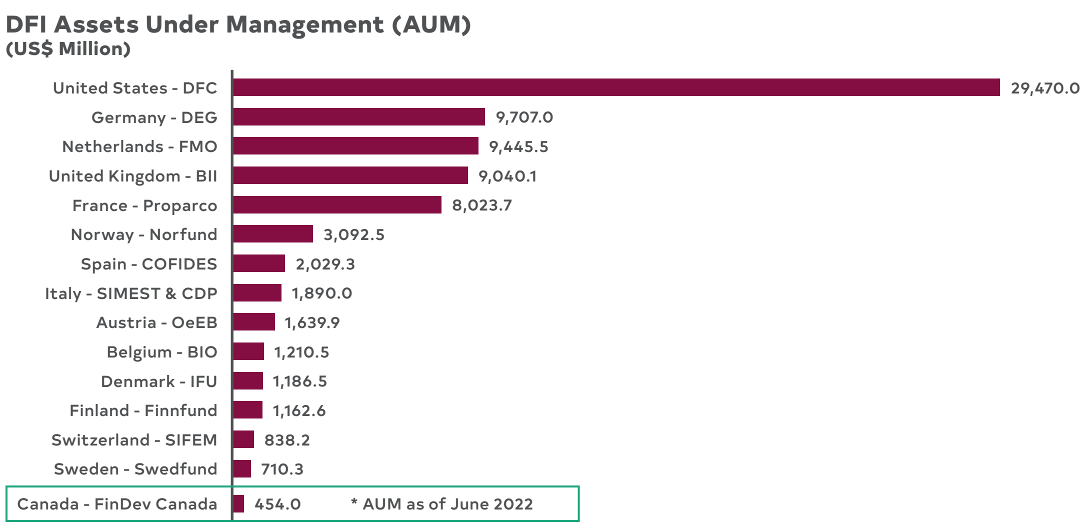
As noted at the outset of this chapter, the context in which FinDev Canada operates is not static. There are a range of issues which inform global development trends, and which collectively contribute to the challenges in EMDEs. As the corporation assesses these trends, it is also observing how the DFI landscape itself is evolving and what this means for its priorities.

FinDev Canada is the newest of the DFIs. This recency allows the corporation to benefit from the experiences of other DFIs. Initially FinDev Canada used its "newness" as an opportunity to play in more niche areas.

That said, the persistence and growth of development gaps internationally has been the main theme of this chapter. The magnitude of the challenges these gaps present helped inform the corporation's main strategic choices as relates to development impact, geographic, and sector focus. Taken in aggregate, the conclusion is that there is a need for FinDev Canada to grow to better address global development challenges.

This was the impetus behind FinDev Canada's strategy refresh conducted in 2022 and which was reflected in the 2023-2027 Corporate Plan and in this Plan. The current global context has only reinforced the importance of a growing DFI in Canada, anchored by Canada's international development priorities and oriented towards growth by working with and through the private sector. This direction was also informed by the recognition that FinDev Canada was not just the newest DFI, but also the smallest.

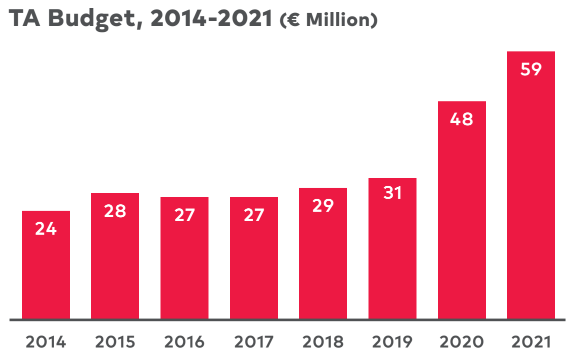
Figure 4. DFI Assets Under Management



The corporation's strategy looks to address this relative standing. As articulated in the strategy refresh and the 2023-2027 Corporate Plan, however growth is not simply for growth's sake. Over time, the corporation will be best positioned to sustainably grow its impact through the growth of its balance sheet. The recently announced capital injections of CAD 300 million (Budget 2021) and CAD 750 million (Canada's Indo-Pacific Strategy and Budget 2023) will enable this growth – the projections for which are provided in the Financial Plan in chapter four and related appendices.

One trend which FinDev Canada has been observing closely relates to the growing use of Technical Assistance (TA). A 2021 comparative analysis by the European Development Finance Institutions (EDFI) provides insight into the amount of TA being deployed by its members. While FMO (the Netherlands), British International Investment (UK) and DEG (Germany) represented almost 75 percent of the total value of signed projects in 2021 across EDFI, overall annual TA budgets among European DFIs is growing.[15] This growth reflects the unique value proposition of TA as an important complement to more traditional financing activities.

Figure 5. TA Budget, 2014-2021



Chapter three provides additional information about FinDev Canada's approach to TA and its engagement with Global Affairs Canada about the program and future funding needs with the objective of ensuring that Canada is well-positioned relative to its international peers with a more complete toolbox to drive development outcomes.

Overall, the DFI community is cognizant of the trends highlighted in this chapter which in aggregate lead to the SDG gap that the world is facing. While DFIs are not the sole solution towards closing this gap, they are important players both in terms of the financing and TA that they can bring to bear, and the impact they can have in support of mobilization. As noted, FinDev Canada's *Growth with Purpose* strategy was developed in consideration of these global gaps and the recognition that the corporation is well-positioned to play a broader role in supporting global development. Chapter three will further articulate the main priorities for the organization as it executes against this strategy, while chapter four will illustrate the corporation's growth trajectory in terms of its business volume and the overall growth of its balance sheet.

15 European Development Finance Institutions. "Comparative Analysis 2021". EDFI, Nov 2022. *internal document*

3.0 Corporate Objectives and Initiatives

3.1 Introduction

Chapter one presented an overview of FinDev Canada, including its corporate strategy. As noted, the persistence and growth of global development challenges lies at the center of FinDev Canada's strategic orientation and has served as its call to action. Today, after five years in operations, this call to action is reflected in the progress the corporation has made through the growth of its client relationships and partnerships, its portfolio, and its impact.

This Corporate Plan lays out the aspirations and intent of FinDev Canada for the next five years, with particular focus on the *Growth with Purpose* strategy, including continued growth of its portfolio, the expansion into the Indo-Pacific region, and the deepening of its relationships in Latin America and the Caribbean and in Sub-Saharan Africa. This work is guided by the continued evolution of the corporation's Development Impact Framework (DIF), its human resources strategy, and the build-out and maturation of a range of systems and processes that collectively ensure FinDev Canada will scale efficiently, effectively, and sustainably.

The 2024-2028 Planning Period

As FinDev Canada looks forward over the 2024-2028 horizon, it is planning for significant growth aligned with its *Growth with Purpose* strategic intent. This growth mindset will benefit from the experience of the past five years, including the:

- benefits of developing strategic partners active in the markets the corporation serves;
- importance of taking a nimble, flexible, client-centric, and innovative approach when deploying financial solutions; and
- recognition that the transition from start-up to structured growth requires investment in key areas related to people, process, and technology.

These insights continue to guide and support the execution of the corporation's growth strategy. Further enabling this growth is the decision by the Government of Canada to inject an additional CAD 750 million of global capital into FinDev Canada. This capital will not only help the corporation build on its platform of success in Latin America and the Caribbean, and Sub-Saharan Africa, it will also enable FinDev Canada to expand into the Indo-Pacific region in support of Canada's broader strategy. This capital will position the corporation to take on a greater leadership role in the origination and underwriting of development finance opportunities across all its sectors of focus. Further information about the Indo-Pacific expansion is included in Section 3.2.2, while additional information on the capital injection is included in chapter four.

FinDev Canada's priorities over the planning period are focused on three core areas:

- Growing the Business,
- Driving Impact; and
- Enabling Operations.

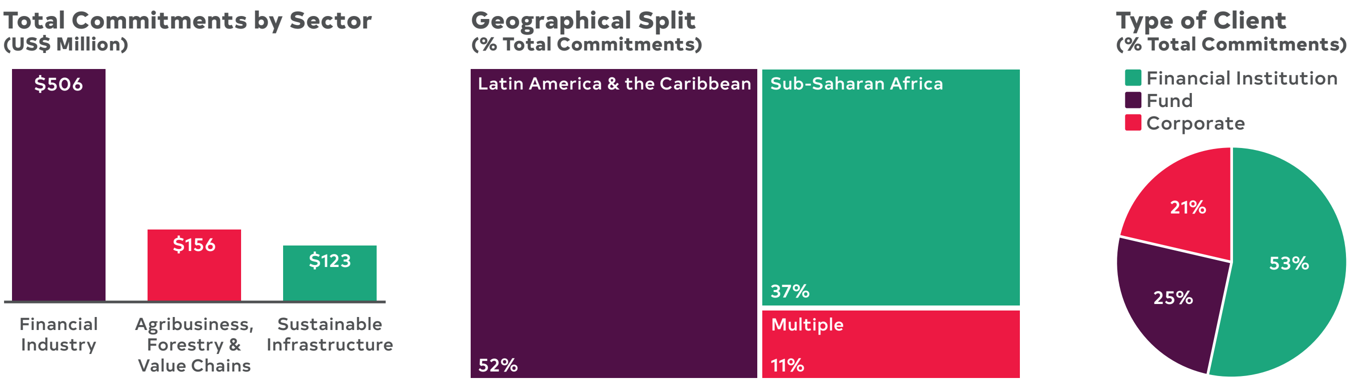
The core priorities in each of these areas are described below.

3.2 Growing the Business

3.2.1 Building the Portfolio

From the outset, FinDev Canada's financing and investment strategy employed a gradual approach to the build-out of the portfolio. This approach included an important partnership focus – something which became even more critical during the pandemic. The corporation's ability to work with partner DFIs and multilateral development banks, and the importance of the financial industry as a delivery in Latin America and the Caribbean, and in Sub-Saharan Africa, is collectively reflected in the portfolio.

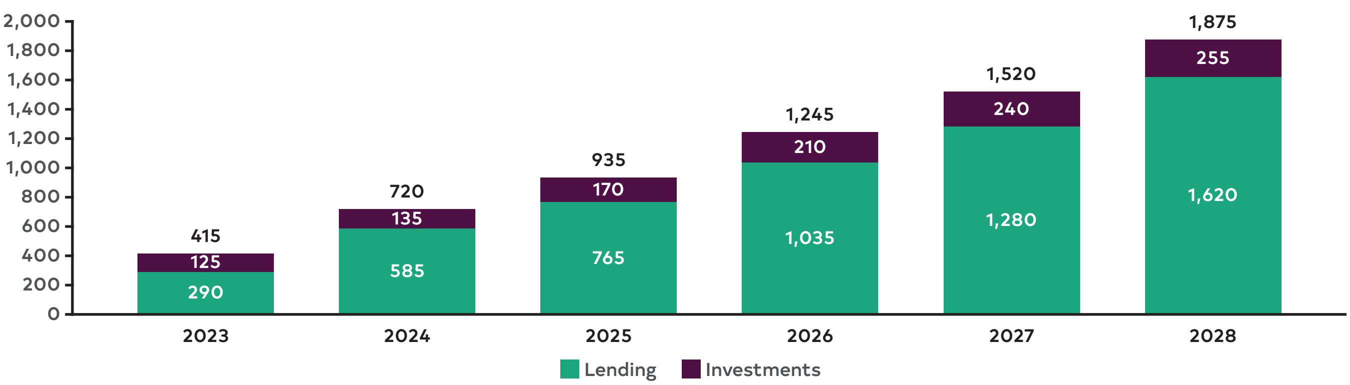
Figure 6. FinDev Canada Today (as at June 30th 2023)



Business Volumes

The 2023-2027 Corporate Plan was the first Plan that was developed in alignment with the corporation's *Growth with Purpose* strategy which envisions a steady increase in FinDev Canada's business volumes. The corporation has been advancing its work in support of that strategy and is forecasting in the 2024-2028 Corporate Plan that for 2024, annual signing volumes will be CAD 720 million, increasing to CAD 1.875 billion by 2028. The number of obligors in the corporation's portfolio is forecast to increase from 56 to 135 over the same period.

Figure 7. Projected Deal Volume (CAD million)



The growth in volume and obligors is reflected in the number of transactions the corporation plans to close. While the 2023-2027 Corporate Plan had forecast 14 closings in 2023, that number is more likely to be 11, with the shortfall attributed to the delay in the 2023-2027 Corporate Plan approval as this has a downstream effect of slowing origination of transactions in the Indo-Pacific region.

For 2024, FinDev Canada is forecasting that it will close 17 transactions. This will be enabled by the anticipated Plan approval and related capital injections, as well as through the corporation's plans to strengthen its internal capabilities through team expansion and enhanced in-market visibility. The Financial Plan in chapter four provides a detailed view of the 2024 forecast and the planned business growth and related expenses over the planning period.

Portfolio Management

As noted above, the corporation is forecasting significant growth in the size of its portfolio from a dollar and obligor perspective. To support this growth, the corporation has built out its portfolio management capabilities, with this function being guided by the following principles:

- Active supervision of all portfolio assets;
- Hands-on, holistic approach which considers financial and impact considerations;
- Developing long-term client relationships;
- Patient capital which sees each transaction through its life cycle;
- Proactive identification and mitigation of risks;
- Continuous improvement informed by lessons learned; and
- Partnership approach with all counterparties.

Like transaction development on the origination side, the operationalization of these principles involves the input of all players across the transaction life cycle, including investments, impact, environmental and social risk management, credit risk, business integrity and legal services to ensure a holistic view on the asset. In 2024 and over the planning period, the corporation will continue to invest in its portfolio management capabilities, including appropriate travel to market to support portfolio monitoring. This intent is reflected in the Financial Plan.

Sector Priorities

As noted in chapter one, FinDev Canada's lending and investment, as well as its Technical Assistance solutions, are directed towards three sectors:

Figure 8. Sectors of Focus

The Financial Industry plays a fundamental role in supporting private sector development in EMDEs, as well as reaching development impact goals. For FinDev Canada, banks and non-bank financial institutions are conduits to supporting private sector players that the corporation otherwise cannot reach effectively including, micro- and small-and-medium size enterprises. Innovations in the financial industry, whether related to the rapid digitization of the delivery of financial services, or the overall sophistication of regulatory frameworks, has meant that financial institutions and intermediaries are increasingly meeting the needs of market segments that are driving economic growth in our regions of focus, and doing so in a more inclusive and sustainable ways (by understanding how to better meet the needs of women, for example, or by greening their portfolios and managing climate risks and opportunities efficiently). To this end, FinDev Canada's activity in the financial industry sector grew significantly during the pandemic, as a means to rapidly avail liquidity to those most affected. The corporation's activities have span across various financial intermediaries, ranging from commercial banks to cooperatives to insurance companies and beyond, considering the importance of a range of financial products and services. Throughout the planning period, the corporation will maintain a strong level of activity in this sector, although its relative share of the portfolio in Latin America and the Caribbean, and Sub-Saharan Africa, is forecasted to progressively decline as the corporation grows its corporate lending and investment activities in a post-pandemic world. In the case of the Indo-Pacific expansion however, the financial industry will be an important component of the go-to-market strategy.

Sustainable Infrastructure faces a significant investment gap, with some estimates placing it as high as USD 15 trillion by 2040.[16] Increasing investments in this sector will enable FinDev Canada to expand the provision of basic services and help bridge the massive infrastructure gap that impedes economic development, social progress, and climate action in its target markets.

As the corporation deepens its reach, it will focus on the following sub-sectors: renewable energy (e.g. wind, solar and small-scale-hydro generation projects, mini grids, storage and hybrid facilities), transportation (e.g. electric mobility such as light rail, efficient and less polluting vehicle fleets), water (e.g. potable water treatment and supply, desalination projects, irrigation, waste water and sanitation, and digital infrastructure solutions (e.g. telecom infrastructure, access of digital services).

It is important to note that for FinDev Canada, the focus in the sustainable infrastructure sector will initially be on smaller to mid-size projects – the "missing middle" – where overall project sizes would reach up to approximately USD 300 million for individual projects. Larger projects, including platforms which can mobilize the private sector at scale will also be considered.

Agribusiness, Forestry, and Value Chains have a critical role to play in addressing food security, climate action, and women's economic empowerment. In fact, climate change has only underscored the importance of agriculture and food systems and the necessity to preserve and expand the world's natural capital, such as forests. Given that women make up 43 percent of the global agricultural labour force,[17] the climate and gender dimensions of agribusiness and forestry have been amplified. FinDev Canada will continue to support the long-term resilience and sustainability of the agriculture and forestry and associated supply chains, including planting and harvesting, related transformation industries, manufacturing, distribution – both wholesale and retail - and other related services.

3.2.2 Deepening and Expanding Global Reach

Since its establishment, FinDev Canada's geographical focus has centred on Latin America and the Caribbean and Sub-Saharan Africa. As of June 30th, 2023, these regions account for 52 and 37 percent, respectively, of the corporation's portfolio, with the balance being reflected in fund investments which cover multiple markets.

These markets remain important priorities for FinDev Canada and over the planning period the corporation will look to build on the foundations it has put in place through the continued deployment of all its solutions. The work done to-date, which has included close collaboration with multilateral partners such IDB Invest (the private sector investment arm of the Inter-American Development Bank Group), and with bilateral DFIs in both regions have enabled FinDev Canada to build a strong reputation with clients and partners for relevant solutions which are deployed in a nimble and flexible manner.

16 Oxford Economic; Global Infrastructure Hub. "Global Infrastructure Outlook". 2017. https://cdn.gihub.org/outlook/live/report/Global+Infrastructure+Outlook+reports.zip

17 Food and Agriculture Organization of the United Nations. "Reduce Rural Poverty". FAO. https://www.fao.org/reduce-rural-poverty/our-work/women-in-agriculture/en/

In terms of Sub-Saharan Africa, FinDev Canada is participating in discussions with GAC on the development of its Canada-Africa Economic Cooperation Strategy, the consultations for which were launched in 2023. While the initiative is principally trade-focused, the corporation's participation will centre on the role it can play in areas related specifically to international development and how it can leverage its experience in areas related to food security, climate action and more broadly, market development to support the financing for development agenda on the continent.

The Indo-Pacific Region

In November 2022, the Government of Canada released its Indo-Pacific Strategy, the goal of which is to position Canada as a more engaged and active partner in the region in areas related to peace and security, trade and investment, and sustainable infrastructure. As noted, this strategy was also used to convey the decision to inject an additional CAD 750 million of global capital into FinDev Canada. This capital will not only help the corporation build on its platform of success in Latin America and the Caribbean, and Sub-Saharan Africa, it will also enable FinDev Canada to expand into the Indo-Pacific region in support of Canada's broader strategy.

In 2023, the corporation started its work in support of this expansion, including the build-out of its go-to-market strategy. Core elements of this strategy are noted below.

First is the importance of affecting a **gradual approach**. As transaction volumes increase over time, they benefit from deepening market & partner knowledge and the build-out of regional presence. A gradual approach also ensures that the corporation builds on successes and establishes itself as a serious and long-term partner in the region. By 2028, the corporation expects that 30 percent of its overall portfolio will be in the region, with annual volumes increasing year-over-year.

While FinDev Canada will consider transactions from all eligible markets in the region, priority for early origination is directed at Indonesia, the Philippines, Vietnam, and the Pacific Islands – similar to what Canada has articulated within its broader Strategy. From a sector perspective, FinDev Canada expects the initial focus will be on transactions related to sustainable infrastructure (in support of the G7 Partnership for Global Infrastructure Investment) and food security. The use of intermediaries, including financial institutions and private equity funds, are expected to feature prominently as the corporation looks to leverage the most effective delivery channels for its solutions.

Second is the emphasis that will be placed on the identification and leveraging of key **partnerships** with established players. The corporation will look to replicate the approach it took in other regions whereby strong relationships were built with the multilateral development banks, bilateral DFIs and private sector financial institutions and funds. To that end, in 2023 FinDev Canada signed a Memorandum of Understanding with the Asian Development Bank. This MOU will enable greater cooperation between the two organizations in support of private sector investments that promote sustainable and inclusive development in the region.

Third is the need to build the right team. Regional success demands **regional expertise**. FinDev Canada's hiring strategy is prioritizing the acquisition of this expertise to work in Canada, but also in market. The expansion of the corporation's physical footprint into the region will factor into this strategy (see Section 3.4.2 for more information).

3.2.3 Private Capital Mobilization

As noted in chapter one, the private sector is critical to unlocking effective and sustainable paths toward development. Public sources of capital are not sufficient to address the breadth of development challenges being faced globally, and particularly in EMDEs. This is why DFIs, including FinDev Canada, have made Private Capital Mobilization (PCM) a strategic priority.

As the World Bank notes, PCM "is critical for SDGs such as affordable and clean energy, financial inclusion, zero hunger, decent work and economic growth; industry, innovation and infrastructure; and climate action."[18] While the need for PCM is clear, the means of achieving it are more complicated. Implicit in this work is the acknowledgement of the risk-return dynamic that informs private sector lending and investment decisions. The strategic use of DFI risk appetite is necessary to make certain investments in EMDEs a more feasible option for private players. In certain instances, concessional capital - when used judiciously - can further enable private sector investment.

The degree to which DFI capital alone can leverage the private sector will depend on the approach each institution takes regarding financial sustainability. FinDev Canada has a dual mandate to achieve both development impact and financial sustainability. Accordingly, its own capital is commercially oriented so as not to distort markets and has a higher risk appetite than pure commercials investment. Where DFI capital and its related risk appetite is insufficient, concessional capital can be deployed to structure a blended finance solution, which is an area FinDev Canada will continue to explore in partnership within a whole-of-Government approach. Refer to section 3.2.4 for further information on Leveraging Concessional Capital.

FinDev Canada has been advancing its work in support of PCM. This has included the establishment of a dedicated team and the use of a mobilization target that has increased on an annual basis alongside total volume targets. In this regard, definitions of both mobilization and private capital are used to guide strategy.

As FinDev Canada refines and deploys its mobilization strategy in 2024 and over the planning period, it will focus on three areas:

- Transactional activities, including co-investment via debt and equity across all priority sectors, risk sharing using insurance to maximize private sector participation, and exit and/or balance sheet management strategies. During the planning period, FinDev Canada will explore and develop, as appropriate, new products, such as guarantee instruments and A/B loan structures.
- Institutional and portfolio activities, such as the use of syndications or insurance.
- The development of instruments, platforms, and other investment vehicles aimed at mobilizing private capital at-scale, such as Project GAIA – a FinDev Canada developed platform which will mobilize private and philanthropic capital in support of climate mitigation and adaption in EMDEs, including LDCs.

3.2.4 Leveraging Concessional Capital

The availability of concessional finance to better address from the perspective of private capital, real and/or perceived risks of investing in EMDEs beyond FinDev Canada's own risk appetite is critical to mobilizing private capital and facilitating sustained longer-term private investment to contribute to sustainable social progress, economic growth, and climate action. Why? By deploying de-risking blended concessional finance together with technical assistance or advisory support, a DFI has the potential to bring private capital to new markets, as well as to ignite groundbreaking investments that will crowd-in private capital on commercial terms.

As noted, this approach acknowledges the risk-return dynamic that informs private sector lending and investment decisions, and alongside DFI capital/appetite creates a blended solution to makes investments in emerging and developing markets are more practical option for private markets.

Currently, FinDev Canada has access to a defined pool of concessional capital in the form of the *2X Canada: Inclusive Economic Recovery* facility (2X Canada).

18 World Bank Independent Evaluation Group, "The World Bank Group's Approach to the Mobilization of Private Capital for Development" (2021).

Established in 2021 in partnership with the Government of Canada, 2X Canada is CAD 76 million concessional finance facility funded by GAC with the goal of enhancing the socio-economic well-being of underserved, vulnerable populations – particularly women – primarily in Latin America, the Caribbean and Sub-Saharan Africa. By mobilizing additional public and private investment, this facility expands the reach of Canada's development finance capabilities and contributes to a gender-smart economic recovery. The facility also includes a technical assistance envelope.

Looking beyond 2X Canada, which is nearing full deployment, the corporation is engaging with GAC on the future of blended financing. Through this engagement, FinDev Canada is exploring how concessional capital could be leveraged to work alongside GAC to deploy in support of Canada's international development priorities.

FinDev Canada sees opportunities for concessional financing managed by the corporation in several areas, including access for new targeted areas which might go beyond traditional DFI risk appetite, and to activate and/or accelerate greater participation of private sector investment in more traditional blended financing solutions, including where there is a higher risk-level but potential pathway to commerciality. Further, FinDev Canada sees opportunities to leverage blended finance platforms as a means to mobilize the private sector at scale.

3.3 Driving Impact

3.3.1 The Development Impact Framework

As noted in chapter one, the corporation employs a dual mandate to achieve both development impact and financial sustainability. The corporation's approach to development is guided by its Development Impact Framework (DIF) which defines its strategic development impact objectives and describes how the corporation measures, manages, and discloses progress. The DIF prioritizes three impact areas: market development; women's economic empowerment; and climate action.

Figure 9. Impact Priorities

Market Development (MD)

- Expand local ownership and leadership
- Strengthen local SMEs and value chains
- Increase employment and local economy value-add (taxes and salaries)

KPI EXAMPLES

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

Women's Economic Empowerment (WEE)

- Support women's business ownership, leadership and decent employment
- Improve equal access and control over basic services (water, energy) and economic tools (financial services, digital connectivity)

KPI EXAMPLES

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

Climate Action (CA)

- Reduce global greenhouse gas emissions
- Support businesses that contribute to the transition to a low-carbon economy
- Scale climate adaptation solutions

KPI EXAMPLES

- Net GHG emissions generated, avoided and sequestered (tCO2e)
- Renewable energy produced (MWh)
- Sustainable managed land (ha)
- Number of people gaining access to climate adaptation products or services (#)

In the 2023-2027 Corporate Plan, FinDev Canada noted how the DIF would be revised in 2023 given the learnings of the past five years and the corporation's *Growth with Purpose* strategy going forward. The original DIF was launched in 2018, when FinDev Canada started operations and had one investment asset in its portfolio. At the time, the decision was made to employ a narrower approach on the premise that FinDev Canada would be better positioned and additional if it focused on tackling market gaps and a distinctive impact goal. Simply put, the framework and tool were fit for purpose at the time.

Five years later, it is time to update the framework and tools. The corporation now has a sizable portfolio both in terms of dollars and number of obligors. Further, with time FinDev Canada has the benefit of insights from its activities and those of its peers, partners, and clients. Lastly, the ambition reflected in the corporation's long-term strategy must be supported and enabled by the right impact foundations.

As a result of this review, FinDev Canada has evolved and refined the DIF to better calibrate with its long-term strategy and its transition from being a start-up towards a growth-oriented corporation. These include:

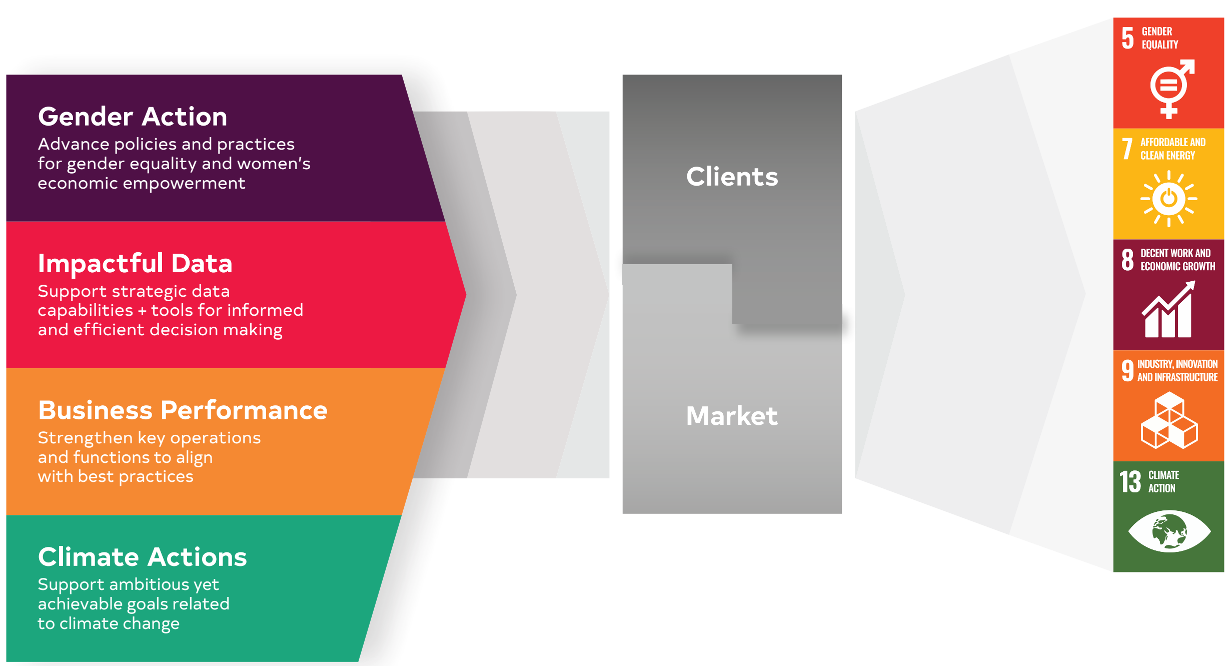
- valuing the three impact goals equally;
- aligning with the fuller SDG agenda (previously the goals were closely linked to 5 SDGs); and
- broadening emphasis beyond SMEs to now include larger corporates, sustainable infrastructure and initiatives which drives efficient, effective, and sustainable access to services.

The refreshed DIF tracks well against the corporation's plans for growth. FinDev Canada will begin operating under and reporting against this updated DIF in 2024, including in future Corporate Plans.

3.3.2 Technical Assistance

FinDev Canada offers Technical Assistance to support its clients and other market players to build capabilities, deepen their development outcomes and scale sustainably. TA is a valuable tool to complement financing and investment activities and foster more holistic relationships with clients and relevant market players. The TA Facility was launched in 2020 with funding from GAC and in 2023 concluded its initial three-year pilot. There has been high demand for TA since the Facility's launch, and as such, the Facility has committed almost all available funds towards eligible projects.

Figure 10 – Technical Assistance



Through the deployment of TA, FinDev Canada has been able to:

- move the needle on gender action with a range of financial institutions from commercial banks to cooperatives;
- enable agribusinesses and agri-funds to deepen their reach to smallholder farmers and strengthen climate-smart practices;
- influence impact-related activities engaging with project sponsors at the right stages, as we are learning from initial TA projects with infrastructure clients; and
- strengthen the impact investment ecosystem and reinforce our leadership, by participating in a range of industry initiatives.

The TA Facility has a diverse portfolio of 27 projects, with CAD 3.3 million in commitments to date. In parallel with the deployment of the remaining capital under the facility, FinDev Canada is also monitoring active projects and overseeing the TA envelope that sits under the 2X Canada Facility. Overall, FinDev Canada has been able to extend TA to approximately 40 percent of its clients based on identified gaps during due diligence.

3.4 Enabling Operations

3.4.1 Building a Risk Aware Culture

Having the appropriate risk management architecture in place – calibrated to FinDev Canada's role as a DFI – is a critical cornerstone of the corporation's growth strategy. In 2023, FinDev Canada revised and evolved its Enterprise Risk Management Framework (ERMF). This Board-approved Framework includes the corporation's frameworks for financial, operational, and strategic risk management, which are described below:

- **ERMF:** the over-arching framework for all FinDev Canada's risk management activities.
- **Risk Appetite Framework (RAF):** defines the overall boundaries within which the corporation operates in line with sound risks management practices.
- **Financial Risk Management Framework (FRMF):** expresses FinDev Canada's transactional risk appetite and broader financial management in accordance with established prudential limits. The FRMF also includes the Capital Management Policy, which governs the corporation's approach to capital adequacy.
- **Strategic Risk Management Framework (SRMF):** expresses FinDev Canada's risk appetite for risks to strategic objectives arising from ineffective business strategies, improper implementation of business strategies, or a lack of responsiveness to changes in the business environment.
- **Operational Risk Management Framework (ORMF):** expresses FinDev Canada's risk appetite for risk of direct or indirect loss due to failure attributable to FinDev Canada's employees, processes, systems, or external events.

The ERMF helps ensure that a risk aware culture is embedded in all activities, and that the consideration of all forms of risk – including those directly and indirectly attributable to the external environment, strategy, operations, and overall business – inform decision-making. All identified risks benefit from clear definitions, identified tolerances and mitigants.

The work done in 2023 represents an important maturation of the corporation's suite of risk policies, reflecting the ongoing development and enhancement to the corporation's internal infrastructure and ensuring that FinDev Canada benefits from a strong risk management foundation. Given their importance, these policies and frameworks are reviewed on an annual basis to ensure they reflect best practices and the broader operating environment.

3.4.2 People & Culture

People are FinDev Canada's core asset, and as such need to be managed and supported as a strategic investment that will drive performance across all elements of operations today and into the future. Like any investment, the corporation must have a plan to engage and deploy it.

FinDev Canada's People & Culture (P&C) function was developed with the mandate to engage, grow, and retain the right number of people with the right capabilities in the right locations, to successfully implement the corporate strategy, all enabled by a healthy and engaging culture.

Over the preceding years, FinDev Canada has been gradually in-sourcing more P&C aspects from EDC as it has grown and matured. While there are still areas on which the corporation can and will continue to rely on EDC (e.g., payroll and benefits administration, corporate security), those areas which more directly touch on team members are being brought in-house. These include talent acquisition, career management, learning, and culture. Where opportunities exist to collaborate with EDC and realize synergies, these will be pursued.

In 2024, FinDev Canada will begin implementing a new P&C plan which will articulate and enable the corporation's core objectives in relation to its employees. The plan will be designed to ensure that it adds value to and enables FinDev Canada's strategy. As such, the P&C plan will not exist as an adjacency to the business; but rather will be driven by and connected to it. Underpinning the plan will be four key principles: alignment, effectiveness, simplicity, and flexibility.

Investing in People

In the 2023-2027 Corporate Plan, the corporation identified core areas where additional human capacity was required to support the operation's programs and associated development impacts. To that end, capacity was added prudently during the year. By the end of 2023, all workforce requests outlined for 2023 are expected to be on-boarded or contracted by early 2024 except for a small number of leadership positions that are both critical to support growth but are proving more difficult to fill. To address this challenge, the corporation has engaged a head-hunting firm with experience in supporting leadership recruitment in the DFI and MDB space and expects outstanding leadership positions to be filled in 2024.

While recruitment is an important tool in **building capability,** the corporation also recognizes the value of training and development as a means to develop the skills and abilities necessary for professional growth and to further enhance their contribution towards the goals of the corporation. Investing in people at all levels of the organization is critical.

As a young and growing corporation, FinDev Canada seeks in the first instance to maximize synergies with EDC and its impressive catalogue of on-line trainings across many subject-matters from soft skills development to technical areas. As part of the People Plan design in 2024, the corporation will curate applicable EDC training offerings, as well as complement that with tailored offerings. Furthermore, given the identified need for strong leadership, in 2023 FinDev Canada introduced dedicated training for all new and existing leaders, the aim of which is to articulate, promote and enable the culture and behaviours needed in a high-performing organization. This will continue in 2024 and over the planning period.

As FinDev Canada evolves its people strategy in support of the business, **location and the need to expand its footprint outside of Canada** has become increasingly important in the corporation's planning. The development of regional presence has the benefit of putting FinDev Canada closer to the markets it serves and the partners with whom it works. The benefits of such proximity include relationship development, business origination, and portfolio management.

In the 2023-2027 Corporate Plan, FinDev Canada had indicated that it would start consideration of regional representation outside of Canada later in the planning period. Over the past year the corporation has reflected further on this plan, considering the growth and distribution of its portfolio and the insights gained from its initial engagements in respect of the Indo-Pacific expansion.

Based on these reflections, the corporation is planning on accelerating work regarding the establishment of its international presence. At the current time, the intent is to engage with GAC in 2023-2024 on plans for expansion in two regions: Sub-Saharan Africa and the Indo-Pacific. In respect of the latter, FinDev Canada's plans to open an office in the region was highlighted by the Prime Minister in his recent trip to the ASEAN Leaders' Summit. The corporation will be working with GAC to advance this work. In addition, engagement with EDC and the potential for collaboration will be included as part of the planning. In both cases, the ability to build relationships, originate opportunities, and manage the portfolio in-market are seen as critical success factors and would put FinDev Canada on a footing that more closely resembles that of its peer DFIs.

The timing of this expanded footprint will be informed by discussions with GAC; however, it is FinDev Canada's intent to have this presence realized earlier in the planning period. The business volume assumptions presented in this Plan for the outer years reflect this intent. Further, the start-up costs and preliminary hiring implications are reflected in the planned administrative expenses.

Investing in Culture

In addition to ensuring that the corporation benefits from the right complement, with the right capabilities in the right locations, fostering a culture which is focused on excellence across all aspects of our business is critical. As a young organization that is growing quickly, articulating, and enabling the right culture is a priority. This work takes on many forms.

First, the development of culture formed a core aspect of FinDev Canada's return to office policy. The decision was taken to build a policy which, while still offering hybrid flexibility, ensures that FinDev Canada's people spend more time together in the office (i.e., three days per week). This approach, which will be fully launched in the fourth quarter of 2023, is intended to support cross-corporate learning, enhance engagement and efficiency among transaction supporting employees, and more effectively transition in new employees at all levels.

Second, as noted earlier, FinDev Canada is focused on developing its leadership cadre. To better support leadership, dedicated training is being provided to all new and existing leaders, the aim of which is to articulate, promote and enable the culture and behaviours needed in a high-performing organization.

3.4.3 Enhancing Digital Capabilities

To stay relevant in today's technology-driven global marketplace and effectively manage operational risk, FinDev Canada must continue investing in its digital growth strategy. The corporation remains committed to providing digital solutions that meet its business needs across the following areas: business solutions, data management, information security, and end-user support and systems.

In 2023, several digital projects were initiated to support FinDev Canada's quickly growing portfolio, with a focus on:

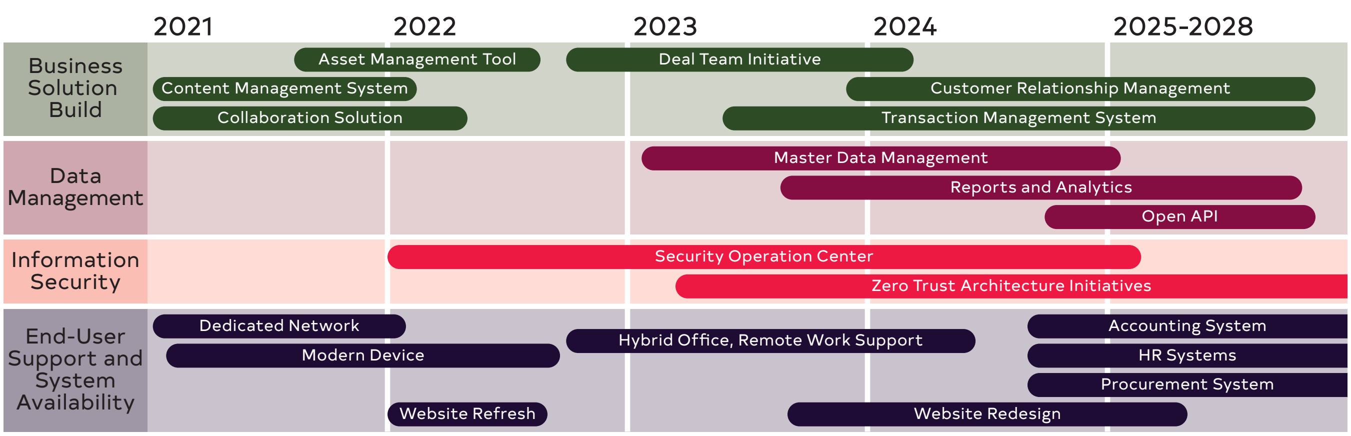
- The development of a transaction management system;
- Implementing a master data management initiative; and
- Ensuring effective digital capabilities to support the return to office strategy.

Furthermore, the corporation took a significant step in building out its security infrastructure, with the implementation of zero-trust solutions and cyber-security awareness training for all employees.

In 2024 and beyond, FinDev Canada will continue to carry out its return to office strategy, touching all office locations: Montreal, Ottawa, Toronto. This strategy, coupled with the planned growth in headcount, will drive elements of the planned digital expenditures. In addition, the team will be assessing the implications and opportunities that present themselves as part of EDC's modernization of its own systems and the shift to more cloud-based solutions. This work will focus on applications currently shared with EDC, namely human resources management, finance, accounting, and procurement.

Overall, the corporation is advancing against its broader digital roadmap (presented below), supported by an internal governance committee which regularly reviews progress on key initiatives.

Figure 11: Our Digital Roadmap



Further information about the planned investments in the corporation's digital capabilities is provided in the Financial Plan. The Corporation may accelerate this plan depending on progress each year.

3.5 Measuring Performance

As outlined in chapter one, FinDev Canada tracks its performance across several indicators. Taken collectively, these measures provide visibility on cross-corporate business performance, as well as performance in key areas – least developed countries, gender equality, climate finance and private capital mobilization. Recognizing the priority placed on financial sustainability, the scorecard also tracks financial performance from both an income and an expense perspective. The corporate scorecard for 2024 is depicted below:

Measure	2022 Performance	2023 Forecasted Performance	2024 Plan
Total Business Volume (Signed commitments)	CAD 207M	CAD 415M	CAD 720M
Climate Finance (Transactions approved)	CAD 39M	CAD 225	CAD 345
2X Challenge (Transactions approved)	CAD 187M	CAD 225	CAD 345
Private Capital Mobilization (Signed commitments)	CAD 28	CAD 65	CAD 130M
Least Developed Countries (% of portfolio)	22%	15%	10-15%
Net Financing and Investment Income	CAD 19M	CAD 27M	CAD 59M
Administrative Expenses	CAD 17 M	CAD 28M	CAD 37M

4.0 Financial Overview

In the preceding Chapters, FinDev Canada has presented the core elements of its strategy and priorities for 2024 and into the planning period as it relates to its business growth, impact priorities and the areas necessary to enable its operations. The *Growth with Purpose* strategy will see the corporation significantly increase its annual signings and overall portfolio over the next five years through both growth in its established regions – Latin America and the Caribbean, and Sub-Saharan Africa – and through its expansion into the Indo-Pacific region. This business growth is complemented by the continued maturation of its impact framework, and ultimately enabled by strategic investments in core areas including people and digital capabilities. All of FinDev Canada's activities are guided and supported by its suite of risk management policies and processes.

The Financial Overview presents the key business assumptions that flow from this strategy and the broader financial implications of FinDev Canada's operations. As a still young organization, the corporation is making targeted investments in areas related to people and digital capabilities to ensure that its growth is effectively enabled and managed, consistent with the Government of Canada's expectations for expense management.

4.1 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. In Budget 2021, the Government of Canada committed a further $300 million for FinDev Canada, with an additional $750 million committed as part of Canada's Indo-Pacific Strategy and included in Budget 2023, bringing total share capital to $1,350 million at the end of 2025. This capital will not only help the corporation build on its success in Latin America and the Caribbean, and Sub-Saharan Africa, it will also enable FinDev Canada to expand into the Indo-Pacific region in support of Canada's broader strategy.
- FinDev Canada is projecting a net loss of $8 million in 2023, a decrease of $8 million when compared with the 2023-2027 Corporate Plan forecast of a break-even net income. The decrease is mainly due to the delay in receiving the capital injection expected from EDC which resulted in increased borrowing costs, lowering net income. Looking forward over the planning horizon, following a period of positive net income, the corporation is forecasting net losses in the outer years due to the effects of a rapidly growing portfolio and the related provision charges, in addition to anticipated future borrowings and the related interest expenses.
- Budget 2023, released on March 28, 2023 outlined expectations for Crown Corporations to achieve expense savings. Consequently, FinDev Canada has reflected $6.9 million in total cost savings from 2024 through 2027 when compared to the previous Plan.
- Loans receivable are projected to be $721 million in 2023 and are expected to grow to $3,691 million over the Plan period.
- Investments are projected to be $243 million in 2023 and are expected to grow to $1,118 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 expected to have outstanding borrowings of $408 million by the end of 2023 and $411 million by the end of 2024. Outstanding borrowings at the end of 2028 will total $3,379 million.

It is currently anticipated that 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.

4.2 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, 2023.

Any changes to the business strategy or to the underlying assumptions may materially affect the projections over the planning period.

Business Facilitated

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

Table 1: Projected Level of Business Facilitated

(in millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Fcst	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Business Volume								
Lending	160	450	290	585	765	1,035	1,280	1,620
Investments	47	130	125	135	170	210	240	255
	207	580	415	720	935	1,245	1,520	1,875

Download accessible versions of all financial tables here.

2023 Forecast

The 2023 lending and investments business facilitated is projected to be $415 million, lower than the $580 million forecast in the 2023 Corporate Plan. While the corporation expects investment volume to be largely in line with Plan, loan volume is expected to be lower due to a lower than forecast number of lending transactions in 2023. The reduction is partially attributable to the delay in the Corporate Plan approval which has had the downstream effect of slowing the origination of transactions in the Indo-Pacific region.

2024 to 2028

FinDev Canada is projecting business facilitated in the lending and investments programs to continue to grow in 2024 and 2025, with respective business volumes of $720 million and $935 million. Thereafter, ongoing annual increases are anticipated. This growth is consistent with the corporation's long-term strategy and reflect the expansion into the Indo-Pacific region, increased transaction sizes and the benefits realization of planned increases in human capacity in both Canada and through the establishment of a regional presence outside of Canada, as noted in Chapter 3.

Risk Profile of Business Volume

The risk profile of FinDev Canada's lending and investment activities are a reflection of the markets in which a DFI operates. The markets are typically higher risk which are largely non-investment grade, but which also present important opportunities to effect international development with and through the private sector. FinDev Canada's strategy envisions continued growth of lending and investment activities, the risk of which is reflected in its planning assumptions. The risk profile of the portfolio undertaken is in accordance with FinDev Canada's Board-approved Risk Appetite Framework and prudential limits. This remains 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 2023 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 June 2023, is U.S. $0.75.

Interest Rates

This forecast uses the same assumptions as EDC. It 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 long-term debt, marketable securities, investments and related derivative instruments, no forecast for these items is included in the Corporate Plan financial results. This assumption has been revised since the prior plan and is consistent with EDC's methodology.

5.0 Appendices

Appendix 1: Corporate Governance Structure

Managerial and Organizational Structure

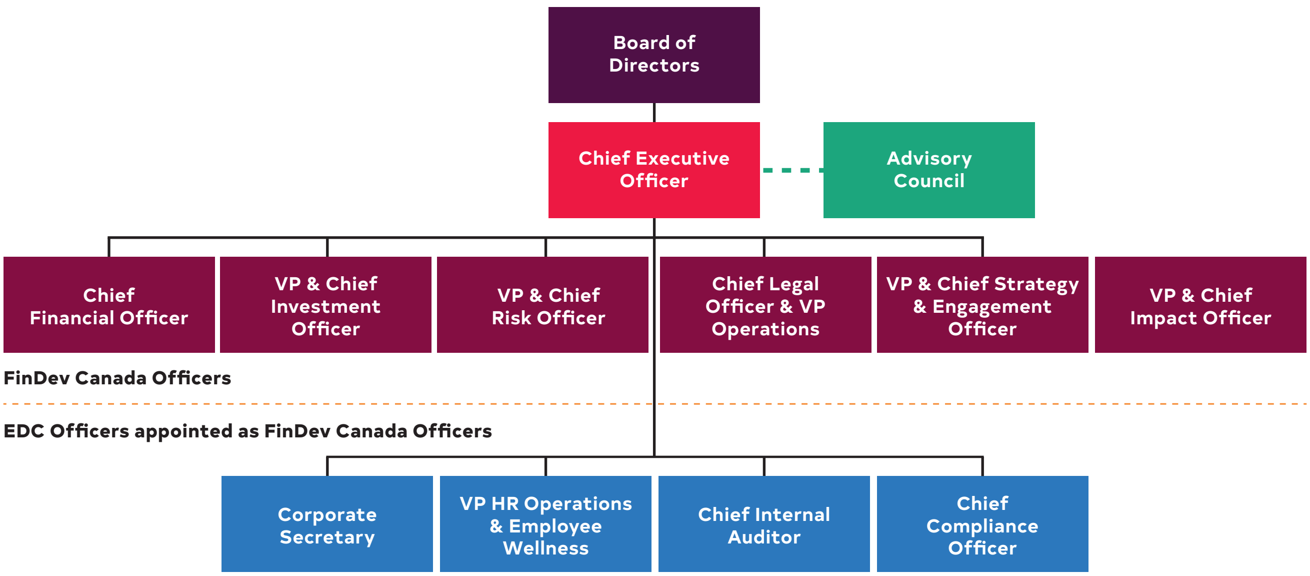
FinDev Canada, through EDC, reports to Parliament through the Minister of Small Business, Export Promotion and International Trade in consultation with the Minister of International Development.

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 our business and markets. Together, Board members bring expertise in the wide range of domains required to successfully lead the organization. In 2022, one new Director was appointed, 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 12: FinDev Canada's Organization Structure



Appendix 2: 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 2024-2028 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:

- 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.
- 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.
- Financial resource requirements have been disclosed and are consistent with the assumptions stated in the proposal, and options to contain costs have been considered.
- Funding has been identified and is sufficient to address the financial requirements for the expected duration of the proposal.
- 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.
- 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 2024-2028 was approved by FinDev Canada's Board of Directors on September 27, 2023.

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

Marsha Acott
Chief Financial Officer
FinDev Canada

September 27, 2023

Appendix 3: Financial Statements and Budgets

3.1 Financial Statements and Notes

Statement of Comprehensive Income

Table 2: Projected Statement of Comprehensive Income

for the year ended December 31 (in millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Fcst	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Financing and Investment Revenue								
Loan	20	59	52	70	88	118	157	206
Marketable securities	-	-	1	3	3	1	-	-
Investments	3	-	1	-	-	-	-	-
Total financing and investment revenue	23	59	54	73	91	119	157	206
Interest expense	4	18	25	11	15	34	61	94
Transaction costs	-	1	2	3	2	2	2	3
Net Financing and Investment Income	19	40	27	59	74	83	94	109
Donor Contributions	2	2	2	1	1	1	1	-
Other (Income) Expense	(15)	(4)	3	-	-	-	-	-
Administrative Expenses	17	29	28	37	44	51	56	61
Income (Loss) before Provision	19	17	(2)	23	31	33	39	48
Provision for Credit Losses	15	17	6	15	25	38	52	66
Net Income (Loss)	4	-	(8)	8	6	(5)	(13)	(18)
Other Comprehensive income	-	-	-	-	-	-	-	-
Comprehensive Income (Loss)	4	-	(8)	8	6	(5)	(13)	(18)

Download accessible versions of all financial tables here.

2023 Forecast versus 2023 Corporate Plan

FinDev Canada is forecasting a net loss of $8 million for 2023, a decrease of $8 million from the 2023 Corporate Plan. Items of note regarding this forecast are as follows:

- Net financing and investment income has declined by $13 million primarily due to the delay in receiving the capital injection from its parent company, EDC, which resulted in an increase to interest expense as a result of higher borrowing requirements.
- The provision for credit losses has decreased by $11 million primarily due to updated macroeconomic assumptions as well as lower net loan disbursements than anticipated.
- Other income has decreased by $7 million primarily due to the volatility associated with FinDev Canada's financial instruments carried at fair value through profit or loss, resulting in a reduction in expected gains related to the investments portfolio. Going forward we will no longer include a forecast for fair value gains and losses on financial instruments due to the volatility and difficulty in estimating these amounts, consistent with EDC.
- Administrative expenses are projected to be lower than Plan by $1 million. Consulting fees are expected to decline as a result of lower year to date spending than anticipated, with the lower spending trend continuing over the remainder of the year.

2024 Corporate Plan versus 2023 Forecast

FinDev Canada is forecasting net income of $8 million in 2024. Items of note are as follows:

- Net financing and investment income is expected to increase by $32 million. The increase is the result of earnings from anticipated business volume in 2024 in our lending book as well as a reduction in interest expense as FinDev Canada uses the projected capital injections to pay down debt.
- Due to the anticipated growth in the loan portfolio, the provision for credit losses is expected to increase by $9 million compared to 2023.
- Other expenses are expected to decrease by $3 million due to unrealized losses on investments in 2023. Due to the volatility and difficulty in estimating fair value gains or losses, and in alignment with EDC's approach, a forecast for unrealized gains or losses is not included in the 2024-2028 Corporate Plan.
- Administrative expenses reflect the direction provided by Budget 2023 to achieve savings, as indicated in Section 3.2 Operating Budget, and are expected to increase by $9 million mainly due to:
    - Additional headcount to support the continued growth of the organization, including in support of regional expansion. Costs related to human resources will account for approximately 63 per cent of the total administrative expenses; and
    - An increase in professional services, primarily in IT consulting, as the corporation implements its digital roadmap. Costs related to IT consulting will then account for approximately 8 per cent of the total administrative expenses which reflects the current phase of growth and foundational investments as FinDev Canada is still a relatively new organization.

2025 to 2028

In 2022, FinDev Canada saw revenues start to cover costs. This trend is expected to continue with income before provision for credit losses gradually increasing over the planning period. However, strong growth in the portfolio, will also drive corresponding increases to provision levels resulting in FinDev Canada incurring net losses in the outer years of the Plan. This is a deviation from the results reported in the 2023-2027 Plan as a decision was made to remove forecast realized gains on investments due to the volatility and difficulty in estimating them, as well as to be consistent with EDC's methodology.

Financial results in the outer years also consider the impact of FinDev Canada establishing a presence internationally as presented in Chapter 3.

Statement of Financial Position

Table 3: Projected Statement of Financial Position

as at December 31 (in millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Fcst	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Assets								
Cash	12	7	9	9	9	9	9	9
Marketable securities	16	10	22	20	20	19	19	18
Derivative instruments	-	-	5	5	5	5	5	5
Loans receivable	423	789	721	997	1,459	2,070	2,807	3,691
Allowance for losses on loans	(25)	(35)	(28)	(40)	(61)	(89)	(124)	(165)
Investments	155	250	243	338	477	662	885	1,118
Other assets	4	6	6	6	6	6	6	6
Property, plant and equipment	-	-	-	4	3	3	2	2
Right-of-use asset	1	1	2	3	2	2	1	1
Total Assets	586	1,028	980	1,342	1,920	2,687	3,610	4,685
Liabilities and Equity								
Accounts payable and other credits	4	2	5	5	5	5	5	5
Loans payable	303	438	408	411	580	1,351	2,285	3,379
Owing to Export Development Canada	3	6	3	3	3	3	3	3
Deferred revenue	11	9	10	8	8	7	7	6
Derivative instruments	7	11	-	-	-	-	-	-
Lease liability	1	1	2	3	3	2	1	1
Allowance for losses on loan commitments	1	1	4	6	9	12	15	15
Total Liabilities	330	468	432	436	608	1,380	2,316	3,409
Equity								
Share capital	300	600	600	950	1,350	1,350	1,350	1,350
Deficit	(44)	(40)	(52)	(44)	(38)	(43)	(56)	(74)
Total Equity	256	560	548	906	1,312	1,307	1,294	1,276
Total Liabilities and Equity	586	1,028	980	1,342	1,920	2,687	3,610	4,685

Download accessible versions of all financial tables here.

2023 Forecast versus 2023 Corporate Plan

Loans receivable are expected to be $721 million, which is slightly lower than the Plan of $789 million. The decrease is the result of lower projected signings and foreign exchange translation. Investments are forecasted to end the year at $243 million compared to a Plan of $250 million. The corporation expects to end the year with loans payable of $408 million compared to a Plan of $438 million.

2024 Corporate Plan versus 2023 Forecast

Loans receivable are expected to reach $997 million in 2024 and investments, are expected to reach $338 million mainly due to continued growth in Latin America and the Caribbean, and Sub-Saharan Africa as well as the expansion into the Indo-Pacific region, consistent with the corporation's long-term strategy.

2025 to 2028

FinDev Canada expects growth in both the loans and investments portfolios to continue over the planning period due to the reasons noted above, as well as the benefits realization of increased human capacity and the benefits of a regional presence internationally. By the end of 2028, total assets of $4,685 million are anticipated, approximately five times the forecast 2023 ending position.

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 began borrowing from EDC to support its portfolio growth. Further borrowings are expected over the planning 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 are planned in 2023, 2024, and 2025 for a combined increase in share capital of $1,050 million. Of that amount, $300 million is from the Budget 2021 commitment and $750 million from the announcements made in support of Canada's Indo-Pacific strategy and reiterated in Budget 2023. This capital will enable the corporation to build on its success in Latin America and the Caribbean, and Sub-Saharan Africa, and expand into the Indo-Pacific region in support of Canada's broader strategy.

Once the additional capital injections are consumed, the sustained rapid growth of the portfolio will be made possible by a material increase of the financial leverage of FinDev Canada. Consequently, the debt-to-equity ratio of the corporation will, in the outer years of the Plan, begin to approach its three to one policy limit. During the planning period, FinDev Canada will consider options for the use of its capital and the optimal level of financial leverage to support its future growth.

Statement of Changes in Equity

Table 4: Projected Statement of Changes in Equity

for the year ended December 31 (in millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Fcst	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Share Capital								
Balance beginning of year	300	300	300	600	950	1,350	1,350	1,350
Shares issued	-	300	300	350	400	-	-	-
Balance end of year	300	600	600	950	1,350	1,350	1,350	1,350
Deficit								
Balance beginning of year	(48)	(40)	(44)	(52)	(44)	(38)	(43)	(56)
Comprehensive income (loss)	4	-	(8)	8	6	(5)	(13)	(18)
Balance end of year	(44)	(40)	(52)	(44)	(38)	(43)	(56)	(74)
Total Equity End of Year	256	560	548	906	1,312	1,307	1,294	1,276
Return on Equity	3.8%	0.0%	-2.0%	1.1%	0.5%	-0.4%	-1.0%	-1.4%

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In the outyears of the Plan we continue to see negative Return on Equity as this is a function of the rapid growth in the loans portfolio requiring increases to provision levels thereby tempering profitability.

Statement of Cash Flows

Table 5: Projected Statement of Cash Flows

for the year ended December 31 (in millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Fcst	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Cash Flows used in Operating Activities								
Net income (loss)	4	-	(8)	8	6	(5)	(13)	(18)
Adjustments to determine net cash from (used in) operating activities								
Provision for credit losses	15	17	6	15	25	38	52	66
Depreciation and amortization	-	-	-	1	1	1	2	2
Investments non-cash items	(3)	-	-	-	-	-	-	-
Changes in operating assets and liabilities								
Change in fair value of investments and accrued interest on loans receivable	(r16)	(6)	4	(6)	(8)	(4)	(5)	(5)
Change in derivative instruments	(11)	-	(6)	-	-	-	-	-
Other	-	(8)	(22)	(3)	(1)	(9)	(16)	(27)
Loan disbursements	(169)	(418)	(341)	(406)	(598)	(816)	(1,063)	(1,351)
Loan repayments	33	90	49	137	144	216	338	481
Net cash used in operating activities	(147)	(325)	(318)	(254)	(431)	(579)	(705)	(852)
Cash Flows used in Investing Activities								
Disbursements for investments	(36)	(76)	(86)	(95)	(139)	(185)	(223)	(233)
Receipts from investments	5	-	1	-	-	-	-	-
Purchases of marketable securities	(5)	(300)	(300)	(350)	(400)	-	-	-
Sales/maturities of marketable securities	5	300	300	350	400	-	-	-
Purchases of property, plant, and equipment	-	-	-	(4)	(1)	-	-	-
Net cash used in investing activities	(31)	(76)	(85)	(99)	(140)	(185)	(223)	(233)
Cash Flows from Financing Activities								
Issue of long-term loans payable	166	273	459	117	184	1,000	1,071	1,278
Repayment of long-term loans payable	-	(178)	(353)	(116)	(13)	(237)	(143)	(194)
Increase (decrease) in amount due to EDC	2	4	-	-	-	-	-	-
Issuance of share capital	-	300	300	350	400	-	-	-
Net cash from financing activities	168	399	406	351	571	763	928	1,084
Effect of exchange rate changes on cash and cash equivalents	1	-	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	(9)	(2)	3	(2)	-	(1)	-	(1)
Cash and cash equivalents								
Beginning of year	37	18	28	31	29	29	28	28
End of year	28	16	31	29	29	28	28	27
Cash and cash equivalents are comprised of:								
Cash	12	7	9	9	9	9	9	9
Cash equivalents included within marketable securities	16	9	22	20	20	19	19	18
	28	16	31	29	29	28	28	27
Operating Cash Flows from Interest								
Cash paid for interest	2	14	12	11	13	27	54	86
Cash received for interest	15	51	34	64	79	105	142	188

Download accessible versions of all financial tables here.

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 as issued by the International Accounting Standard Board (IASB). The earnings of the corporation are not subject to the requirements of the *Income Tax Act*.

Amended and Evolving Standards

The following amendments issued by the IASB have been assessed as being relevant to FinDev Canada. The changes were adopted for the annual report period beginning on January 1, 2022.

Fees in the "10 per cent" Test for Derecognition

In May 2020, the IASB issued an amendment to IFRS 9 – Financial Instruments: Fees in the "10 per cent" test for derecognition clarifying which fees to include when applying the "10 per cent" test in assessing whether to derecognize a financial liability . An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf . The amendment was adopted on January 1, 2022 with no material impact to the financial statements.

Onerous Contracts

In May 2020 the IASB issued an amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous . The amendment was adopted on January 1, 2022 with no changes 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.

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 . For financial assets and financial liabilities measured at amortized cost, the amendments introduce a practical expedient that allows the change in contractual cash flows to be accounted for as an update to the effective interest rate, as opposed to immediately recognizing a gain or loss, provided that the modification is made on an economically equivalent basis and is a direct consequence of interest rate benchmark reform.

Capital Management

Capital Adequacy Policy (CAP)

FinDev Canada manages its capital through the Board-approved Capital Management Policy in order to meet the demands of current and future business while maintaining the ability to withstand future, unpredictable risks. 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. This approach 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 its parent, EDC. Like EDC, FinDev Canada's target solvency rating has been set to AA.

3.2 Operating Budget and Notes

Administrative Expenses

Table 6: Projected Administrative Expenses

(in millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Fcst	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Salaries and benefits	10.9	17.0	16.9	23.6	29.8	35.3	39.5	43.1
Professional services	1.6	4.5	3.8	5.7	6.0	6.3	6.9	7.3
Administration costs	1.4	1.5	1.8	1.8	1.8	1.8	1.8	1.8
Systems Costs	0.6	1.1	1.0	1.0	0.9	0.9	1.0	1.1
Travel, hospitality and conferences	0.6	1.3	1.2	1.4	1.7	2.1	2.6	3.1
Marketing and communications	0.5	0.9	0.6	0.6	0.7	0.7	0.8	0.8
Impact projects	0.5	1.2	0.4	0.4	0.2	0.1	0.1	0.1
Other	0.8	1.8	1.9	2.9	3.2	3.6	3.6	3.7
Total administrative expenses	16.9	29.3	27.6	37.4	44.3	50.8	56.3	61.0

Download accessible versions of all financial tables here.

Budget 2023, released on March 28, 2023 outlined expectations for Crown Corporations to achieve expense savings. In order to adhere to the requirements, FinDev Canada has reduced spending in a number of areas including travel from what was included in the 2023-2027 Corporate Plan. Overall, this Plan reflects $6.9 million in total cost savings from 2024 through 2027 when compared to the previous Plan.

2023 Forecast

Administrative expenses are expected to be lower than projected in the 2023 Plan primarily due to lower consulting fees.

2024 Corporate Plan

FinDev Canada is targeting administrative expenses of $37.4 million for 2024. Items of significance in the administrative expense projections for 2024 are as follows:

- Salaries and benefits are projected to increase as new employees are hired to support the growth of FinDev Canada's business, consistent with its long-term strategy.
- Professional services are expected to grow in 2024, primarily due to higher IT consulting fees as the corporation builds out its digital infrastructure and executes against the roadmap presented in Chapter 3.
- The 2024 administrative expenses are partially offset by grant revenue of $1.4 million related to the 2X Canada facility.

Table 7: Travel and Hospitality Expenses

(in thousands of Canadian dollars)	2022 Actual	2023 Plan	2023 Fcst	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Travel	576	1,259	1,083	1,312	1,595	1,974	2,390	2,845
Hospitality	31	36	54	66	80	99	119	142
Conferences	23	45	32	39	48	59	72	85
Total	630	1,340	1,169	1,417	1,723	2,132	2,581	3,072

Download accessible versions of all financial tables here.

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

(in thousands of Canadian dollars)	2022 Actual	2023 Plan	2023 Fcst	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Total travel, hospitality and conferences expenses	630	1,340	1,169	1,417	1,723	2,132	2,581	3,072
Total administrative expenses	16,950	29,279	27,553	37,421	44,337	50,764	56,286	60,956
Travel and hospitality as a % of total administrative expenses	3.7%	4.6%	4.2%	3.8%	3.9%	4.2%	4.6%	5.0%

Download accessible versions of all financial tables here.

3.3 Capital Budgets and Notes

Capital Expenditures

Table 9: Projected Capital Expenditures

(in millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Fcst	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Facilities	-	0.3	0.2	4.2	0.6	0.3	0.3	0.3
Information technology	0.1	0.3	0.1	0.1	0.1	0.1	0.1	0.1
Total capital expenditures	0.1	0.6	0.3	4.3	0.7	0.4	0.4	0.4

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

Download accessible versions of all financial tables here.

The increase in the facilities forecast for 2024 is due to the need to relocate offices in Montreal to accommodate the increase in new employees required to support the growth of FinDev Canada's business.

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

Appendix 4: 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 forecasted to have outstanding borrowings from EDC of $411 million at the end of 2024. This is viewed as the corporation's baseline borrowing requirement. As FinDev Canada is still in a growth phase, the corporation is requesting the ability to have an additional contingency amount approved to support this growth. The corporation is requesting a contingency limit of US $100 million (CAD $133 million) for 2024.

EDC Treasury will leverage its expertise to undertake all borrowing, investing, hedging and foreign exchange activities on behalf of FinDev Canada.

As at June 30, 2023 the balance of the loan payable to EDC was $469 million. The balance is expected to decrease to $408 million at the end of the year, which is within the current approved limit of the borrowing facility. All loans outstanding were made on commercial terms including a market interest rate.

Appendix 5: 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. Our suite of policies addresses the legislative and policy requirements relevant to our operations in order to protect the company, our employees, and the Government 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 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 6: 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 updated its *Transparency & Disclosure Policy*[19] which approved by the Board of Directors in 2023, 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. There is a stakeholder engagement process planned to happen over the coming months as part of the update happening to the *Environmental and Social (E&S) Policy* this year. Similar to the 2019 consultation, FinDev Canada will be soliciting comments from the public and inviting key stakeholders to provide feedback on the existing E&S Policy[20] (published March 2020) and in response to the Public Stakeholder Discussion Paper that is soon to be published. FinDev Canada publicly reports on the E&S Policy Implementation[21] on its website, providing increased detail on its alignment with the commitments in the E&S Policy as well as the aggregate E&S performance of portfolio clients.

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

19 Transparency and Disclosure Policy 2023.pdf (findevcanada.ca)
20 FinDev Canada ES Policy - 02Mar 2020.pdf
21 2022_018_ES_Policy_Implementation_Report_EN_02_14.pdf (findevcanada.ca)

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, 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.

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 women 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.

Development Finance Institute Canada (DFIC) Inc.