

# Global Affairs Canada – Update June 2017

## Women and girls in our hearts, minds and actions

### Prime Minister Justin Trudeau

Society is better – more prosperous, peaceful, secure, and cohesive – when women's rights are respected, when women are valued and empowered, and when they lead the way in our communities. Much more work needs to be done.

- Women around the world continue to receive lower pay and fewer promotions.
- They are denied legal control over their bodies and reproductive health.
- They face much higher rates of harassment and verbal, physical, and sexual abuse.
- In impoverished communities, women are the least likely to have access to healthcare, the last ones to eat, and the most vulnerable to the hardships brought on by disease.



# Canada

## Feminist international assistance

- Canada's new International Assistance Policy defines a vision for a **feminist international assistance** that also supports the human dignity of the **poorest and most vulnerable people** and contributes to the **2030 Agenda for Sustainable Development**.
- The **empowerment of women and girls** and advancing **gender equality** will be at the heart of our international assistance. Concrete investments include the \$650 million in support of sexual and reproductive health and rights (SRHR) and \$150 million for Empower Now (an initiative in support of local solutions).
- Canada will be moving towards a **more flexible approach to geographic engagement** for its international assistance. Canada will continue to work with a range of countries to address **poverty, vulnerability and inequality**, consistent with the Agenda 2030 pledge to “leave no-one behind.”
- The new policy will also focus on improvements in the way we work, including measures to **mainstream innovation, diversify tools, and simplify processes**.
- Canada will further seek to strengthen its partnerships – including multi-stakeholder partnerships -- with a broad range of civil society organizations, multilateral institutions, the **private sector**, and country partners.

## Canada's approach to providing feminist international assistance

Rights-based and Inclusive: equal opportunity for all taking diversity (ethnicity, class, race, indigenous, religion, sexual orientation, gender identity, age, ability, migrant or refugee status into account

Strategic and Focused: gender equality as the primary criterion

Transformative and Activist: Challenging unequal power relations, systemic discrimination, harmful norms and practices

Evidence-Based and accountable: informed by gender-based analysis and clear accountabilities for achieving gender equality results

Engaging Men and Boys: partnerships for gender equality advocacy

Webpage:

[http://international.gc.ca/world-monde/issues\\_development-enjeux\\_developpement/priorities-priorites/policy-politique.aspx?lang=eng](http://international.gc.ca/world-monde/issues_development-enjeux_developpement/priorities-priorites/policy-politique.aspx?lang=eng)

## Action Areas

Action area 1 (Core action area): Gender equality and the empowerment of women and girls

Action area 2: Human dignity

Action area 3: Growth that works for everyone

Action area 4: Environment and climate action

Action area 5: Inclusive governance

Action area 6: Peace and security

## Action Area: Growth that works for everyone – Expanding the benefits

Inclusive growth to help the poorest, most vulnerable and marginalized

Includes support for:

- Sustainable agriculture
- Entrepreneurship, producer associations and cooperatives
- Micro, small and medium sized enterprises (MSME) development
- Access to decent work, particularly for women

## Action Area: Growth that Works for Everyone - In Detail

Canada will focus its international assistance more on increasing economic leadership and empowerment of women at all levels.

... help improve economic opportunities for and resilience of rural women.

... promote women's economic rights and access to decent work.

... promote greater financial inclusion for women, and equal access to capital, markets, digital technology and business development services.

... support technical and vocational training for women.

... help address unpaid work and the disproportionate burden of care shouldered by women.

Context:  
Improving Effectiveness

**Improving Effectiveness**

- Leverage investment (innovative finance, blended finance, DFI)
- Integrated assistance: amalgamated perspective in decision-making (humanitarian, development, diplomacy, trade, security, immigration)
- Responsive Assistance: innovation and research for development impact, effective instruments and new authorities
- Better results reporting: meaningful performance indicators

**Flexible focus**

1. Engagement in crisis and Fragile Contexts for crisis situations and protracted humanitarian crises
  2. Partnerships for Sustainable Development: longer-term development assistance to reduce poverty and support inclusive growth
  3. Partnerships for Transition: consolidated support for democracy, inclusive governance, sustained economic growth, particularly in middle-income countries
- No less than 50% for Least-Developed Countries
  - No less than 50% for sub-Saharan countries
  - Francophonie countries

Context:  
Improving Effectiveness

**More integrated assistance: Progressive Trade and Development**

- Ensure that gender equality and labour rights are fully considered in trade negotiations

**More Effective Partnerships**

- Multi-stakeholder partnerships

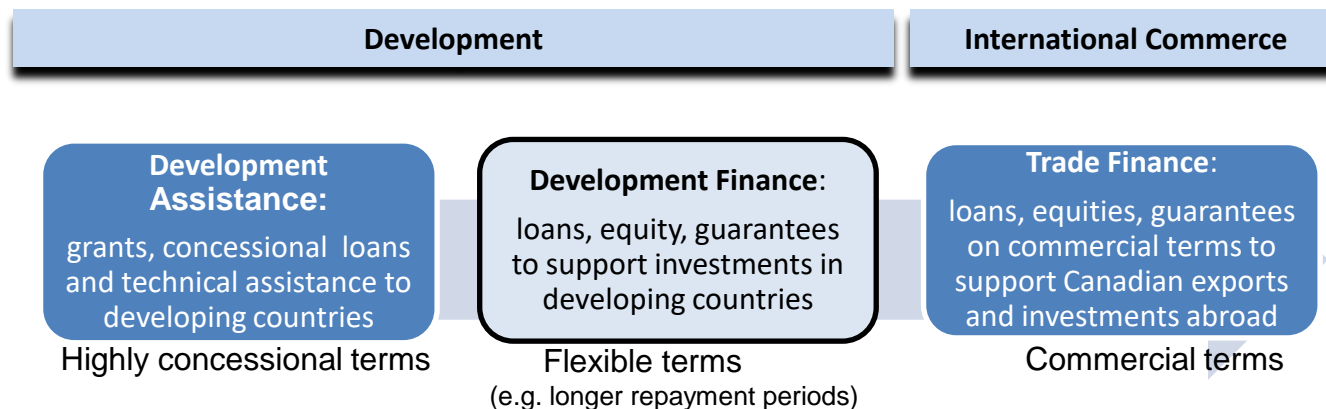
**Engaging the Private Sector**

- Attract co-financing and investment
- Advance gender equality



# Canada's Approach to the Private Sector

- While partnerships with the private sector have demonstrated an ability to achieve development results, we have had difficulties addressing directly the private sector funding gap in developing countries.



- Until now, Canada ***lacked a development finance instrument*** to partner with the private sector in order to fill this financing gap.
  - The rules governing Canada's development assistance currently preclude funding to for-profit initiatives.
  - Canada's export credit agency's trade mandate limits its ability to do meaningful development finance, i.e. the support provided needs to have a direct Canadian benefit and must be provided strictly on commercial terms.

# A Canadian DFI

- Budget 2017 announced the *Development Finance Institution (DFI)* to be established within Export Development Canada (EDC) to support Canada's development agenda.

<b>Mandate</b>	Support investments in developing countries that foster development. DFI would also have an objective to support opportunities for Canadian businesses, where appropriate
<b>Structure</b>	Arm's length, commercially self-sustaining operation
<b>Governance</b>	Minister of International Trade, in consultation with Minister of International Development, would be accountable
<b>Products and Services</b>	Provide a full range of financial instruments (i.e. loans, equity, guarantees and technical assistance)
<b>Investment Strategy</b>	<p>Work in low- and middle-income countries, privileging viable projects that involve Canadian companies and Canada's development partners</p> <p>Focus activity on high development-impact sectors in areas of Canadian comparative advantage (infrastructure, clean-tech, financial services, agri-business and natural resources)</p>

# A Canadian DFI

## Financial Considerations

- **The DFI's annual and total capitalization levels were set to enable it to participate in sufficient deal flow to:**
  - Gain experience and credibility in the market place.
  - Acquire market intelligence and project pipeline information.
  - Build towards a diversified portfolio.
  
- **Based on initial capitalization of \$300 million announced in Budget 2017, subject to a review after 5 years:**
  - Injected through non-budgetary funding transfer.
  
- **Expected initial operating and contingent risk mitigation costs to be covered from existing resources.**

# Innovative financing

## Now

- International financial institutions – a seat at all decision-making tables
- Concessional lending facilities at various international financial institutions
- Traditional grants and contributions

## Within a year

- Canadian Development Finance Institute
- Generic terms and conditions (outcome-based funding; prizes and challenges; micro-grants)

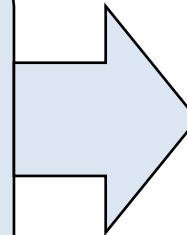
## In the medium-term

- GAC seeking conditional repayable contributions authorities to work more effectively in the blended finance space

## Transfer Payment Policy and Directive & Private Sector Investment

### Where funding is:

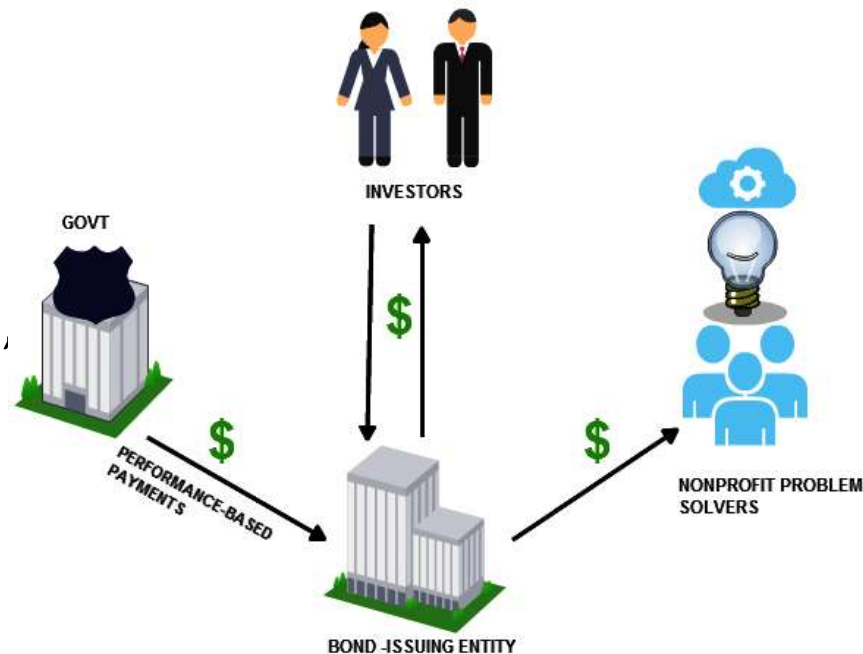
- ✓ Intended for recipients where it is **not evident that benefits accrue broadly;**
- ✓ **Profits** are generated; and
- ✓ There are **reflows**



**Repayable Contributions**  
should be used

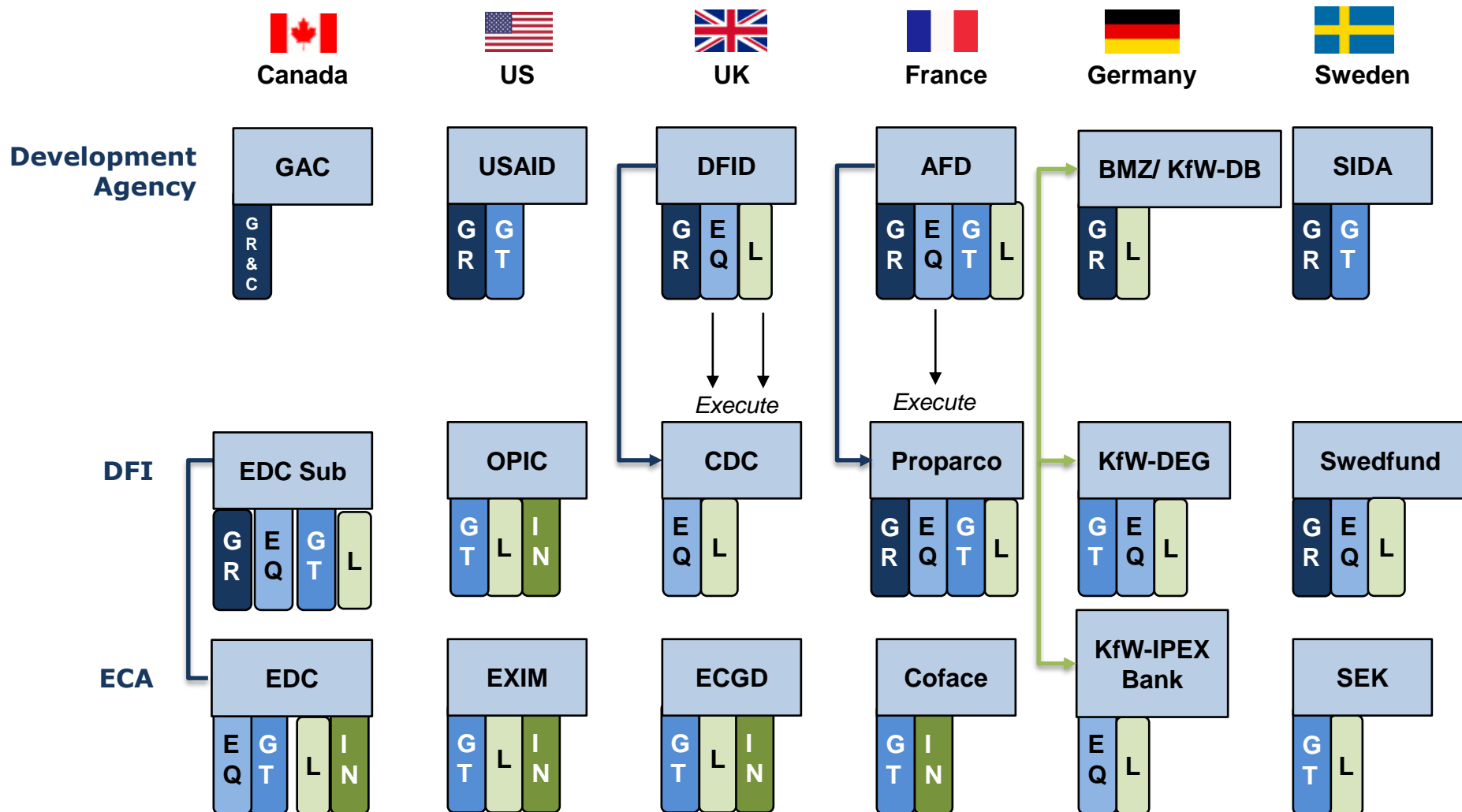
# Global Affairs Canada – Next Steps

- Strengthened capacity to deliver
  - Specialized training on Blended Finance
  - Pursuit of partnerships with Convergence Blended Finance Incorporated, the Innovation ecosystem, and key foundations
  - Participation in the GAC community of practice on blended finance
  - Leadership in the GoC innovative financing practice (Innovation Hub)



# Blended Finance

## Development funding – How Canada compares



\* Drawn from publicly available information. Direct consultations with relevant agencies recommended



Ownership  
Owned by Common Parent

# BLENDING FINANCE

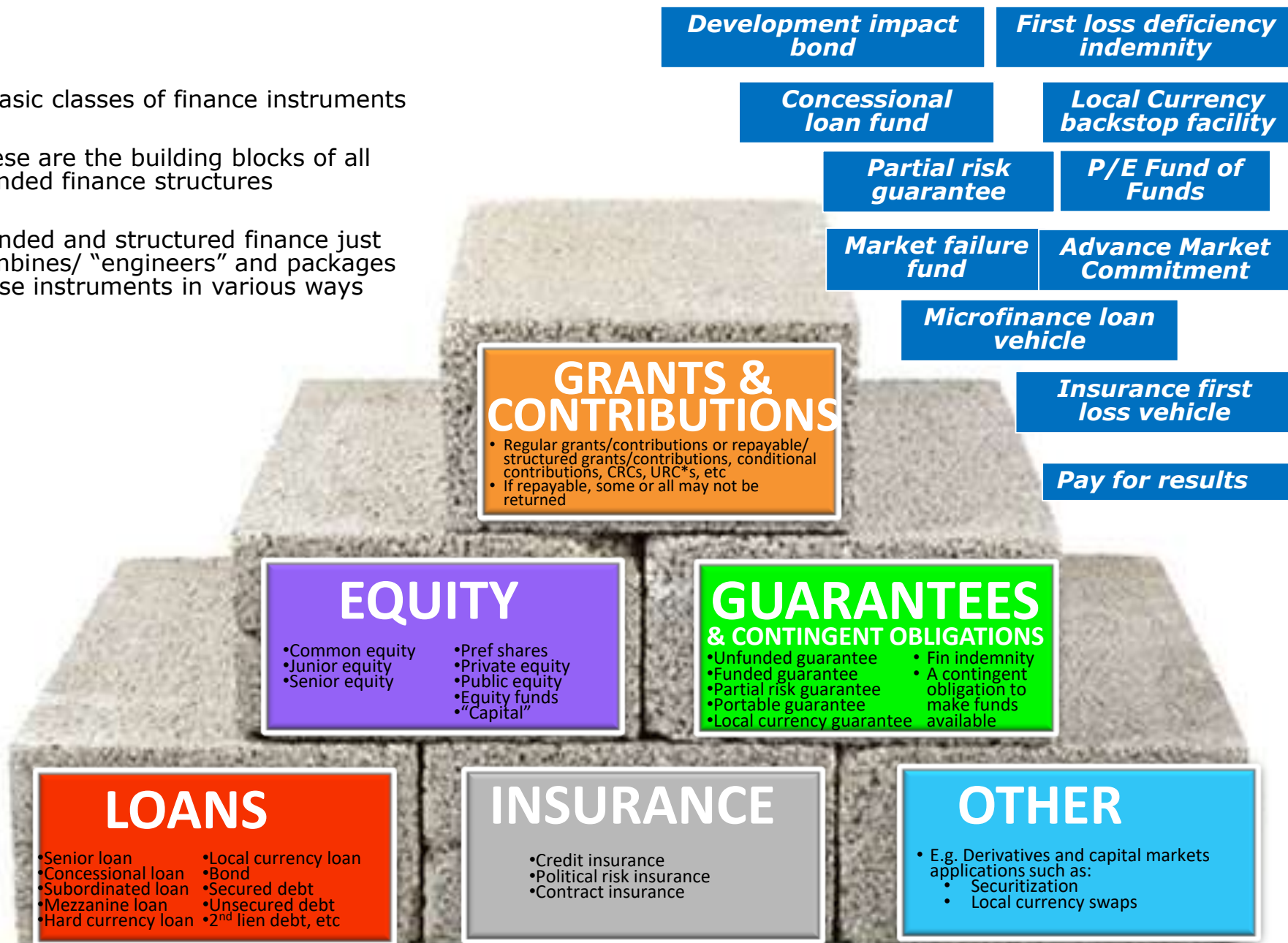
Blended finance is the use of catalytic capital from public or philanthropic sources to attract private sector investment to emerging markets.

Blended finance transactions should have three signature markings:

1. Expected positive financial return
2. Contribute towards achieving the SDGs (not every participant needs to have that development objective)
3. Public / philanthropic parties are catalytic (make happen that otherwise would attract little/no interest from private sector)

# Five finance building blocks - Key to understanding BF

- 5 basic classes of finance instruments
- These are the building blocks of all blended finance structures
- Blended and structured finance just combines/ “engineers” and packages these instruments in various ways



\* While URCs have some features comparable to loans, a categorization outside of Gs&Cs is not in the purview of this workshop



# Project Examples

## HEALTH AND EDUCATION RELATED GRANTS

GlobalVision, a global network of eye care hospitals providing high quality sight-saving surgery to low income communities

Grantee: GlobalVision (through Fred Hollows Foundation)

Grant type: Proof of Concept

Expected capital catalyzed: ~USD 300 million

Grant rationale: Replicates microfinance network approach in eye care space; novel approach to scaling up establishment of eye care clinics in LDCs

Status: Secured funding from Fred Hollows and Japanese pharmaceutical company; expected to launch pilot hospitals middle 2018

Health and education impact investing platform (HEIIP)



Grantee: N/A (IFC & Convergence partnership)

Grant type: Feasibility Study

Expected capital catalyzed: ~USD 500 million

Grant rationale: HEIIP will be the implementation platform for the WBG IDA health & education funding for IFC, one of largest blended finance facilities to-date. Convergence key role ensuring HEIIP additional + invests appropriately.

Status: IFC seeking Board approval for ~200 million funding from WBG IDA for HEIIP in June; platform design in progress

Impact bond to fund maternal and newborn health interventions in Rajasthan, India



Grantee: Palladium

Grant type: Proof of Concept

Expected capital catalyzed: ~USD 10 million

Grant rationale: Largest impact bond implemented in a developing country by a factor of 20x. Represents a novel hybrid approach, with donor outcome funders initially before transitioning to government outcome funders.

Status: Begin implementation middle of 2017

Development impact bond to fund employment interventions for Syrian refugees in host countries



Grantee: Kois Invest

Grant type: Feasibility Study

Expected capital catalyzed: TBD

Grant rationale: First multi-country impact bond implemented globally; tackles the Syrian refugee crisis – one of most devastating crisis in recent memory.

Status: Positive feasibility study, aiming to start proof of concept work soon with possible Convergence support

# Project Examples

## CLIMATE FINANCE AND AGRICULTURE RELATED GRANTS

Africa GreenCo, an intermediary off-taker and aggregator of renewable energy projects in SSA



Grantee: Africa GreenCo

Grant type: Proof of Concept

Expected capital catalyzed: ~USD 500 million (+ many times more in IPPs)

Grant rationale: Paradigm shift in renewable market in SSA by ensuring the bankability of IPPs by providing credit worthy offtake. Address fundamental market failure.

Status: Funding from Rockefeller, DBSA; working with AfDB as anchor inv.

Tropical landscape finance facility (TLFF) for renewable energy and smallholder livelihood projects in Indonesia



Grantee: ADM Capital and ADM Capital Foundation (and BNP Paribas)

Grant type: Proof of Concept

Expected capital catalyzed: USD 1 billion

Grant rationale: Game changing concept that creates efficient use of donor / DFI guarantees at fund level and crowds in bank (BNP Paribas) to provide liquidity and also sell assets when mature to institutional investors.

Status: Closing USD 200 million tran., rubber replantation, Michelin as offtake

Blue bond to finance debt conversions for conservation in small island developing states



Grantee: The Nature Conservancy (TNC) / NatureVest

Grant type: Proof of Concept

Expected capital catalyzed: ~USD 50 million

Grant rationale: TNC pioneered debt conversions, which can be replicated in multiple countries. Blue bond significant in creating fundraising efficiencies for each debt conversation

Status: Structuring underway; seeking credit wrap support

Financing facility to increase lending to smallholder farmers in the Ghanaian Cocoa Sector



Grantee: Rainforest Alliance (and Rabobank)

Grant type: Feasibility Study

Expected capital catalyzed: TBD

Grant rationale: Novel approach to tackling difficult challenge – incentivizing local banks to lend to smallholders

Status: Feasibility study completed; Convergence unlikely to participate in further activity as Ghana market difficult and unlikely to crowd private capital