



Paulo Martelli
Chief Investment Officer

FinDev Canada is an institution dedicated to providing financial services to the private sector in developing countries with the aim of combating poverty through economic growth by focusing on three main themes: economic development through job creation, women economic empowerment, and climate change mitigation. FinDev Canada is a wholly-owned subsidiary of Export Development Canada (EDC).

AVCA speaks with Paulo Martelli, Chief Investment Officer at FinDev Canada, about the firm's vision, strategy, priority areas and development impact.

NAME OF FIRM

FinDev Canada

FIRM TYPE

Development Finance Institution

PROFESSIONALS FOCUSED ON AFRICA

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Q: Could you talk to us about FinDev Canada's vision and geographical focus?

Our mission is to build a more prosperous, sustainable and inclusive world for all. Our success is built on a coherent strategy which places positive economic, environmental and social development impacts at the forefront of our activities.

As a new Development Finance Institution, identifying a practical target market where we could have the most impact and leverage Canada's expertise towards sustainable, inclusive economic growth was key to achieving our objectives.

We currently have a dual geographic focus, covering areas where Canada has the greatest strengths and experience, and where poverty is an ongoing challenge: Latin America and the Caribbean, and sub-Saharan Africa. This focus allows us to lead with impact in high-potential, diverse markets.

Q: How does FinDev Canada create development impact and differentiate itself from other development finance institutions?

We differentiate ourselves from our peers and lead with impact by working collaboratively with other actors in our space; focusing on high-impact business opportunities, and leveraging our innovative and agile approach to business. FinDev focuses on the needs of private-sectors' borrowers and companies investing in emerging markets, for development impact.

We announced an investment in Alitheia IDF (AIF) in late 2019. The first fund of its kind in Africa, AIF was developed to proactively finance and support SMEs that address unmet demand for essential goods and services and operate in priority sectors where women entrepreneurs are dominant, such as agribusiness and consumer goods.

Our transaction with AIF also qualifies under the 2X Challenge, a bold initiative that we launched along with other DFIs during the 2018 G7 Summit in Charlevoix aimed at mobilising and committing billions in capital towards women's economic empowerment. As such, AIF is expected to yield positive, scalable impacts respective to women's economic empowerment, thus contributing to our impact goals.

Sourcing high-potential, innovative business opportunities such as Alitheia IDF and leveraging our partnerships, resources and commitments, such as the 2X Challenge, to help our clients in creating development impact is key to achieving our mission.

At an institutional and industry level, we ensure that our own practices are aligned with, and drive, best practices. Moreover, we leverage our partnerships collaborations and platforms to further the gender lens investing agenda.

Q: Can you tell us about the sectors and businesses FinDev Canada has invested in?

Our investment strategy currently focuses on three priority sectors: the agribusiness value chain, green growth, and the financial industry. This approach allows us to have a favorable impact on poverty reduction, climate mitigation, gender equality and market growth.

Our portfolio continues to grow as we work to further bolster and support economic development in our target regions. Our investments in the agribusiness value chain and the financial sector currently represent 32% and 32% of our total investments respectively while our investments in green growth account for 36% of our total investments. These sectors are key to bolstering job creation, climate change mitigation and adaptation, and women's economic empowerment and participation in our target regions.

Q: FinDev Canada applies a gender lens to 100% of its transactions; gender lens investing is central to its mandate to support the growth of inclusive and sustainable businesses. How is FinDev unlocking more opportunities for women and entrepreneurs on the continent?

We intentionally invest in opportunities that actively drive positive impact on women's economic empowerment.

We are committed to businesses that are owned or led by women, that provide decent work to women, by giving women access to essential services and economic empowerment tools, as well as funds or financial

intermediaries supporting these businesses.

We also support our clients to enhance their inclusion and diversity practices and stimulate greater women's economic empowerment outcomes through our technical assistance facility and in-house advisory services.

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Moreover, we leverage our partnerships collaborations and platforms to further the gender lens investing agenda.

For example, our participation in initiatives such as the 2X Challenge, and our use of resources such as the UN Women's Empowerment Principles and the Gender Gap Analysis Tool have helped us drive more capital towards gender-smart initiatives in emerging markets as well as incentivise our clients and partners in bolstering gender equality through their activities.

Q: Emerging markets are among the most vulnerable to climate change, how is FinDev Canada mitigating risk and prioritizing clean and green investing in Africa?

Climate change mitigation and adaptation is one of our three priority impact goals, along with women's economic empowerment and market growth.

All three impact goals are crucial to achieving our mission and promoting more prosperous and sustainable economies in our target regions.

The success of our development impact goals and climate change mitigation and adaptation strategy is down to our support of sustainable industries that reduce carbon emissions and the use of natural resources. By scaling private sector climate change mitigation and adaptation solutions, our investments accelerate the transition to a low-carbon economy in our target regions.

In 2018, FinDev Canada announced a US\$20mn investment in Climate Investor One.

CIO is an innovative blended finance initiative which is helping fast track 1,100MW of renewable energy and mobilizing up to \$3bn in private capital in Africa, Asia and Latin America.

A first-of-its-kind structure, the facility comprises three distinct but interlinked funds for development, construction and operations to result in more transactions completed, shorter timeframes and separated risks for investors.

Through 30 renewable energy projects focused on solar, wind and run-of-river hydro technologies, CIO is expected to increase renewable energy capacity in Africa, Asia, and Latin America.

Thus contributing to avoiding 1.9mn tonnes of CO2 emissions, and fast-tracking 1,700 MW of renewable energy to 13 million people living in emerging countries.

Q: In some cases, lockdown measures have affected economies more than the coronavirus infection itself, what has been the impact of the pandemic on your portfolio companies, and how are you supporting their recovery?

Knowing of the current impacts on the businesses we work with, we have been working to assess what more could be done to support private sector resilience in our target markets, and anticipate potential challenges, or opportunities for our portfolio investments.

The companies we support have reported that their employees are well and working as safely as they can under the circumstances in their home countries. Moreover, the firms we've funded are responding to the crisis relatively well so far, despite the unprecedented challenges and the uncertainty markets around the world are currently facing.

We have been seeking to partner more pro-actively with companies in our priority markets to support their growth and resilience. We've also reduced our regular investment approval decision-making process and are processing select transactions in as little as 60 days.

Q: What are your views about the evolution of Africa's private equity and venture capital industry? What role do you see development finance institutions playing in the continent's growth?

We believe that development finance institutions should – and will – continue to support and invest in African private equity. Notwithstanding ongoing economic uncertainty, private equity continues to be an important part of our portfolio, as this asset class enables FinDev Canada to reach segments and impact results that we would struggle to achieve on our own.

In 2020, FinDev Canada approved investments in two African private equity funds: Development Partners International, whose signing was announced in June, and Phatisa Food Fund, which we approved in August and expect to close soon. We continue to examine other opportunities in this sector for 2021.

Micro-, small-, and medium-sized enterprises (MSMEs) are particularly under pressure as they face the current global health and economic crisis. We understand these

enterprises are the lifeblood of African economies: supporting them is key to protecting employment for vulnerable populations in these regions.

As such, we have joined over 20 public development banks, more specifically development finance institutions, in signing the Coalition for a sustainable and inclusive recovery for the private sector during the Finance in Common Summit and committing to dedicate at least US\$4bn to African MSMEs by the end of 2021 through a wide range of financial instruments and in partnership with local intermediaries and partners.

Q: What are the priority areas for FinDev Canada over the next 12 months, and are there emerging trends that you have identified?

The COVID-19 crisis has had a considerable impact on our target markets, and we are actively working to support private sector resiliency during these unprecedented times. Over the next 12 months, we anticipate moving from transactions that focus on liquidity-enhancement to long-term economic recovery and resilience.

Moreover, FinDev Canada will continue to grow in terms of transactions, development impact achieved and staff. We also expect to continue to work closely with our clients and partners to identify co-investment opportunities, given the likely continued restrictions on travel for a fair portion of 2021.

Q: How has FinDev Canada benefited from its AVCA membership?

We value and enjoy being part of the private equity community that AVCA is convening. This membership has enabled us to access networking opportunities in our priority regions and connect with potential partners and clients through their thought leadership opportunities.

Moreover, this membership has allowed us to access useful market data, including their research desk, which has been key to providing us with bespoke research on GPs based on our investment criteria.

Want to learn more about FinDev Canada? [Click here](#) to explore AVCA's 2020 Member Directory.

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