



## Development of the DFI Concept

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The call for a Canadian DFI is not new, but momentum for the idea is clearly growing within industry, the financial community, and government.

➤ IC, CIDA, and DFAIT have all recently commissioned studies endorsing a Canadian DFI.

➤ The DFI concept is strongly endorsed by a wide array of industry associations, including:

- *Canadian Manufacturers & Exporters;*
- *Association of Consulting Engineers Canada;*
- *Geomatics Industry Association of Canada;*
- *Canadian Environmental Industry Association;*
- *Canadian Centre for Marine Communications*

1987	Standing Committee on External Affairs and International Trade	Recommends that "CIDA undertake an in-depth analysis of the implications of establishing an equity instrument."
1993	DFAIT "The Canadian Foreign Investment Fund"	Canadian business community strongly endorsed the need for a Canadian foreign investment fund.
1997	IC Round Table "Canadian Service Companies and Privatized Infrastructure in Non-OECD Countries"	"The most difficult aspects of project financing are raising the funds necessary to cover the development costs. Project funds are extremely difficult if not impossible to come by at the stage of a project."
1998	IC Conference "Winning in Global Infrastructure Markets - Solutions Through Partnership"	Identified "gaps" in financing, particularly in respect of access to equity financing and the financing required during the high cost/low development phase of PFI projects.
1999	CIDA Canadian International Development Fund	"The fund would foster economic growth in LDCs by stimulating Canadian foreign investment through the provision of loans and equity financing."
2000	CIDA/CAC "Reason on a Canadian DFI: Rationale, Funding and Organization"	"A Canadian DFI would effectively fill an existing and increasingly significant gap in the range of instruments available to enable the Canadian Government to support economic growth in developing countries and enable Canadian firms to take advantage of investment opportunities."
2001	Asia Pacific Foundation of Canada	"Canadian companies are missing out on profitable investment opportunities in developing countries because Canada lacks a development finance institution to provide the capital that our commercial banks seem uninterested in lending."
2001	DFAIT/CIDA "Canadian Companies Doing Project and Capital Goods Business in Developing Countries"	"In developing countries, Canadian firms need a partner carrying the Canadian flag that will help them pursue business and mobilize the necessary risk capital."



• Over the past few years, the DFI initiative has been advanced by an interdepartmental working committee comprising DFAIT, Industry Canada, Finance, CIDA, EDC, CCC and others.

• The idea itself dates as far back as 1987, when the Standing Committee on External Affairs and International Trade recommended "that CIDA undertake an in-depth analysis of the implications of establishing an equity instrument."

• A 1993 study commissioned by DFAIT found demand in Canada for DFI-type services, and surveyed Canadian firms on preferred investment destinations.

• A 1998 review of Canada's activities (PFI Conference) acknowledged that a financing gap exists and recommended that a DFI should go ahead, and that CIDA should participate in shaping the initiative.

• A CAC study in 2000 (commissioned by CIDA) confirmed the financing gap and recommended structural and operational guidelines for a Canadian DFI.

• Finally, a DFAIT-commissioned study in late 2001 confirmed that Canadian firms need a DFI-like partner to champion business in developing countries and mobilize the necessary risk capital.