

EWB Briefing Note: Set Canada's DFI up for success by investing in women entrepreneurs to maximize development additionality

On May 5, 2017, Prime Minister Trudeau announced that Canada's Development Finance Institution (DFI) will provide an initial capitalization of \$300 million over five years with a particular focus upon women and youth entrepreneurs; moreover, it will be located in Montreal and operational by January 2018. EWB has played a significant role in the creation of the DFI by working with different stakeholders and building support across all federal parties over the past four years. We have met with MPs and appeared in front of committees to make a compelling case about why Canada needs a DFI as part of its development toolkit. We are committed to making sure this institution is set up for success.

As an organization that invests in early-stage ventures, we understand the complex environment of impact investing and applaud the DFI's creation and mandate. EWB views the operationalization of Canada's DFI as a significant achievement because we understand that the private sector creates 9 out of 10 jobs in developing countries. Entrepreneurs in these regions, particularly women, routinely describe lack of access for long-term financing as a barrier for business in comparison to developed countries. Small-medium enterprises (SMEs) provide 66% of full-time employment opportunities in developing countries, where it is estimated the credit gap for SMEs is about \$850 billion dollars.¹ It is also worth noting that 8 to 10 million formal SMEs in developing countries are owned by women, but approximately 70% do not have access to credit or are credit constrained.^{2,3}

Today, Canada's DFI has a choice: either it can make safe investments in late-stage businesses that are already tried and tested, or it can also provide patient capital to the ventures that need it most as part of its investment portfolio. **We recommend that Canada should #BeAdVENTUROUS and invest in early-stage, high-risk SMEs, particularly those led by women, to maximize development additionality in low-income countries.** Canada can distinguish itself by intentionally pursuing risk-adjusted, below-market returns in order to support companies that can provide new opportunities for those who are typically unserved by the market.

We recognize that this DFI needs to walk before it runs and understand that deploying patient capital is long-term objective that requires building institutional expertise in order to balance financial returns and social impact. For these reasons, we will continue to monitor this institution closely as it is operationalized and look forward to serving as a thought partner in helping Canada's DFI successfully deliver on its mandate for poverty reduction and economic growth.

Action: Please write to the Minister of International Trade to show your support for a Canadian DFI that provides patient capital to early-stage, high-risk SMEs, particularly those led by women entrepreneurs. A sample letter will be provided to your office shortly.

¹ [IFC Job Study \(2013\)](#)

² [ILO Women's Entrepreneurship Development \(2013\)](#)

³ [Goldman Sachs \(2014\)](#)



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EWB is a Canadian registered charity that invests in people and ventures to create a thriving and sustainable world. Bolstered by its network of 40 chapters and 1600 members, EWB provides seed funding, talent and mentorship to social entrepreneurs throughout sub-Saharan Africa. EWB's advocacy work focuses on increasing Canada's development effectiveness through equipping young Canadians with the skills to engage the public and political leaders. For more information, visit www.ewb.ca.