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Development Finance Institutions As Tools For Foreign Aid Distribution: A Comparative Analysis of the Overseas Private Investment Corporation, FinDev Canada and Deutsche Investitions – und Entwicklungsgesellschaft

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By

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ABSTRACT

An understanding of how foreign aid has changed requires a thorough examination of the efforts taken in aid to address the widening finance gap in development, alongside the often-contested issue of aid effectiveness. This is particularly the case when looking at how aid should be paid for. Yet the question of how to best program and deliver foreign aid remains unanswered.

Aid remains one of the largest aspects of international transfers of resources that occur in the world, as such it is important to study it. The rise of Development Finance Institutions, which are publicly owned, private lending institutions helps fill a persistent gap in the aid model. Development Finance Institutions are tied to public policy objectives that support development priorities, foreign policy trade and business interests. In most cases Development Finance Institutions aim to operate without costs to taxpayers which is why they are often coined as free development spending for governments.

The accelerated emergence of Development Finance Institutions has caught scholars by surprise. Why now, and whether they are indeed a new innovative avenue of development was explored throughout this analysis. Taking a look at three bilateral development banks illuminated the growing validation of the private sector as a development driver, alongside pointing to needed criticism of their engagement. Development Finance Institutions may be a niche way to enter markets that private banks would not normally do, however they are not the ultimate answer for the larger question of what will make aid truly effective.

DEDICATION

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ABBREVIATIONS

AAA – Accra Agenda for Action
AIIB – Asian Infrastructure Investment Bank
BIO – Belgium Investment Company for Developing Countries
BPA – Busan Partnership Agreement
CIDA – Canadian International Development Agency
DAC – Development Assistance Committee
DEG- Deutsche Investitions – und Entwicklungsgesellschaft
DFAIT – Department of Foreign Affairs and International Trade
DFATD – Department of Foreign Affairs, Trade and Development
DFI(s) – Development Finance Institution(s)
EBRD – European Bank for Reconstruction and Development
EDC – Export Development Canada
ESG – Environmental, social and governance risks
FD- FinDev Canada
GAC – Global Affairs Canada
GPR – Corporate Policy Project Rating
IFC – International Finance Corporation
ILO – International Labour Organization
INC – Investment Cooperation Program
LDCs – Least Developed Countries
MDGs – Millennium Development Goals
NDB – BRICS New Development Bank
NGOs- Non-governmental Organizations
ODA – Official Development Assistance
OECD – Organization for Economic Co-operation and Development
OPIC- Overseas Private Investment Corporation
PD – Paris Declaration on Aid Effectiveness
SME – Small and Medium-sized Enterprises
WBG – World Bank Group

CHAPTER 1- INTRODUCTION

The development landscape has undergone continuous change since its conception at Bretton Woods, yet the question of how best to program and deliver foreign aid has yet to be resolved. Within the realm of international development, the conception of the third world, now called the Global South, and its role has often been left in the hands of the Global North. When considering the uneven impacts of aid across the Global South, and the application of neoliberal approaches to development over the last 30 years, it is clear that aid remains the subject of intense political and economic debate. An understanding of how foreign aid has changed requires a thorough examination of the efforts taken in aid to address the widening finance gap in development, alongside the often-contested issue of aid effectiveness. This is particularly the case when looking at how aid should be paid for. Additionally, exploration of the theoretical underpinnings that surround this debate; the Left versus Right, and the arrival of third world donors in the development arena are of great importance. In particular the re-emergence of the private sector in the form of Development Finance Institutions (DFI's) and the role they play in aid remains understudied.

Aid is one of the largest aspects of international transfers of resources that occur in the world. It is often primarily of a financial nature and is aimed at development and poverty reduction within recipient countries. Official development assistance (ODA), as defined by the Development Assistance Committee (DAC), of the Organization for Economic Co-operation and Development (OECD), relates to

> "those flows to countries, territories and to multilateral institutions which are provided by official agencies, including state and local governments, or by their executive agencies, and each transaction of which is administered with the economic development and the welfare of developing countries as its main objective, and is concessional in character and conveys a grant element of at least 25%" (OECD 2018).

Aid since the introduction of the Sustainable Development Goals in 2015 has switched assistance focus back to poverty issues with attention being drawn to economic, social, and environmental dimensions of development. The rise of Development Finance Institutions, which are publicly owned, private lending institutions helps fill a persistent gap in this bottom-up model. DFIs are tied to public policy objectives that support development priorities, foreign policy, trade and business interests. In most cases, "DFIs also operate without net costs to taxpayers, meaning that governments can treat DFIs as free development spending" (McLeod 2016, p.2). The aid effectiveness debate has its own definitional flaws, however for understanding DFIs, effectiveness tends to deal with goals in an operational manner and measure the success of aid interventions based on criteria that are largely donor-driven (Essex 2012, p. 339). The way different meanings and consequently practices relating to aid effectiveness have emerged has led to a new set of standards and regulations at varying scales. Institutions at all levels are setting national and international standards that are regulated via agreements that aim to address the most appropriate principles and best practices but are often "muddied by domestic political interests and foreign policy objectives within official development assistance agencies" (Essex 2012, p.339).

The accelerated emergence of DFI's has caught scholars by surprise. Why now, and whether DFIs are indeed a new innovative avenue of development has been relatively understudied. Numerous scholars (Pratt 1994; Essex 2012; Mawdsley 2018) have explored the foreign aid system and its historical development, but few have explicitly looked at the role of the private sector and the emergence of DFIs. The trend of DFI's emerging in third world countries speaks to the changing landscape in development. Emerging donors in development, through DFIs present themselves as avenues to aid that allow for complementary assistance while remaining tied to highly specific mandates and goals. A comparative analysis will show how the newly announced Canadian Development Finance Institution, that was presented in the 2017 federal budget will aim to harness the best practices, following the examples of development institutions such as the German Development Bank and the US Overseas Private Investment Corporation to make Canada's foreign aid more effective, though effectiveness again is often defined in donor-centered terms. A "third wave" of aid has thus emerged, one in which the private sector has a larger role to play. This wave represents itself as encapsulating every sector: the public sector, the private sector, and the social sector (Band-Aid or Private Aid, 2010).

A growing share of aid is funneled, not through charities or non-profit foundations, but through consultancies and other private-sector contractors that profit from the work (Doing good, doing well, 2017). The steps that many governments around the world are taking, seems to point towards more encouragement of private sector engagement. Scholars point to the notion that greater private sector participation in development efforts has become a dynamic process, which has become the driving force behind national development (Glavin 1994, p.61). As the changes in foreign aid continue to occur, donors' goals are shifting alongside changes in institutions and often new public institutions have been added to carry out the projects of a new era of development ideas (Meyer 1992, p. 1115). Until a decade ago, most international resources flowing into developing countries came from governments, however a shift in paradigm, as authors like Mawdsley and Adelman point to, has set foreign direct investment and financial markets to take off in emerging economies (Mawdsley 2018, p.179; Adelman 2003, p.10).

As it has been coined, the era we have entered in terms of development and its focus on the private sector and development finance institutions is known as the "development effectiveness" paradigm. The paradigm tends to elevate the role of the private sector and re-centres economic growth and enhanced productivity to the core of mainstream development thinking (Mawdsley et al. 2014, p. 27). This shift is important to study as it creates a set of new roles and implications for rising powers, and other non-state actors in development. Rising powers such as China and India now have distinct roles as development actors, alongside the other BRICS states. The two new multilateral development finance institutions, the BRICS New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB), are fast becoming important players in the new development finance landscape (Wentworth & Makokera 2015, p. 328). The growing validation of the private sector as a development driver, and the changing institutional architecture and global governance regime of aid and development, means there is growing need for focused scholarship on best practices concerning engagement of the private sector and DFIs (Mawdsley et al., 2014, p. 27).

Understanding this trend of DFI emergence is staggering when looking at empirical evidence.

> Aid to least developed countries (LDCs) increased by 12.3% in 2013 after two consecutive years of cuts in official development assistance (ODA) in 2011 and 2012. Global ODA flows then reached a record $135 billion in 2013, but there was an effective 4% decrease in bilateral aid to Sub-Saharan Africa in 2013, to $26 billion. In 2010 ODA flows still exceeded FDI, with $47 billion in ODA and $47 billion in FDI, respectively. By 2012 that trend had reversed, with FDI exceeding ODA by approximately $6 billion. (Wentworth & Makokera, p. 326, 2015)

Different donor states approach these global trends in a variety of ways, though all have sought to engage private sector actors more directly. Within developing countries Canada has made strides to actively engage the private sector, such as development efforts aimed at building the "resilience of farmers to climate shocks by providing them with the needed knowledge and inputs to help them improve their agricultural output and earn more to support their families" (McLeod 2016, p.1). So, although the introduction of the Development Finance Institution in the 2017 budget may have come as a surprise for many, Canada is not new to such investment mechanisms in the aid architecture. The Investment Cooperation Program (INC), founded in 1978 as the Canadian International Development Agency's (CIDA) Industrial Cooperation Program, mimicked elements of a DFI in that it sought to support Canadian businesses with operations in the developing world (McLeod 2016, p. 2). As aid has evolved, the only agreed upon measure relating to the effort of donors in international development remains the proposed ODA to GNP target of 0.7% which was introduced in 1968 at the Commission on International Development (McLeod 2015, p. 2).

The occurrence of large-scale assistance has been historically tied into many countries' foreign assistance priorities. Starting in 1896, the United States had provided aid in the form of food aid overseas. Despite their early entanglements, the United States actions in terms of food aid still linger, in the 2007-2008 global food crisis, the country had a response. Engagement in this sort of aid was aimed at providing a comprehensive approach to "address a set of persistent development challenges, [such as] rural poverty and agricultural underdevelopment" (Essex 2013, p.16). Although of sound practice, the programs revealed the

> lingering tensions between geopolitical and geoeconomic approaches to development, the relative instability and precariousness of USAID's position within the American state and the global aid architecture, and the inability of neoliberal globalization to provide a stable, equitable, or just path to development. (Essex 2013, p.16)

The British government had taken up aid efforts to support infrastructure projects under the Colonial Development Act of 1929 (Wenxing 2016, p.26). After World War II, the avenue used for international development assistance took on economic elements. Following the Marshall Plan, European and American decision makers aimed to provide similar roles for aid in the developing world as they did in parts of Europe after the war. The Marshall Plan ushered in a system that led to what was largely known as North-South Assistance (Wenxing 2016, p.26). By the 1980s the emergence of neoliberal ideology began influencing the planning, delivery, and ideological goals of foreign aid, and by 1989 "the Washington Consensus became the cornerstone of the development cooperation strategy of [institutions] such as the IMF, the World Bank, and the US Treasury" (Wenxing 2016, p. 26).

The growing challenge now has become, how the private sector can be most useful within the realm of development, and in particular how the DFI, in the Canadian context should position itself. It is thus important to find the means to make private-sector engagement attractive and effective, especially at this early stage. Ideally, corporate participation would provide twin benefits: (1) investment in developing states, with resulting jobs and opportunities, and (2) the provision of managerial know-how and expertise to enable all the actors in the field—the World Bank, the United Nations, and civil society—to operate in a more streamlined and synergistic fashion (Gerson 2001, p. 107). The major questions that need to be asked are what international best practices Canada's DFI should adopt, and how those would enable the institution to become complementary to the existing development landscape. Bilodeau-Bouchard et al. (2017) examine the manner in which the private sector should remain involved. There is a need for DFIs to understand their role as niche players in development, and by doing so they will garner the ability to target areas where they can have the greatest development impact.

> Private sector involvement in development should build on and contribute to established development effectiveness principles (developing country ownership of priorities, inclusive development partnerships, transparency and accountability, and a focus on results). It should also align with and support the Sustainable Development Goals. Private partnerships should also consider cross-cutting development themes.

(Bilodeau-Bouchard et al., 2017, p. 6)

The aim of DFIs should be to help those in poverty through investment, fair and decent employment, expanding markets, creating innovation and generating sources of revenue for government programs (Tomlinson 2012, p. 10). The growing conception that development impact and return from investment are two sides of a highly beneficial coin, which DFIs can readily deliver, makes it likely that the upward trend in public financial flows to the private sector via these agencies is likely to increase significantly in the coming years (Tomlinson 2012, p. 40). As the trend will continue, there are several important recommendations that I believe would help the Canadian case and ensure that foreign aid through DFIs is indeed effective.

Continuing criticisms of the impacts of foreign aid have brought sweeping changes in its goals and objectives over the past 50 years, and called for increased transparency, accountability and alignment of interests (Ghosh & Rondinelli 2003, p. 1529). These are aspects that development finance institutions must also incorporate, and often are points of criticism for why they may not work. It is important to remember that all investment or innovation may not have an impact on poverty and growing socio-economic inequalities in many countries experiencing strong economic growth (Tomlinson 2012, p.10). In an ideal world, the objectives of recipient governments should be to optimize social conditions and the goals of donors should be benevolence, however that rarely tends to be the case (Ghosh & Rondinelli, 2003, p. 1530).

In the globalized world, the continued hegemony of neoliberal values has created this focus on economic growth as necessary for all development. The belief is that private solutions are more effective than their state counterparts (MacLean & Brass 2015, p.69). This is seen as there exists, as MacLean and Brass so aptly put, two components to the private sector preference in development. First, competition for business and the profit motive make private organizations more efficient than governments; second, development activities that involve the creation of profit are inherently more sustainable than those that do not, since the profits can be reinvested to create additional revenue that can grow over time (MacLean & Brass 2015, p.69). Although MacLean and Brass point to the sustainability of profit in development, it is important to acknowledge the instability of the capitalist system. Profit is often only produced in a capitalist system that inherently tends toward crisis and instability. This is because of competition and technological change. The volatility of currency markets and the massive debt most developing states now carry also make instability much more common than any kind of economic stability. The ability to have economic stability drives financial development and the attractiveness of DFIs globally, as countries wish to withdraw from a place or sector as it becomes self-sufficient (MacLean &Brass 2015, p. 69).

Development Finance Institutions must contend with a range of policy considerations about development effectiveness, the best way to include the poorest countries and communities in private lending, and coordination with other aspects of a donor state's foreign and development policy system.

The rise of emerging economies has challenged the existing international order. Private sector investment is certainly needed to address important investment gaps throughout the developing world, but it is "no silver bullet, nor is it a substitute for official development assistance" (McLeod 2016, p. 3). New donors and DFIs are helping to break the “dominance of the western countries in global finance system and improve the positions of developing countries in the traditional development finance institutions” (Wenxing 2016, p. 28). It has become clear that private participation unleashes the power of certain market mechanisms that can break down challenges to access (Mawdsley et al., 2014, p. 327). What remains to be questioned is does the private sector provide an appropriate institutional alternative to the public sector for developing countries when it comes to effective and sustainable development (Meyer 1992, p. 1116)? To start, this paper will examine the literature that currently exists surrounding foreign aid and development finance institutions. A comparative analysis following the pre-existing scholarship will point to evidence and argument for best practices that the new Canadian Development Finance Institution should consider. The paper will end with recommendations for DFIs and the role they play in the Global South. Drawing to a conclusion about the large arena of politics that surrounds development, and as such proper navigation and understanding of the myriad of ways to move through the development landscape are needed to truly begin to address poverty globally and make foreign aid work.

CHAPTER 2

LITERATURE REVIEW

Reinventing The Wheel

The philosophy surrounding aid within Canada has begun to fall behind most developed nations around the world. In theory, Canada's foreign aid has aimed at being a driving force behind the eradication of poverty within the poorest nations across the globe. However, in practice time and time again Canada is seen falling behind and increasingly providing decreasing levels of funding despite the overwhelming support the Canadian public remains to have about foreign aid within Canadian policy (Otter, 2003). Canada's net official development assistance was USD 3.93 billion in 2016. This represented 0.26% of gross national income, well below the international benchmark of 0.7% ODA to GNI (OECD, 2018). The substantial drop in ODA since its former level of 0.31% in 2012 is troubling seeing Canada was still enjoying relatively robust economic growth.

The manner in which aid has been framed within the Canadian context has always remained a highly contested issue. Foreign policy within Canada has often been discussed in relation to the dynamic state of policy, whether or not it is effective, and the power involved that often motives action or inaction when it comes to foreign aid. Much of the scholarship on foreign aid within Canada takes the stance that there exists distinct trade-offs in a post- CIDA (Canadian International Development Agency) era within foreign policy. The federal government agency was intended to be responsible for administering most of Canada's official co-operation program with developing countries and countries in transition. CIDA was merged into the Department of Foreign Affairs and International Trade in 2013, which has been called Global Affairs Canada since 2015.

The merger was designed to make aid more instrumental as part of the foreign policy apparatus than it was when independent under CIDA.

There continue to be calls for reinventing or reimaging Canadian foreign aid to respond to the institutional and programmatic problems that have arisen over the forty-five year lifespan of the Canadian International Development Agency, with issues such as excessive bureaucracy, slow delivery and frequently shifting priorities remaining present even after the merger (Brown et al., 2014, p.1).When trying to understand where Canada's stance on foreign aid comes from, and why policy has been framed in the manner it has, a few important historical aspects of how aid came to be are important to highlight.

Aid within the Canadian context has found itself focused on three essential movements throughout time. Beginning with the steady expansion of aid channels within the Canadian system as it worked to keep pace with global trends, Canadian development aid moved from a basis in a humanitarian impulse that was always limited and bent by economic and political interest at home and in foreign policy, to one where aid and trade were in more direct and continuous competition, as seen in the 1980s and especially the 1990s and 2000s with the ascent of the dominant neoliberal approaches to aid. The more recent shift is one in which public-private aid channels like DFIs are becoming the norm in the development arena and Canada is working to catch up with international norms.

Borrowing Ideas: What is Aid?

Understanding the rise of development finance institutions first requires a thorough conception of what foreign aid is, but also what DFIs are as well. There are numerous definitions of aid that scholars employ, however, most common conceptions of the term refer to things such as official development assistance and the formal definitions presented by international institutions such as the OECD and the World Bank. It is important in light of this to understand the variation in how aid is defined, as it helps understand why the development effectiveness paradigm has occurred. Authors like Abuzeid define aid via the World Bank definition, thus only concerning Official Development Assistance (ODA). ODA "is seen as the flow of official financing to the developing world that is concessional in character, namely grants and loans with at least a 25 percent grant component" (Abuzeid, 2009).

Others, like Thérien, take aid more politically. Depicting aid as thoroughly entrenched in modern North-South relations, Thérien argues that many observers now regard it as an integral part of customary international law (Thérien 2002, p. 339). Building on the OECD definition, which is by far the most prevalent, aid for Thérien (or 'overseas development assistance' (ODA)) refers to the loans and grants allotted to developing countries and which fulfil three criteria: 1) the loans and grants must come from the public sector, 2) they must be granted with the aim of fostering economic development, and 3) they must be concessional and contain a grant element of at least 25% (Thérien 2002, p. 450). Adelman, on the other hand, points to foreign aid as complex and diverse partnerships, stating that foreign aid entails fostering local philanthropy in developing countries, aiming to increase accountability and the effectiveness of aid dollars by funding independent community foundations (2003, p. 11). Foreign aid thus allows countries not only to develop economically but also to begin meeting development needs on their own. Adelman’s take on aid gives attention to social aspects of aid projects, that on occasion are neglected when aid is defined in more political and economic terms.

Although the aforementioned authors present thorough understandings of what aid is, there are a vast number of scholars whose typology is contextualized in opposition to aid. Avoiding the standard institutional definitions seen above, another conception of aid is presented by Moyo, who lays out three dimensions. Aid for Moyo is either of a humanitarian or emergency aid nature, or a charity-based aid, and lastly systematic aid. Humanitarian aid deals with "aid that is mobilized and dispensed in response to catastrophes and calamities"(Moyo 2009, p.7). Charity aid is "disbursed by charitable organizations to institutions or people on the ground" (Moyo 2009, p.7). Finally, systematic aid is "aid payments made directly to governments either through government-to-government transfers or transferred via institutions" such as the World Bank (Moyo 2009, p.7).

Alongside Moyo, William Easterly is at the forefront of contemporary criticisms of aid. Easterly falls into the camp of understanding the problems of the aid effectiveness debate in relation to donors. Describing the first tragedy of aid as relating to the actual human costs of extreme poverty, something Easterly says advocates of aid have addressed in a better manner than the second tragedy. The manner in which he describes, what he calls the “second tragedy” of the world’s poor relates to his conception of the failure of aid. Arguing that the second tragedy is due to the “mistaken approach that traditional Western assistance takes toward world poverty” (Easterly 2007, p.5). Easterly takes aid to require increased independent evaluation, insisting that for aid to be used effectively, it should provide easily measurable outputs, such as “the vaccines, the antibiotics, the food supplements, the improved seed, the fertilizer, the roads” (Easterly 2007, p.368-9).

There often appears two camps when it comes to understanding whether development works. Some scholars argue that two variants of altruism exist in foreign aid. A humanitarian discourse, centered upon a normative commitment to "serv[ing] underdeveloped or neglected populations ... and provid[ing] services to those in need"; and a development discourse, focused on the "root causes" of poverty and sustainable, long-term improvement (Büthe et al., 2012, p. 573). Ang argues that although many developing countries have received a substantial amount of foreign aid over the last few decades, there is no consensus regarding its impact on growth (Ang 2010, p.197). Authors like Burnside and Dollar (2000), and Collier and Dollar (2002), argue that aid assists growth but only in good policy environments (Ang 2010, p. 197). Quibria, argues that aid itself has been overhyped as a driver of economic development, regardless the scholarship that exists on aid effectiveness against current policy concerns remains scarce. Stating that the chasm between the empirical research and the policies and practices seems to have widened further, with the former tending more toward obfuscation and obtuse econometrics and away from substantive policy issues (Quibria 2014, p. 83).

Authors continue to relate that the debate on effectiveness has indeed become sharply divided between those who remain optimistic about aid's impacts and those who are pessimistic about foreign aid more broadly. There continues to be a clash between the interests of particular states, sectors, and institutions occurring on two levels. The first *within* donor and recipient countries, and the second *between* donor and recipient countries. There are fundamental disagreements over the nature of development and the proper way to achieve it amid deep inequalities of power and agency (Mawdsley et al., 2014, p. 29).

Reuber (1969) presents the argument that to fully understand the complexity of foreign aid within Canada, one must focus on the clash between economic motives and those of a humanitarian nature. His view is one echoed by many others since this early work stating that Canadian foreign policy should take a niche approach to action, where Canadian interests and policy have the maximum impact without great public expenditure (Potter, 1996, p.25).

The perceptions of how Canadians view engagement overseas has long been an important component of how the Canadian government programs and delivers foreign aid. Stairs argues that the current research does not provide an avenue to criticize in a healthy manner that foreign policy really is not driven by virtue but rather self-interested Canadian elites (2003). The reality is that Canada's foreign aid is a creation of a mixed set of motives, not simply economic ones, but perhaps also humanitarian ones. Some scholars agree that aid is only effective when it occurs due to humanitarian, or philanthropic motives. There is movement within the foreign aid debate to see donors move away from "photogenic" aid – the flagship sort of projects that garner a good public image – to considering what benefits actually arrive for the receiving countries (Brown, 2013, p.505).

Banking Development

Although the debate around how aid should be defined is a lengthy one, the definitional work that exists discussing DFIs tends to be in agreement on their purpose and use in the development landscape. There is no universal model to which development banks conform, each bank is structured with and by the political, social, and economic fabric of the country in mind (Kane 1975, p.13). As they aim to not simply finance development projects in the poorest countries, but also tend to provide related supportive services as Kane describes (1975, p.14). In India, for example, there exists a multi-tiered system of development banks in which the government-owned Industrial Development Bank acts as a central source of credit for a network of development banks (Kane 1975, p.14). DFIs fill the gap between traditional forms of aid and the work of private lending institutions. They are intended to address capital market failures in developing countries by providing finance to private companies. They aim to help countries by investing and promoting development outcomes and economic growth in a positive manner. They achieve such by providing technical assistance, and fostering higher environmental, social and governance standards (Bilodeau-Bouchard et al., 2017, p.2).

DFIs can be state-owned, private, or some form of public-private partnership. Bilodeau-Bouchard et al. (2017, p.2) argue that DFI financing is not meant to replace private financing, but to augment and further catalyze private sector investments in developing economies. Amery agrees, stating that DFIs are there to make investments happen that would not if the private sector was left to its own devices; that means they make equity investments on terms that private investors would not (Amery 2017, p. 1). He sees development financing as commitment to support international sustainable development, alongside Bilodeau-Bouchard and Mawdsley. Development banking it is suggested is neither "so narrow in scope as to be limited to institutions financing profit-oriented private sector investment projects only, nor so broad as to be a general channel through which funds are directed to any development-oriented project or program" (Kane 1975, p.14). Development financing is not something entirely new to the Canadian context in particular, with the Harper government proposing a DFI in its early stages, to the agenda set forth with Canadian engagement under the Colombo plan in the 1970s.

It was expected that the private sector would bring efficiency and focus in a way that the aid-effectiveness agenda of the past 10 years had not managed to achieve: the private sector would offer solutions where traditional approaches have not been successful (Mawdsley et al., 2014, p. 34). Mawdsley et al. (2014, p.35) argue that the 'traditional' aid and development community is now highly focused on attempting to redefine their own role within a rapidly changing development landscape, and to coordinate with (or arguably co-opt) these 'new' actors. DFIs emerge as vessels for stronger focus on economic growth and development investment, creating a more visible role for the private sector and widening the concept of development financing.

Scholars argue that they promote stability in fragile states by driving new investment and economic growth (Bilodeau-Bouchard et al., 2017, p.2). By bringing in new capital into inherently higher risk and underserved markets, DFIs help bring about socially equitable development and nurture private sector growth in developing countries (Bilodeau-Bouchard et al., 2017, p.3). Overall, the role of DFIs and their implementation has had wide consensus among most scholars, with the overall objectives for any DFI to include improving employment opportunities by growing businesses, obtaining maximum development impacts, maintaining long-term financial viability, and leveraging private sector capital.

Canadian Aid in the Historical Context

Humane Internationalism

Historical and institutional analysis of Canadian aid often begins with the work of Cranford Pratt. Pratts' work did an immense amount to help define the terms of the debate and shape normative discussion that underpin the highly contested policy domain (Black, 2014, p.17). Pratt argued that Canada's aid policies were driven by "humane internationalism", which he defined as an acceptance by citizens of the industrialized states to have ethical obligations towards those beyond their borders and these obligations would be also imposed on their governments (Pratt, 1999). Although this may sound great in theory, in practice it created an aid policy that remained for over forty years with CIDA and DFATD as real long term interests of rich countries, a whole hearted combination of attempts to remain ethical on the surface but typically to address more narrow self-interested priorities (Brown et al., 2014).

Pratt's conceptualization of humane internationalism and articulation of a dominant class approach point to the limitations of Canadian aid and the role of counter-consensus (Black, 2014, p.17). Pratt's work allowed for the shaping of a particular pattern of debate that did indeed create vibrant policy and practice in Canada, but now has simultaneously framed and limited the debate in ways that continues to stifle creativity and innovation when it comes to aid policy. Pratt was one of many to depict the clash between two divergent priorities in aid, that of the conflict between humane internationalists and international realists. The former, understanding "the obligation of developed nations to help the poor help themselves", and the latter "who maintain that states have to promote and protect their own interests at all costs" (Brown et al., 2014, p.35). This continued clash has caused Canadian aid to become an arena in which the practice and debate of aid policy has settled upon the sense of insularity, defensiveness, and a removal from the real needs of developing countries.

Pratt's work presents a vivid portrait of the policies and practices adopted by Canada throughout the 1900s. It wasn't until the appointment of Michel Dupuy as the president of the Canadian International Development Agency in 1977 that there was a shift in the aid agenda. Pratt points to the "intensification of Ottawa's continuing and effective effort to ensure that CIDA's policies reflected Canadian foreign policy objectives and long-term economic interests" (Pratt 1994, p.3). It is not that everything suddenly changed within that year, the humanitarian considerations Pratt defined as Canadian aid remained, however self-interested national concerns increased after 1977. The shift in the late 1970s showed how aid and trade began to compete on the agenda. Prior to 1976, it seemed at least possible that CIDA would be "given space within government to pursue its humanitarian and development objectives without major intrusions from other departments wishing to bend its policies to suit their own objectives" (Pratt 1994, p.3). In contrast from 1977 on, CIDA's policies were increasingly integrated into overall Canadian foreign policy and into the government's economic and commercial strategies (Pratt 1994, p.4).

The Initial Period: 1950-1977

Fundamentals

A second overarching theme in the literature surrounding foreign aid and the rise of the private sector is the historical roots and changes in the aid system. Scholars examined, helped to provide insight into the theoretical underpinnings of the emergence of aid, and understanding in essence how the aid arena came to be. Thérien presents a clear case study of the development of aid, breaking down into timeframes and seminal events that shaped foreign aid in today's international development discourse. The establishment of the welfare state in the 1930s and 1940s and US backing in the immediate postwar period paved the way for the setting up of the foreign aid regime.

The early 1960s saw an increase in the "relative budget dedicated to development assistance – which peaked in 1975" (Brown et al., 2014, p.148). The Canadian International Development Agency was created in 1968 and published its first white paper nearly two years later. The foreign policy objectives of Trudeau in 1968 shifted to encouraging "the economic and social development of developing countries" (Canada, 1970, p.11).

Fundamentally, the welfare state legitimized government intervention to abate the harmful effects of the market and helped strengthen equality as a foundational principle of democracy (Thérien 2002 p. 452). Following the early days of the welfare state interventionism, the USA in 1947 launched the Marshall Plan. This was undeniably another contributing factor in the creation of the development assistance regime. This postwar episode was interpreted by some, such as Thérien as a left-wing victory inasmuch as it demonstrated how an economic policy inspired by interventionist internationalism could be beneficial for all (Thérien, p. 453, 2002). Although the period more openly presented itself as rebuilding Europe in the US image to block communist and socialist parties in France and Italy. The development project was "a political and intellectual response to the condition of the world at the historic moment of decolonization" (McMichael 2008, p.46). It originated processes that would impose "an economically reductionist vision of development that was growth-oriented, linear and universalizing" (Essex 2013, p.26).

Canada's foreign aid grew out of the need to address the rising issues surrounding developing nations and the domestic turmoil at home. From 1945 till around 1960, aid in the Canadian context was used as a preventive tool. The “Gray Lecture” the speech by Louis St-Laurent, the Secretary of State for External Affairs at the time “exposed the basic principles of Canadian foreign policy and provided a first rationale for foreign aid” (Brown et al., 2014, p.146). The statement outlined the rationale for aid to be: “to create a favourable, stable environment for international trade, and hence for Canadians themselves” (Brown et al., 2014, p.146). This led to the notion of aid being created during the Cold War period, as a manner to combat communism, not to fight poverty as seen today. Prior to the Cold War, there were no “developing countries”, there were only colonies, so there was no aid in the way we see it after WWII. The notion of development assistance became the effective means to foster a relationship between Canada and the Third World that was almost totally absent prior to the Cold War (Noel et al., 2004, p.31).The primary objective of aid from 1947 until 1960 became to prevent countries from falling into “the USSR’s growing sphere of influence, while at the same time supporting Canada’s commercial interests” (Bothwell, 1998, p.58). This preventive spirit led Western Europe and China to be the first countries to receive Canadian economic assistance. What became the defining features of Canadian foreign aid and policy included the economic, political and philanthropic motives of aid, or what Noel and Therien (1995) coin, aid policy that was an outward projection of the principles underlying social policies found domestically.

As Canada continued to engage in aid through a preventive lens, aid began to be distributed to mainly South-East Asian countries during the 1950s. As Holmes argues, "much of the simple optimism of the successful reconstruction programme in Europe, culminating in the Marshall Plan, stimulated the ventures in foreign aid and development in the fifties" (1979, p.79). The Colombo Plan presented itself as the first concerted effort that provided bilateral assistance to all the countries of South-East Asia. Canadian aid thus focused on "three Indian subcontinent countries: Ceylon, India, and Pakistan" (Dobell, 1988, p.353). The goals of the plan itself were three-fold: "(1) to provide economic stability for the Commonwealth members, (2) to ensure a bulwark against communism in Asia, and (3) to improve the standard of living in South-East Asian countries" (Holmes, 1979, p.79).

Canadian aid moved from basic flows of government to government funding to a more complex system that's tied into the institutional framework of foreign policy and multiple channels of aid, including the new DFI. Since 1975 the major categories of aid seen within the Canadian context were that of government-to-government aid, multilateral aid and food aid (Pratt 1994, p.5). A shift occurred after that time to expand aid in terms of "special programs" which entailed "CIDA's greater use of non-governmental organizations and non-governmental institutions, like educational institutions and cooperatives" (Pratt 1994, p. 5).

Canadian aid at the time relied on its ability to engage within a multilateral system and spread the allocated funds sparsely. The largest form of Canada's official development assistance was government to government assistance in the early stages which was seen as aid to "individual countries for specific development projects and programs, bilateral aid" (Pratt 1994, p. 6). There continued to be a wide dispersal of aid until 1993, however there was an important ideological shift within senior decision-making circles which “meant that the poor countries of the Third World- or at least those of no geopolitical or economic interest- were quickly regarded as of marginal interest to Canada” (Pratt 1994, p.369). It is important to note that the Canadian retreat from humane internationalism merely “reflected a general trend, as the aid policies of other industrialized countries were also being similarly curtailed and diluted” (Pratt 1994, p.369). The shifting emphasis reflected changes in CIDA’s view of how development could best be assisted. Thus large “infrastructural projects were favoured in the 1950s and early 1960s, and education in the 1960s. In the 1970s, there was greater interest in social services, reflecting a new concern to reach and to help the poorest. In the late 1970s and the 1980s, emphasis shifted to human resources development and to economic and financial assistance” (Pratt 1994, p. 9).

With the end of the Cold War, alongside the increased federal government efforts throughout the 1990s, Canada slowly fell out of the field of development assistance, to widespread criticism. While written CIDA policy “embraced laudable objectives, such as putting poverty first, helping people help themselves, establishing partnerships, and taking human rights into account – these were not always met in practice” (Pearson and Draimin 1994, p. 269). Political and economic constraints continued to dilute the development value of Canadian aid.

Neoliberalization: 1977 – 2013

The shift that occurred from 1977 onward was one that increased the need for Canada to engage in new markets. The government at the time, increasingly “conceived of foreign aid as a tool to promote global and Canadian prosperity”, alongside using it as a tool to prevent conflict in developing countries (Brown et al., 2014, p.150). CIDA’s 1987 policy made it apparent that development would be a condition required for greater international security. At the time, there was increased discussion around accounting for human and environmental rights, however this was a strategic goal of Canadian foreign policy that became entangled in CIDA to some extent. As the push for human rights considerations in development finance continued into the mid 1980s, it slowly became a replacement for ODA as a means for Canada to foster some level of peace and security in areas such as sub-Saharan Africa.

Throughout the late 80s, the Canadian aid scene remained one of relatively soft-power tools. There "continued [to be] anti-communist security polic[ies] between 1980-1988", allowing Canada to continue to fund most African and Caribbean Commonwealth states (Brown et al., 2014, p.150). Canada also increased their aid dollars to Grenada after the US invasion in 1983, and to the "third largest recipient of American ODA", El Salvador in 1985 (OECD, 2010b).

The era of neoliberalization gave way to growing trade concerns, however throughout the early 1900s, Canada remained tied to conflict-prevention strategies that became tied to their aid allocations. For example, Canada's military contribution to the "United Nations Operation in Somalia, from 1992-95" resulted in an increase in ODA to Somalia (OECD, 2010b). As Canada attempted to shift away from conflict-prevention goals with aid, the country saw its own public debt and deficit become pressing issues in the early 2000s. This change was of a purely domestic nature and caused the "percentage of GNI allocated to ODA... [in 1992 and 2001 to be] cut by more than half, falling from 0.46 to 0.22 percent" (OECD, 2010a).

As the 1990s progressed, Canada's soft-power stance on aid took a slight turn, when the 1995 White Paper on Foreign Affairs by Chretien, laid out the concept of human security. Making the stark distinction from human development, human security was defined as “potentially involving the use of coercive measures, including sanctions and military force, as in Bosnia and Kosovo” (Brown et al., 2014, p. 152). By the end of the 20th century, the Canadian strategy for peacebuilding became more coherent and was tied to aid being the central part of Canada’s conflict-resolution policy. The early 2000s brought a new shift in aid, due to some extent because of the attacks of September 11th, but also in partnership with the development-security complementary approach harnessed throughout the 1900s. The domestic issues that Canada was facing at the time were alleviated and ODA returned to its pre-austerity levels. Foreign aid amounted to 0.38 percent of Canada’s GNI in 1995, 0.25 in 2000, 0.34 in 2005, 0.33 in 2010, and 0.27 in 2013 (Brown et al., 2014, p.153). The 2005 International Policy Statement showed how Canada now saw its foreign aid being used. The policy statement outlined that foreign aid would be used to help prevent conflicts from emerging, while ensuring Canadian influence in peace and security was noted internationally. This shift made way for new ODA recipients to arrive, such as Afghanistan in 2002. Throughout 2012 and 2013, the Canadian government reaffirmed the need for foreign aid to be complementary to ensuring security and stability in developing countries. This adherence to security and stability was CIDA’s first “program and management priority remained to support Canada’s strategic role in Haiti and Afghanistan”, which remained the two most important recipients of Canadian aid (Brown et al., 2014, p.155).

Merger and the DFI Shift: 2013 – now

In March 2013, the Canadian government announced a sort of institutional solution to their concerns in the foreign aid arena. Canada merged CIDA with the Department of Foreign Affairs and International Trade (DFAIT), thus creating the

Department of Foreign Affairs, Trade and Development (DFATD). This is an important step that essentially started off the paradigm shift within Canadian foreign aid. In its earliest stages CIDA was intended to ensure that public knew that aid had shifted from the building of economic infrastructure seen within the Cold War era, to aid intended to focus on education, health, and people-to-people relationships within the developing nations (Schmitz et al., 2013, p.8). However, the merger of CIDA and DFAIT to create DFATD brought some unease to how development policy was being framed within Canada. The struggle between self-interest and true altruistic aid has been readily focused in within the discussion on Canadian aid. Pratt was easily the most notable to make the distinction between the conflict of humane internationalists and international realists (Pratt 1989, 1990, 1994). Thus the merger was a shift that showcased the Canadian government's "growing focus in self-interest, rather than recipient countries' priorities" (Brown, 2012, p.8).

The aid regime is a complex nexus of national and international institutions which, over the years, has experienced a number of transformations that have created cleavages in its original intentions. Büthe et al. (2012) bring to light the varied approaches within IR that functioned to shape the development landscape. The authors were looking at how constructivist scholars of international relations argued that behavior was in large part a function of identities and shared norms, which in turn shaped actors' very definition of their interests. The density of interaction among aid NGOs, through which a common identity could be shaped and reinforced, suggested that these NGOs should be a prime example of a "principled issue-network" whose members were "motivated by values rather than by material concerns" (Büthe et al., p. 572, 2012). The authors also pointed to the historical emergence of private sector involvement in Canadian foreign aid during the 1970s onward. Canada conducted its own early experiment with development financing in the form of the Canadian International Development Agency's Industrial Cooperation Program (1978-2012). Although the program disbursed more than $1 billion over its history, it is considered a failure, in part because it was only mandated to help Canadian firms (Bilodeau-Bouchard et al., p 3, 2017). The challenge of achieving economic development in the Third World is totally different from the challenge that prevailed in the West when nations took an interest in economic development in the 18th and 19th centuries. As early as 1973, Loganathan argued that development banks, "supported by other appropriate measures, would be suitable device through which a part of the loans from the World Bank and other external aid agencies to the countries of the Third World and also foreign aid in the form of grants and foreign private investment, could be made to serve both the economic and social interests of the Third World countries" (1973, p. 67). Understanding the historical discussion around development finance is important, as authors such as Loganathan during the 1970s aimed to depict aid in a different manner than the mainstream was discussing. In trying to observe the difficulties that arrive with aid financing approaches, we must recognize that "foreign aid is far too differentiated and diverse a field... to simply dismiss or defend it, or to find singular solutions to 'fix' it" (Mawdsley,2012, p.29).

Canada's DFI in the Global Context

South-South Cooperation: Is It Possible?

Scholars argue that even if aid's primary motive was to remain one of a humanitarian nature, the tensions that arise between short-term assistance for pressing matters and long-term assistance to truly help countries become self-sufficient, cause a paradox to exist in Canadian foreign aid (Copley et al., 2006, p.4). Scholars such as, Pratt making the case that development assistance's primary purpose is only to help the poor to accomplish a reasonable and sustainable rate of economic development (1988, p.264). This line of argument should be taken with caution. The notion that humanitarian efforts in aid will always be second to economic drive is ignoring the larger issue of structural and institutional problems that exist in developing countries. The existing power structures often prove to be an impediment to improvements for the poorest populations, with aid potentially reinforcing these structures rather than holding them more accountable to alleviate the issues their countries face (Copley et al., 2006, p.4).

Researchers like Anthony Payne give insight into the notion that development policy and best practices to development could arise within developing nations themselves (2004, p.20), however he still fails to address why developed countries like Canada may have excluded the perspective of the developing. Payne takes a look at multiple case studies of developed and developing nations to understand the types of development strategies that are undertaken domestically, including examples from the Americas, Europe, and Northeast Asia. The work looks at what are the main country development strategies currently being pursued by the component states of the regions in question and how the various national and regional strategies carried forward into what might be called the extra-regional politics of development.

It is important to recognize the efforts being made to address South-South cooperation within development in order to understand why Canada has not fully included developing countries when framing policy concerning aid. Emma Mawdsley is another scholar who makes this attempt to recognize the ability of South-South cooperation, noting since the inception of international development, it has been inherently Western-dominated. She points to this normative projection of a global development axis, which has consistently produced the 'South' as the disciplinary subject and the 'North' as active and benevolent provider of knowledge and material assistance (Mawdsley, 2017, p.108). The rise of South-South cooperation has given way to more development banks existing not only within the Western world.

Wisor also echoes this discontent with the manner in which aid has been framed in Canada. He looks at the methods that currently exist to measure poverty and in particular how they tend to not be of a pro-developing country approach. Looking at a historical perspective of poverty measurements they outline why poverty measurements matter, for whom they matter and the important notion that different measures provide very different assessments (Wisor, 2012, p.6-12). It is important to understand that finding solutions to issues such as poverty through aid policy is indeed relevant, however the manner in which said practice is undertaken is need of reform. Wisor argues that there must be ability to reason publicly about the values that should inform the development of our systems of measurement, and most importantly, foreign aid policy in Canada should privilege those voices that are most familiar with severe deprivation and most marginalized from existing development discourse (Wisor, 2012, p.196).

Development Strategies and Agenda Setting

It is an image that has been engraved into international politics, that Canada remains ethically obligated to help developing countries, but this is a highly idealized version of what the reality of aid in Canada has become. Jamey Essex points to the notion that development itself is a slippery term and the alignment of donor and recipient interests in allocating and implementing aid is rarely perfect (2012, p.4). International agreements continue to address the outcomes of aid implementation, and in particular the North – South relationships that exist when it comes to aid. The 2000 Millennium Development Goals (MDGs), the 2002 Monterey Consensus on Financing for Development, the 2005 Paris Declaration on Aid Effectiveness (PD), the 2008 Accra Agenda for Action (AAA) and most recently the 2011 Busan Partnership Agreement (BPA) all present themselves as attempts to shift the talk about aid to include developing countries' perspectives (Essex, 2012, p.4). Despite the attempts being made, aid within Canada remains at a standstill, still operating in highly political ways that have been coined as ineffective, but also marginalizing.

From a distance it is easy to assert that Canada looks to be an important development partner in the globalized world, but in actuality the amounts of aid dispersed, lack of consistent policy, and the fact that no overarching assessment of the effectiveness of aid has ever taken place raises more questions than answers about Canadian development assistance. There continues to exist competing rationales for why Canada's foreign policy has been shaped in the manner it has. Nathanson (2013), Mavrotas (2007), and Collier (2007) all point to the manner in which developing countries have been portrayed and how this has led to policy framing in a particular way. Drawing upon the idea that way of conceptualizing development has become outdated.

International Aid Discourse and Reframing

Rhetoric surrounding unbalanced representations of the developed world was also a common theme found within the realm of Canadian foreign aid. The disparity between those providing the aid and those receiving it is what Pratt refers to as aiding in the construction and legitimization of a marginalized aid discourse that erodes ethical obligations for the nation (1999, p.323). Much of the work concerning why Canada remains a player on the international stage when it comes to aid ignores the benefits and interests of the receiving countries. Donor nations providing aid are examined often at great length, however in absence of the perspective of developing nations.

Scholars have contributed immense amounts of work to the area of Canada's foreign aid, yet there still remain gaps in the research that need attention. There is a lack of attention given to the ways in which developing countries have been marginalized in the policy formation process. The lack of scholarship on the reasoning to why in particular Canada has not actively included developing nations in the policy process is important for political science and international development. It is important to consider the varying degree of motives that have led Canada to continue to make an attempt at providing some development assistance globally. There exists a gap in the literature in regards to the motives behind continued aid. The literature for the most part was of a theoretical and descriptive nature. Empirical data and quantitative research would provide immense strength to arguments to continue development assistance and or help Canada see that it is indeed time to restructure the way aid is provided in the field of international development in order to truly include the perspective of developing nations.

Comparative Lenses and Best Practices

The extent to which literature has been published on the workings of particular DFIs has been relatively limited, however taking a look at what a few scholars have said concerning DFIs and practices that would help operationalize the new Canadian DFI is important to this proposal. The Canadian DFI was established May 5th, 2017, and it is intended to mobilize its resources and expertise to promote inclusive green economic growth, while promoting the involvement of women and young entrepreneurs in achieving sustainable development objectives (Amery, 2017, p. 1). Canada joins all other G7 countries which have established DFIs to support the needs of developing countries with its introduction of the institute. A total of 34 development institutions are signatories to the International Finance Corporation's (IFC) Corporate Governance Development Framework, which aims to support sustainable economic development in emerging markets (Bilodeau -Bouchard et al., p. 4, 2017). Comparative examples do exist, however they remain understudied. For example, the

> ...European Bank for Reconstruction and Development (EBRD) has a corporate governance model that includes a board of governors, a board of directors, various board committees with different expertise, management committees, and an administrative tribunal. EBRD has also implemented its own code of ethics and has a Chief Compliance Officer to ensure the code is followed. EBRD also uses a strong operational risk system.
>
> (Bilodeau -Bouchard et al., p. 4, 2017)

Additionally the German DFI, Deutsche Investitions und Entwicklungsgesellschaft (DEG), is a member of the Framework's DFI Corporate Governance Working Group, and its structure provides an good example of diversified governance that takes many interests into account. The DEG is regularly evaluated by KfW Bankengruppe (Bilodeau-Bouchard, p. 4, 2017). Often the argument made is that there should exist coherent requirements of DFIs, one of which is accountability. DFI accountability is significantly spurred by the presence of a strong monitoring and evaluation (M&E) system to measure and assess the development impact of DFI activities. One of the most notable systems is the Corporate-Policy Project Rating (GPR) developed by the DEG and also used by 15 other DFIs (Bilodeau-Bouchard et al., p.13, 2017).

Other bilateral agencies have also existed such as such as the Belgium Investment Company for Developing Countries (BIO), Swedfund in Sweden, Finnfund in Finland or SIFEM in Switzerland (Tomlinson, p.12, 2012). Many DFIs were originally conceived to protect European countries' interests in their colonies or former colonies, their more recent mandates focus on engaging in high risk investments in areas that have limited access to capital markets (Tomlinson, p. 37, 2012). In Sweden, the government is increasing its funding through Swedfund, a state venture capital firm, adding half a million in the next three years. Swedfund will encourage the growth of robust small and medium size enterprises in countries where it is not possible to mobilize private capital for these ends (Tomlinson, p. 13, 2012). Mawdsely cautions that the rising powers are increasingly important drivers of development theory and practice (Mawdsley 2012, p. 218). Thus understanding, but also learning from DFI examples that exist is important in order to properly and effectively operationalize the Canadian case. It is evident that the "mainstream aid and development community around the world- political, practitioner and academic- is moving rapidly to understand, engage with and learn from these actors", unlike the highly parochial nature of the much earlier stages of aid, in which there was a Western focus (Mawdsley 2012, p. 218).

There are several important questions to be asked concerning the emergence of Southern donors and how the Canadian DFI can learn from them. The following section will aim to understand, what challenges arise in terms of theorizing development and the practices that exist in relation to intentional development. Additionally, what impacts these DFIs are such as economic growth, sustainability and social well being among the poorest countries they claim to be helping. A comparison of three bilateral DFIs will help us draw to a conclusion to understand why now and whether DFIs really do present themselves as a new innovative manner in which aid should be done.

CHAPTER 3

CASE STUDY: UNDERSTANDING DEVELOPMENT FINANCE INSTITUTIONS

FinDev Canada, Overseas Private Investment Corporation, and Deutsche Investitions

The rapid expansion that Development Finance Institutions (DFIs) have seen in the last few years points to a changing trend in the way aid is distributed. DFIs often provide financing to private investors in developing countries and economies, rather than government-to-government loans. Most DFIs maintain multiple objectives, and often include investing in "sustainable private sector projects; maximizing impacts on development; remaining financially viable in the long term; and mobilizing private sector capital" in high risk markets globally (Kingombe et al., 2011, p.6). The differences that arise between DFIs and how they distribute aid are often present in a core set of contexts. DFIs will always operate in different circumstances and will often have unique business models to fit their needs. A comparison of FinDev Canada (FD), the Overseas Private Investment Corporation (OPIC) in the US, and Deutsche Investitions -und Entwicklungsgesellschaft (DEG) in Germany illuminates the varying degrees in which development finance institutions engage in development.

Stimulating growth and understanding the niche role that development banks have taken is an important part in how they attempt to be key drivers in poverty reduction. FD, OPIC, and DEG provide coherent case studies for understanding the emerging role of DFIs and whether and how they play a new innovative part in development. Looking at OPIC and DEG, which are two well established development banks, points to some recommendations that Canada's FD can pursue in the future. Taking a look at the mandates and transparency policies of each bank illustrates the politically charged decisions that may occur in financing projects via DFIs, even as they make aid more market-oriented. Expanding on this, observing which sectors and regions are invested in by each bank will help define their unique roles and where they may overlap. Understanding the instruments they use in financing demonstrates whether DFIs complement one another or perhaps just duplicate old forms of aid distribution. It is important to note that the banks examined present only a select example of bilateral DFIs, although several multilateral ones exist today. Examples of multilateral banks include the Asian Development Bank and the New Development Bank (BRICS Bank) to name a few. The multilateral framework of DFIs is an important one, but for sake of comparison, understanding bilateral banks is necessary to critically look at FinDev Canada.

DFI History

Deutche Investitions

The German DFI bank seen today was founded as the German Association for Economic Cooperation in Cologne, on September 14th, 1962. Germany's first minister for development aid, Walter Scheel, and Kai-Uwe von Hassel, the Minister President of Schleswig-Holstein, at the time developed the idea, articulating that:

> the federal corporation DEG is to support the nations of the "third world", as it is called at the time, in building the private sector and to assist German medium-sized companies as they move into foreign markets. Initially the focus is on Africa. The first project is the foundation of an association for financing small production plants together with the Ministry of Economic Affairs in Tanzania (DEG, 2018c).

At the start DEG was intended to focus on supporting small and medium-sized companies within the processing industry. Within the first ten years, DEG invested 171 million Deutsche Marks through 120 foundations in 40 countries. This was accomplished with support from the Federal Ministry for Economic Cooperation at the time. Although this investment seemed to present itself as a good start for the bank, the format used for financing that was imposed by the federal ministry proved to be difficult. It required that the bank have joint ventures with German companies, thus forcing DEG into acquiring local partners in the early days. By 1982, over 125,00 jobs were created in 64 countries (DEG, 2018c). The joint venture requirement was removed to keep DEG from being financially exposed to ownership of potentially failed businesses in high risk markets. Remaining motivated and inventive, DEG continued to harness small and medium sized companies, creating jobs and increased income.

Public funds for international development became scarcer after a recession in 1980. DEG shifted its focus from being "a sponsor of development into a finance institution, with international bank standards serving as guidelines in this process" (DEG, 2018c). DEG began financing loans, raising funds in capital markets and ensuring the profitability of their projects through the creation of valuation methods. Without the constraint that the institution needed to only proceed with projects where German companies were involved, DEG developed a new business model throughout the 1990s. An important part of DEG history is its involvement in south-south cooperation in the 1990s and larger infrastructure projects throughout Eastern Europe and the former Soviet Union. The 1990s saw DEG expanding its business by providing credit to local banks and direct funds to companies. The DFI began opening offices within partner countries to provide local support for their projects. By the end of the 1990s, DEG had committed the "equivalent of approximately EUR 360 million in new funds per year" (DEG, 2018c).

Since 2001, the DFI has been a member of KfW banking group, which has allowed DEG to partake in increased activity in areas such as export finance and better financial cooperation with developing countries. KfW was more than a simple manner in which foreign aid was distributed in Germany. It became the first bank incorporated under public law by German legislators, with equity of 511,000,000 EUR. KfW generally deals with export financing, the financing of environmental protection and small-medium enterprises. KfW's credit rating allows DEG to get better "terms in the capital market, and the joint use of more than 70 representative offices abroad, giving a fresh boost to DEG's private sector promotion in developing countries" (DEG, 2018c). In 2008, DEG's new central office was built in Kämmergasse in the inner city of Cologne. As the bank continues to grow, so does its experience with development financing in the developing world. DEG's current portfolio amounts to nearly 8.3 billion EUR, with investments in around 80 countries. "Today around 570 employees are ensuring this successful work by investing a great deal of commitment and expertise. They work not only in Cologne, but also in DEG's current thirteen representative offices around the globe" (DEG, 2018c).

Overseas Private Investment Corporation

OPIC was established as an agency of the United States government in 1971, by President Richard Nixon. It aimed to be an agency based on private sector investment, which at the time was unlike the traditional aid models based on providing government grants. The agency "disbursed political risk insurance and loans only to projects with sound business plans" (OPIC, nd.a). Starting with a portfolio of $8.4 billion USD in political risk insurance alongside $169 million in loan guarantees, the early projects supported included political risk insurance to support the expansion of "Kenya's tourism industry, as well as financing insurance support for food processing facilities in Africa and Latin America and for the construction of irrigation equipment in India" (OPIC, nd.a).

As the 1970s proved to be a prosperous time for OPIC and its investments, the institution became more proactive during the 1980s. Reaching out to American small businesses interested in investing in developing markets and addressing their specific concerns, became a key priority for OPIC during this period. OPIC expanded its investment models to include coverage for civil strife and business interruption within their political risk insurance services. Within the 1980s, OPIC "established the Investment Funds program to support private equity funds investing in emerging markets" (OPIC, nd.a). The fund's first deal was used for a regional growth fund that aimed at raising equity capital to develop projects in Sub-Saharan Africa within the private sector, it sat at $20 million USD in the form of a loan guarantee. In 1984, OPIC's self-proclaimed self-sustaining nature was confirmed, when they presented President Reagan with a cheque, paying back the amount Congress had allocated to the fund in 1971.

As communism began to fall in the 1990s, OPIC, among other actors from the aid donor community in the developing world were quick to respond. The organization dispatched staff to "Poland and Hungary to prepare to support investments in the region" (OPIC, nd. a). The Freedom Support Act of 1992, elevated OPICs' role, when Congress asked the institution to work towards establishing economic stability as states emerged from state socialism into market economies. "As centrally controlled economies gave way to free markets and privatization throughout Central and Eastern Europe and the former Soviet Union, OPIC helped U.S businesses invest in new countries and work to repair, upgrade, or replace long-neglected infrastructure" (OPIC, nd. a). The organization's work within Russia began as a $10 million insurance investment for a new power tool manufacturing facility east of Moscow. The project helped create a joint venture with Conoco to develop oil reserves near the Barents Sea. Projects of this sort continued through the late 1990s, making way for OPIC's largest deal in its first 25 years. The deal supported financing and insuring "California-based Mission Energy's investment in the first privately-owned and operated power plant in Indonesia", with $400 million USD (OPIC, nd. a).

In early 2000, OPIC established its Small Business Center to provide qualified businesses a streamlined application process. Well "over half the new OPIC project commitments involved a small or medium sized U.S businesses" (OPIC, nd. a). Establishing a new business development hub, which has streamlined and improved business development efforts and client relations for OPIC in recent years has showed OPIC's committed focus on business development in the developing world. Today OPIC maintains a robust portfolio of "more than $20 billion, which has doubled over this past decade. This portfolio spans more than 160 developing countries, including a large number of conflict-affected countries and a growing portfolio in Sub-Saharan Africa" (OPIC, nd. a).

FinDev Canada

In the 2017 Federal Budget, the Government announced, "its intention to establish a development finance institution housed within Export Development Canada (EDC)" (FinDev, 2018, p.6). In order to allow EDC, the appropriate mandate to do so, the Export

Development Act (ED Act) was amended in 2017. It now gives EDC the added purpose of "providing, directly or indirectly, development financing and other forms of development support in a manner that is consistent with Canada's international development priorities" (FinDev,2018, p.6). The new mandate of EDC remains separate from its existing trade mandate of "supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trace and to respond to international business opportunities" (FinDev, 2018, p.6).

In January 2018, FinDev opened for business with a mandate to support the growth and sustainability of businesses within developing markets. The institution aims to fill a gap "between commercial support and development assistance" and "bring financial strength to businesses in developing markets that will in turn create stability and prosperity for local communities" (FinDev, 2018e). Supporting local private sector activity to contribute to sustainable development remains on the top of the agenda for FinDev Canada. The institution as housed in EDC was capitalized with $300 million CAD. Based in Montreal, Quebec, the Development Finance Institute Canada, operating under the FinDev Canada brand, remains a "wholly-owned subsidiary of EDC." The rationale for housing FinDev within Export Development Canada was a strategic one. Drawing upon EDC's array of financial instruments and expertise internationally, the DFI aims to "be financially sustainable by generating returns on our loans and investments, and to have a favorable economic and social impact in the communities where their clients operate" (FinDev, 2018e).

FinDev will provide financial services to the private sector in developing countries in order to combat poverty through economic growth. Currently the organization is led by Paul Lamontagne, who remains an experienced banker and impact investor with "over a decade of investing experience in Sub-Saharan Africa" (EDC, "About Us", n.d). Analyzed in depth in the following sections, we see that FinDev Canada will focus on areas that include "green growth, agribusiness, and support for small and medium-sized enterprises through local financial institutions with specific goals to generate economic development by job creation, promotion of women's economic empowerment, and action to combat climate change" (EDC, "About Us", n.d). Prior to the establishment of FinDev, the track record of aid institutions within the Canadian context was largely of "concessional innovative development finance structures, … [often lacking the tools] to provide commercial financing support to [the] private sector" (FinDev, 2018, p.9). The justification for focusing in on the three aforementioned areas is rather brief to say the least. The DFI claims that it received guidance from the government on Canadian strengths alongside feedback from stakeholders to arrive at job creation, women's empowerment and the climate. The question will become whether the DFI can really operate efficiently in these areas, and if their neoliberal ideals of economic growth reducing poverty will prevail.

Mandates and Transparency Policies

The larger aid system has made greater strides to become more transparent, however this has not translated into the DFI realm of development. Most bilateral DFIs maintain a set mandate that outlines the objectives of the bank in relation to their investment policies. Many however do not contain explicit transparency policies or disclosure policies when it comes to projects. Although this may be the case, all three banks examined make some sort of attempt to lay out policies that are available to the public regarding their work. The importance of remaining as transparent as possible should not be understated. DFIs can benefit from clear mandates and policies as it would help their direct beneficiaries by addressing information regarding the technical assistance used. The "interface between DFIs and ODA [and] the terms of their deals" with investors will enhance the importance of them and their relative size to the development world (Kingombe et al., 2011, p.15).

FinDev Canada's (FD) primary objective as described in the organization's corporate plan is to "achieve meaningful and demonstrable development impact by contributing to sustainable development and reducing poverty" (FinDev Canada, 2018, p.11). OPIC remains tied to its 1971 origins of being a "self-sustaining U.S. Government agency that helps American businesses invest in emerging markets" (OPIC, nd. f). DEG developed their corporate mission statement in 2017 that aimed to guide their actions going forward, despite being created in 1962. DEG remains one of the major development finance institutions for private companies, focusing on "entrepreneurial success and development" (DEG, 2018d). All three mandates contain text relating to economic prosperity, environmental stability, and justice that may take the shape both ecologically and socially. All contain messaging relating to the advancement of human rights while providing a service to the most vulnerable populations.

FD remains tied to their mission statement that explicitly states that they intend to make an impact, although it is not clear what sorts of assessments will be used to measure said impact. The organization is new, with only two potential projects in the works since its introduction in 2017. However, its mandate is clear, stating its goals to "provide easier access to capital for entrepreneurs in developing markets and innovative financial solutions to businesses" with the potential to affect their three focus areas

(FinDev,2018e). As the institution's primary objective remains to achieve development impact, it intends to do so by focusing on projects that harness: "economic development through job creation, women'[s] economic empowerment, and climate change mitigation" (FinDev, 2018, p.11). FD's mandate enshrines a need to help entrepreneurs "build a sustainable future for their businesses, which in turn will better support their communities" (FinDev, 2018e). Overall FinDev's mandate and mission is to fulfil their development goals by becoming a "key contributor to inclusive international development financing, offering innovative solutions that have a sustainable impact" (FinDev, 2018e).

OPIC and DEG present different cases, as they are both well established development finance institutions, consequently their mandates and missions have changed slightly over the years. DEG continues to invest in profitable and long-term private enterprises that help them contribute to sustainable development in line with the 2030 Sustainable Development Goals Agenda as outlined by the UN. DEG commitments within 2017 alone saw "233 million EUR invested in Sub-Saharan Africa, 570 million in Asia, 85 million in Europe, 502 million in Latin American, 63 million within the Middle East and North Africa" (DEG, 2018b). For more than five decades, DEG has operated as a subsidiary of KfW, and maintains itself as a "reliable partner to private-sector companies operating in developing and emerging countries" (DEG, 2018h). The primary focus of DEG's investments are with businesses that are:

> companies from industry, agriculture and services; private infrastructure companies in the energy, transport, utilities, and telecommunications sectors; and financial institutions and funds that provide small and

> medium-sized enterprises, in particular, with reliable access to debt and equity financing (DEG, 2018h).

DEG also states in their mandate that through their involvement in development as a DFI, they have begun, and continue to establish international standards in relation to social, environmental and corporate governance. Carrying out "careful environmental and social audits and provid[ing] intensive support to companies in the implementation of contractually agreed action plans" helps DEG to gain more expertise and actively adhere to their development mandate and guidelines (DEG, 2018h). DEG presents strict rules when it comes to involvement and investing, as exemplified by their adherence to environmental and social assessments prior to making deals:

> a prerequisite for involvement by DEG is that an investment must be not only convincing in business and development terms but also environmentally and socially acceptable. Evaluation of environmental and social risks is part of a general risk assessment. In addition to national regulations, DEG… applies international standards when financing a project (Kingombe et al., 2011, p.9).

In 2009 alone, DEG included International Finance Corporation (IFC) performance standards in their contractual agreements of all the projects at the time. Another important feature of DEG's mandate is the role its supervisory board has. The Board pays close attention to the company's planning and strategy, often requiring DEG to have their approval on certain investments prior to engaging. DEG observes the "IFC Performance Standards, the standard for the private sector; the Environmental, Health and Safety Guidelines of the World Bank Group (WBG); and the conventions of the

International Labour Organization (ILO)” (DEG, 2018h). FinDev and OPIC also fall along similar lines, with both banks stating that they intend to adhere to international best practices. FinDev intends to evaluate the “human rights and environmental, social and governance risks presented by the businesses it supports” (FinDev, 2018b). FinDev, OPIC, and DEG all aim to mitigate any negative impact their investments have on human rights and the environment as well. FinDev lays out four aspects of their development impact management to undertake with their investments. The impact cycle is intended to pre-screen, monitor and report on each of the investments the bank makes. All the aggregate impact results from each portfolio should be published publicly as well. The extent to which this information will be readily understood by most Canadians, is still something to question. The types of impact assessments that FinDev aims to participate in are not laid out yet, which is another point of criticism of the new DFI.

OPIC’s mandate is the only one that clearly states an intention to not invest in projects that may produce domestic job losses in the United States. OPIC’s mandate entails that they provide “businesses with the tools to manage the risks associated with foreign direct investment, foster economic development in emerging market countries, and advance U.S foreign policy and national security priorities” (OPIC, nd. f). The agency emphasizes that it ensures American businesses gain footholds in new markets, and that they aid said businesses by catalyzing new revenues and contributing to jobs and growth opportunities both at home and abroad. This distinction of not investing in projects that result in a negative domestic impact is only clearly stated in OPIC’s mandate, while one can assume that DEG and FinDev would have a similar philosophy when it comes to investment, just not as transparent as OPIC points out. OPIC’s mandate also points to their attempts to have both transparency and accountability policies in place. The organization maintains that to fulfill its mission, it must maintain some level of transparency with investors and the public. “Providing businesses with financing, political risk insurance, advocacy and by partnering with private equity investment funds”, are just some of the ways in which OPIC engages in development (OPIC, nd.f). Although OPIC claims to participate via private equity, it is important to understand that there is no necessary relationship between private equity funds and transparency. In most cases private equity is often non-transparent, and with vague transparency policies in place the bank essentially maintains a good image, while having to prove little to nothing. OPIC’s mandate also indicates their interest in charging market-based fees for their products, in order to operate in a self-sustaining manner with no costs to the American taxpayer.

DFI objectives are often multiple in nature and readily include “investing in sustainable private sector projects; maximizing impacts on development; remaining financially viable in the long term and mobilizing private sector capital” (Kingombe et al., 2011, p.2). The three bilateral DFIs examined here all contain very generic and often similar mandates as seen above, however their individual aspects of transparency and accountability differ in some degree.

DEG has and continues to prefer to refer to the German Banking Secrecy Law, which “it is legally bound to uphold. Consequently, DEG does not expect to put in place disclosure policy in the near future” concerning its investments and projects (Kingombe et al., 2011, p.15). Both FinDev and OPIC contain transparency policies and accountability ones as well. OPIC has well established policies that it associates with its projects overseas, while FinDev has in place certain aspects they would like to undertake once being a fully operational development finance institution. As Canada is getting into the development finance game with FinDev, it is troubling to see that the bank has not laid out concrete transparency and accountability policies. Most DFIs have struggled with transparency, and the Canadian DFI had plenty of exemplary DFIs to look at, when creating policies, yet still none are implemented. This struggle might be in part due to the need for secrecy among commercial partners (Romero & Van de Peol, 2014, p.6). However, FinDev could look at DEG, who developed the Corporate-Policy Project Rating system (GRP), that is used by DEG and 15 other DFIs. Without proper transparency and accountability measures in place, FinDev will not remain responsible to their development impacts and local communities that see their donor dollars.

OPIC breaks down its accountability into three levels focused on institutional, portfolio and project specific policies relating to transparency and disclosure. As the institutional level, Congress has the ability to examine and revise OPIC's authorities and its operations, initiatives and projects, under the Foreign Assistance Act of 1961. "OPIC's independent board of directors, review and approves large projects" (OPIC, nd. c). The board consists of 15 members, eight of which are from the private sector, while the remaining are from agencies across the American federal government. All members of the board are appointed by the President and confirmed by the Senate. Since OPIC is an agency of the government, it is required to publish several reports to Congress each year concerning their operations. The agency publishes:

> (1) the OPIC Annual Report, inclusive of financial statements, (2) Annual Policy report, which summarizes U.S economic and host country

> development impacts, inclusive of environmental and social issues at the local level, (3) The Congressional Budget Justification, which includes the Agency's annual expenditures, budget request and short -term spending forecast, and (4) The OPIC Strategic Plan – 2012-2016. (OPIC, nd.c)

Within OPIC's framework, the Office of the Inspector General of the US Agency for International Development has the ability to conduct reviews of OPIC, including "audits, assessments and investigations of any phase of OPIC's operations and activities" (OPIC, nd.c). The portfolio level of OPIC's transparency policies requires that the organization post online summaries of all their supported projects. The summaries often include details of the projects that become searchable online. Items such as the "fiscal year, region, type of financing and size of financial commitment" allow the projects to be easily identified by the public via the OPIC website (OPIC, nd. c). In accordance with the Foreign Assistance Act of 1961, OPIC continues to publish Annual Policy Reports that contain content relating to their operations, and data that exists on the development impact of their projects. The reports often cover "economic, environmental, health safety and social impacts of OPIC's portfolio in developing nations, as well as net impacts on the U.S. economy and calculations of net GHG contributions" (OPIC, nd. c).

The last aspect of OPIC's transparency and accountability measures is at the sectoral and project specific level. The organization has a corruption policy, that states that all "projects are in compliance with the Foreign Corrupt Practices Act (making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business)" (OPIC, nd. c). The organization also says that they undertake due diligence in relation to decision making before supporting a project. The “Character Risk Due Diligence Directive ... specifies the steps and procedures that the agency must complete when performing information searches before it provides support for a project” (OPIC, nd. c). The corruption policy may be in place; however, it is easily seen that OPIC’s practice of political risk insurance is prone to corruption in developing governments. As Young points out, “predatory behavior and political instability create obvious disincentives to invest in … unstable countries but subsidized political risk insurance greatly reduces those beneficial disincentives” (2015, p.3). This sort of “corruption” results in continued foreign investment into unstable governments with little to no positive impact on poverty. OPIC also allows content to be released concerning the environmental and social risks associated with projects. The organization will often screen projects to “identify at the earliest possible stage the risk of adverse environmental and social impacts of the project and to identify project impacts that could preclude OPIC support” (OPIC, nd. c).

Often OPIC will include summaries for all the aforementioned review on their online platform. The summaries will include information on the costs of projects, the impact the project may have on the economy, the environmental and social risks associated with the project, the ability to mitigate said risks, “the action required to achieve compliance with applicable environmental and social standards, and a description of investors and engagement with local stakeholders on environmental and social issues” (OPIC, nd. c). A specific sector-based policy that OPIC releases is related to projects that may arise in the extractive industries. OPIC “endorses the principles of the Extractive Industries Transparency Initiative and encourages investors to voluntarily agree to the guidelines” (OPIC, nd. c). OPIC’s transparency policy in the extractive sector aims to help improve governance in “resource-rich developing countries through the full publication and verification of company payments and government revenues from oil, gas, and mining ventures” (OPIC, nd. c). The goal for OPIC is to ensure that the revenues received in this particular sector are indeed contributing to sustainable development and poverty reduction.

Although OPIC maintains that they are assisting in poverty alleviation overseas, it is astonishing that only 5 percent of its business during 2012 -2013 came from the 48 countries that are often classified as least-developed by the United Nations (Riley & Schaefer, 2014, p.3). As OPIC’s mission remains to help economic development within the poorest regions, it fails to stray away from being the “poster child for programs that privilege big lenders” (de Rugy, 2015).

In terms of policies, the case within Canada is similar, however FinDev Canada’s disclosure and transparency policies are not broken down into particular levels of investment such as OPIC’s. FinDev aims to “fully understand the human rights and environmental, social and governance (ESG) risks presented by the operations of the businesses it supports” (FinDev, 2018g). The bank’s ESG Assessment Policy states the approaches that the institution should take to mitigate human rights and environmental and social risks to improve baseline ESG conditions in its investments. FD emphasizes that disclosure of relevant information regarding their projects will be a critical element of their ability to ensure public trust in their processes. The DFI’s interim disclosure policy lays out what sorts of information is released regarding investments. As a public institution, FinDev faces the pressures of being highly transparent and easily accessible. As the bank does invest in private companies, maintaining confidentiality is also a key concern. “In balancing these needs, DFI is committed to enhance public accountability through a measure of transparency regarding its operations by” the following:

> “Providing information on business activities, both prior to and post-signing, providing information on environmental and social information and development impacts related to transactions it supports, seeking to secure client consent for disclosure of this information” (FinDev, 2018, p. 3)

FinDev intends to use its website as the primary vehicle to disseminate information on its operations. The DFI will disclose general, non-transactional information on its business results, plans, services, products and key policies including:

> (1) Financial performance as detailed in the Annual Report, including financial statements, (2) development impact annual report, (3) annual corporate plan summary, as tabled at parliament and (4) information on certain key policies, procedures and practices. (FinDev, 2018, p.4)

FinDev’s governance structure is aimed at being as informative and supportive in overseeing the direction and management of the DFI and its investments. The bank’s governance consists of a set of executives, board members, and an advisory council. The executive level is comprised of a managing director, investment officers, directors of strategy and impact, lead counsel, and a gender equality and women’s empowerment advisor, which something particularly unique to FinDev. The board members are responsible for “overseeing the strategic direction as outlined in the [banks] corporate plan” (FinDev, 2018c). The last section of its governance structure is that of the advisory council. FinDev’s advisory council consists of seven individuals from the development sector that are appointed to the council by the Minister of International Trade and Development. The board has many influencers from non-profits in the development sector. Some of the board members include the CEO of Engineers Without Borders, Boris Martin and the CEO of Development International Desjardins, Anne Gabourg. I believe this is a unique part of FinDev, however it remains a potential problem that these board members could sway the bank to make investments that could benefit themselves as actors in the development industry.

FinDev's disclosure policy will provide information on key policies such as their development impact framework, the summaries of the advisory council, their code of conduct, the environmental and social assessment policy they have in place and the procurement procedures that they intend to undertake. In terms of project specific disclosure, FinDev Canada is committed to "disclosing within 30 calendar days prior to signing of all transactions under consideration for the financing services that it provides, and of all transactions once signed within 90 days of signing" (FinDev, 2018, p.4). The bank intends to disclose information on its signed activities in addition to those under consideration. FinDev will release aggregated data in relation to the volume of business it acquires by sector, the region and country in which investment occurs, and the type of financial aid it provides to the projects in question. The DFI also contains a set of restrictions on disclosure of particular content. FinDev will not disclose information regarding intellectual property, or information that deals "with internal administration, operations or activities, whether or not related to any transaction, including internal notes, memoranda, and correspondence by or among any DFI staff" (FinDev, 2018, p.6). Lastly FinDev Canada will also not be transparent regarding information that "might prove to be a threat to the national security of Canada or other countries, or violate any applicable law", which may undercut their ability to be transparent (FinDev, 2018, p.6).

Development finance institutions have had a long track record of investing in private sector projects in developing countries, however the methods that each DFI uses in order to engage in development varies to some extent across the board. DEG splits its investment priorities into several categories that encompass solutions for corporates, financial institutions, funds and project financing. FinDev focuses on providing financing in their three focus sectors of green growth, agribusiness, and the financial industry. Lastly OPIC offers three varied levels of involvement including financing, political risk insurance, and support for private equity investment funds.

DEG articulates that enterprises within the agricultural, industrial and service sectors benefit from having them as an experienced partner who is able to develop the "appropriate solutions in dialogue with [them]… [while] offer[ing them] the right long-term financing and packaged solutions tailored to their needs" (DEG, 2018e). Financing for corporates, financial institutions, and project financing comes in long-term loans, equity investments and mezzanine finance. Long-term loans provide a tailored funding solution that aims to match the maturities of companies worldwide. DEG offers currency in either Euros or USD, and in some cases local currency. The term of these loans is generally between four and ten years, with the company's fixed assets in the country of investment as collateral. The interest rate applied to long-term loans for corporates is either "fixed or variable, market-oriented depending on project and country risks" (DEG, 2018e). Equity investments within the corporate line of financing for DEG allows for positive momentum to be built as DEG remains a minority stakeholder in the companies. DEG offers "equity participation in the company in the country of investment, as a rule with a minority stake, variable structuring of risk components and in certain cases, voting rights and seat on the company's supervisory board and finally clearly defined exit strategies" (DEG, 2018e). Mezzanine finance in the corporate solutions by DEG entails financing that takes a form between equity capital and debt capital. The subordinated loans in this section are often project specific, allowing term periods for 10 years with possible extensions. The only difference in financial instruments that exists in DEG is when it comes to funds themselves.

DEG highlights the importance of partnering with them as a fund manager of a private equity fund investing in companies located in developing and emerging markets. Investors often benefit from the expertise that DEG has and the ability to co-invest. Co-financing allows DFIs to invest in potentially riskier contexts, with different tools. DEG has the "reliability, speed and an understanding of structuring" that are crucial to success in development (DEG, 2018f). DEG's fund and structuring experts claim to advise and support in developing companies' funds. Companies that co-invest with DEG aid in closing capital gaps that may exist within investment portfolios. DEG also promotes itself in co-investment terms by stating that it would take increased responsibility for certain areas within due diligence procedures concerning the environmental and social risks of projects. Investment in funds for DEG occurs through equity investments and in some cases loans. Equity investments comprise of capital investments in funds, a seat on DEG's advisory committee for the fund in question, support for challenges in the portfolio that may arise for their partner, and investments starting from 10 million USD and a DEG share of less than 20% in the final closing of a project that may be co-financed. DEG, unlike OPIC or FinDev allows funding partnerships to lead to governance arrangements over the funds in question.

Aside from financing that occurs through long-term loans, equity, mezzanine finance and essentially co-financing, DEG has several promotional programs. The programs are intended to help support their customers, for instance “feasibility studies and various business support solutions can be developed with and co-financed by” them (DEG, 2018f). DEG offers business support services that aim to boost entrepreneurial performance while increasing growth and development impact of investments. DeveloPPP.de is another program by DEG that allows European companies aiming to implement a project with development impact as a pilot project to be co-financed. “Four times a year a develoPPP.de ideas competition is held for companies to submit their proposals. A total of up to EUR 200,000 can be provided towards each project” (DEG, 2018f). Up-scaling is another method employed by DEG, in which “DEG finances innovative pioneering investments of German and local small and medium-sized enterprises (SME) in developing countries that are in the start-up phase. Projects such as these can be co-financed by up to EUR 500,000 – repayable on success” (DEG, 2018f). DEG also initiates climate partnerships within the private sector as a special program. This allows for corporates that aim to “spread climate-friendly technologies” to be “promoted with the German Federal Ministry for the Environment's (BMU) programme ‘Climate partnerships with the private sector’ by up to EUR 200,000” (DEG, 2018f). The last program that DEG offers in order to engage in development is through assisting in feasibility studies. DEG aims to share the costs, up to 200,000 EUR for small to medium-enterprises “planning to invest in a developing country and conduct a feasibility or environmental study, a legal survey or a market analysis” (DEG, 2018f).

OPIC offers financing, political risk insurance, and support for private equity investment funds as their means to engage in development finance. Debt financing is part of the OPIC portfolio that entails "medium to long-term debt financing through loans and guaranties to eligible investments in developing countries and emerging markets – where conventional financial institutions often are reluctant or unable to lend" (OPIC, nd. d). The financing in this section is often used to cover capital costs of projects, such as design and engineering services. OPIC also expands its debt financing portfolio to include work with other financial institutions to fund the "expansion of lending capacity- such as microfinance" (OPIC, nd. d). The agency seeks to support projects in the early stages that present potential to return positive social and environmental impacts. OPIC is also clear that they do not finance stand-alone export transactions. Often loan sizes in the debt financing section of OPIC range from "$500,000 to $350 million with an average loan size of $5 million to $50 million. The loan tenor is usually between 5 and 20 years, with a maximum of 30 years. Alongside an interest rate and a commitment fee that is an annual percentage charged on any undisbursed amount" (OPIC, nd. d).

OPIC also engages through political risk insurance when it comes to development. This engagement is a unique part of OPIC, however is essentially disaster capitalism at its finest. OPIC has the ability to engage with large lenders, such as JP Morgan while transferring the risk of doing said business onto the US taxpayer. OPIC considers political risks such as "war, civil strife, coups and other acts of politically-motivated violence, restrictions on the conversion and transfer of local-currency earnings" (OPIC, nd. d). To ensure that companies dealing with such political risks have a fair chance in markets, OPIC insurance "provides innovative, comprehensive, and cost-effective risk-mitigation products to cover losses to tangible assets, investment value, and earnings that result from political perils" (OPIC, nd.d). Political risk insurance is only available to US investors, lenders, contractors, exporters, and NGOs for investments. Political risk insurance lets OPIC transfer risk while being able to cash in on the large fees and interest payments from the borrowers. To eligible to be considered for risk insurance, OPIC requires that the companies/individuals be "US citizens, corporations established in the US and more than 50% owned by US citizens or corporations, non-profits established in the US, entities established outside the US at least 95% owned by US citizens or corporations" (OPIC, nd.d). OPIC is more concerned with financing US companies unlike DEG, and FinDev, who intend to invest in developing markets, which includes not only assisting home soil firms. Additionally, OPIC also engages by providing coverage for political violence, which "compensates investors for equity assets (including property) and income losses caused by: declared or undeclared war, hostile actions by national or international forces, revolution, insurrection, and civil strife and, terrorism and sabotage" (OPIC, nd.d).

The lack of private equity available in developing countries is why OPIC provides a third category of financial instrument, being support for private equity funds. OPIC-supported funds help "emerging economies access long-term growth capital, management skills, and financial expertise, all of which are key factors in expanding economic development and creating new opportunities for people in low-income and developing nations" (OPIC ,nd. d). Since 1987, OPIC has committed "$4.1 billion to 62 private equity funds" (OPIC, nd. d). These funds in turn have invested "$5.6 billion in more than 570 privately-owned and managed companies across 65 countries" (OPIC, nd. d).

Lastly, FinDev's financing instruments take the forms of direct loans, guarantees, structure and project financing, investments, loans, and equity. Direct loans are loans provided to "support a company's operations or expansion plans, to be used for activities such as purchasing equipment for facilities, or making acquisitions" (FinDev, 2018b). Guarantees within FinDev's framework are used to "provide an irrevocable guarantee to a company's bank for a loan to support the company's operations or expansion plans" (FinDev, 2018b). FinDev also intends to provide project and structure specific funding to projects that demonstrate social and economic benefits for the host country. This will allow countries to benefit from FinDev Canada's support, including support for the "technical, environmental and social documentation needed for the project" (FinDev, 2018b). Investments extend to long-term private equity growth capital to companies that FinDev sees as having high potential of sustainability and growth. Loans for FinDev entail "direct medium and long-term, at both fixed and variable interest rates, with a repayment grace period where needed" (FinDev, 2018b). The last method through which FinDev engages in development finance occurs through equity, which is in line with how DEG's equity investments occur.

Sector and Region Investments

DFIs tend to invest in a variety of sectors, ranging from the financial sector to agriculture and industry. All three DFIs examined maintain that they engage to some extent in all the aforementioned sectors, however each institution has developed their own niche areas of expertise, although FinDev Canada may be the least experienced in its desired sectors. OPIC and DEG remain larger in comparison to FinDev, although this is understandable considering FD was only introduced in 2017. OPIC has regional priorities in all its areas of investment, which include 63 countries in Africa and the Middle East, 29 within Asia and the Pacific, 29 also in Europe and Eurasia and 37 within Latin America and the Caribbean. Although prior to 2017, OPIC did invest in Russia and Venezuela, they have now been suspended from consideration of any new financing and insurance transactions by OPIC. OPIC support for investments in some countries may be limited to the extent that:

> (1) OPIC is mandated by law to prioritize investment in low-income countries. (2) OPIC, as a self-sustaining institution, sets various country limits to maintain a balanced portfolio. (3) OPIC may suspend, from time to time, new transactions in certain countries in response to U.S. or international sanctions, or other U.S. foreign policy considerations. (OPIC, nd.e)

OPIC's regional priorities vary in each investment cohort. Within Eurasia, OPIC was an "early investor in the newly independent states in the 1990s following the fall of communism" (OPIC, nd.e). This engagement can easily be noted as a prime example of shock therapy, through which the "free market" policies dominated, through the exploitation of disaster-shocked people and countries. In the Indo-Pacific region, OPIC focuses on the need for small business growth. This region "encompasses countries at many different stages of economic development that face a variety of challenges from food security and insufficient electricity" (OPIC, nd.e). In the Middle East, OPIC focuses investment in supporting stabilization of projects that are expanding access to "electricity, clean water and financial services, and helping to create jobs and opportunity" (OPIC, nd.e). OPIC engages in development financing in the Northern Triangle by supporting projects that improve infrastructure and increase economic opportunities as well, with the

Northern Triangle referring to the Central American countries of Guatemala, Honduras, and El Salvador. The area presents itself as region that is politically tied to OPIC's investments. The United States has supported death squads and coups, most recently in Guatemala, indicating that OPIC's continued investment in the region aligns with American foreign policy. OPIC's financing priorities line up with the foreign policy aims of America, in so much that it is observed that "the presence of U.S troops indicates a political relationship between the host country and the U.S government that reduces the chances of the host country interfering with US investments", in this case OPIC's (Biglaiser & DeRouen, 2007, p.839). The last area in which OPIC has regional priorities that guide their investments is in Sub-Saharan Africa. This region comprises more than a quarter of the agency's portfolio and is home to the world's fastest growing economies. Through a program called Connect Africa, "OPIC invested $1 billion over three years to projects supporting telecommunications and internet access, value chains that connect producers of raw materials to end users, and essential infrastructure, such as roads, railways, ports, and airports" (OPIC, nd.e). Within OPIC's 2017 portfolio, Sub-Saharan African accounted for nearly 27 percent of their investments, with almost $7 billion invested into 128 projects.

The case at DEG is quite similar, except without the explicit connection to US foreign policy and strategic interests, since this is why OPIC exists. The German development institution has successfully financed companies for the last 55 years. Engaging in emerging markets and developing countries, DEG has accompanied more than 2,200 companies in this endeavor. DEG's current portfolio is "around 8.3 billion euros, of which over 40 per cent is risk capital finance. Around 690 investments are facilitated by DEG with these 8.3 billion euros" (DEG, 2018g). DEG spent "1,986 million EUR in Africa, 2,569 in Asia, 2,442 in Latin America, 756 in Europe, 188 in North Africa and the Middle East, and 347 supra-regionally" (DEG, 2018g). DEG spent "740 million EUR in the agribusiness sector, 4,207 in the financial sector, 1,487 in industry and services, and 1,854 in infrastructure" within their 2017 portfolio (DEG, 2018g). Unlike DEG and OPIC, FinDev Canada does make it clear where they intend to work regionally and in what sectors. As DFIs tend to invest in a variety of sectors, DEG is a bit of an outlier, as the choice of "sectoral distribution tends to market-driven, although from time to time there can be strategic sector discussion" (Kingombe et al., 2011, p.11). DEG tends to be more involved in the infrastructure and agribusiness side of investments, as it sees itself being more advantageous in those realms. As Germany remains the largest economy in Europe, and the world's largest exporter by value, the inherent links between sectoral investment at DEG tie to German economic strategies. Although DEG remains one of the more established DFIs in this discussion, there are not partial to immoral practices. Within 2012, at least 7 of the 46 investments that DEG undertook were "structured through major tax havens such as the Cayman Islands and the British Virgin Islands" (Vervynckt, 2014, p.4). DEG also had eight investments within Africa registered offshore in Mauritius. DEG remains one of the 14 bilateral DFIs that does not disclose "any standards online or on request… [stating] that they follow the guidelines of KfW… which are not publicly disclosed online" (Vervynckt, 2014, p.13).

FinDev's investments are intended to have "favourable impact on poverty reduction through job creation, women's economic empowerment, and climate change action – by focusing on 3 priority sectors" (FinDev, 2018d). The DFI maintains that it will focus in on investments such as green growth, waste management and climate solutions focused on mitigation and adaptation within its climate action priority sector. FinDev's involvement within the financial sector, is said to allow the bank to reach small and medium-sized enterprises on a local scale.

FinDev states that it will have a specific geographic focus that allows Canada to engage in regions where it argues Canada's greatest strengths and experience are needed, particularly in Latin America and the Caribbean, and Sub-Saharan Africa. This strategic bifocal approach "aligns with the Government of Canada's priorities, [and is meant to help FinDev] stand out from the crowd, leverage partnerships, implement effective governance and decision-making, and grow a financially sustainable portfolio with an appetite for well-managed risk" (FinDev, 2018d). FinDev Canada's vague language in its strategic approach, makes me question its ability to engage without being politically swayed. The bank will have to deal with balancing risk and return, which within its first investment was already questioned. The 10 million equity investment discussed below in Kenya-based M-KOPA, was "unfortunately timed with the company acknowledging the recent layoffs of 450 local staff" (Courtney, 2018). FinDev also lays out eligibility criteria for investment stating that to be eligible to participate, companies must be a private sector entity, not a government entity, and must have operations within the two focus regions of the DFI. The projects must also generate or have the potential to "generate cash flow that is sufficient in order to be able to repay debt or provide an adequate return on equity" (FinDev, 2018b). Companies must also operate "in a FinDev Canada priority sector – green growth (renewable energy, energy infrastructure, energy efficiency, water supply, water management, waste management, waste water management, bio-refinery products, green industrial production), agribusiness value chain or financial services" (FinDev, 2018b).

A concrete example of OPIC's investment in action is its participation in the globally announced 2X campaign. This women's initiative within OPIC will "mobilize $1 billion in capital to invest in the world's women and unlock the multi-trillion-dollar investment opportunity they represent" (OPIC, 2018b). OPIC is investing directing a sum of $350 million in projects that will "support lending to women-owned businesses, female entrepreneurs, as well as women-owned and women-led emerging market private equity funds" (OPIC, 2018b). OPIC is focusing on providing access to finance, jobs and services within the developing world to women in order to enhance economic opportunity. OPIC is intending to invest "75 million in financing to India's Yes Bank for lending to local women-owned small and medium businesses, 49 million in financing to Xacbank to support women entrepreneurs in Mongolia, and 225 million to India's IndusInd Bank to support the expansion of the bank's micro, small and medium lending programs across India" (OPIC, 2018b).

An example of an investment project supported by DEG is the Plantations Et Huileries Du Congo Sa. It is a Congolese company which operates three long established palm oil plantations in the Democratic Republic of Congo, close to the Congo River. Taking part in agribusiness, with a funding objective to help in paying expenses for replanting, equipment, fertilizer and environmental and social governance in the region. DEG has allocated 16.5 million USD to the project alongside other bilateral DFIs. DEG secures nearly 4,000 permanent and seasonal jobs through the project. The project helps improve access to staple foods in the region, while contributing to "economic diversification in remote and underdeveloped regions" (DEG, 2018a). The company that DEG is partnered with is in the process of "restoring and developing, extensive social infrastructure, including health facilities, employee housing, schools, water supplies and roads at each of its plantation sites" (DEG, 2018a).

Lastly the first project transaction undertaken by FinDev Canada is with a company called M-KOPA LLC. It is "headquartered in Nairobi, Kenya, is a supplier of 'pay-as-you-go" off-grid solar home systems and consumer products for low-income households that have historically relied on kerosene and other traditional fuels" (FinDev, 2018a). The goal of the company is to bring "affordable solar energy and lighting to rural households for less than the daily cost of kerosene and employs an innovative mobile payments model that simultaneously provides unbanked customers with a credit history and an upgrade path to finance additional household products such as televisions, refrigerators, cooking stoves and smart phones" (FinDev, 2018f, p. 2). The transaction undertaken is valued at 10 million USD.

As DFIs remain the emerging avenue of development, it is important to understand the differences that arise not only between DFIs themselves, but also in the manner that they distribute aid. As seen with the three bilateral DFIs in this paper, there is a breadth of literature that exists on the foreign aid system and its historical development, but little to nothing that explicitly looks at the role of the private sector and the emergence of DFIs. This discussion is aimed to add to the original skeleton of foreign aid, and in particular to showcase the geopolitical, and economic priorities of DEG, OPIC and FinDev Canada.

CHAPTER 4

CRITICISMS AND CONCLUSIONS

There are several normative factors that are consistent among OPIC, DEG and FinDev. The DFIs remain tied to their permanent institutional roles, which are in turn based on the national goals of specific donor states, and maintain that they provide financial services to well-deserved clients, though there are differences in the sorts of services each provides, and the kind of clients to which each tailors their services. The case with OPIC is that the bank itself makes it clear that investment into projects that fail to provide domestic US job creation or essentially in any way provide benefits to American companies and markets, will not be funded. OPIC presents itself as a bank that aims to create a point of entry for only US-based private business into developing markets. These developing markets and countries allow for OPIC to bypass higher political and market risk, insuring that any investments are in high-reward scenarios. Through their investment layout, OPIC is engaging in, at worst, disaster capitalism with American taxpayer money. OPIC essentially socializes the risk associated with developing country markets, while privatizing any profits that arise from their projects. Artificially lowering the costs of investments is readily done through spreading the risk of their ventures to American taxpayers. Another important criticism of OPIC is that a large portion of their investments end up in stable, often middle-income countries such as India, where there seems to be an ample supply of financing and insurance from domestic firms. The manner in which OPIC provides services into these “risky” markets is compelling when presented to potential clients, however, fails to really relate to their mandate of providing assistance in regions that need it most.

There is also great criticism in how these banks say they operate in relation to transparency policies, mandates and other doctrines they enshrine in their investments. The debate that exists is whether or not the "problem" which most banks see as the broad need to alleviate poverty, is really met with "doctrine", the policies and projects these banks undertake. It is important to note that unlike FinDev and DEG, OPIC claims to remain primarily focused on American businesses gaining an upper hand in new markets, which is not quite what "assisting the most vulnerable" would be to most scholars in the development aid arena. OPIC engages in a sort of "black-box" mentality in regard to development (MacLachlan et al., 2010, p.12). This sort of engagement is primarily donor-focused and profit-driven, which is not to say that FinDev and DEG refrain from it either.

DEG for instance has been operational for 55 years, but remains protected under German law that allows the bank to refrain from engaging in transparent reporting and policy making. DEG's human rights practices in its projects are impossible to analyze, since most content referring to their investments is never systematically publicized. Although the bank claims that since 2015, they have published information about their projects and the companies they have financed, it is incredibly misleading. DEG has the ability to publish information freely, however they only do so in circumstances in which the recipients of their loans agree to publication. This is an important factor in why the practices of the DEG should not be taken at face value. Within 2017, DEG had made over 111 financing commitments, however only 61 had published information about them online. So approximately 680 million USD in financing was invested into projects and companies that are unknown to the public and the German parliament.

The banks also vary on what they believe is making a “proper impact” in developing countries. This was easily seen through the types of investment each indicated, alongside the regions of investment each prioritized. Understanding the impact their projects have in developing countries is often related to concepts such as taxes, local expenditures, the levels of employment, and often foreign exchange revenues from projects. Although these may seem like important indicators of development, most modern growth models often reflect that if this is all DFIs are adding to host economies in which they are investing, the potential for poverty alleviation remains low. Many argue that the way in which banks state that they present themselves as “new, innovative and unique” methods to aid dispersal, it is often just a slightly altered rendition of an older practice (McLeod 2015; Bhushan 2018). Food aid may be a more blunt way of physically giving food to those in need, whereas financing plantations as the DFIs have done, seems to be a more lucrative way to engage in the same sort of development.

The argument is always that developing countries are poor because their economies lack effective and consistent drivers of economic growth, and that there is some inherent lack of cooperation between the public and private sectors in these regions, and that DFIs are the solution to it. However, scholars such as Bond present a criticism to these arguments, stating that developing countries are poor “ultimately, because the economy and society have been ravaged by international capital as well as by local elites who are often propped up by foreign powers” (Bond, 2006 p.1). This inequality in power is seen clearly within all the banks’ investment policies. Although FinDev, DEG, and OPIC say they are helping these recipients, it is important to understand the relations that arise in most of their investment partnerships. DEG is the only bank that clearly states some sort of involvement for investors on their equity investments that allows for a seat on their advisory board. This relationship is important and is another point of criticism I have for OPIC and FinDev.

There have always been concerns of donor dominance when it comes to aid, and there should still be. DFIs have reproduced the longstanding imbalance between “donors” and “recipients” for which traditional forms of aid have been roundly criticized. Black articulates that this “relationship, in which the donors are in the driving seat, no matter how much this is glossed over with words such as ‘partnership’, has helped to perpetuate an axis of superiority and inferiority” (Black, 2002, p. 30-31). Take OPIC’s and DEG’s investment in regions in which there remains political upheaval and social turmoil. DEG’s investment in Costa Rica supported the controversial Barro Blanco dam, which did not properly consult the indigenous populations affected by the project. OPIC’s investment policies are tied to a larger idea of American foreign policy, which means financing priorities in line with American geopolitical interests and objectives and the “American grand plan”. The ties to American foreign policy with OPIC are what Biglaiser and DeRouen coin as “follow the flag” investments (2007, p.838). A prime example of the DFI’s entanglement with policy is showcased through the concerted effort by Trump to increase its financial authority recently to “make it easier for the US government to encourage private sector investment in countries where Chinese largesse has for years been used to win influence” (Johnson, 2018, p.1). We see this investment angle taken by OPIC, DEG and FinDev to fund projects that are in, undoubtedly high-risk but inherently high-reward markets.

There is investment in communities where the markets have collapsed because of political factors such as civil war, strife, and unsteady leadership. Political risk insurance provided by OPIC is clearly a scheme where US-based companies can swoop in to places where there are high-risk and high-reward scenarios and private banks would never want to loan money. The banks are entering regions in which there is often no real order or democracy, and are profiting off the chaos, with finances and backing from public funds, that a normal private bank would not have and would likely be unable to obtain. These banks are taking high risks, but also thoroughly understanding that they do not have a high chance of failing, and or going out of business, since they remain housed as government institutions in their countries.

Development will only continue to occur when all sectors of a society and economy change and improve (Glavin 1994, p.1). However common crude measures of development, such as GDP can improve even as inequality in a country increases, with Brazil as primary example of this. However, it is important to understand that these measurements can improve, yet still yield levels of inequality that remain high. DFIs may be a niche way to enter markets that private banks would not normally do, however they are not the ultimate answer for the larger question of what will make aid truly effective. The DFIs also varied in their accountability and transparency activities. As mentioned previously DEG remains one of the worst in the group, publishing little to no material about almost half of their projects. FinDev will be a large organization like DEG and OPIC as it continues to operate, so the lack of coherent transparency and accountability policies established already means there are few 'best practices' or international norms to guide Canadian efforts through FinDev. The notion is that, if these banks really did intend to be as transparent as possible, they would simply be up front with it, and not delay creating policies to help them adhere to transparency requirements. Since the idea of a Canadian DFI has been under consideration for almost 40 years, just simply without action until 2017, it is hard to see why concrete transparency policies would not be in place, two years after its announcement.

Another point of criticism that is important to note about FinDev is the level of investment given via the federal budget. Canada's investment into its DFI lags behind its G7 partners, although the institution states that it will go after enterprises that are medium sized to remain sustainable. FinDev's commitment of 300 million pales in comparison to other G7 countries, but also other established DFIs. OPIC invested 3.8 billion USD in 2017, while France's Proparco invested 4.4 billion EUR in 2017 (Courtney, 2018). As of 2017, according to the OECD, the official development assistance levels as a GNI percentage remain at $4.09 billion for Canada, 23.84 billion for Germany and 34.64 billion for the United States (OECD, 2018).

Remaining tied to specific regions of investment is another pitfall of the DFIs. DEG, OPIC and FinDev all lay out specific regions of investment, more so FinDev than the others. Aid to a particular region or country should not be inherently considered as more effective than aid to another region. The type of projects and or programs the DFIs seek to engage in is more important. Accomplishing measurable and well-developed goals in both low-income countries and middle-income countries is needed. Contributions to poverty reduction by the DFIs is not easily understood by the general public, regardless of online publications by the institutions. Understanding how the financing occurs is rather unpredictable, since reports for most commitments are published after the deals are made. Although one cannot underplay the importance of results in aid, finding quantitatively comparable ones for DEG, OPIC, and FinDev is impractical. The institutions engage in short-term programs, and long-term ones that often have broad partnerships and tend to produce different lasting results. The issue with this is that often-foreign aid, and in the case of DFI financing is politicized by both affected parties. This politicization of aid is harmful, as it creates decision making that changes because of political imperatives and often disregards those that are of a developmental nature, which seems highly counterproductive to the whole aid effectiveness agenda.

While it is likely that aid optimists and aid pessimists will continue to argue about the relative merits of development aid, the continued emergence and evolution of DFIs will be an important trend for the foreseeable future, requiring critical analyses of the practices they engage in and most importantly how the projects are impacting development, and the ultimate goal of poverty eradication. This is of particular importance to FinDev, since it is in the very early stages of operation. Measuring development is often subjective, as different actors may perceive development in different ways, which will remain a challenge DFIs need to overcome (Bilodeau-Bouchard et al., 2017, p. 5).

The Canadian DFI should aim to invest in markets facing capital constraints and not replace existing private investors, but rather supplement them. According to the World Bank country income classification, DFI capital is best allocated to low-income countries, where there is limited access to financial markets (Bilodeau-Bouchard et al., 2017, p. 8). While all the DFIs examined here argue in their own documents and policies that investment should target those most in need, only a small percentage of DFI funding typically goes to low-income countries, which begs the question of whether they really are effectively dispersing foreign aid to meet the need of poverty eradication. A recommendation for the Canadian case, would be to ensure that upper middle-income countries, such as China and India, that do not face nearly the same constraints when it comes to capital do not receive the bulk of funding. DFI investment practices should focus on and work with existing Canadian development priorities and engage with experts at all times. For Canada, that means ensuring the DFI interacts with Global Affairs Canada (GAC), and fits government policy as a whole in order to effectively participate as an aid donor. For FinDev that means adhering to GAC priorities within their strategic plan. The 2018 Plan and Priorities provided by GAC has five key areas of focus. The priorities include emphasizing "international advocacy and diplomacy, trade and investment, development, peace and security programming, [helping] Canadians abroad, and [supporting] Canada's presence abroad" (GAC, 2018). GAC intends to financially support these endeavors with 3.3 billion CAD this fiscal year.

As DFIs increase investor security by entering uncertain markets themselves and reducing the cost and risk of entry for private investors (Bilodeau-Bouchard et al., 2017,p. 10), it is important that they maintain accountability to the communities in which investment is occurring and to those in their own countries providing the funding. Accountability to local communities could be achieved by strenuous monitoring and evaluation practices, and mechanisms for feedback, such as independent complaint processes. Another beneficial aspect of DFIs in the development realm is their relative freedom from the political entanglements of the public sector (Meyer 1992, p. 1116,).

Canada's DFI should be insulated from political pressure and governmental aversion to risk (Bilodeau-Bouchard et al., 2017, p. 14).

It is evident that a constructive redrawing of the boundaries between public and private ownership and between bureaucratic action and market processes will require careful policy design (Cook 1994, p. 138). Investment should only be in Canadian firms, that the DFI should not be allowed to invest in non-Canadian businesses and have higher standards for its impacts outside of Export Development Canada's guidelines. The DFI would thus need independence and also need to harness meaningful partnerships in order to have a comprehensive approach to development finance in Canada.

Some challenges that DFIs will continue to face include the inherent difficultly in reconciling corporate private sector interests for quick financial returns while simultaneously achieving development goals for poverty reduction, which is the intended mandate for most DFIs (Tomlinson, 2012, p. 13). Alignment to developing countries' investment priorities is also something that the Canadian DFI should keep in mind. Overcoming the trade-offs that exist between donor interest, private profit, and proper development can be achieved by making development outcomes the overriding criteria for project selection and evaluation, including by developing clear outcome indicators, and complying with high responsible investment standards (Tomlinson, 2012, p. 14). Setting higher standards when it comes to transparency, ensuring their independence from political sway, and adhering to corporate social responsibility standards, and requesting country by country reporting are all things the Canadian case can look to as best practices in the global arena of Development Finance Institutions.

The rise of emerging economies has challenged the existing international order. Private sector investment is certainly needed to address important investment gaps throughout the developing world, but it is “no silver bullet, nor is it a substitute for official development assistance” (McLeod, 2016, p. 3). New donors and DFIs are helping to break the “dominance of the western countries in global finance system and improve the positions of developing countries in the traditional development finance institutions” (Wenxing 2016, p. 28). It has become clear that private participation unleashes the power of certain market mechanisms that can break down challenges to access (Mawdsley et al., 2014, p. 327). What remains to be questioned is does the private sector provide an appropriate institutional alternative to the public sector for developing countries when it comes to effective and sustainable development (Meyer 1992, p. 1116). The comparative analysis provided in this paper helped to point to evidence and argument for how DFIs operate in increasingly different manners, and perhaps some sort of unification is needed. Understanding the pitfalls of well-established DFIs such as DEG and OPIC, led to a brief discussion about the best practices that the new Canadian Development Finance Institution should consider. Drawing to a conclusion about the large arena of politics that surrounds development, and as such proper navigation and understanding of the myriad of ways to move through the development landscape are needed to truly begin to address poverty globally and make foreign aid work.

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