



Norfund

# BUSINESS SUPPORT

ANNUAL REPORT 2020



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The Norwegian Investment Fund for Developing Countries, Norfund, is Norway's principal instrument for investing in sustainable businesses and creating jobs in developing countries.

Investments in challenging sectors and markets requires more than just finance. Norfund therefore aims to be an active owner in portfolio companies in four investment areas, contributing with expertise, establishing sound corporate governance and setting high environmental, social and governance (ESG) standards. Norfund's four investment areas are Clean Energy, Financial Institutions, Scalable Enterprises and Green Infrastructure.

Financed by the Ministry of Foreign Affairs (MFA), the main aim of Business Support is enhancing the sustainability and capacity development of our investees, through for example training and digitization. Business Support furthermore supports local community development projects around our investees where necessary, as well as certain sector initiatives.

In line with our investment strategy, Business Support projects actively target four cross-cutting issues: human rights, anti-corruption, climate and environment, and gender equality. For this reason, Business Support is incorporated in Norfund's Gender and Climate Position.

Exchange of information and partnerships are important for working with Business Support, as this ensures more coordinated and integrated efforts across institutions and enhances learning. We actively cooperate with Norad, Norwegian embassies, relevant development assistance organizations, Development Finance Institutions (DFIs), and non-governmental organisations.

In 2020, Norfund approved 15 new Business Support projects, totaling 19.2 MNOK. In addition, collaboration with EDFI was important during this year and led to the development of the EDFI TA Covid principles. In this report the 2020 portfolio results are presented, as well as the outcome of certain project during the year.



CROSS-CUTTING ISSUES





*Our mission is to  
create jobs and  
improve lives by  
investing in businesses  
that drive sustainable  
development*



Business Support was established in 2000 based on a mutual recognition by the MFA, Norad and Norfund for the need for technical and professional assistance in relation to investments in the private sector in developing countries.

The main objective of Business Support is to strengthen the developmental effect and sustainability of Norfund's investments. It is therefore an important instrument to exercise active ownership, in line with the Norfund investment strategy, and to support our investments in high risk sectors, markets and segments.

Business Support interventions adhere to the annual assignment letter from the MFA, Norwegian development policy priorities, the OECD/DAC criteria, and Norfund's investment strategy. Internally, interventions are sorted into three categories: project development, enterprise improvement and ESG, and local community development. These categories are described in detail on page 9.

Interventions focus on sustainability and value add by securing that important issues for which portfolio companies do not have the resources or knowledge, can be addressed and resolved. Projects are furthermore important tools to create awareness on important topics, have constructive conversations about controversial issues, strengthen the relationship between a company's owners and management and/or a company and its stakeholders.

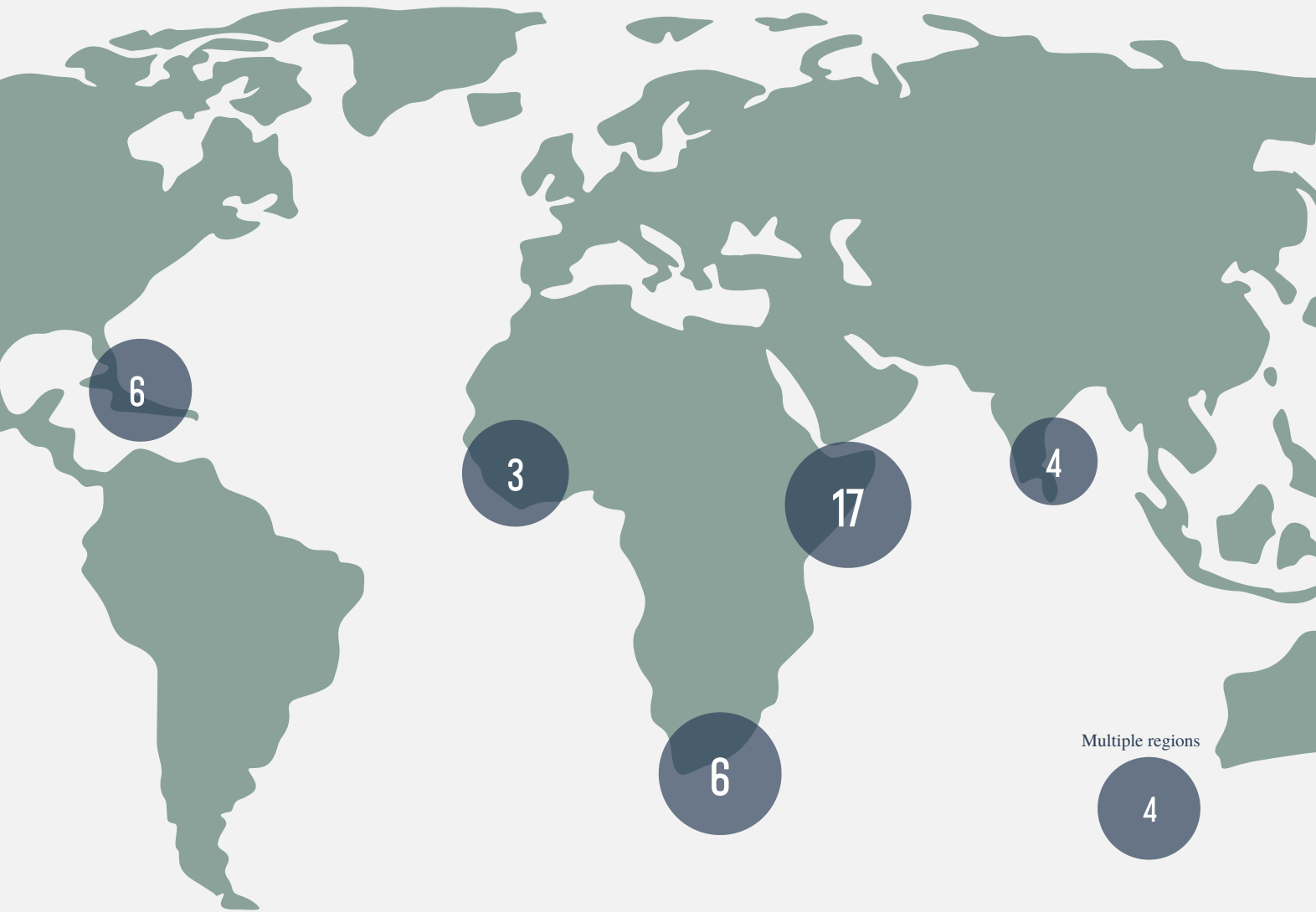
Norfund provides in-house expertise and assistance for Business Support applications. These applications are submitted to a Committee which makes a decision about the project. Together with portfolio companies, Norfund's Project Managers, Environment and Social advisers and Business Support Managers, new project are identified, developed, monitored and followed-up.

As we have a strong emphasis on good internal control and zero-tolerance for corruption, Business Support projects are developed based on standard templates and Norfund receives reports from each project at least once a year.

Finally, each Business Support project delivers on the SDGs and the relevant SDG for each project can be found on page 20 and 21.

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Number of active projects in 2020 (40)



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**11,5 MNOK**

DISBURSED in 2020

**19,2 MNOK**

APPROVED in 2020

**40**

ACTIVE PROJECTS in 2020

**>55**

COMPANIES SUPPORTED in  
2020

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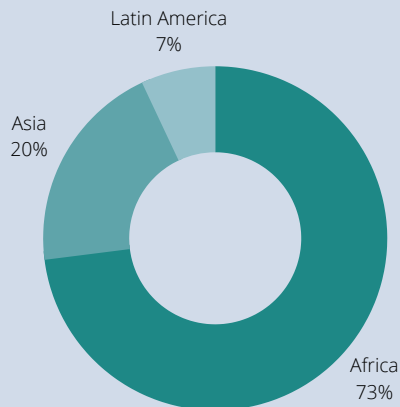
## STRONG FOCUS ON SUB SAHARAN AFRICA

In 2020, most of the new Business Support projects that were approved focus on Sub-Saharan Africa. In comparison with 2019, there is an increase in the number of projects in this region. In addition, there has been an increase in the number of projects committed in Asia, as in 2019 this was 10%.

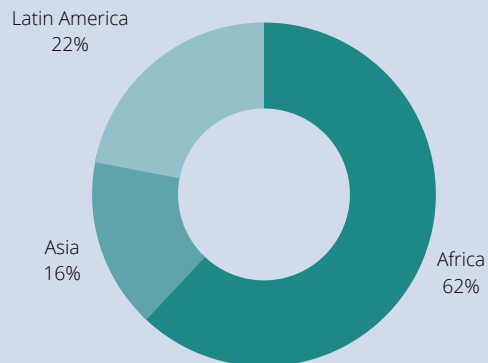
These results from the Business support portfolio follow Norfund's investment portfolio that has a KPI >50% in Sub-Saharan Africa.

In addition to new projects approved, nine projects were exited in 2020.

NUMBER OF NEW PROJECT APPROVED PER REGION  
2020 (TOTAL 15)



AMOUNT APPROVED PER REGION  
2020 (TOTAL 19,1 MNOK)



The need for investment is high in Least Developed Countries due to the scarcity of capital available in these markets. This is why for our investment portfolio, Norfund has a KPI of >33% for LDC investments. Business Support projects reflect our investment portfolio, and the demand for co-funding in these countries is higher. In the 2020 active portfolio, 38.5% of projects were in LDCs.

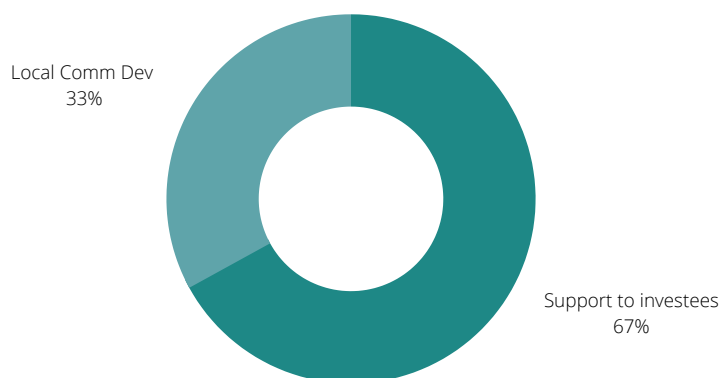
In 2020, Norfund supported for example the development of an Environmental and Social Management Systems (ESMS) in FES in Malawi. For this project, Norfund co-funds the hiring of an external consultant to implement the new management system.



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## SUPPORTING OUR INVESTEEES

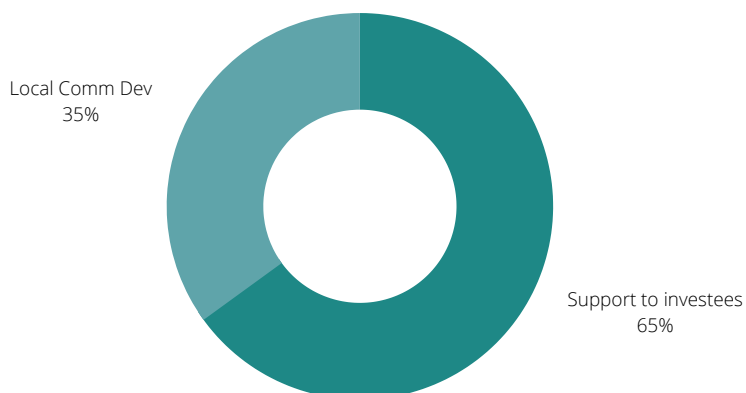
NUMBER OF NEW PROJECTS PER CATEGORY  
2020 (TOTAL 15)



The main objective of Business Support is to focus on **enterprise improvement** and direct support to investees. In 2020, 67 percent of new projects in the portfolio fell within this category.

In general, these kind of projects focus on initiatives that strengthen environmental, social and governance standards, procedures and capacities in portfolio companies. Furthermore projects that strengthen management and professional skills, and services that aim to bolster sustainability in the company are supported. In 2020, Norfund, for example, supported training on digital competence and Business Integrity assessments.

APPROVED AMOUNT PER CATEGORY  
2020 (TOTAL 19,1 MNOK)



Several new **local community development** projects were approved in 2020. During the year, these projects have aimed at Covid-19 relief efforts for the communities surrounding some of Norfund's investments.

This support to local community development is another type of initiative, and is in general aimed to strengthen local development in host communities. Where necessary, these kind of projects aim to bridge the gap between development activities and the investment projects.

The final type of initiative is **project development**. In 2020, no new projects of this type were approved. This change is a result of the establishment of the Project Development and Risk Mitigation Facility in December 2019. Under this Business Support category only feasibility studies are financed.

# CROSS CUTTING ISSUES

## HUMAN RIGHTS



Considering Human Rights was decisive in relation to one of Norfund's solar power projects in Lesotho. In this case Norfund approved support for the appointment of an independent legal counsel to assist and represent the local community in project related to land lease negotiations. What created a challenge in this case was that local communities often have limited knowledge of the legal implications of entering into an agreement with a private company. However, to safeguard the local community's interests and ensure that consultations are informed and fair, both Norfund and the portfolio company agreed that the local community should have access to qualified commercial and legal advice.

## GENDER EQUALITY



In Business Support projects we actively seek to promote a gender balance by setting requirements for an even distribution of participants from both genders. Active projects that focus on Gender Equality are the local community development around our project with ENEL in Gujarat, India and gender is an important topic in the work of the ResponsAbility Technical Assistance Facility.

The above follows Norfund's Gender Position, which aims to promote gender equality in our portfolio companies. Since 2016, Norfund has therefore supported participants from our portfolio companies to the Female Future Program (FFP) by co-funding the tuition fee. And through collaboration with CDC (British Development Finance Institution), Norfund provides training on Gender to its fund managers and employees.

## CLIMATE & ENVIRONMENT



Several of the interventions Norfund co-funds, through Business Support focus on Climate and Environment related topics.

Since 2019, Norfund supports Fondo de Desarrollo Local (FDL) farmers advisory service that in particular focuses on training farmers in environmental sustainability. More information about this project can be found on page 15.

In December 2020, a sector initiative in Central America was approved aiming to support the banking sector in the region. The project is in collaboration with IFC and FMO (the Dutch entrepreneurial development bank) and focuses on ESG, Green Taxonomy and Climate. Norfund's E&S advisor in the Costa Rica office is an active part of the working group and we will report on the implementation of the project in 2021.

## ANTI-CORRUPTION



As a responsible investor, Norfund has zero-tolerance for corruption and fraud which is outlined in our Business Integrity Policy.

To support our investees in this area, Norfund has since 2018, cooperated with Hibis to use its early detection methodology to assess company specific weaknesses and exposure to risk of fraud and corruption. This methodology allows for identification of red flags and early warnings signs of improper business behavior. Hibis will be one of the several tools for Norfund's Business Integrity work in the coming years. The aim is to roll out this tool to other investment departments.

# CORPORATE GOVERNANCE



Mutual Trust Bank (MTB) is a private commercial bank listed on the Dhaka and Chittagong stock exchanges. Norfund invested equity in 2019 and provided the Bank with a loan in 2018. During the due diligence conducted of Mutual Trust Bank in 2019, Corporate Governance was identified as an area with need for improvement.

The need for a Corporate Governance assessment was therefore discussed in the Board and when approved, Norfund was asked to co-fund the project. The aim was to identify areas of improvement in light of international best practices (IFC standards) but also local laws, Bangladeshi bank rules and regulations.

Co-funding from Norfund allowed for an external consultant to conduct documents review, interviews and additional analysis. Based on this data collection the consultant was able to review the effectiveness of the Bank's Corporate Governance. As a result of the pandemic the consultant was unable to visit Dhaka, but

online interviews were conducted with selected members of the Bank's management team and the Board over the course of 2020.

## EFFICIENT DECISION MAKING AND LEADERSHIP

The project ended in December 2020 with a presentation by the consultant to the MTB Board, addressing leadership and board evaluation and a broader Corporate Governance review.

Based on the recommendations, the consultant developed an implementation plan focusing on commitment to good Corporate Governance. The Board concluded that they would seek to implement these recommendations without further support from the consultant at this stage.

As MTB has moved into the implementation phase of this Corporate Governance review, this project is expected to lead to more efficient decision making and will impact the Bank in making it a market leader in the country.





# SECURING DISTRIBUTION OF MEDICINE DURING THE PANDEMIC

Freight in Time (FiT) is a supply chain logistics provider in East Africa, covering Kenya, Rwanda, Uganda and Tanzania. The company operates within perishables, pharmaceutical and healthcare, telecommunication and ICT and humanitarian relief. With Norfund's investment in 2015 FiT expanded their supply chain logistics focusing on temperature-controlled warehousing and distribution for third parties, an area which is underserved in East Africa.

## THE PROJECT

With funding from GAVI the vaccine alliance and Global Fund, FiT has over the past years been implementing a solution that has revolutionized cold chain last mile delivery of vaccines in 3 districts in Uganda serving about 10% of the total population. Their solution has guaranteed last mile delivery of vaccines to all health facilities in these regions.

The overall goal of the last mile delivery project is to contribute to increased immunization coverage by ensuring equitable distribution of sufficient quantities of potent vaccines from the nominated district vaccines store to health facilities using global standards Best Practice.

A phased expansion throughout the country was planned starting in July 2020, however, the implementation was interrupted by the global Covid-19 pandemic.

In order to secure this last mile vaccine delivery, Norfund provided an emergency grant of USD 100 000 through the Business Support facility. GAVI and the UPS Foundation contributed financially as well.

The supplementary bridge funding from July to December 2020 allowed for continued service delivery of medicines and vaccines in the three districts in Uganda, ensuring life-saving services through the pandemic. All three districts have reported substantially improved product availability at point of service, reduced wastage and significantly reduction in stock-outs at facilities.

Region/country  
**Uganda**

Norfund contribution  
**USD 100,000**







# CLIMATE CHANGE AND SUSTAINABLE FARMING



Financiera Fondo de Desarrollo Local (FDL) is a leading microfinance institution in Nicaragua with a purpose to offer financial products that contribute to the national development in the country.

A large share of FDL's customers are farmers. To improve the productivity of the farmers, their control of agricultural diseases, incorporate adaptation to climate change and to sustainable environmental practices, FDL set up a Farmers Advisory Service offered to their coffee, agriculture and cattle farmers.

## NORFUND'S ROLE

Norfund has been a shareholder in FDL since 2016. To contribute to scaling up Farmers Advisory Service, Norfund decided to cover 20% of the total project costs in 2020 and 2021. This means that FDL can afford to provide advisory services to more clients.

## FARMERS ADVISORY SERVICE

The FDL Farmer Advisory Service is run by the local research and development organisation, Nitlapan, and through the partnership FDL can offer technical assistance to its clients in two areas. First, it promotes financial sustainability through sharing of knowledge and technologies in dealing with for example diseases, pest management, and fertilization. Advice is also provided in other areas that might be of economic importance for the client.

Second, the services promote a coherent environmental approach to mitigate the effects of climate change. This includes promoting technologies to improve environmental standards such as water management, solid waste systems as well as product diversification.

As part of these services, FDL has also, together with IFC, started to implement a call center service and technology application through mobile applications online and radio podcasts.

On average the advisory service consists of three technical visits, three visits to model farms and four technical assistance calls per farmer. An example of the areas in which advice is given is water supply and how water can be harvested.

Results from the previous seven years of service shows the clients have reduced risk of loss, have more sustainable operations and thereby improved credit risk.

## INCREASE IN OUTREACH DESPITE THE PANDEMIC

Despite the challenges the pandemic brought to conduct these advisory visits, FDL conducted 8471 to 2823 farmers in 2020. From January until October 2020, more than 30% of the clients visited have diversified their crops with the aim to adapt to climate change.

Region/country  
**Nicaragua**

Norfund contribution  
**USD 120,000**





# IMPROVING ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

Improving environmental, social and governance (ESG) performance of our clients is critical to Norfund's sustainability ambitions. Not only do high ESG standards help to mitigate risk, but they also help to identify and maximise opportunities to add value to business. To ensure ESG compliance and improvements to strengthen developmental and financial outcomes, it is important to contribute both to capacity building and practical training. Through business support, Norfund provides ESG workshops in collaboration with CDC and Agri-Vie, which are open and free of charge for all relevant personnel in our portfolio companies.

## THE ESG WORKSHOPS PROVIDES HANDS-ON SUPPORT

CDC started organising ESG workshops in 2010, and Norfund has been a partner and provided financial support since 2017. The objective is to train the private equity fund managers in how they can contribute to good ESG performance within their portfolio companies, and use their position as a leading investors to share experiences and good practice. The workshop programme has become the largest of its kind in emerging markets, reaching a significant proportion of the private equity industry in the areas where CDC and Norfund invest, particularly in Africa.

While the initial focus of these workshops was catered to Fund managers, companies where Norfund invests directly are also able to participate.

The inclusion of portfolio companies has brought diverse experiences and points of view to the table, which has led to dynamic and productive discussions. The workshops use a strong 'learning by sharing' approach building on shared experiences and using examples from participants. Most of the participating companies have a small ESG team of one or two people and it is extremely useful for the participants to learn how similar challenges are addressed by other companies.

*“We really used that training to set up a template for how we look at environmental and social considerations at screening, during due diligence, and also when we're monitoring investments”*

- Marieke Geurts, Investment Director at Ascent.  
Online training due to Covid-19

As a consequence of Covid-19, CDC and Norfund have moved these workshops online, to a virtual training that keeps as much of the interactivity and implementation focused learning experience as possible. Sessions are now also exploring how Covid-19 affects the ESG and business integrity investment process of fund managers. For portfolio companies, the training focused on using the ESG management system as an essential tool to navigate changing social and environmental dynamics during the pandemic.

# COVID-19 RELIEF EFFORTS IN SUB SAHARAN AFRICA

Local community development projects are usually developed in collaboration with our investees and depend on local needs. Considering the pandemic, Scatec reached out to Norfund and requested support for local Covid relief efforts surrounding some investment projects. As these efforts focused on awareness raising Norfund decided to support these initiatives short term.

## RWANDA, LESOTHO AND MOZAMBIQUE

The relief efforts in Rwanda, Lesotho and Mozambique were implemented by Scatec in collaboration with local NGOs. The effort in Rwanda focused on the distribution of PPE and were short term relief and finished in October 2020. Support in Lesotho is provided to local health centers and the work is carried out by Partners in Health.

## AWARENESS TRAINING AND SUPPORT TO HEALTH CENTERS

In Mozambique relief efforts were provided in the Mocuba District, where Norfund together with Scatec has built a solar power plant. These activities were carried out by ADRA, a national humanitarian organization established in Mozambique.

ADRA, in partnership with CESOM (Scatec Mocuba), carried out the Mocuba Covid-19 Institutional Response (MOIRE) project. The project aimed to reduce the risk of transmission of Covid-19 in the district of Mocuba.

The project has different components which include, radio key messages for the prevention of Covid-19 in three local languages, awareness of Covid-19 through distribution of pamphlets and posters and local health centers, installation of hand washings systems in public places and health centers and distribution of hygiene kits.

To look into the impact of this project, in November 2020, surveys were conducted. In total, in the Mocuba district, 53,150 individuals were reached and 106 health care workers were trained from 9 health care facilities. Both numbers are far above the target set.

Finally, in EDFI context 151 projects were approved (globally), and EDFIs deployed 16 MEUR for TA related Covid-19 efforts. Norfund committed USD 450,000 on Covid-19 related Business support initiatives in 2020.

Region/country

**Rwanda, Lesotho, Mozambique**

Norfund contribution

**USD 71,000**

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# BUSINESS SUPPORT ACCOUNTS

	<i>AMOUNT (MNOK)</i>
<b>INCOME 2020 (AVAILABLE FUNDING)</b>	<b>41.38</b>
Transferred from 2019	16.38
Received allocation from MFA 2020	25.00
<b>DISBURSEMENTS 2020</b>	<b>11.50</b>
Project Development	2.41
Enterprise improvement and ESG	7.60
Local Community Development	.81
<b>Remaining funds at year end</b>	<b>29.88</b>
<b>REMAINING UNDISBURSED COMMITMENTS (CONTRACTED)</b>	<b>27.64</b>
<b>AVAILABLE FUNDS FOR NEW PROJECTS IN 2021</b>	<b>2.24</b>

# PROJECTS 2020

Project	Company	Country	Department	Year	SDG	Amount (USD)
ACF Aquaculture Training Program	ACF	Zimbabwe	Scalable Enterprises	2019	9.2	335.000
Africado Dahani school dining room	ARICADO	Tanzania	Scalable Enterprises	2019	4	35.000
Agri Vie ESG Training (2019 - 2020)	AGRI VIE	Sub Saharan Africa	Scalable Enterprises	2019	12.6	12.000
ARISE TAF	ARISE	Sub Saharan Africa	Financial Institutions	2019	8, 5	250.000
Arnergy management skills training	ARNERGY	Nigeria	Clean Energy	2019	7	12.000
Basecamp development in Pardamat Conservation Area	BASECAMP	Kenya	Scalable Enterprises	2020	9.1, 9.2	250.000
CASEIF II TA Facility	CASEIF	Central America	Scalable Enterprises	2014	12.6, 8	187.500
CDC ESG Training (2019 - 2021)	Multiple Fund Managers	Multiple	Scalable Enterprises	2019	12.6	100.000
Central America Sector Initiative on Climate + ESG	Multiple Banks	Central America	Financial Institutions	2020	12.6, 13	450.000
d.light energy ladder study	D.LIGHT	Kenya	Clean Energy	2019	7	95.000
ENEL India (Gujarat) local community development	ENEL	India	Clean Energy	2020	5, 9, 10	200.000
EPS Comores establishment support	EPS	Comores	Clean Energy	2018	8.3	150.000
FDL Farmers advisory service	FDL	Nicaragua	Financial Institutions	2019	8.3, 2.1	120.000
Female Future Program support 2020 - 2024	Diverse	Uganda, Kenya, Tanzania, Ghana	All	2020	5	45.000
FES E&S Risk Management	FIPA	Angola	Funds	2020	12.6	110.000
FIT Extension Funding for Last Mile Vaccine delivery	Freight in Time	Uganda	Scalable Enterprises	2020	9.2	100.000
FiT Last Mile Distribution of Medicine	Freight in Time	Uganda	Scalable Enterprises	2020	9.2	160.000
FUNDAPEC study	FUNDAPEC	Dominican Republic	Financial Institutions	2019	4	19.130
Globeleq Malindi Covid community relief	Globeleq Malindi	Kenya	Clean Energy	2020	3	110.500
Hibis - Business Integrity Pilot	Multiple	Sub Sahara Africa	All	2018	16.5	XX.000



Project	Company	Country	Department	Year	SDG	Amount (USD)
Hibis - Business Integrity 2020 - 2021	Multiple	Sub Sahara Africa	All	2020	16.5	XX.000
Kinyeti Advanced studies in Business Administration	KINYETI CAPITAL LTD.	South Sudan	Scalable Enterprises	2016	4	42.000
Locfund II TAF II	Locfund II	Latin America	Financial Institutions	2018	12.6	164.000
Marginpar Kaizen in Ethiopia, Leadership and Team Development	MARGINPAR	Ethiopia, Kenya	Scalable Enterprises	2019	8	125.000
Mutual Trust Bank Corporate Gov Assesment	Mutual Trust Bank	Bangladesh	Financial Institutions	2020	16.5	30.000
Mocuba E&S Initiatives	SCATEC	Mozambique	Clean Energy	2018	12.6	80.000
ResponsAbility ACPF TAF	ResponsAbility	Global	Clean Energy	2020	7, 5	250.000
rAREH restructuring option analysis	rAREH	Kenya	Clean Energy	2020	16.7	50.000
Scatec Covid-19 relief efforts	SCATEC	Lesotho, Rwanda	Clean Energy	2020	3	71.000
Scatec Lesotho Legal & ES Council	Neo1 Lesotho	Lesotho	Clean Energy	2018	12.6	60.000
Scatec Egypt local community development	Scatec Benban	Egypt	Clean Energy	2020	8	150.000
SME Fund Ghana feasibility study	SME Fund	Ghana	Funds	2019	-	42.000
SPEAR TA Facility	SPEAR CAPITAL	Sub Saharan Africa	Funds	2019	8.2	500.000
Sundry Foods OHS	SUNDRY FOODS	Nigeria	Scalable Enterprises	2019	9.2	175.000
VAL Outgrower Expansion	VERTICAL AGRO	Kenya	Scalable Enterprises	2019	9.2	200.000
VAL Covid-19 and climate adaptation	VERTICAL AGRO	Kenya	Scalable Enterprises	2020	13	169.000
Yoma Bank Business Integrity and Stakeholder Management Phase 1	YOMA BANK	Myanmar	Financial Institutions	2019	16.5	24.000
Yoma Bank Business Integrity and Stakeholder Management Phase 2	YOMA BANK	Myanmar	Financial Institutions	2020	16.5	88.000
Artcaffe HMS digitisation	ARTCAFFE	Kenya	Funds		8	13.000
Honduras Sustainable Banking Initiative	Multiple	Honduras	Financial Institutions		12.6	155.000

