

Norfund

2019 REPORT ON OPERATIONS

Norwegian Investment Fund for Developing Countries

FJORÅRETS, NY KOMMER









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NORFUND

REPORT ON OPERATIONS 2017

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INVESTING FOR DEVELOPMENT

NORFUND – the Norwegian Investment Fund for Developing Countries – is a state-owned company and the Norwegian government's main instrument for strengthening the private sector in developing countries.

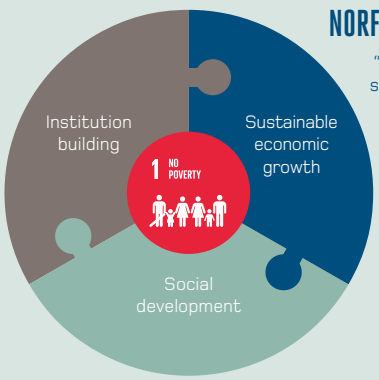
Although the share of the world's population living in extreme poverty has fallen substantially the past 30 years, the need for development is tremendous.

- 18 million jobs need to be created annually in Sub-Saharan Africa
- 600 million people in Africa lack access to electricity
- 67% of the adult population in Sub-Saharan Africa is unbanked

Unfortunately, these needs will probably escalate due to the Covid-19 pandemic.

Three pillars are needed to ensure inclusive and sustainable development and to achieve the UN's Sustainable Development Goal Number 1 – to end poverty.

Norfund's mandate is to contribute sustainable economic growth through assisting in developing sustainable business and industries. Other development aid actors are mandated to help building institutions, such as strengthening institutional and human resource capacities of governments and other public administration institutions, and social development, such as health and education. ■



NORFUND'S MANDATE

"Assist in developing sustainable business and industries in developing countries."

THE STRATEGY IS CLOSELY ALIGNED WITH THE SDGs

(See page 14)



SECTOR IMPACT

STRATEGIC PRIORITIES & CROSS-CUTTING ISSUES

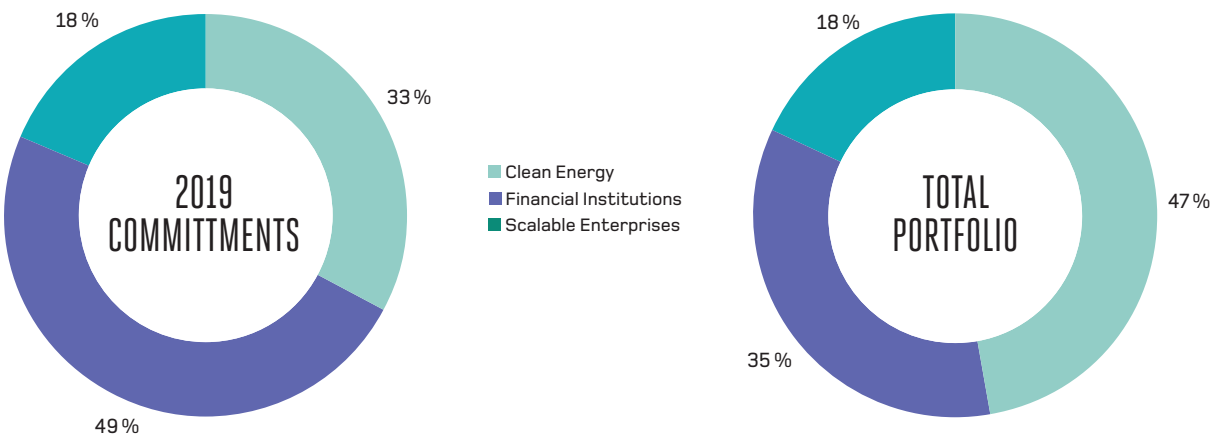
PORTFOLIO AND RESULTS END OF YEAR 2019

24.9
billion NOK
total committed

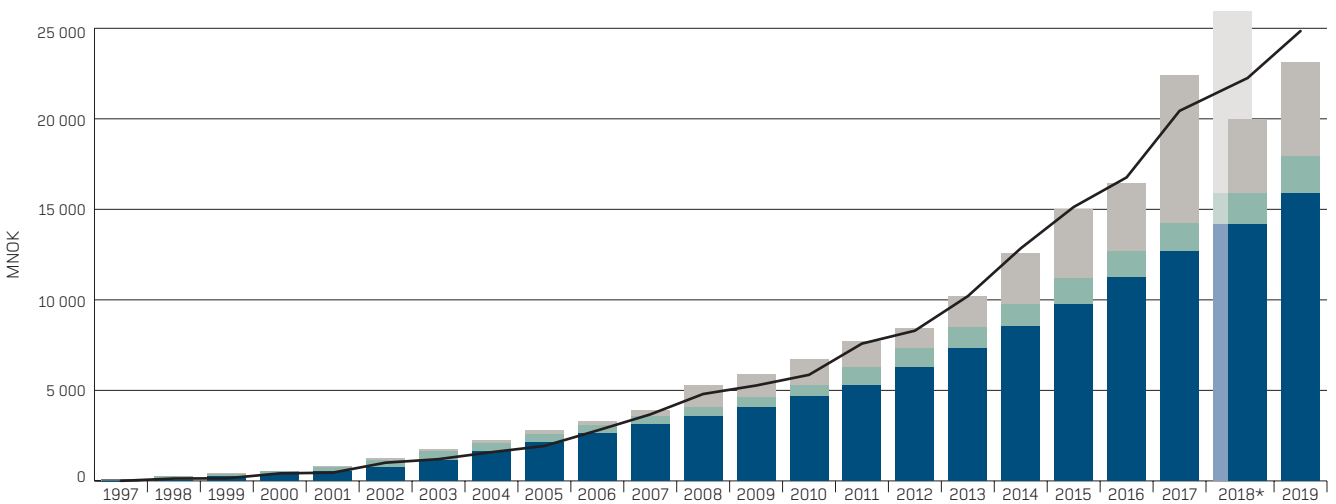
5.9%
IRR since inception
(inv. currency)

9.2%
IRR since inception
(NOK)

xxx,xxx
jobs in the portfolio companies



NORFUND PORTFOLIO SINCE INCEPTION — Comitted portfolio | Retained earnings | Allocated capital this year | Accumulated allocated capital



*Adjusted numbers, according to new accounting principles

xx.x TWh

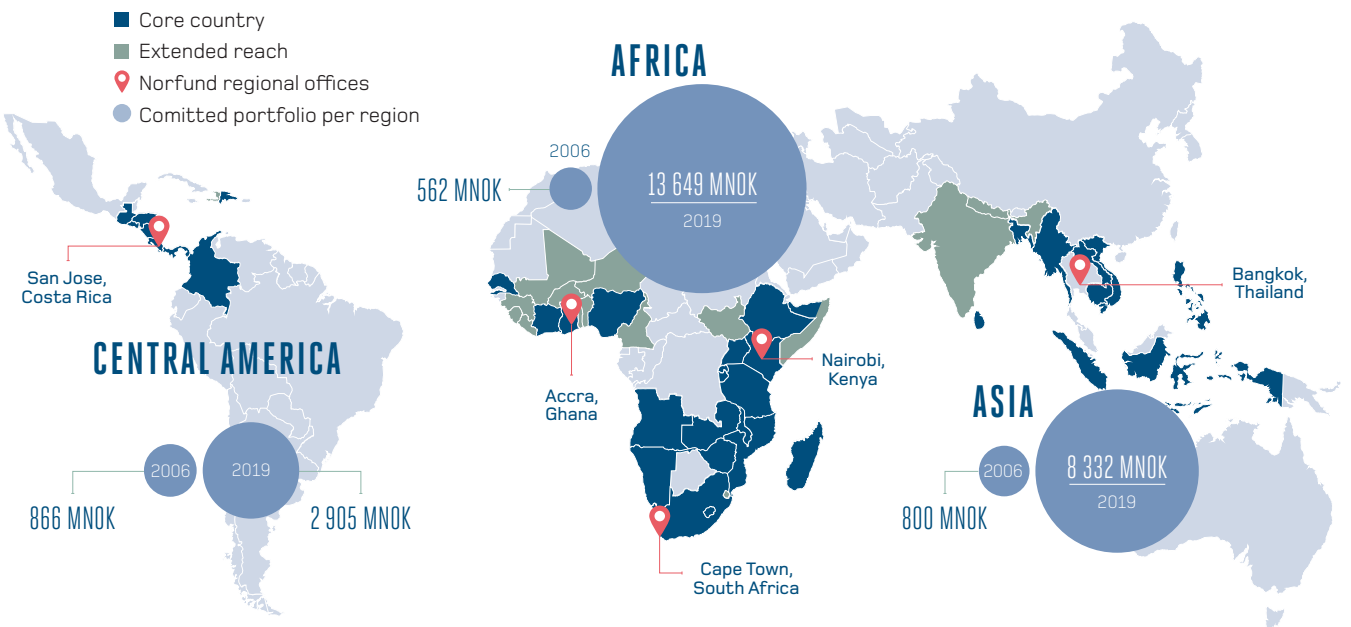
electricity produced by portfolio companies

x.x

billion NOK new investments in 2019

xx.x

billion NOK taxes paid by portfolio companies in 2019



KEY FIGURES NORFUND 2012–2018	2013	2014	2015	2016	2017	2018	2019
Portfolio (MNOK)	9 630	12 843	15 127	16 762	20 439	22 253	24 944
Capital allocated by the owner (MNOK)	1 198	1 230	1 480	1 478	1 500	1 690	2 035
New investments (MNOK)	1 872	3 645	2 395	2 784	3 600	3 511	4 015
Share of new investments in least developed countries	42%	24%	38%	57%	34%	47%	36%
Share of new investments in Africa	68%*	72%	85%	73%	35%	49%	61%
Return on invested capital (IRR) in investment currency	-1%	-6%	3.5 %	2.9%	14%	4.6%	7.0%
Number of direct investments	118	126	129	124	136	149	159
Number of employees in Norfund	54	61	69	69	71	75	82
Number of jobs in portfolio companies	314 000	227 000	382 000	276 000	292 000	304 000	xxx 000

*excl. SKIHI and SN Power


EPSON
TOSHIBA

CREATING JOBS – IMPROVING LIVES



FJORÅRETS, NY KOMMER

A MESSAGE FROM

TELLEF THORLEIFSSON

Chief Executive Officer

CREATING JOBS FOR DEVELOPMENT



"Job creation is a pre-requisite for any society seeking to combat poverty. For these companies to get started, they need access to energy, banking services and other key infrastructure. Norfund's strategy is to contribute to this, and I will do my utmost to make sure that our investments continue to provide a sustainable impact." →

Norfund invests in sustainable businesses in developing countries. When meeting politicians from developing countries, they reiterate the importance of having a long term, active investor like Norfund that can support companies providing jobs and local tax income. On this basis, Norfund's goal of strengthening the private sector is a mission I fully subscribe to. Managing large funds provided by Norwegian taxpayers, comes with a huge responsibility. Joining an experienced team gives comfort, but I still feel humbled by the trust placed in me and I will do my utmost to make sure we reach our goals.

During my first six months, I have met with entrepreneurs and companies across Africa, Central America and Asia. I have witnessed, first hand, how companies that Norfund has invested in are providing real job opportunities, economic development and a better future for many people. I have also been impressed by how Norfund has been able to combine its social mission with steady growth, profitability and a broader reach.

GLOBAL ECONOMIC MOMENTUM MAINTAINED IN 2018

Globally, the economic expansion was robust in 2017, and the economic momentum was largely maintained in 2018 thanks, in part, to the recovery of commodity prices. However, economic progress has been uneven across regions. East and South Asia remain on a relatively strong growth

Tellef Thorleifsson, Chief Executive Officer



NORFUND'S ORGANISATION

Investment expertise
Norfund has Norway's largest specialist team investing in developing countries. In 2019, 48 of 87 employees worked directly with investments, following projects through all phases of the investment process. Norfund has three sector-based departments: Clean Energy, Financial Institution and Scalable Enterprises. Our aim is to establish a fourth sector-based department, Green Infrastructure, once we have succeeded in building a considerable project pipeline and have recruited staff with relevant expertise.

Country presence
27 Norfund staff members are employed across five regional offices (Nairobi, Cape Town, Accra, San José and Bangkok) to ensure local proximity and knowledge. The regional offices generate investments, monitor existing engagements and provide support to all the sector-based departments.

Impact expertise, financial analyses, organizational development and legalsupport
Norfund has dedicated experts monitoring environmental, social and governance issues related to our investments. The Strategy and Communication department analyses development effects and additionality and manages communication. The Finance department is responsible for Norfund's accounts, financial analysis and portfolio reporting both internally and externally. The Organisation and HR department is responsible for recruitment, competence- and staff development as well as Norfund's Business Support scheme and the Project Development and Risk Mitigation Facility. A legal department was established in April 2019 to strengthen the internal capacity on legal and compliance issues. Some support functions are outsourced to keep the organization small and efficient. Some support functions are outsourced to keep the organization small and efficient.

Investment committee
Norfund's Investment Committee (IC) is important, both for quality assurance and to strengthen decision making. The IC has 8 members, whereof two are external, and is led by the CEO. While the CEO/Management Team can decide on investments up to USD 4 million, the IC is mandated to decide on investments between USD 4 – USD 15 million and commercial exits. The IC shall also review investment proposals above USD 15 million, but final approval is to be made by the Board of Directors.



Left to right: Thomas Fjeld Heltne, Hege Elisabeth Seel, Tellef Thorleifsson, Ellen Cathrine Rasmussen, Mark Davis, Ylva Lindberg, Erik Sandersen, Cathrine Kaasen Conradi.

TELLEF THORLEIFSSON CEO (Since October 2018)
Prior to Norfund, he was a co-founder and managing partner of Northzone. Since 1996, Tellef contributed to building Northzone to become a leading international venture-fund. Tellef is also a co-founder of the Voxtra Foundation which has been making targeted investments and grants within agribusiness in East Africa. Tellef has had several directorships.

HEGE ELISABETH SEEL EVP Organisation & HR (since 2008)
Before joining Norfund, Hege was Assistant Director General at Ministry of Trade and Industry as Chief of Staff. She has experience from international assignments in OECD and the EU and has been working for the Ministry of Foreign Affairs.

YLVA LINDBERG EVP Strategy & Communication (since 2019)
Prior to Norfund, Ylva was founding partner of the consultancy SIGLA for 13 years, focusing in sustainable and impact finance. Lindberg is also a senior associate of the University of Cambridge Institute for Sustainability Leadership, board member of Lærdal Medical and member of the Responsible Investment Advisory Council of BMO Global Asset Management.

THOMAS FJELD HELTNE EVP Legal (since 2019)
Prior to joining Norfund, Thomas was Director M&A at Norsk Hydro. Thomas has throughout his career worked with transactions, financing and international projects, both from the legal and commercial side. Thomas has been member of and observer to boards of Norwegian industrial companies and has also served on the Trade Policy Panel for the Confederation of Norwegian Enterprise (NHO).

ERIK SANDERSEN EVP Financial Institutions (since 2014)
In addition to being head of Financial Institutions, Sandersen sits on the boards of the African bank investment firm Arise, NMI – the Nordic Microfinance Initiative and Norfinance AS where he acts as the Chair. Prior to Norfund, Erik was partner and co-founder of Incitia Ventures, a venture fund investing in early- and growth stage Nordic technology companies.

MARK DAVIS EVP Clean Energy (since 2007)
Prior to joining Norfund, Mark was employed at ECON Analysis where he was responsible for a range of energy-related consulting assignments, primarily in developing countries. He has worked extensively in Southern and East Africa, as well as selected countries in Asia and Latin America. Mark is on the board for several of the department's investees, among other Globeleq and SN Power.

CATHRINE KAASEN CONRADI
Chief Financial and Risk manager (since 2017)
Prior to joining Norfund, Cathrine was a partner in Cinclus Equity Partner with over 10 years' experience from the Private Equity industry. She has held several board positions in companies over the last 10 years. She also has a background from Accenture's Strategy Department and as Management Trainee in ICA Norway. Cathrine holds a master's degree in Business and Economics from BI Norwegian Business School.

ELLEN CATHRINE RASMUSSEN
EVP Scalable Enterprises (since 2020)
Prior to joining Norfund, Ellen was a manager in Yara. The last few years she has spent as country manager for the Ivory Coast and as VP for Sustainability programs and global projects. She has been EVP for Agrinos, an international agriculture input provider, had various management positions at Norsk Hydro and been a board member for SINTEF. She studied economics in Norway and France.

BOARD OF DIRECTORS

Norfund's Board of Directors is appointed by the General Assembly. The General Assembly is constituted by the Norwegian Minister of International Development who governs the state's ownership in Norfund.

Norfund's Board of Directors ensures that the Fund operates in accordance with the Norfund Act of 1997 and the Fund's statutes. The Board defines Norfund's strategy and approves individual investments exceeding specified thresholds. Other investment decisions are delegated to the CEO. Being an active investor, the Norfund Board of Directors meets 8–9 times a year, and once a year they visit selected investee companies in priority developing countries.



OLAUG SVARVA Chair (since 2019), was the CEO of the Government Pension Fund Norway (Folketrygdfondet) from 2006 to 2012. Today, Olaug is Chair of the Board in DNB and she has also served as board-member of several Norwegian companies' nomination committees. From 2001 to 2006, she held positions as CEO & Investment Director at SpareBank 1 Aktiv Forvaltning and SpareBank 1 Livsforsikring.



FINN JEBSEN Director (since 2012), is self-employed and has extensive experience in the Norwegian industrial sector. He worked in the Orkla Group for 25 years, as CEO from 2001-2005. He has served on the boards of several companies, including Kavli Holding AS, Awilhelmsen AS, Kongsberg Gruppen ASA and Norsk Hydro ASA.



MARTIN SKANCKE Director (since 2014), is a self-employed consultant at Skancke Consulting. He has worked in the Norwegian Ministry of Finance and headed the Ministry's Section for Monetary Policy and Public Finances. Martin has been Director General at the Office of the Norwegian Prime Minister and at the Ministry of Finance's Asset Management Department.



BRIT K.S. RUGLAND Director (since 2015), has broad experience in both equity investments and the industrial sector, including at Statoil (now Equinor). Since 2000, she has been a General Manager of various parts of the Rugland family business. Brit has served on Norges Bank's Executive Board and chaired the Board of Gassco AS.



PER KRISTIAN SBERTOLI Director (since 2016), has a background as international secretary and political advisor for the Christian Democratic Party. He has been Head of Advocacy in Plan International Norway. He now works as Head of Renewable Finance in the Zero Emission Resource Organization.



TOVE STUHR SJØBLOM Director (since 2017), has broad leadership experience from Hydro and Statoil (now Equinor). She has held positions as Asset Manager for the Ormen Lange project, SVP for Statoil's Sub-Sahara Africa assets and Managing Director of Statoil's Aberdeen office. Today, she is Managing Director of The Oslo Energy Forum and affiliate partner of Systemiq.



VIBEKE HAMMER MADSEN Director (since 2018), was managing Director of Virke, the Enterprise Federation of Norway from 2002- 2018. Before this, she worked for PA Consulting Group and was director in Statoil Marketing. Vibeke has had a number of directorships, among others in Kværner ASA, Forskningsrådet, Aker Solutions ASA og Storebrand.



MARIANNE HALVORSEN Director, employee elected (since 2019), joined Norfund in 2001 and has had various responsibilities within the company. She is Senior Investment Manager in the Financial Institutions team. She has previously worked in GIEK and has a master's degree in Business and Economics from NHH.



LASSE DAVID NERGAARD Director, employee elected (since 2019), joined Norfund in 2013 as an Investment Director in the Scalable Enterprises department. Prior to Norfund, he worked for more than 10 years in the Private Equity sector. He has a master's degree in Business and Economics from NHH and MSc. from University of Colorado, Boulder.

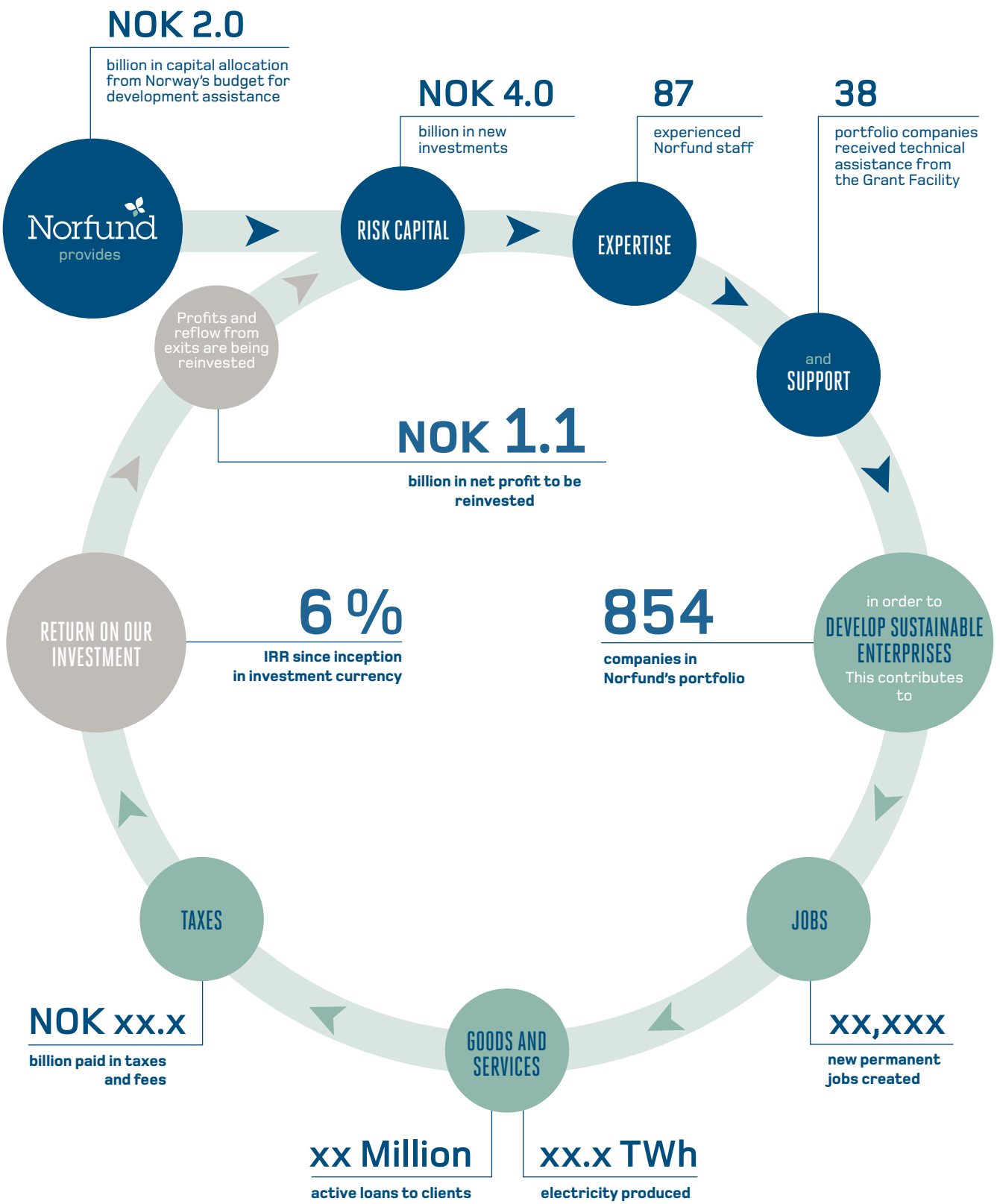
INVESTING IN BUSINESSES THAT DRIVE SUSTAINABLE DEVELOPMENT

The development of sustainable enterprises and jobs is essential to promote economic growth and reduce poverty.

Norfund's mandate is to establish viable, profitable enterprises in developing countries that would not otherwise be initiated because of the high risk involved.

Norfund aims to invest in some of the world's most challenging sectors and countries – in countries where the private sector is weak, jobs are scarce and where we can have the greatest impact.

The graphic on the next page illustrates how Norfund works and how the investments contribute to jobs, important goods and services, and to increased tax revenues. An investments is exited when Norfund's involvement is no longer additional. The capital and profit generated are then reinvested in new enterprises with greater need for risk capital. ■


NOK 2.0
billion in capital allocation from Norway's budget for development assistance
Norfund provides
NOK 4.0
billion in new investments
RISK CAPITAL
87
experienced Norfund staff
EXPERTISE
38
portfolio companies received technical assistance from the Grant Facility
and SUPPORT
in order to DEVELOP SUSTAINABLE ENTERPRISES This contributes to
854
companies in Norfund's portfolio
JOBS
xx,xxx
new permanent jobs created
GOODS AND SERVICES
xx Million
active loans to clients
xx.x TWh
electricity produced
TAXES
NOK xx.x
billion paid in taxes and fees
RETURN ON OUR INVESTMENT
6 %
IRR since inception in investment currency
Profits and reflow from exits are being reinvested
NOK 1.1
billion in net profit to be reinvested

NORFUND STRATEGY

In June 2019, the Norfund Board approved Norfund's Strategy 2019 – 2022. The strategy is anchored in the fund's mandate, informed by the UN's Sustainable Development Goals and reflects the priorities of the Norwegian government's development assistance policy.

OPTIMISING IMPACT

The purpose of the strategy is to ensure that we fulfil our mandate effectively and efficiently. Norfund's investments and expertise are focused on countries, sectors and instruments in which capital is scarce and our development impacts are likely to be strong. We optimise our impacts by being additional. This means that we invest in markets and sectors in which other investors are reluctant to invest. Norfund brings non-financial value, such as expertise and active ownership, to the investments we make. Norfund is a catalytic investor: we are a minority investor, mobilising private and commercial capital to invest in our focus markets, sometimes alongside us, or with others. (see page xx)

FOUR INVESTMENT AREAS

Norfund prioritises investments in four areas that are aligned with the UN Sustainable Development Goals; Clean Energy, Financial Institutions, Scalable Enterprises and Green Infrastructure. Access to electricity and capital is crucial infrastructural requirements for development. Scalable enterprises are companies with significant potential for growth and job creation within the agribusiness and manufacturing sectors. Green Infrastructure is a new investment area for Norfund with the aim to improve infrastructure in cities and urban areas. Investments in these sectors contribute to job creation and improved lives in developing countrties.

PRIORITY COUNTRIES

Norfund targets 29 core countries, based on three criteria: competence, additionality and attractiveness. This means that Norfund has excellent market knowledge and expertise in these countries; they have considerable investment needs but few or no alternative investors; and each country has sufficient investment opportunities within Norfund's investment areas.

In addition to our core target countries, Norfund has selected 20 developing countries that are defined as fragile, or in which partnership opportunities are available through reputable funds, strategic partners, or investment platforms (see page xx).

OUR MISSION:

Norfund creates jobs and improves lives by investing in businesses that drive sustainable development.

FOUR INVESTMENT AREAS & AMBITIONS PER AREA



Key Performance Indicators (KPI) for Norfund's portfolio:
- Sub-Saharan Africa > 50 %
- Least Developed Countries > 33 %

PRIORITY INSTRUMENTS

Norfund provides capital in the form of equity, debt and fund investments. Preference is given to equity investments because in most developing countries this is the scarcest type of capital needed by enterprises.

Although preference is given to equity investments, we plan to increase the share of the portfolio investments we make through funds and loans. Investing in funds via trusted and skilled partners is an efficient way for Norfund to provide risk capital. By working closely with investees and fund managers, we contribute actively to improving company governance and performance.

- **5,000 MW** new capacity financed, 4,000 MW of which will be renewable energy
- **1.5 million households** provided with access to electricity
- **50 % of the fresh capital to renewable energy*** – over time, no less than half of the capital contributed by the Norwegian Ministry of Foreign Affairs shall be invested in this sector

- **15 million new clients** are offered financial services
- **130 billion NOK** more extended in loans to clients

Access to electricity and effective banking and financial systems are crucial infrastructural requirements for development.

- **50,000 jobs** created through direct investments and funds
- **2 billion NOK** increased total revenues due to realised growth
- **Partnerships established** with larger industrial actors

Scalable enterprises are companies with significant potential for growth and job creation within the agribusiness and manufacturing sectors. Investments in these sectors contribute to increasing export and income levels, decreasing import dependency, and creating new jobs.

- **1 billion NOK** invested in 6 -10 investments in waste management, water and power networks/transmission

For financial institutions, access to credit is critical for financing growth and managing liquidity. Our provision of debt to financial institutions increases the ability of companies to provide loans to clients. Debt investments also help to diversify Norfund's portfolio, both in terms of risk and capital reflows.

KPI for Norfund's portfolio:
- Equity Investments > 70 %

GREENFIELD INVESTMENTS

Norfund's investments in new enterprises are known as "greenfield investments". Starting new enterprises can be risky, and attracting capital can be challenging. Norfund can accept higher levels of political and financial risks than many other investors. However, we seek to limit our exposure to technology-related risks when making direct investments. In other words, Norfund prefers to invest in proven, well-functioning technologies.

KPI for Norfund's portfolio:
- Greenfield Investments > 15 % of three years moving average of annual commitments

CIRCULATING CAPITAL FOR INCREASED ADDITIONALITY

Circulating capital strengthens our ability to deliver on our mandate because it liberates capital for new investments. Norfund uses an active, structured and planned approach when exiting companies (for example, through sales, mergers and initial public offerings (IPOs)). We conduct annual exit reviews and actively monitor exits, both during the investment phase and during the ownership period. We aim to circulate more capital in the future, ideally bringing in private investors when exiting from companies. This will allow us to deploy the released capital in new, more additional investments.

INVESTMENT EXPERTISE

To succeed as an investor, Norfund must continuously build and develop the expertise needed to invest and manage risks. This includes in-depth knowledge of traditional financial risks, as well as ESG (environmental, social and governance) and integrity issues. We strive to have a thorough understanding of the business environments, enterprises and sectors in each of the countries in which we invest, as well as the political and governance practices affecting them. Norfund therefore recruits employees both in, and from, our target countries and regions. As an active owner, we recruit experienced external and internal board members to our investment companies. ■

* Norfund distinguishes between the concepts "clean energy", which is the name of the investment department, and covers the whole energy portfolio, and "renewable energy", which only covers energy based on renewable sources. The difference is largely accounted for by investments in gas-fired power plants in East and West Africa.



Something caption here? Caption here? Something caption here? Something caption here?

AN ACTIVE, STRATEGIC MINORITY INVESTOR

Norfund aims to be an active owner in our portfolio companies, contributing with expertise, establishing sound corporate governance, and setting high financial and environmental, social and governance (ESG) standards.

Our goal is to ensure that the companies in which we invest become profitable. Good management is expected, and companies must demonstrate over time their development impacts and compliance with international standards.

EXCLUSION LIST

Norfund has together with the other European Development Finance Institutions (EDFI) identified particular sectors and activities in which investments will not be made. The EDFI Exclusion List can be found at www.norfund.no.

BEFORE AN INVESTMENT

Before any investment is made, potential companies and partners are carefully assessed. Financial, operational, environmental and social concerns are equally important: Without financial and operational viability a company is not commercially sustainable; and a company without respect for human rights and environmental sustainability is incompatible with Norfund's developmental mandate.

Once an investment proposal is approved by our Investment Committee or the Norfund Board (see page x), each investment agreement is tailored. This includes among others performance requirements, reporting needs and action plans.

ACTIVE OWNERSHIP AFTER INVESTMENT IS SIGNED

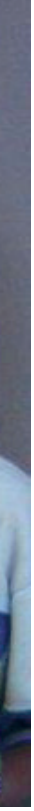
As an active investor, Norfund's role extends beyond financial commitments: we also take an active role in value creation by offering portfolio companies hands-on operational and technical support.

When Norfund has an equity stake in a business, we usually require a seat on the company's board of directors. This is filled either by a relevant Norfund employee or by an external expert, depending on the company's needs. In 2019, Norfund was represented on 40 company boards, 33 seats were occupied by external experts.

MONITOR CHECKPOINTS

Norfund actively monitors that the investment companies:

- Operate in accordance with agreed strategies
- Perform in line with the agreed business plan and financial projections
- Practise satisfactory corporate governance and internal controls
- Follow national laws and regulations, and the required IFC Standards
- Demonstrate environmental and social responsibility



FOCUSING ON GOOD CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL PERFORMANCE (ESG)

Our direct ownership in the companies in which we invest enables us to have an impact on corporate governance, and on their decisions related to environmental and social impacts.

Corporate Governance

Corporate governance refers to the structures and processes for the direction and control of companies. Corporate governance matters because it improves the performance of our investees, helps develop capital markets and is directly linked to the companies' contribution to sustainable economic development. Sound corporate governance reduces risk, adds value to investments and avoids reputational risks for investors.

Norfund carefully assesses the governance structure and framework for each potential investment. We require the companies we invest in to promote and adhere to high standards of corporate governance and will, when needed, assist our investees in improving their corporate governance systems.

Environmental and Social performance

Norfund adds value by helping our investees to achieve strong environmental and social performance. If environmental and social risks are not addressed appropriately, it can cause harm both to people and to the environment. The management of environmental and social risks is therefore an integral part of Norfund's investment processes. The Environmental and Social Performance Standards of the World Bank's International Finance Corporation (IFC) form the basis for our assessments and follow-up interventions.

BUSINESS SUPPORT

The Norfund Business Support Programme is an important tool for active ownership. It is used by Norfund to support investment companies in the following areas:

- **Enterprise improvement and ESG:** Projects that aim to strengthen environmental, social and governance standards, procedures and capacity of a company.
- **Local community development:** Projects that strengthen local development effects in host communities, by supporting a company's local community outreach efforts.
- **Sector related initiatives:** Project that support a whole sector, as for example E&S training for the banking sector in a particular country.

The Business Support Programme is earmarked Norfund's portfolio companies and potential portfolio companies. For this grant-based financing, portfolio companies cover up to 50 percent of the project costs.

Business Support projects actively take into account the four cross-cutting issues that are part of the Norfund investment strategy; human rights, anti-corruption, climate and environmental impacts, and gender. (page 18)

Finally, close partnerships and regular exchanges of information are central components of Norfund´s Business Support Programme. These ensure that we are able to coordinate and integrate our work with other institutions, and to track the lessons learned by all those involved. Norfund actively cooperates with organisational partners, including Norad, Norwegian Embassies, and development assistance organisations, such as NGOs and DFIs.

The Norfund Business Support Programme in 2019:

- 18 MNOK funding committed (since 2010)
- 38 active projects
- 65% in Sub-Saharan Africa

THE PROJECT DEVELOPMENT AND RISK MITIGATION FACILITY (PDRMF)

A lack of bankable projects is a key barrier for investors, including Norfund, that are interested in investing in developing countries. Project development in these countries is often costly and requires expertise in environmental impact assessments, law and technical reporting. Public investors, such as Norfund, can therefore play a key role in promoting project development in priority sectors.

In 2019, the Norwegian Ministry of Foreign Affairs and Norfund signed an agreement for a new Project Development and Risk Mitigation Facility. The aim is to enable Norfund to provide venture capital in the most demanding markets, especially in vulnerable states and the least developed countries (LDCs) where access to early stage venture capital is limited. The facility has two purposes:

- Early phase project development within Norfund's investment areas
- Risk mitigation for commercial investors that wish to invest in Norfund-funded projects, throughou the project cycle.

The Project Development and Risk Mitigation Facility will be used for projects that have a risk level which is higher than other investments in Norfund's core portfolio. These projects will be managed as a separate facility and will not be included in Norfund's overall portfolio valuation. ■

A RESPONSIBLE INVESTOR – CROSS CUTTING ISSUES

In the Norwegian development policy, there are four cross-cutting issues: Climate change and environment, Human rights, Women's rights and gender equality, and Anti-corruption. These cross-cutting issues are to be taken into consideration in all international development projects and programmes. Norfund assesses relevant cross-cutting issues in all our investments.

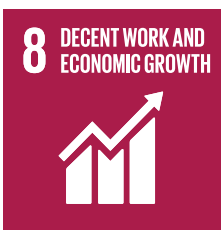


CLIMATE CHANGE AND ENVIRONMENT

The effects of climate change pose a major risk to the dynamics of poverty reduction and to the prosperity of societies. Norfund deals with climate change and protection of the environment on three levels:

1. **Resilience:** The poor and vulnerable are the most affected by climate change. Norfund's priority to LDCs and job creation helps make these groups more resilient to climate change.
2. **Reduction:** Investing in renewable energy reduces CO2 emissions and facilitates the transition to a low-carbon economy. It also enables access to clean energy.
3. **Risk:** Assessing climate risk (such as emission levels, physical risks, legislation, social risks and competition) for sectors, geographies and companies where this is relevant and material

Norfund is in the process of concretizing its work on climate change and will launch a climate strategy in 2020. The aim is to ensure that Norfund is managing all climate-related risks in a way that is relevant to the investment portfolio, in line with leading practice and credible to our stakeholder expectations. As a responsible investor, we always consider ESG issues in our investment decisions and our active ownership.



HUMAN RIGHTS

Safeguarding and protecting human rights is essential when working in sustainable development. As Norfund's role is to contribute to building sustainable businesses, we require our investees to respect human rights by adhering to the IFC Performance Standards. These standards cover relevant parts of the Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights - such as indigenous peoples' rights, biodiversity, the interests of local communities and the core conventions of the International Labour Organisation (ILO).



ANTI-CORRUPTION

Corruption and economic crime have wide-ranging negative effects on societies and are detrimental to reach the United Nation's Sustainable Development Goals (SDGs). Norfund has zero-tolerance for corruption in all its investments and activities. We make clear to our investment companies that we do not accept any form of corruption and require them to implement anti-corruption programs.

In addition, all Norfund employees and representatives (including external board members appointed to portfolio companies) are asked to sign and abide by Norfund's Code of Conduct, which prohibits all forms of corruption. If financial irregularities or corruption are suspected, Norfund has a formal channel to support whistle-blowers.



GENDER EQUALITY

Globally, fewer women than men participate in the formal economy, women earn less than men, and have fewer assets and economic opportunities. Based on this, Norfund's strategy for gender equality and women's economic participation has three objectives:

1. **Promote** equal opportunities for men and women
2. **Encourage** female participation in management and on corporate boards
3. **Support** women's enterprises and self-employment

Norfund is committed to addressing gender equality in our own organisation, in our investments, and through Business Support and external communications. Norfund was the first Development Finance Institution with a Gender Strategy in 2016. In 2020, we will publish our new strategy, aiming to be even more ambitious.

Own organization

When addressing gender equality, Norfund recognizes the importance of starting with our own organization. Diversity is key for Norfund, as it gives us insight and helps us better understand opportunities and risks.In recruitment and hiring processes, Norfund actively seeks gender balance and diversity by inviting candidates from all genders. At the level of management, Board, and Investment Committee the same standard is used. The Norfund Management team furthermore review potential salary gaps every year, ensuring equality among genders.

Portfolio companies

Non-discrimination is an integral part of the IFC Performance Standards. By adhering to these standards in our investment process, Norfund actively considers gender equality. In addition, by investing in financial institutions, Norfund contributes to increased access to capital - for both men and women - which promotes entrepreneurship and self-employment.

Still, Norfund has noted that women are underrepresented at the management level in many of our investee companies and on corporate boards. To encourage increased female leadership, Norfund supports portfolio companies in sending female talents to the Female Future Program, see box, through the Norfund Business Support Program (page X).

Wider society

Norfund contributes also by sharing best practices, exchanging ideas and experiences with non-governmental organizations and participating in public debates.

In the development of Norfund's new gender strategy, we are working closely together with CARE, Plan Norge, Norwegian Peoples Aid and FOKUS through dialogue meetings.

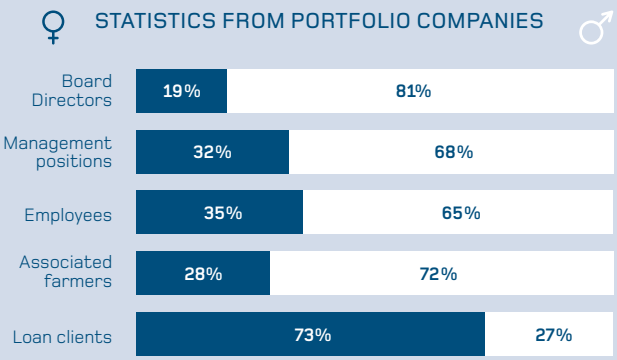
TAKING STOCK AND RAISING AWARENESS

Each year, we collect data on the gender balance of our portfolio companies. Gender balance varies in different business areas, and data shows that financial institutions and funds typically have a better gender balance than the energy and agribusiness sectors.

Norfund has benchmarked data from our investee companies in energy, financial institutions and funds and compared these to global trends in these sectors. The benchmarking exercise showed that the gender balance in our investee companies is in general either the same as the average level in these sectors, or better.

COLLABORATION

Norfund meets frequently with other DFIs to discuss gender strategies, share lessons learned and discuss approaches for raising awareness internally and with partners. Through our work with the European Development Finance Institution (EDFI) we address gender equality. Since 2018, Norfund has been a part of the Gender Finance Collaborative (GFC), launched by CDC. The aim of the GFC is to be a committed and collaborative DFI working group to leverage combined capital, capacity, networks and knowledge. ■



THE FEMALE FUTURE PROGRAM

The Female Future Program is a leadership and board-room competence development program created by the Confederation of Norwegian Enterprise (NHO). The program was established in Norway in 2003 and has since been rolled out to other countries in cooperation with national employers' organisations. The program trains women in rhetoric, leadership and board competence. In 2019, Norfund continued supporting female talents in our portfolio companies in East Africa to participate in the program, and we also supported NHO in establishing the Female Future Program in Ghana.

A MINORITY INVESTOR

Norfund invests jointly with other partners, and always as a minority investor. By being a significant minority investor, Norfund can claim a board position and have an influential role, while supporting local ownership and encouraging other investors to invest in developing countries.

STRATEGIC PARTNERS AND CO-INVESTORS

Norfund's ownership will normally not exceed 35 per cent of a company. This means we always depend on competent and trusted partners. Norfund has clear guidelines for how to analyse and evaluate potential partners. The partner's areas of expertise and knowledge, previous and existing positions and relationships, other roles in the society and reputation are among the factors that are carefully considered.

Being a minority investor is a principle that is defined in Norfund's mandate. This may encourage other international investors to invest in developing countries and it often also supports local ownership.

Co-investing this way enables Norfund to leverage additional capital and to provide the industrial and local knowledge needed for each investment. The next page gives an overview of important Norfund strategic partners.

TAX POLICY AND OFFSHORE FINANCIAL CENTERS

The fund has developed a responsible tax policy that is at the core of Norfund's operations. It states among others that Norfund shall exercise great caution in its use of offshore financial centres (OFCs) and only motivated by non-tax benefits.

As a minority investor, Norfund's investments are sometimes through structures or funds that have been set up by others. In countries with weak legal systems or where there is a risk of corruption in the legal system, the administration and enforcement of laws and rules may be neither effective nor predictable. This is a risk that is too high for many investors. It is therefore sometimes necessary to utilise on a third-party country. The use of such offshore financial centres (OFCs) implies a special responsibility for Norfund to ensure that we have full insight into the transactions that take place and that we in no way contribute to tax evasion or illegal capital flows.

When OFCs are needed, Norfund shall strive to invest through holding companies and funds registered in countries that comply with the standards of Global Forum on Transparency and Exchange of Information for Tax Purposes, including the automatic exchange of tax information, and/or through countries with which Norway has a tax information exchange agreement. ■



Norfund has been a patient, minority investor in Lake Turkana Wind Power Project since it was initiated in 2013.

STRATEGIC PARTNERSHIPS AND INVESTMENT PLATFORMS

Over the years, Norfund has sought close collaboration with partners and co-investors in specific business areas and geographical regions. Today, Norfund has a number of strategic investments in defined companies ("investment platforms") which both manage a set of assets and are vehicles for growth and capital deployment. Each investment platform is designed to manage investments in a defined business area. Below is an overview of investment platforms and partners of specific strategic importance for Norfund's goal achievement:

INVESTMENT PLATFORMS

Arise was established in 2016 as a joint venture between Rabobank, FMO (the Dutch development bank) and Norfund. The aim of Arise is to strengthen the financial sector in Africa through large minority equity investments in local banks and thereby to contribute to financial inclusion. While Norfund continues to offer loans directly to African financial institutions, equity investments in African banks are to a large degree done by Arise.

Globeleq is a leading producer of gas, solar and wind power in Sub-Saharan Africa. The company is owned by Norfund and CDC (the British development finance institution). Through Globeleq, both Norfund and CDC aim to install 5,000 MW of new electricity capacity in Africa over the next decade.

The hydropower production company **SN Power** was established in 2002 by Norfund and Statkraft. The company contributes to economic growth and poverty reduction through enabling increased access to renewable, stable energy for businesses in developing countries. Since 2017, Norfund has been the sole owner of SN Power. This was due to new priorities in Statkraft's strategy and has enabled SN Power to focus more strongly on energy investments in Sub-Sahara Africa and in specific countries in South East Asia.

OTHER STRATEGIC PARTNERS

Nordic Microfinance Initiative (NMI) was created in 2008 as a Norwegian initiative through a partnership between Norfund and the private investors Ferd, Vital (DNB), Storebrand and KLP. As of 2016, IFU (the Danish development finance institution) also became a partner and NMI became the Nordic Microfinance Initiative. Uniting private and public capital, the company provides poor people in developing countries with access to financial services. The objective is to make NMI a leading Nordic player in the field of microfinance.

KLP: Norway's largest life insurance company is an important strategic financial partner for Norfund. Since 2013, KLP and Norfund have co-invested in several financial institutions and renewable energy projects in developing countries, mainly in Africa.

Scatec Solar: Norfund has a long-term strategic cooperation with Scatec Solar - an integrated independent solar power producer in developing countries. The partnership provides a framework for collaborative project development and joint investments. As partners, Scatec Solar and Norfund have contributed to the realization of several solar PV projects in Africa and in Central America.





REPORT ON OPERATIONS

PORTFOLIO AND RESULTS

PART 1 AUDITED FINANCIAL RESULTS & EXITED COMPANIES

Year 2019

PORTFOLIO

By year end 2019, Norfund had committed investments totaling NOK 24,873 million in 159 projects. Almost half of the portfolio is invested in clean energy projects.

24.9
billion NOK total committed

4.0
billion NOK committed in 2019

1.88
billion NOK allocated from owner in 2019

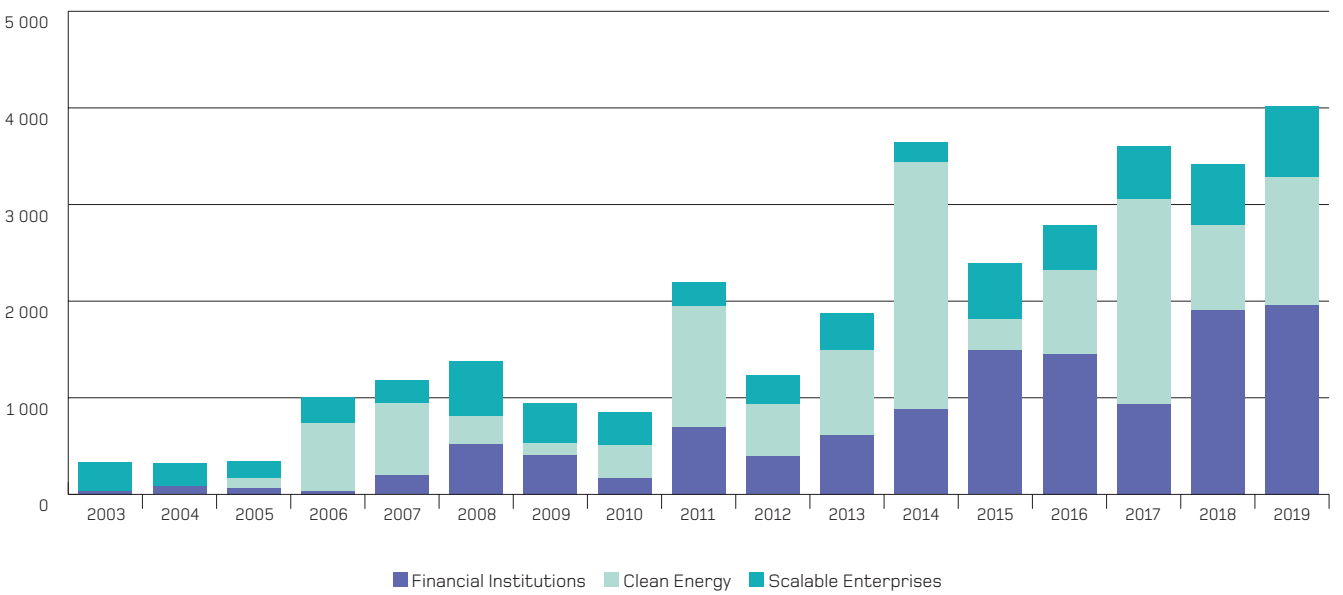
159 /854
companies received direct / indirect investments from Norfund

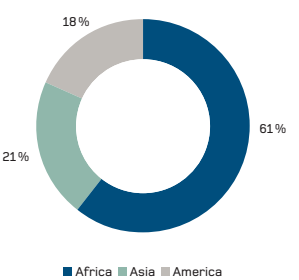
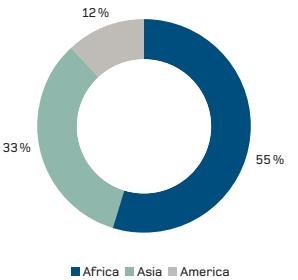
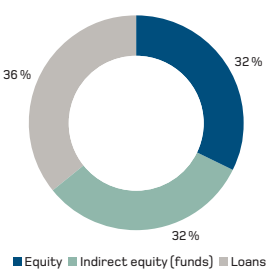
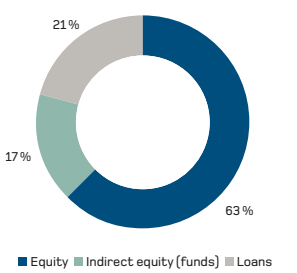
21
new investments and 17 follow-on investments in 2019

A YEAR OF HIGH INVESTMENTS

Norfund's yearly investment activity has increased significantly since inception, with 2019 being "all time high" both with regards to the number of commitments made, as well as the committed amount. The number of sustainable projects in need of investments within our investment areas is growing. As of end 2019, our committed amount is higher than the cash available. 49 percent of all commitments in 2019 were loans and equity investments in financial institutions- which will increase access to capital for companies in developing countries and enable them to grow and create more jobs.

NEW INVESTMENTS PER YEAR



	INVESTMENTS IN 2019	TOTAL PORTFOLIO
PRIORITY GEOGRAPHICAL REGIONS In accordance with Norfund's strategy, 61 percent of all commitments in 2019 were in Sub-Saharan Africa. (KPI: Sub-Saharan Africa > 50%)		
PRIORITY TO LEAST DEVELOPED COUNTRIES (LDCS) The need for DFI investments is high in LDCs due to scarcity of capital available in these markets. (KPI: Least Developed Countries > 33%)	36 % **NEW COMMITMENTS IN LDCS**	40 % **TOTAL PORTFOLIO IN LDCS**
HIGH SHARE OF GREENFIELD INVESTMENTS Norfund's investments in new enterprises are known as "greenfield investments". Starting new enterprises can be risky and attracting capital can be challenging. However, some greenfield investments, such as new power plants and first-generation funds, can be particularly important to development. (KPI: Greenfield>15% of three years moving average)	31 % **NEW COMMITMENTS IN GREENFIELD**	33 % **TOTAL PORTFOLIO IN GREENFIELD**
PRIORITY TO EQUITY Norfund provides capital in the form of equity, debt and fund investments. Preference is given to equity investments because in most developing countries this is the scarcest type of capital needed by enterprises. (KPI: Equity and indirect equity >70%)		

RESULTS

Norfund's investment portfolio Internal Rate of Return (IRR) in 2019 was 6.3 percent (calculated in investment currency). This was an increase of 4.6 percent compared to 2018. When calculated in Norwegian Kroner, the IRR for 2019 was 7.4 percent.

Significant annual variations mean that the contribution of our investments is better reflected in IRR calculations since investment inception. As of 31 December 2019, Norfund's IRR since inception, expressed in investment currency, was 5.9 (≈6) percent. When calculated in Norwegian Kroner, the IRR for this period was 9.1 (≈9) percent.

In 2019, Norfund's *Clean Energy* portfolio had an IRR in investment currency of 7.4 percent. This followed a similarly strong performance in 2018. The return from SN Power, however, was weak, caused by poor water availability resulting from the El Nino effect. Globeleq's performance was satisfactory, and the commissioning of multiple Scatec solar projects helped to boost the overall result.

Our investments in *Financial Institutions* performed well in 2019, with an IRR of 7.1 percent in investment currency. This result was notably stronger than the IRR of 3.3 percent in 2018. The IRR in this sector, since inception, is 7.0 percent. This strong performance was driven, in part, by improvements in the investment portfolio of ARISE, by NMI's continued strong performance, and by value increases in multiple investments in our Central American portfolio.

The IRR of our portfolio of *Scalable Enterprises – Funds* rose from -14.4 percent in 2018 to -7.4 in 2019. Although the IRR remains negative, the change is a significant improvement. In 2018, our underlying fund portfolio experienced significant downward valuation pressure and difficult exit conditions because capital markets were challenging, both globally and in emerging markets. In 2019, two key influences accounted for more than the total loss in value for the Scalable Enterprises – Funds segment. Firstly, several fund investments were heavily and negatively impacted by government corporate governance issues. The revaluation alone accounted for more than half of the losses in 2019. Secondly, challenges with regards to the former Aureos fund manager led to Norfund having to make large negative valuation-adjustments to these assets.

The *Scalable Enterprises – Agriculture & Manufacturing* portfolio had an IRR of 3.3 percent in 2019, measured in investment currency. This is a strong performance compared to 2018, which saw an IRR of -5 percent, and compared to a return of -3.6 percent since inception. Overall, the portfolio's IRR performance in 2019 was solid, given the challenging and high-risk nature of this sector. The portfolio results were also boosted by successful exits from two tourism companies. The ongoing divestment from this segment is in line with our broader strategy reorientation.

The realised values from exits from all above sectors will be reinvested in new investments that have high potential developmental impacts.

IRR SINCE INCEPTION

6%
(Local currency)

9%
(NOK)

IRR IN 2019

6%
(Local currency)

7%
(NOK)

Internal Rate of Return (IRR) in investment currency	Since inception 1997–2018	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Clean Energy	7.0	7.4	7.1	19.5	0.1	2	-9	-4	12	10	11
Financial Institutions	7.0	7.1	3.3	5.8	8.2	12	6	4	9	6	9
Scalable Enterprises	-3.6	3.3	-5.0	4.1	-5.2	-4	-10	-4	-10	2	7
Scalable Enterprises – Funds	1.4	-7.4	-14.4	-4.0	-1.6	0	-3	12	9	3	10
Total	**5.8**	**6.3**	**4.6**	**14.0**	**1.6**	**3.5**	**-6**	**-1**	**10**	**8**	**10**

NORFUND'S AUDITED RESULTS FOR 2019

Profit & Loss (MNOK)	* 2018	** 2018	2019
Interest	195	195	269
Realized gains	151	151	78
Dividends received	187	218	985
Other project income	20	20	13
Share of profit associated companies	768	-	-
Total operating income	**1 322**	**585**	**1345**
Payroll expenses	–114	–114	–114
Other operating expenses	–59	-59	-73
Total operating expenses	**–173**	**–173**	**–187**
Write-downs on investments	-295	-347	-229
Operating profit in investment currency	**855**	**65**	**929**
Net financial items	**14**	**14**	**87**
Tax	–1	–1	–4
NET PROFIT IN INVESTMENT CURRENCY	**868**	**78**	**1012**
Exchange rate effects portfolio	290	342	101
Profit	**1 158**	**421**	**1 113**

Assets (MNOK)	* 31.12.2018	** 31.12.2018	31.12.2019
Total fixed assets	**15 535**	**26**	**31**
Other equity investments	4 446	13 992	15 169
Loans	3 075	3 075	3 964
Other current assets	140	140	1 211
Cash and deposits	2 869	2 869	2 824
Total current assets	**10 530**	**20 076**	**23 169**
Total Assets	**26 065**	**20 102**	**23 200**

Equity & liabilities (MNOK)	* 31.12.2018	** 31.12.2018	31.12.2019
Total Equity	**25 934**	**19 971**	**23 009**
Total allowances for liabilities	**49**	**49**	**26**
Grant Facility	**14**	**14**	**14**
Total short term debt	**82**	**82**	**151**
Total Equity and liabilities	**26 065**	**20 102**	**23 200**

* Reported figures
** Adjusted/comparable figures

COMMENTS TO THE 2019 RESULTS

- In 2019 Norfund had a profit after tax of NOK 1 113 million. This, together with annual allocations from the Ministry of Foreign Affairs, will increase investment capacity going forward. Operating income, very largely stemming from Norfund's investment portfolio, was NOK 1 345 million. Total operating expenses before gain/loss on exchange and impairments came to NOK 187 million.

- In 2019 Norfund changed the presentation of the accounts, and in terms of accounting is now fully defined as an investment company. The change affects Norfund's operating income, asset classification and equity alike. From 2019 onwards only operating income in the form of dividends and interest and gains on exiting will be taken to income. Previously defined associated companies are now in the balance sheet according to the same principle as the rest of Norfund's portfolio, at the lower of cost or market value. The change has led to a NOK 5 251 million reduction in the book value of these companies, and to a considerable reduction in Norfund's equity compared to that reported as of 31 December 2018. The reduction is not due to negative developments in the companies, but is merely a result of a change in accounting classification.

- As a knowledge-based enterprise, most of our operating costs are personnel-related. Other costs include office include early stage costs accrued in developing projects to a stage where an investment decision can be made.

- In 2019 Norfund had net write-downs of NOK 229 million.

- Norfund's total assets had a book value of NOK 23 200 million. The main items on the balance sheet consist of the investment portfolio distributed by loans and equity instruments. At the end of 2019, Norfund had a total of 163 direct investments, which are recorded at a combined amount of NOK 20 038 million on the company's balance sheet. Bank deposits amounted to NOK 2 824 million at the end of 2019. which will be used to fulfil existing investment commitments and to engage in new investments in keeping with Norfund's mandate.

Detailed accounts have been published in our Annual Report and can be found on Norfund's website, www.norfund.no.

EXIT ANALYSIS

Norfund's mandate is to support the creation and expansion of viable and sustainable businesses to create employment in developing countries. In order to investigate delivery on the mandate, we have performed a new analysis of the status of Norfund's exited companies.

THE SURVEY AND ANALYSIS

The first exit analysis was performed in 2015. In 2019, a second analysis was undertaken, with standardized definitions and parameters to allow for continuous updates of the dataset and comparability over time.

In the exit analysis, companies are followed from time of investment to three years after Norfund's exit to understand whether they survive, and if they thrive.

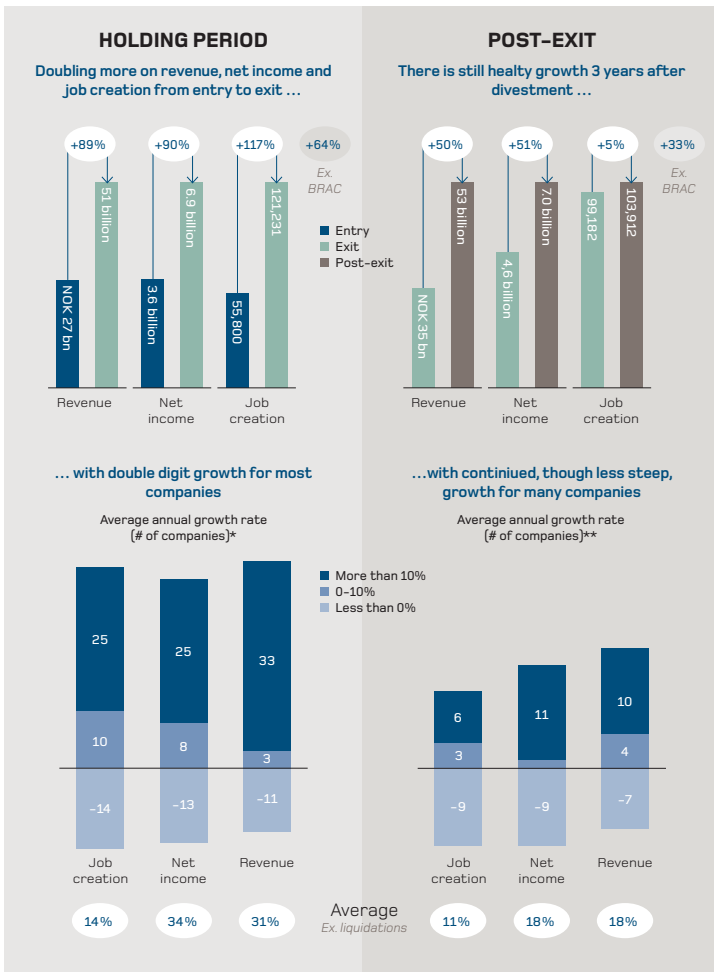
- **Survival:** Survival rate is tracked during Norfund's holding period and three years after Norfund exited the investment (post exit).
- **Thrive:** The second aspect considered is company performance in job creation, financial indicators and other development impacts, tracked during holding period and 3 years post-exit.

DATA LIMITATIONS

The current analysis is undertaken primarily as a self-assessment and learning tool and has several data limitations. As such, the results are considered indicative, rather than conclusive. There are plans to expand and improve on the dataset in the future to address these limitations and over time make findings more robust. Limitations include:

- Limited number of observations
- Data quality limitations
- Exclusion of exits to and in platforms

KEY RESULTS



* Dataset includes liquidations
** Post-exit dataset covers companies with available data (17 companies on net income and revenue, 14 on employment), but liquidations added and defined as "Less than 0 %"

EXITS 2019

TPS RWANDA
Country: Rwanda
Business sector: Tourism
First investment year: 2010
Investment: NOK 12.5 million
IRR: 5%

In 2010, Norfund invested NOK 12.5 million in form of equity in TPS Rwanda for renovating the Serena hotel in Kigali.

AGRICA
Country: Tanzania
Business sector: Agribusiness
First investment year: 2010
Investment: NOK 158.4 million
IRR: 0%

Ihjdøsj døfajfø SJØK DFjkødø jkSFef hjdøsj døfajfø SJ ØKDFj kød øjkSFef hjdøs jdøfajføS.

In 2019, further nine (?) loans were repaid by companies within Norfund's active portfolio.

Norfund investments have a healthy survival rate, both during and after ownership.

During the holding period, the survival rate for investments is above 80%. Three years after exit, more than 4/5 of companies that were active at time of exit are still active. 13 companies were liquidated by the 3-year post-exit mark, of which nine during our holding period and four after exit.

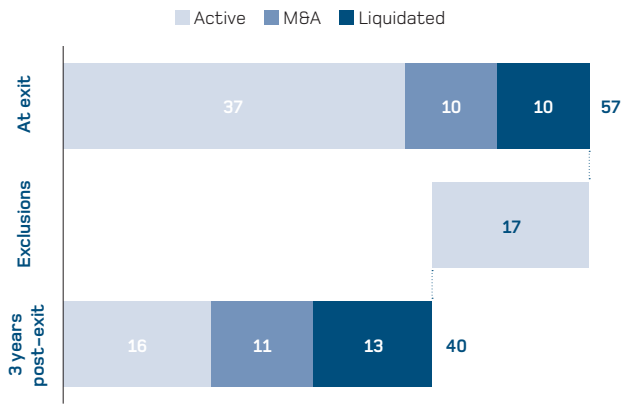
Performance in surviving companies is solid, both during and after Norfund's investment.

Overall, exited companies saw a doubling or more in revenue, net income and job creation from entry to exit, with double digit growth rates for most companies. The overall post-exit performance showed healthy growth three years after Norfund's exit with continued, though less steep, growth for many companies. As Norfund enters in order to create or expand companies, this pattern is perfectly aligned with expectations and an indication that Norfund is successful in delivering on its mandate.

A clear relationship between healthy returns and job creation.

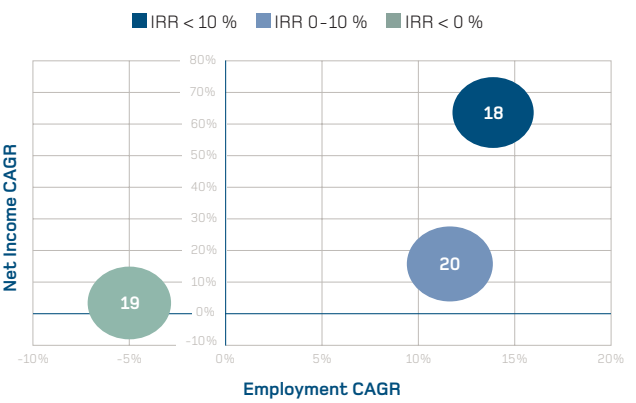
Positive IRR for Norfund is associated with higher annual growth in employment for companies during the holding period. The data indicates a positive but diminishing impact on job creation once IRR reaches a certain level, suggesting that a sensible ambition is to achieve healthy, rather than maximum returns at the portfolio level. For Norfund to truly succeed on job creation and sustainable businesses, it is essential to achieve healthy returns. ■

Status of exited companies at exit and 3 years post exit



With the 3-year cut-off, 17 investments (including one liquidation and one post-exit liquidation) are excluded as they were exited after 2016, leaving 40 investments as scope for the post-exit analysis.

A higher return yields higher relative job growth and profitability growth (bubble = N)





REPORT ON OPERATIONS

PORTFOLIO AND RESULTS

PART 2 ADDITIONALITY & DEVELOPMENT EFFECTS

Year 2019





OUR APPROACH TO ADDITIONALITY

Norfund's investments are additional, helping to enable development impacts that might not otherwise be possible because of the high risks involved.

Additionality is a central part of Norfund's mandate. We are additional when we invest in markets and businesses that are characterised by high risk and scarcity of capital, and when we provide financial instruments associated with high risk. We add value that goes beyond capital value, providing active ownership, promoting environmental and social standards, and supporting enterprise improvement.

A COMMON DEFINITION OF ADDITIONALITY

Proving the additionality of our investments is challenging because it requires insights into what could have happened had we not invested. The lack of a common definition of what additionality is has complicated efforts to substantiate claims. In 2018, OECD DAC members therefore developed a common definition of additionality to address this challenge. This was an important milestone that influences our work. Norfund participates actively in international networks, strengthening industry standards and the reporting of additionality.

FINANCIAL AND VALUE ADDITIONALITY

The OECD's definition of additionality distinguishes between financial and value additionality. A transaction is considered to be financially additional if it supports capital-constrained markets in which private sector partners are unable to obtain commercial financing due to high risk or if it mobilises investment from the private sector that would not have otherwise invested. Value additionality, in contrast, refers to "the provision or mobilisation of non-financial value that the private sector is not offering, and which will lead to better development outcomes, e.g. by providing or catalysing knowledge and expertise, promoting social or environmental standards or fostering good corporate governance".

OUR ADDITIONALITY FRAMEWORK

We have refined Norfund's additionality framework to ensure alignment with the new OECD definition. Our framework consists of ten additionality ambitions, reflecting both the financial and value additionality of our investments. The framework informs our new investment decisions and how we report additionality. Each new investment is assessed against the ten ambitions and accompanied by a narrative description of additionality. Norfund´s investments meet different additionality ambitions. To construct a portfolio that truly delivers impact, all investments are additional, but they can and should be additional in different ways and meet different additionality ambitions. This means that some investments deliver on many or even all ambitions and others deliver on some.

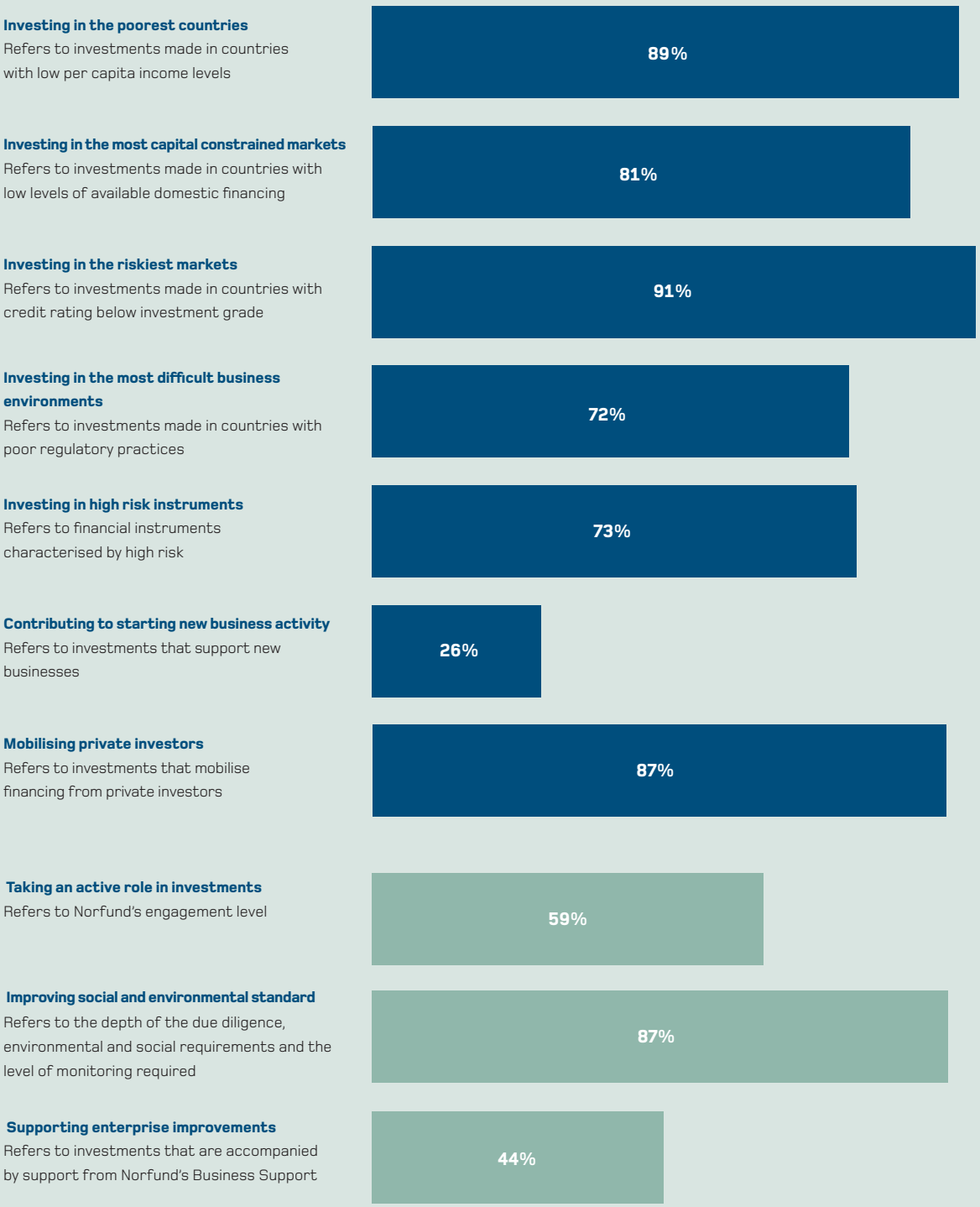
ADDITIONALITY OF NEW INVESTMENTS

Norfund invested in 21 new companies and funds in 2019. Each investment was assessed using the ten additionality ambitions. An additionality overview for each investment has been published on our website.

» **To read more about additionality, visit** norfund.no/our-impact/additionality

MEETING EACH ADDITIONALITY AMBITION

Percentage of committed capital to new projects in 2019 meeting additionality ambition.*



* Follow-on investments are not included in this overview.

DEVELOPMENT EFFECTS

Norfund contributes to growing sustainable enterprises in key sectors that drive development. Each year, we collect data from the companies we invest in so we can monitor their impact.

NORFUND'S IMPACT OBJECTIVES

Norfund's key objective is to contribute to job creation and to improve living standards. We invest in sectors that are important to achieving this mission: clean energy, financial institutions, scalable enterprises and green infrastructure. Strategic objectives, which are aligned with the UN SDG agenda, are defined for each of these sectors.

THEORY OF CHANGE

Theories of change are roadmaps of how we believe change happens. We have developed theories of change for each sector in which we work, to explain the relationship between the input we provide to clients, the SDG targets, and the overall impact we want to achieve. These theories of change also highlight other relevant effects of our investments. Each theory of change has three components:

- A narrative with a problem statement, hypothesis of change, and an assessment of the evidence base
- A diagram visualising the causal pathway, and details of the intermediary steps
- A framework for monitoring and evaluation

Our main input is capital, which we provide to companies in the form of equity or debt financing. In some cases, we provide guarantees to mobilise financing from other investors. Grant funding is sometimes also used to support the development of training programmes or systems, and to help the institutions we finance to improve in key areas.

We provide advice and requirements to strengthen corporate governance and ensure that our investees have appropriate systems in place to identify environmental and social risks. When we hold equity, we participate actively at the company board level to promote sustainable practices.

Some outputs are sector-specific: in the energy sector, for example, outputs include increases in energy generation and the sale of off-grid solutions. In the financial sector, the outputs include increased availability of financial services and credit both to firms and individuals. More general outputs include direct job creation, and the taxes and fees paid to governments.

Outputs lead to sector-specific and general outcomes. In the clean energy sector, for example, these include reduced power outage time, lower energy costs and prices, and avoidance of greenhouse gas emissions. The final set of impacts includes economic growth, indirect job creation and improved living standards.

ANNUAL REPORTING

Each year, Norfund collects and monitors data on the key development effects of our portfolio companies. For 2019, we collected data from more than 700 companies. Over 80 per cent have reported data for two years or more, and this has allowed us to monitor their progress. Changes in the composition of Norfund's portfolio (exits, loan redemptions and new investments) mean that some of the figures that describe the impacts of our investments fluctuate sharply from year to year. To show the development of our portfolio enterprises more accurately, we are also reporting changes from year-end 2018 to year-end 2019 for those enterprises that were included in the portfolio and submitted reports for both years.

ANNUAL REPORTING

Our portfolio companies report on the direct effects of their operations, using the Harmonised Indicators for Private Sector Operations (HIPSO). These metrics identify both sector-specific effects (for example, energy production or financial services) and portfolio-wide effects (jobs, local purchases, and taxes).

We further wish to improve our understanding of the indirect effects of our investments. The case studies and independent evaluations we support give us valuable insights into these issues, such as the effects of job creation in the value chain, and the productivity effects of power generation. ■

ESTABLISHING A MARKET STANDARD FOR IMPACT INVESTING

The "Operating Principles for Impact Management" is a new investment tool that has established a market consensus for the management of investments for impact.

NORFUND'S IMPACT OBJECTIVES

A growing number of investors incorporate impact investments into their portfolios, striving to achieve both financial returns and measurable impacts. This is a positive trend. However, lack of consensus on how to manage investments for impact and which systems are needed to support them has created complexity and confusion. The distinction between impact investing and other forms of responsible investing is also not always clear.

To address this challenge, the International Finance Corporation (IFC), in consultation with a core group of stakeholders, developed the "Operating Principles for Impact Management". These have established a common disciplinary approach and a market consensus for how to manage investments for impact. The Principles were adopted in April 2019 by 60 signatories, including Norfund, and have now been endorsed by nearly 90 signatories, including Development Finance Institutions (DFIs), Multilateral Development Banks (MDBs), and private investment funds.

The Principles reflect best practices across a range of public and private institutions, while allowing for variations in institutional setups and specific routines. The principles have established a set of commonly agreed functions that are needed for effective impact management. They also provide a guide for actors who wish to engage in impact investing, and for investors who wish to screen funds or managers and identify potential providers.

The guide integrates impact considerations into all phases of an investment lifecycle: strategy, origination and structuring, portfolio management, exits, and public disclosure of alignment. The principles cover company investment strategies and targets. They also focus on the measurement of impacts at the portfolio level and the management level, the monitoring of impacts on the individual investment level, Environmental Social and Governance (ESG) management, sustainable investment exits and additionality.

» **For more information, see** www.impactprinciples.org

Strategic intent

1. Define strategic impact objective(s), consistent with the investment strategy.
2. Manage strategic impact on a portfolio basis.

Origination & Structuring

3. Establish the Manager's contribution to the achievement of impact.
4. Assess the expected impact of each investment, based on a systematic approach.
5. Assess, address, monitor, and manage potential negative impacts of each investment.

Portfolio Management

6. Monitor the prosess of each investment in achieving impact against expectations and respond appropriately.

Impact at Exit

7. Conduct exits considering the effect on sustained impact.
8. Review, document, and improve decisions and processes based on the achivement of impact and lessons learned.

Independent Verification

9. Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

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INCREASED ENERGY ACCESS AND SUPPLY

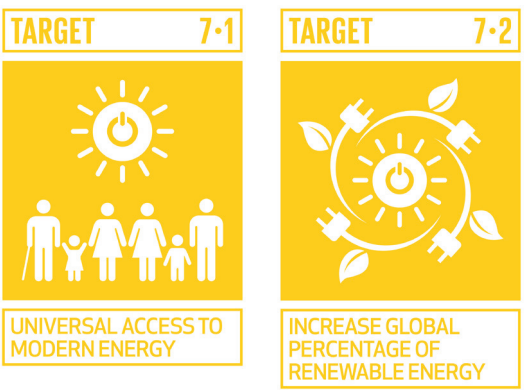
THE PROBLEM

The power sector in Sub-Saharan Africa and other low-income regions is largely underdeveloped in terms of installed capacity, access to energy, and per capita consumption. The amount of installed capacity cannot always meet demand, and power shortages are holding back economic growth and job creation. 79 percent of businesses in Sub-Saharan Africa experience electrical outages and 53 percent depend on generators to meet their electricity needs. 40 percent of businesses report that access to energy is a major operational constraint.

An additional 300 GW of capacity will be needed to meet Sub-Saharan Africa's expected demand for electricity by 2040. This will require an investment of more than USD 490 billion. To contain growth in emissions, this new capacity must come mostly from clean energy sources. At present, the proportion of renewable energy in Sub-Saharan Africa's power sector is below 50 percent.

LINK TO SDGs

Norfund's investments in clean energy are helping to achieve the following targets of the SDGs:



RESULTS 2018

345 MW
CAPACITY ADDED TO THE GRID

68%
OF CAPACITY FROM RENEWABLE SOURCES

2.4 MILLION
SOLAR-POWERED UNITS SOLD TO CLIENTS

Norfund's impact objective is threefold; increasing the supply of energy, increasing the share of energy from renewable sources, and increasing access to energy. Doing so leads to economic growth, job creation, and improved living standards. *

Increased energy supply
In 2018, Norfund's clean energy portfolio included 30 active power plants. Two of these plants were connected to the grid in 2018, adding 310 MW to the grid in Kenya and 35 MW to the grid in Honduras. The total amount of energy capacity in our portfolio is now 4,100 MW. The power plants produced a total of 17.4 TWh of electricity, an amount equivalent to the combined energy consumption of Uganda, Tanzania and Kenya. 64 percent of the power was produced in Sub-Saharan Africa, and 40 percent was produced in Least Developed Countries.

Increased share of energy from renewable sources
A total of 2,800 MW of the electricity capacity in our portfolio was renewable energy sources, such as hydro, wind and solar – 68 percent of the total energy capacity. Together, the renewable power plants have prevented 6 million tonnes of CO_2 emissions compared to standard national grid emissions.

Increased access to energy
Nearly 2.4 million units of solar-powered solutions were sold in 2018 to household clients, which has increased access to energy in off-grid areas in Sub-Saharan Africa.

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INCREASED FINANCIAL INCLUSION

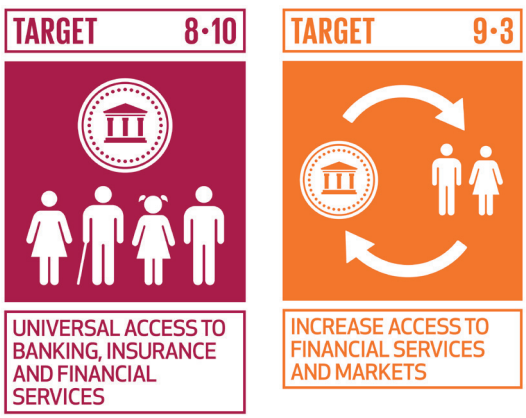
THE PROBLEM

The financial sector in low- and middle-income regions is underdeveloped in its depth, inclusion, and the relevance of the products on offer. This prevents firms and individuals from meeting financial needs, such as capitalising on business opportunities, investing in home construction or education and confronting shocks. Only 21 percent of firms in Sub-Saharan Africa have a bank loan/line of credit, and 67 percent of the adult population in the region are unbanked. Investments in financial institutions are clearly needed.

The potential demand for MSME finance in low- and middle-income economies is estimated to be USD 8.9 trillion, but the current credit supply is only USD 3.7 trillion. Despite these needs and the potential opportunities, private investors are often discouraged from investing in financial institutions because of the reputation and perceived financial risk.

LINK TO SDGs

Norfund's investments in financial institutions contribute directly to the following targets of the SDGs:



RESULTS 2018

1.8 MILLION
NEW CLIENTS

24 BILLION
NOK INCREASE IN LENDING TO CLIENTS

274 BILLION
NOK LENT TO CLIENTS BY DIRECT INVESTMENTS

Norfund's impact objective for the business area is twofold; increasing the provision of financial services and increasing the provision of credit to clients. This enables economic growth and job creation in low- and middle-income regions, and helps to improve living standards. *

Increased provision of financial services
At the end of 2018, Norfund had helped to strengthen the capacity of more than 100 financial institutions, either directly or through funds. In 2018, the direct investments in our portfolio provided services to 22.6 million clients. Institutions with two consecutive years of reporting increased the total number of clients by 1.8 million (10 percent) during 2018.

Increased provision of credit to clients
The combined loan book of the direct investments in our portfolio reached a total of NOK 274 billion by the end of 2018. Together, these institutions have provided 3.9 million loans to clients; 2.1 million loans to retail clients, 1.4 million loans to microenterprises, and 300,000 loans to SMEs. Institutions with two consecutive years of reporting have increased their credit provision by NOK 24 billion (17 percent) since 2017.

The financial institutions in which we have invested through funds have provided an additional 10.1 million loans to clients. 9.3 million of these loans were to microfinance clients.

» ***To read the detailed theories of change, visit** norfund.no/our-impact

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JOB CREATION

THE PROBLEM	LINK TO SDGs
Jobs are vital to reducing poverty. They generate income and a range of other benefits, and help people to improve their knowledge and skills. The International Labour Organization has noted that 190 million jobs are needed to address current levels of unemployment, and that a further 340 million jobs will need to be created by 2030.	Norfund's investments contribute both directly and indirectly to the achievement of SDG Target 8.5: 

RESULTS 2018

Jobs are created directly in Norfund's portfolio companies and indirectly through their supply chains. By the end of 2018, a total of 304,000 people were employed in the companies in which we have invested, either directly or through funds. Approximately 35 per cent of those employed were women.

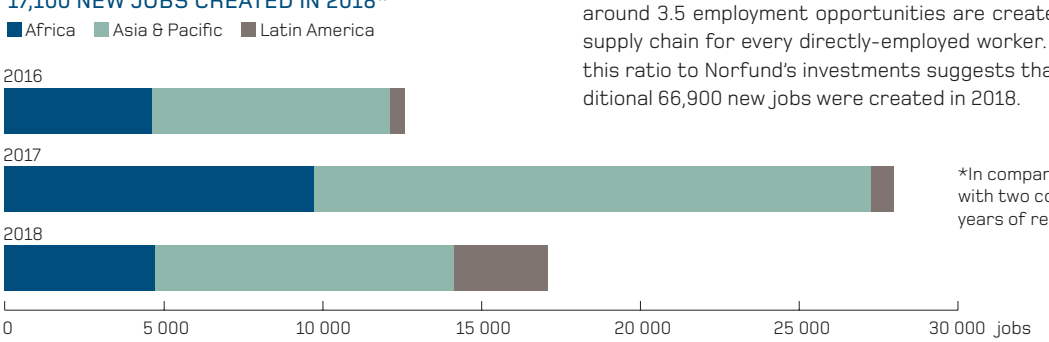
Promoting job quality
Norfund promotes job quality using the IFC Performance Standards (PS) on Environmental and Social Sustainability in our investment processes. The IFC PS is the key tool used by development finance institutions, such as Norfund, to assess the environmental and social risks of investments. One of the PS focuses on Labor and Working conditions and includes provisions for issues such as workers' rights, health and safety, and anti-discrimination and equal opportunity. The standards are aligned with the ILO's core conventions.

17,100 new jobs created in 2018
Between the end of 2017 and the end of 2018, the total number of permanent jobs in Norfund's portfolio companies* increased by 17,100, or nine percent.

Indirect job creation through domestic purchases
Norfund's portfolio companies also contribute indirectly to job creation when they buy goods and services from other enterprises. In 2018, our investee companies purchased goods and services worth NOK 18.6 billion from local suppliers. In 2018, the companies* increased their collective purchases by NOK 1.3 billion, or by nine percent.

Estimating the number of new jobs in the supply chain
Literature on job creation suggests that direct employment is a fraction of the indirect employment effect in supply chains. Several DFIs have developed methods for estimating the number of such jobs, and Norfund is currently reviewing these approaches. The British DFI, CDC, for example, has developed a model which shows that around 3.5 employment opportunities are created in the supply chain for every directly-employed worker. Applying this ratio to Norfund's investments suggests that an additional 66,900 new jobs were created in 2018.

17,100 NEW JOBS CREATED IN 2018*



*In companies with two consecutive years of reporting

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TAX REVENUES

THE PROBLEM	LINK TO SDGs
Domestic resource mobilisation is one of the most important ways to facilitate sustainable development. A tax base provides governments with essential resources to spend on infrastructure and public services, such as health and education. As governments in low- and middle-income countries are modernising their tax systems and broadening their tax base, the tax-to-GDP ratio is generally increasing. However, according to the IMF, compared to the OECD country average of over 34 percent in 2017, the tax-to-GDP ratio is less than half in most low- and middle-income countries.	Norfund's investments contribute both directly and indirectly to achieving SDG Target 17.1:  MOBILIZE RESOURCES TO IMPROVE DOMESTIC REVENUE COLLECTION

RESULTS 2018

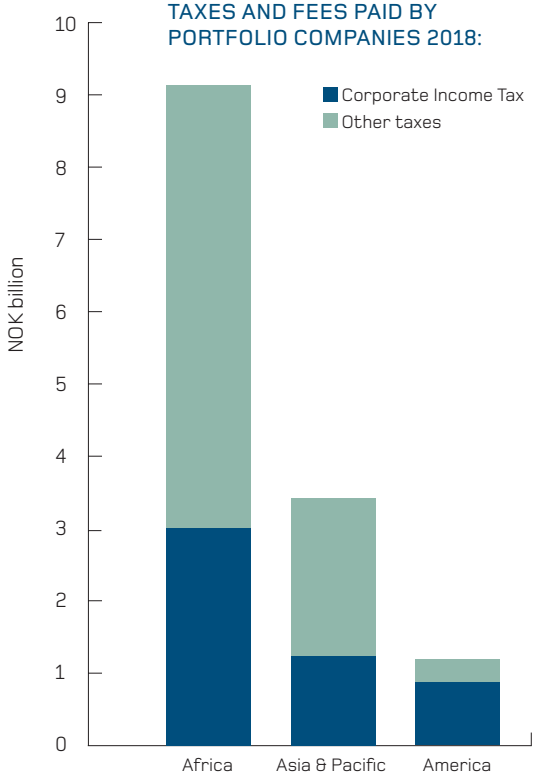
NOK 13.9 billion paid in taxes and fees
Profitable businesses pay taxes to governments in the countries in which they operate. Taxes and fees are paid by Norfund's portfolio companies and by companies in their value chains. In 2018, an amount equivalent to NOK 13.9 billion had been paid in taxes and fees by the companies in which Norfund is invested, both directly and through funds. 37 per cent was paid as corporate income tax and 63 percent was paid as other transfers, such as sales taxes, withholding taxes, net VAT, royalties, licence fees, and social security payments.

NOK 2.5 billion increase in 2018
From the end of 2017 to the end of 2018, the total taxes and fees paid by companies with two consecutive years of reporting increased by NOK 2.5 billion, or 29 percent.

Most taxes paid in Africa
66 per cent of the taxes and fees were paid by companies operating in Africa; Kenya, Tanzania and Uganda alone accounted for 26 percent. 25 percent were paid by companies in Asia, and 9 percent by companies in Latin America. A total of NOK 4.3 billion was paid in taxes and fees by companies operating in Least Developed Countries.

Norfund's tax policy
A responsible tax policy is fundamental to Norfund's operations. Our tax policy is based on the principles of the Norfund Act of 1997, Norfund's statutes, and EDFI's principles for responsible tax in developing countries.

TAXES AND FEES PAID BY PORTFOLIO COMPANIES 2018:



» **To read more about our tax policy and taxes paid, visit** norfund.no/our-impact/tax-revenues





REPORT ON OPERATIONS

BUSINESS AREAS

Year 2019



CLEAN ENERGY

AMBITIONS BY 2022: **1.5 MILLION** households provided with access to electricity **5,000 MW** new capacity financed, whereof 4,000 MW renewable

DEVELOPMENT RATIONALE

Clean, reliable and affordable energy is essential for businesses to thrive and create new jobs. Although most developing countries have considerable solar, wind and hydropower resources, the power sector is largely underdeveloped in terms of installed capacity, access to energy, and per capita consumption:

- 40 percent of businesses in Sub-Saharan Africa report that access to energy is a major operational constraint
- 79 percent of businesses experience electrical outages
- 53 percent depend on electricity generators to meet their needs

Norfund's investments in clean energy help to increase energy supply, increase access to energy and contribute to mitigating climate change. This is in accordance with the UN's Sustainable Development Goal Number 7, namely, to ensure access to affordable, reliable, and sustainable energy.

Investments in clean energy generation enable economic growth and job creation; more reliable energy supplies result in fewer outages, help to improve business productivity, and facilitate the creation of new businesses.

Investing in increased access to electricity improves living standards by substituting wood-fired ovens and reducing indoor air pollution, providing access to light and electronic communication, and improving health care services, security, and educational outcomes.

INVESTMENT NEEDS

Sub-Saharan Africa's demand for electricity is expected to increase by an additional 300 GW of capacity by 2040. To meet this demand, more than USD 490 billion investment will be needed. The proportion of renewable energy in Sub-Saharan Africa's power sector is less than 50 percent of total production at present. To limit carbon emissions, the new capacity required will need to come mostly from clean energy sources. However, the generation of new clean electricity is not expanding fast enough in high risk and capital constrained markets.

One of the key barriers to widening the deployment and diffusion of clean and renewable energy is the shortage of well-prepared, 'bankable' projects for investors. The journey from the planning and development of clean energy projects through to their implementation is complex and long. To ensure successful project completion, risk-tolerant and long-term investors - such as Norfund - are needed.

NORFUND'S STRATEGY

The majority of Norfund's energy investments have been in hydropower, wind and solar energy, and in medium to large scale, grid-connected power plants. Technological and regulatory changes are driving new opportunities and business models. Norfund is monitoring these developments, looking for new possibilities and solutions. Captive power, i.e."behind the meter", is on the rise, with industrial and commercial users increasingly looking at this option. In addition, off-grid and mini-grid solutions can provide households and communities with alternatives to grid supply. Norfund has identified distributed generation as a growth area and is now a leading investor in this rapidly changing and challenging market.

Norfund's strategy is to invest with – or via – industrial partners. Approximately 1,000 MWp of solar power has been financed together with Scatec Solar. Norfund has a 30 percent stake in Globeleq – one of Africa's leading independent power companies that aims to build 5,000 MW of capacity in Africa within the next ten years. SN Power, a 100 percent subsidiary of Norfund, invests in greenfield hydropower developments in Africa and South East Asia.

In the coming years, we will continue to increase Norfund's portfolio in renewable power generation in our target markets, building on existing investment platforms and partnerships (see page xx).

INVESTMENTS AND RESULTS

Clean energy is the largest component of Norfund's portfolio. The majority of our investments in this sector are in medium to large scale, grid-connected power plants. Technologies in this sector are changing, prices are declining, and new opportunities are emerging. According to Norfund's strategic ambitions, in 2019, our investments contributed to xxx MW capacity added to the grid, of which xx % was from renewable resources. Xx million solar powered units were sold to clients.

HIGHLIGHTS 2019

GRID-CONNECTED POWER PLANTS

The closing of the Bujagali hydropower plant investment was a major achievement in 2018. This plant alone generates almost half of Uganda's energy supply.

- **The 40 MWp Scatec Solar Mocuba project** in Mozambique became operational in 2019 and was connected to the national grid (see page 47).
- **The 390 MWp Scatec Solar Benban projects** in Egypt were commissioned in 2019. The construction of the 258 MWp Scatec Solar Upington projects in South Africa progressed well, and two of the three plants became operational in February 2020.
- **Globeleq initiated the construction of a 52 MWp solar project** in Malindi, Kenya, and a 253 MW expansion of the Azito gas power plant in Cote d'Ivoire.
- **SN Power signed contracts for the development of a new 147 MW hydropower project**, the Ruzizi III, in Rwanda/Democratic Republic of Congo, which will also supply Burundi. In addition, SN Power supported the IFC and the Government of Malawi with the development of the 300 MW Mpatamanga hydropower plant.
- **Norfund provided equity to support the expansion of ResponsAbility Renewable Energy Holding** (rAREH). The company aims to develop, construct and operate smaller scale renewable energy projects in Africa. To date, the company has invested in hydropower and solar projects in South Africa, Uganda, Rwanda and Malawi.

DISTRIBUTED GENERATION

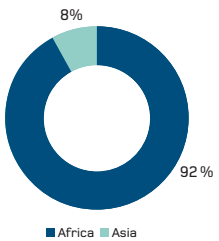
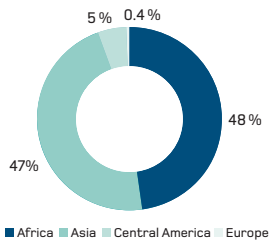
With cost reductions for solar power and batteries, off-grid power supply is an increasingly cost-effective solution for rural communities. Three business models for production of clean energy are emerging: the establishment of mini-grids for rural communities, solar home products, and solutions for commercial and industrial use. In 2019, Norfund invested in all three of these business models:

- **WeLight**, a mini-grid company in Madagascar, to establish the company and finance its initial roll-out of installations across the country;
- **Yoma Micro Power**, a company providing solar-hybrid energy systems in rural Myanmar, to fund their expansion;
- **Greenlight Planet and d.light**, companies providing solar home systems, to finance expansion of their pay-go solutions to rural households in Africa;
- **and Starsight and Arnergy,** two companies providing energy solutions to commercial customers in Nigeria.

ENERGY FUNDS FOR INNOVATIVE ENERGY SOLUTIONS

In 2019, Norfund invested in several energy funds:

- **Two debt funds:** the Facility for Energy Inclusion (FEI) is designed to provide debt to companies delivering small-scale plants in Sub-Saharan countries; responsAbility's Access to Clean Power Fund, providing debt to companies increasing access to electricity;
- **Two private equity funds:** Inspired Evolution's second fund for clean energy in Africa, and Metiers second Sustainable Capital Fund, which targets renewables, water and waste management industries;
- **Two venture/impact type funds:** Schneider Electric Energy Access Asia invests in early and growth stage ventures in the energy access segment in Asia, and Empower New Energy's first impact fund supporting distributed generation.

	INVESTMENTS IN 2019	TOTAL PORTFOLIO
INVESTMENTS AND PORTFOLIO Clean energy accounts for 50 percent of Norfund's portfolio. The equity share of the total clean energy portfolio is 94 percent. Norfund distinguishes between "clean energy", which covers the whole energy portfolio, and "renewable energy", which only covers energy based on renewable sources. The difference is largely accounted for by investments in gas-fired power plants in East and West Africa, through Globeleq.	1,319 **MNOK COMMITTED** (only renewable energy)	11,888 **MNOK COMMITTED** (whereof ???? MNOK in renewable energy)
REGIONS Norfund prioritises investments in countries classified as LDCs and countries in Sub-Saharan Africa. Norfund's single largest capital allocation in 2018 was the closing of the Bujagali hydropower plant investment in Uganda.		
	RESULTS IN 2018	
ELECTRICITY By end 2018 there were 30 operational power plants in Norfund's portfolio that produced in total 17.4 TWh. This is equivalent to approximately all electricity consumption in Uganda ,Tanzania and Kenya. Our investments in the off-grid sector also contribute to increasing access to energy and sold 2.4 million solar-powered solutions to household clients in 2018.	17.4 TWh **ELECTRICITY PRODUCED**	
EMISSIONS AVOIDED Electricity generated from renewable sources helps to avoid CO_2 emissions by displacing fossil fuels. However, in many low- and middle-income countries, electricity production still relies heavily on coal and oil. In 2018, our investments in clean energy helped to avoid CO_2 emissions by 6 million tonnes.	6 MILLION **TONNES OF CO_2 AVOIDED**	
JOBS Power plants create direct and indirect employment opportunities in the construction and operating phase. Improving the supply of electricity contributes considerably to wider indirect job growth by allowing businesses to be more productive. Norfund's portfolio companies in the off-grid sector employ a large number of direct employees and sales agents, and account for a large part of the jobs reported in 2018.	18,800 **JOBS IN PORTFOLIO COMPANIES**	
TAXES Private energy companies contribute to government revenues by paying corporate income taxes, value added taxes, and other fees. The amount of taxes and fees transferred to governments increases when projects become operational and start generating profits.	2,700 **MNOK IN TAXES PAID**	

CLEAN ENERGY

Investment	Country/ region	Investment year	Sector	Instrument	Norfund owner share	Domicile	Investee currency	Committed (MNOK)
FEI On-Grid Fund	Africa	2019	Energy	Funds	18 %	Mauritius	USD	175,6
Metier Sustainable Capital Fund II	Africa	2019	Energy	Funds	17 %	Mauritius	USD	175,6
Evolution Fund II	Global	2019	Energy	Funds	14 %	Mauritius	USD	135,5
responsAbility ACPF	Global	2019	Energy	Funds	8 %	Luxembourg	USD	105,4
Greenlight Planet	Africa	2019	Solar	Loans		USA	USD	94,4
Schneider Electric Energy Access Asia	Asia & Pacific	2019	Energy	Funds	30 %	France	EUR	62,1
WeLight	Africa	2019	Energy	Equity and Loans	30 %	Mauritius	USD	44,6
Starsight	Nigeria	2019	Solar	Loans		Nigeria	USD	43,9
Eco-Nor	Africa	2019	Hydro	Equity	0 %	Mauritius	USD	8,3
Scatec Solar Lesotho	Lesotho	2018	Solar	Equity	21 %	Lesotho	USD	7,5
rAREH	Africa	2017	Hydro	Equity	26 %	Mauritius	USD	264,6
M-Kopa	Africa	2017	Solar	Loans		Kenya	USD	106,4
Yoma Micro Power	Myanmar	2017	Solar	Equity	15 %	Singapore	USD	30,3
New Africa Power	Zambia	2017	Hydro	Equity	28 %	Mauritius	USD	15,9
Sunshine	America	2017	Solar	Loans		Costa Rica	USD	13,2
Scatec Solar Mocuba	Mozambique	2016	Solar	Equity and Loans	23 %	Mozambique	USD	78,4
d.light	Global	2016	Solar	Equity	0 %	USA	USD	44,0
Scatec Solar Los Prados	Honduras	2015	Solar	Equity	0 %	Honduras	USD	118,6
Scatec Solar Benban	Egypt	2015	Solar	Equity	12 %	Netherlands	USD	114,3
Scatec Solar Upington	South Africa	2015	Solar	Equity and Loans	30 %	Netherlands	USD	92,7
Rwimi	Uganda	2015	Hydro	Loans		Uganda	USD	19,1
Rumuruti Solar Project	Kenya	2015	Solar	Loans	15 %	United Kingdom	USD	4,5
Globeleq	Africa	2014	Energy	Equity and Loans	30 %	United Kingdom	USD	1 902,7
Scatec Solar Agua Fria	Honduras	2014	Solar	Equity and Loans	30 %	Honduras	USD	196,2
Scatec Solar ASYV	Rwanda	2014	Solar	Equity and Loans	16 %	Rwanda	USD	35,2
REH Group	South Africa	2014	Hydro	Loans		South Africa	ZAR	33,8
Bio2Watt Cape Dairy	South Africa	2014	Biomass	Loans		South Africa	ZAR	6,4
SN Power	Global	2013	Hydro	Equity	100 %	Norway	USD	7 444,5
Lake Turkana Wind Power (LTWP)	Kenya	2013	Wind	Equity	0 %	Kenya	EUR	97,7
Kinangop	Kenya	2013	Wind	Equity	19 %	British Virgin Islands	USD	94,3
Nam Sim	Laos	2011	Hydro	Loans		Laos	USD	30,7
Bronkhorstspruit Biogas Plant	South Africa	2011	Biomass	Equity	11 %	South Africa	ZAR	25,8
ICCF	Global	2010	Energy	Loans	3 %	Luxembourg	EUR	256,8
E&Co (Persistent Energy)	Global	2009	Energy	Loans	13 %	Delaware	USD	8,7



CENTRAL SOLAR DE MOCUBA

Central Solar de Mocuba is Mozambique's first utility-scale solar power plant. The 40 MWs of power capacity is helping to secure the supply of electricity and to stabilise the grid.

Despite having vast energy resources, severe power deficits continue to hamper economic and social development in Mozambique. Providing reliable and efficient electricity and expanding the generation and transmission capacity to meet current and future demands, are key challenges.

PROVIDING FINANCING AND EXPERTISE

Central Solar de Mocuba is financed by Scatec Solar, EDM (the Mozambican utility) and Norfund. The plant reached commercial operation in 2019, and Norfund has been involved in the project since 2014. Norfund has played an active role in developing the solar power plant, providing early-stage project development financing, equity capital, and financial support to mitigate risk. At the time of investment, the macroeconomic situation in Mozambique was deteriorating which deterred investors and complicated the financing process.

The project has also benefitted from a long and close cooperation between Norway and Mozambique, and good interaction between Norwegian funding agencies (Norad, Norfund and the Royal Norwegian Embassy in Mozambique).

COMPENSATION AND LIVELIHOOD RESTORATION PLAN

The social and environmental assessment of the solar power plant construction early in the project identified 223 affected households who were using the area for small-scale farming. Under the IFC's Performance Standards on Environmental and Social Sustainability, projects must ensure that livelihoods of those affected are maintained and, preferably, improved. In a thorough and time-consuming process, including several community consultations, the people affected by the project were compensated and received replacement land.

IMPROVING SECURITY OF ENERGY SUPPLY

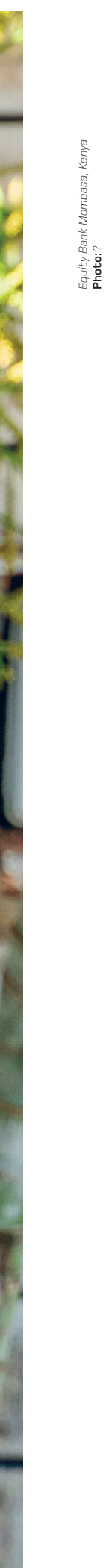
The solar power plant is strategically located in Mozambique's transmission network. The power plant will help to improve the security of supply for Mozambique's northern region and stabilise the grid's electricity supply during the day. It is estimated that the new solar power plant's connection to the EDM grid, will result in a 7 percent improvement in the network fault level.

The renewable energy plant will produce approximately 79 GWh per year – equivalent to the electricity consumption of more than 170,000 households in Mozambique.

At the peak of construction, 1,209 worked on the site, most of which were hired locally. But the job creation impact of power projects is created mainly through their effects on the wider economy. Better, more reliable energy supplies, and fewer and shorter outages are helping to foster job creation and economic growth as new businesses are established and productivity improves.

For full case study, see Norfund's webpages. ■





Equity Bank Mombasa, Kenya
Photo: ?

FINANCIAL INSTITUTIONS

AMBITIONS BY 2022:

15 MILLION new clients offered financial services

130 BILLION NOK more extended in loans to clients

DEVELOPMENT RATIONALE

Accessing capital via loan and equity investments is crucial to economic growth and for the development of businesses. For individual households, loans and saving facilities can help to reduce economic vulnerability.

In low- and middle-income regions, the financial sector is often underdeveloped. Firms and individuals have limited access to basic financial services, such as bank accounts, payment services and credit facilities.

In Sub-Saharan Africa, only 21 percent of firms have a bank loan/line of credit, and 67 percent of the adult population in the region are unbanked.

INVESTMENT NEEDS

Banks and microfinance institutions rely on access to debt and equity when extending loans to their clients. Increasing the availability of capital will enable them to develop products, increase their market reach, and pay for costly yet crucial capital investments. IT systems, for example, are expensive but are needed to provide high quality, effective, and secure services.

NORFUND'S STRATEGY

Norfund provides debt and equity to financially viable banks and micro-finance institutions that want to grow appropriate, valuable services in our core countries. Our investments are done both directly and through investment platforms and funds and focus on growing locally owned financial institutions.

Our investments in banks target medium-sized and large banks that focus on SMEs and the retail market, and which have clients who previously lacked access to financial services. Our main vehicle for equity investments in African banks is the bank investment company Arise, in which Norfund owns more than 40 percent of the shares.

Norfund's investments in non-bank financial institutions are focused on those that provide services such as leasing, factoring and lending to SMEs. We are also exploring new investment opportunities within technology-driven financial institutions and insurance.

INVESTMENTS AND RESULTS

2019 was another active year, and a total of 16 investments were signed with financial institutions in Sub-Saharan Africa, Asia and Latin America. According to our strategic ambitions, xx million new clients received financial services from the Norfund portfolio companies in 2019, and they extended xx billion NOK in additional loans to their clients compared with the previous year.

Unfortunately, the financial institutions are strongly affected by the coronavirus. Especially the microfinance institutions are hit by a critical liquidity crisis which has influenced their ability to serve their clients in 2020.

HIGHLIGHTS 2018

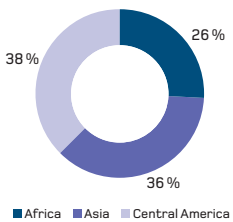
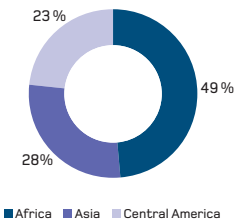
- **Historical equity investments in two Asian banks**
  In 2019, Norfund made its first equity investments in banks in Myanmar and Bangladesh. Our equity investment in Yoma Bank was the first international deal of its kind in Myanmar. Similarly, our investment in the Mutual Trust Bank was only the second equity investment made in a Bangladeshi bank.

- **Strengthening banks in Africa and Central America**
  The investment company Arise was established in 2016 by Norfund, FMO, Rabobank, and Norfinance to strengthen Africa's financial sector. Arise has an extensive portfolio with leading banks in 18 African countries. In 2019, Arise made a direct equity investment in Ecobank, a pan-African bank operating in 30 countries, including in the Sahel region where very few other financial institutions are present. Arise is now a 14 percent shareholder in Ecobank.

  In 2019, Norfund also made five debt investments in banks in Central America and Africa to enable them to extend more loans to clients.

- **Increasing microfinance institutions' ability to extend loans to clients:**
  Norfund believes that providing microfinance is an important way to give poor and unbanked micro-entrepreneurs access to capital. Doing so is especially important in countries in which the financial sector is poorly developed. In 2019, Norfund made a new direct equity investment in Optima, a microfinance institution offering financial services to rural and poor people in El Salvador and Honduras, and we are now a 30 percent shareholder in the company. Optima, a microfinance institution offering financial services to rural and poor people in El Salavdor and Honduras. To increase microfinance institutions ability to extend more loans to their clients, Norfund also committed loans to Credicomer in El Salvador, Financiera Fondo de Desarrollo Local (FDL) in Nicaragua, and Prasac in Cambodia.

- **First investment in the Fintech sector.**
  Technology-driven financial institutions can help to dramatically reduce the number of unbanked people in developing countries. Quona Capital is a venture firm and an experienced investor in the fintech sector focusing on financial inclusion in emerging markets. Norfund's investment in the Accion Quona Inclusion Fund is our first investment in the fintech sector.

	INVESTMENTS IN 2019	TOTAL PORTFOLIO
INVESTMENTS AND PORTFOLIO Norfund has invested directly in 54 financial institutions, ranging from regional bank groups and funds that invest in banks, to local microfinance institutions. Financial institutions accounts now for 35 percent of Norfunds total portfolio.	1,958 **MNOK COMMITTED**	8,596 **MNOK COMMITTED**
REGIONS Investments in financial institutions are of high priority for Norfund on all three continents. In 2019, we made several new investments in Least Developed Countries in Asia and Africa, as well as some investments in lower middle-income countries in Central America.		
	RESULTS IN 2018	
LOANS At the end of 2019, Norfund had invested in approximately 100 financial institutions directly or through funds. Together these institutions had provided 10.7 million loans to microfinance clients, 2.6 million loans to retail clients, and 500,000 loans to SMEs. 83 percent of retail and microfinance clients are women.	14 MILLION **LOANS PROVIDED TO CLIENTS**	
ACCOUNTS Bank accounts provide safe and easy access to funds, encourage savings, and facilitate participation in the modern economy. Several of Norfund investees offer mobile money accounts, which have proven effective in increasing financial inclusion.	27.6 MILLION **BANK ACCOUNTS HELD BY CLIENTS**	
JOBS The direct employment effects of investments in the financial sector are high: these institutions employ a large number of people. The indirect effects of investments are even more significant. Providing access to loans enables enterprises to grow and to create new jobs.	122,300 **JOBS IN FINANCIAL INSTITUTIONS**	
TAXES Most of the financial institutions in Norfund's portfolio make profits and pay income tax. They also contribute to government income by paying other taxes and fees, such as withholding tax, value added tax and licenses.	5,400 **MNOK IN TAXES PAID**	

FINANCIAL INSTITUTIONS

Investment	Country/ region	Norfund investment year	Sector	Instrument	Norfund owner share	Domicile	Investee currency	Committed (MNOK)
Mutual Trust Bank Limited	Bangladesh	2019	Banking	Equity and Loans	10%	Bangladesh	USD	363,9
Yoma Bank Limited	Myanmar	2019	Banking	Equity	11%	Myanmar	USD	272,2
Equity Bank	Africa	2019	Banking	Loans		Kenya	USD	131,7
Banco BCT	America	2019	Banking	Loans		Costa Rica	USD	87,8
FCMB	Africa	2019	Banking	Loans		Nigeria	USD	87,8
Accion Quona Inclusion Fund LP	Global	2019	Investment funds	Funds	6%	Cayman Islands	USD	85,1
Credicomer	El Salvador	2019	Microfinance	Loans		El Salvador	USD	61,5
Optima Servicios Financieros SA de CV	America	2019	Microfinance	Equity	36%	El Salvador	USD	53,6
PACT Myanmar	Myanmar	2018	Microfinance	Equity	18%	Myanmar	USD	280,8
NMI Fund IV	Global	2018	Microfinance	Funds	25%	Norway	NOK	216,0
AfricInvest Financial Inclusion Vehicle (FIVE)	Africa	2018	Banking	Equity	22%	Mauritius	EUR	183,7
Banco Promerica Costa Rica	Costa Rica	2018	Banking	Loans		Costa Rica	USD	131,7
ONE Bank Limited	Bangladesh	2018	Banking	Loans		Bangladesh	USD	115,2
CAL Bank Limited	Ghana	2018	Banking	Loans		Ghana	GHS	70,2
NMI GP IV AS	Global	2018	Microfinance	Equity	28%	Norway	NOK	24,0
AB Bank	Vietnam	2017	Banking	Loans		Vietnam	USD	175,6
Access Bank Plc.	Africa	2017	Banking	Loans		Nigeria	USD	115,2
Banco BDF	Nicaragua	2017	Banking	Loans		Nicaragua	USD	98,8
City Bank Limited	Bangladesh	2017	Banking	Loans		Bangladesh	USD	87,8
Arise B.V.	Africa	2016	Banking	Equity	33%	Netherlands	USD	2 603,2
Banco Promerica Guatemala	Guatemala	2016	Banking	Loans		Guatemala	USD	87,8
Fedecredito	El Salvador	2016	Microfinance	Loans		El Salvador	USD	58,5
Banco Promerica El Salvador	El Salvador	2015	Banking	Loans		El Salvador	USD	122,9
ARREND Central America	America	2015	Other financial services	Equity and Loans	22%	Guatemala	USD	104,5
Advans MFI Myanmar Company Limited	Myanmar	2015	Microfinance	Equity and Loans	40%	Myanmar	MMK	55,3
Myanmar Finance International Limited	Myanmar	2015	Microfinance	Equity and Loans	25%	Myanmar	MMK	36,4
LAFISE NICARAGUA	Nicaragua	2014	Banking	Loans		Nicaragua	USD	210,7
ACLEDA Bank Lao Ltd.	Laos	2014	Banking	Loans		Laos	LAK	83,5
HFC Limited	Kenya	2014	Banking	Loans		Kenya	KES	32,3
Focus Financial Services Limited	Zambia	2014	Other financial services	Loans		Zambia	ZMW	15,8
Norfinance AS	Africa	2013	Banking	Equity	50%	Norway	NOK	483,1
Prasac Microfinance Institution	Cambodia	2013	Microfinance	Loans		Cambodia	USD	307,3
NMI Fund III	Global	2013	Microfinance	Funds	26%	Norway	NOK	184,0
Amret Plc.	Cambodia	2013	Microfinance	Loans		Cambodia	USD	131,7
FDL	Nicaragua	2013	Microfinance	Equity and Loans	11%	Nicaragua	USD	91,2
LOCFUND II	America	2013	Microfinance	Funds	26%	Delaware	USD	53,8
First Finance Plc.	Cambodia	2013	Microfinance	Equity and Loans	15%	Cambodia	USD	40,3
NMBZ Bank	Zimbabwe	2013	Banking	Loans	9%	Zimbabwe	USD	12,3
Ficohsa Honduras	Honduras	2012	Banking	Loans		Honduras	USD	175,6
Alios Finance Tanzania Ltd	Tanzania	2012	Other financial services	Loans		Tanzania	USD	2,9
Norsad	Africa	2011	Other financial services	Equity	15%	Botswana	USD	56,8
Desyfin	Costa Rica	2011	Other financial services	Equity and Loans	23%	Costa Rica	USD	42,0
HEFF	America	2011	Microfinance	Funds	33%	Delaware	USD	34,7
Prospero	America	2011	Microfinance	Funds	22%	Cayman Islands	USD	16,2
BRAC Bank Limited	Bangladesh	2010	Banking	Equity	0%	Bangladesh	BDT	11,6
Real People	Africa	2009	Other financial services	Equity and Loans	12%	South Africa	ZAR	121,3
Sathapana	Cambodia	2008	Banking	Loans		Cambodia	USD	70,2
NMI Frontier Fund	Global	2008	Microfinance	Funds	45%	Norway	NOK	54,6
NMI Global Fund	Global	2008	Microfinance	Funds	45%	Norway	NOK	47,0
Norwegian Microfinance Initiative AS	Global	2008	Microfinance	Equity	50%	Norway	NOK	30,0
Nordic Microfinance Initiative AS	Global	2008	Microfinance	Equity	33%	Norway	NOK	24,2
AfriCap Microfinance Investment Company Ltd.	Africa	2007	Microfinance	Funds	7%	Mauritius	USD	18,5
CIFI	America	2004	Other financial services	Equity and Loans	34%	Panama	USD	335,7
LAAD	America	2004	Other financial services	Loans		Netherlands Antilles	USD	197,6



STRENGTHENING THE BANK SECTOR IN BANGLADESH

Although financial inclusion is on rise in Bangladesh, lack of access to finance is a major obstacle to the establishment and growth of companies. The Covid-19 crisis will worsen the situation.

With a population of 166 million, Bangladesh is among the world's most populous countries. Over the last two decades, the country has reduced poverty by half and the economy has grown at an annual average of about 6%. However, the financial sector in Bangladesh has experienced a rather negative development during the past two years with rising non-performing loans and liquidity constraints. The Covid-19 pandemic is making the situation even more critical.

As a result, the stock prices of financial institutions have fallen strongly, reflecting the lack of confidence of investors in this sector. During the past years, the only sizeable foreign direct investment in the financial sector in Bangladesh was IFC buying 5% of the City Bank.

> "We hope that this investment will send a positive signal to other international investors and commercial banks and thereby contribute to improving the reputation of Bangladesh in general and Mutual Trust Bank in particular." Erik Sandersen, EVP Norfund.

In 2019, Norfund made its first equity investment in the financial sector in Bangladesh buying 9.53 % of total shares in Mutual Trust Bank (MTB). With this, Norfund is one of only two foreign institutional equity investors with direct investments in a Bangladeshi bank.

Norfund's role and goals as an equity investor in MTB are to contribute to improved corporate governance in the bank and the financial sector of Bangladesh, to provide advice with regard to strategic decisions, and to strive towards enhancing the value of the bank through strategic co-operations, mergers or acquisitions. If needed, Norfund is also prepared help the bank supporting its clients through the Covid-19 crisis.

Mutual Trust Bank (MTB) was founded in 1999 as a private commercial bank. It is listed on the Dhaka Stock Exchange and has a large network of 120 branches in Bangladesh and over 2000 staff. The bank has more than 35.000 loan clients and promotes access to long-term loans to small and medium sized companies and export-oriented industries. It offers dedicated products for female entrepreneurs and agribusinesses as well as Green Energy loans for renewable energy. With this, MTB contributes to sustainable economic growth and job creation in the country, as well as increased resilience towards the Covid-19 crisis. ■

> "Mutual Trust Bank appreciates that Norfund accepted the Bank as a financial partner and, contributes significantly to the overall socio-economic development of Bangladesh." Anis Khan, previous CEO of MTB.


KARIKI
MUGA

SCALABLE ENTERPRISES

AMBITIONS BY 2022:

50,000 jobs through direct investments, debt and funds

Establish partnerships with larger industrial actors

2 BILLION NOK revenue increase realised in growth

DEVELOPMENT RATIONALE

Norfund are in particular seeking direct investments in larger companies. Compared to smaller companies, they are more productive, recruit more staff, and pay higher wages. They are also better equipped to train employees and have a stronger foundation to manage through difficult times. Our investments in scalable, sustainable businesses help to create jobs, generate government revenues, and provide the goods and services that people need.

In Africa, the agribusiness- and manufacturing sectors are especially vital for economic growth and job creation. These sectors are labour intensive, and while approximately one-third of the food, beverages, and processed goods consumed are imported, a large proportion have the potential to be produced locally.

INVESTMENT NEEDS

The lack of finance is a significant obstacle for small and medium sized businesses in Africa´s manufacturing and agribusiness sectors. The volume of foreign direct investments in manufacturing and agribusiness in Africa is low. One reason is that the agribusiness sector is particularly vulnerable to the effects of extreme weather, diseases, and changes in global demand for goods. Additionally, the Covid-19 crisis has resulted in the largest capital outflow ever recorded from emerging markets. Growth capital, sector expertise and investors that are willing to take risks are needed to unlock the potential of these sectors.

NORFUND'S STRATEGY

Norfund invests in scalable enterprises within agribusiness and manufacturing, both directly and through funds. Our direct investments are focused on existing scalable enterprises in Sub-Saharan Africa. These investments are always done with strong industrial or financial partners.

As a direct equity investor, Norfund takes an active ownership approach to ensure value creation. We assist with developing the companies to become robust and sustainable and supporting their growth strategies. Norfund also provides advice and requirements to ensure that environmental and social risks are properly identified and mitigated.

Smaller companies also need access to capital and support. Fund investments help us to reach more companies and business areas than we could have done on our own. Fund managers contribute to developing local, sustainable and scalable companies through local knowledge, industrial insights, and efficiency initiatives.

INVESTMENTS AND RESULTS

In 2019, Norfund actively sought to identify new funds and African enterprises that have growth potential. We also used considerable effort and resources on supporting our existing investees to become robust, viable companies. Norfund invested successfully in three funds during 2019 and made one direct equity investment within the agribusiness sector. Unfortunately, the coronavirus pandemic will have considerable negative effects on the companies in this sector in 2020. Several companies have already lost most of their income due to a lack of demand from European markets, a lack of importable goods, and because of the restrictions on movement and transport. As an active and responsible investor, Norfund will use different means to help our investee companies to survive the current crisis.

HIGHLIGHTS 2019

CREATING THOUSANDS OF JOBS IN NIGERIA
In 2019, Norfund made its first equity investment within the agribusiness sector in Nigeria. Sundry Foods Limited is an integrated food services company which operates more than 50 quick service restaurants and bakeries across the country. This is a labour-intensive sector. Sundry Foods Limited´s growth strategy is to create 3,000 new jobs in the next seven years, with support from Norfund.

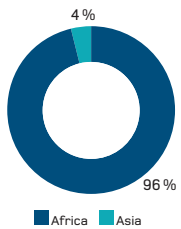
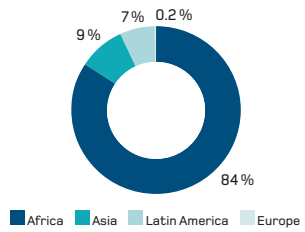
LIFESAVING DISTRIBUTION IN UGANDA
Freight In Time is an East African transport and logistics company and has been a Norfund investee since 2015. Norfund has enabled Freight In Time to become a sustainable and robust company. In 2019, the company successfully implemented a pilot project for the last-mile deliveries of medicines and vaccines to the underserved remote and rural population in Uganda. The test project was a partnership with both GAVI and the Global Fund, and resulted in a 40 percent increase in infant vaccinations in Uganda.

Building scalable enterprises through three new fund investments:

- **Verod Capital Growth Fund III** is an investment fund which targets mid-sized growth companies in Anglophone West Africa, focusing primarily on Nigeria and Ghana. The Fund Manager, Verod Capital, is a management company founded in 2008, and is incorporated in Nigeria. Verod Capital has offices in Lagos and Accra.

- **Frontiir** is Myanmar's largest Internet Service Provider. The company has 1,600 employees and 40 stores in Yangon and Mandalay. Strong growth is expected in the coming years. Norfund's investment was made through the Delta Capital Fund. By providing affordable Internet services to companies and consumers in Myanmar, Frontiir will provide significant direct development impacts, including job creation, technical on-the-job training, and tax generation.

- **African Development Partners Fund III** is an investment fund which targets large and mid-sized companies in Africa. The strategy of the fund is to invest in profitable and cash flow positive companies. These companies have strong projected growth rates, experienced management, and a clear corporate strategy.

	INVESTMENTS IN 2019	TOTAL PORTFOLIO
INVESTMENTS AND PORTFOLIO By the end of 2018, this portfolio included 30 companies, whereof 14 companies from the agribusiness sector, 7 companies from the tourism sector and some companies from other sectors (due to investments in previous strategy periods).	7,377 **MNOK COMMITTED**	4,460 **MNOK COMMITTED**
REGIONS Norfund decided some years ago that investments in food and agribusiness will be done in Africa only. Norfund's staff in Mozambique, Kenya and in Ghana play key roles in identifying and monitoring these projects.		
	RESULTS IN 2018	
LOCAL PROCUREMENT Companies in agribusiness and tourism contribute indirectly to growth and job creation through purchases of goods and services from local suppliers.	1,400 **MNOK IN LOCAL PURCHASES**	
ASSOCIATED SMALLHOLDER FARMERS Enabling local smallholder farmers to deliver produce to larger businesses can be beneficial to both local communities and companies. In 2018, 11,400 smallholder farmers were engaged with companies in Norfund's portfolio in the form of outgrower contracts or other types of cooperation.	11,400 **SMALLHOLDER FARMERS LINKED WITH PORTFOLIO COMPANIES**	
JOBS Job creation in agribusinesses is important for poverty reduction as the majority of the poor live in rural areas. The investees in which Norfund has invested directly employed 14.00 people in 2018. European Financing Partners, a co-financing mechanism with participation from several European DFIs, supported the major part of the jobs in this portfolio in a variety of sectors.	41,000 **JOBS IN PORTFOLIO COMPANIES**	
TAXES Enterprises in Norfund's portfolio pay income taxes, other taxes and fees to the countries in which they operate and where the income occurs. A large share of the taxes paid in this business area came from European Financing Partners' investees.	3,800 **MNOK TAXES PAID**	

SCALABLE ENTERPRISES (FUNDS EXCLUDED)

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Investee Currency	Committed (MNOK)
Sundry Foods	Nigeria	2019	Retail	Equity	13%	Nigeria	USD	64,3
Marginpar Group	Africa	2018	Agribusiness	Equity	18%	Mauritius	USD	68,5
Neofresh	Africa	2017	Agribusiness	Equity and Loans	34%	Mauritius	USD	61,2
Verde Beef Processing	Ethiopia	2017	Agribusiness	Loans		United Kingdom	USD	43,0
Nyama World Malawi Ltd	Malawi	2017	Agribusiness	Loans		Malawi	USD	28,9
African Century Nampula	Mozambique	2017	Real estate activities	Equity	32%	Mozambique	USD	4,9
Associated Foods Zimbabwe (AFZ)	Zimbabwe	2016	Agribusiness	Loans		Zimbabwe	USD	17,6
Freight in Time	Africa	2015	Transportation	Equity and Loans	24%	Mauritius	USD	70,7
African Century Real Estates Ltd.	Mozambique	2015	Construction	Equity	21%	Mauritius	USD	30,2
African Century Infrastructure Services Ltd.	Tanzania	2014	Other services	Equity and Loans	17%	Mauritius	USD	57,2
Vertical Agro (Sunripe & Serengeti Fresh)	Africa	2014	Agribusiness	Loans		Mauritius	USD	53,4
African Century Foods (ACF)	Africa	2013	Fishing and aquaculture	Equity and Loans	35%	Mauritius	USD	113,6
ASILIA (African Spirit Group Limited)	Africa	2013	Tourism	Equity and Loans	30%	Mauritius	USD	88,6
UAP Properties Limited	South Sudan	2013	Real estate	Loans		South Sudan	USD	20,5
Agrivision	Zambia	2012	Agribusiness	Equity	24%	Mauritius	USD	161,6
Kinyeti Capital Ltd	South Sudan	2012	Financial services	Equity and Loans	50%	South Sudan	USD	39,7
Across Forest AS	Nicaragua	2012	Agribusiness	Loans		Norway	NOK	1,2
TPS Dar es Salaam	Tanzania	2011	Tourism	Loans	29%	Kenya	USD	4,9
Basecamp Explorer	Kenya	2010	Tourism	Equity	39%	Kenya	NOK	16,4
Green Resources USD	Africa	2009	Agribusiness	Equity and Loans	67%	Norway	USD	322,8
Africado Ltd.	Tanzania	2009	Agribusiness	Equity	33%	Mauritius	EUR	12,8
European Financing Partners SA	Global	2006	Investment funds	Equity and Loans	6%	None	EUR	267,3
Afrinord Hotel Investments	Africa	2005	Tourism	Equity and Loans	20%	Denmark	EUR	30,9



VERTICAL AGRO – OVERCOMING COVID-19

The Covid-19 crisis is disrupting businesses across Africa. Vertical Agro, a Norfund investee exporting fruits and vegetables to Europe, has a challenging time.

Vertical Agro Ltd is a family owned fully integrated vegetable and fruit processer with operations in Kenya and Tanzania. The company farms and processes about 6.500 tons of vegetables and fruits annually, including beans, carrots, broccolini, corn, herbs and avocados. Close to 100% of the products are exported, primarily to Europe. Vertical Agro has gradually moved its product offerings towards value-add products and is the largest exporter of organic fruit and vegetables in Kenya. The company has also developed a unique technique for frozen vegetables. More than 1000 people works for Vertical Agro on a permanent or temporary basis. In addition, 1000 small scale farmers depend on Vertical Agro to train, certify, process and export their crops.

Since our first investment in 2014, Norfund has helped Vertical Agro funding expansion, developing cost efficient operations and improving financial performance. This effort has paid off during the previous two year's challenges with floods and drought, and today the Covid-19 crisis.

"Norfund has helped us professionalise, going from being commodity based primary producers to professional value-added providers." Hasit Shah, Managing Director, Sunripe.

COVID-19 CHALLENGES

Although the demand for vegetables and fruit has continued during the Covid-19 crisis, exporting the goods has become extremely complicated. While fresh produce is hindered from being sent due to cancelled flights, frozen goods and avocados can still being exported by sea. However, the travel restrictions imposed in Kenya is a big challenge for the transportation of goods from farms to the processing facilities and to the harbour in Mombasa. And the availability of ships is limited, too.

Due to partial lockdown in Kenya, employees are hindered from leaving their home and only those who have received a required travel passport can go to work. Drivers need a certificate for the freight to get through frequent road controls, making business even more complicated.

BUILDING A ROBUST AND RESILIENT COMPANY

The last years' measures taken to strengthen Vertical Agro's operation and financial performance is of high value today, making the company more resilient to this crisis. The convertible loan facility provided by Norfund in 2014 helped the company investing in new modern facilities and expanding its product range. Other measures taken to make the company robust are professionalizing the organisation, streamlining the value-chain, optimizing farming and the development of out-grower schemes to increase capacity utilization. As a long-term investor, Norfund is also prepared to contribute with additional support if needed to overcome the Covid-19 crisis. ■

"Contributing to the building of robust and resilient companies with growth potential is at the core of Norfund mandate. Vertical Agro has survived previous crisis, and we are confident they will overcome this, too." Ellen C. Rasmussen, EVP Norfund

SCALABLE ENTERPRISES – FUNDS

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Investee currency	Committed (MNOK)
Development Partners International III	Africa	2019	Investment funds	Funds	9%	Guernsey	USD	352,4
Verod Capital Growth Fund III	Africa	2019	Investment funds	Funds	10%	Mauritius	USD	175,6
Frontiir Co. Ltd.	Asia & Pacific	2019	Information service activities	Equity	2%	British Virgin Islands	USD	26,9
ECP Africa Fund IV	Africa	2018	Investment funds	Funds	8%	Mauritius	USD	237,9
Cepheus Growth Capital Fund	Ethiopia	2018	Investment funds	Funds	18%	Mauritius	USD	131,9
Myanmar Opportunities Fund II	Myanmar	2018	Investment funds	Funds	14%	Cayman Islands	USD	85,6
EcoEnterprises Partners III, LP	America	2018	Investment funds	Funds	8%	Ireland	USD	52,7
Nordic Horn of Africa Opportunities Fund	Somalia	2018	Investment funds	Funds	11%	Canada	USD	6,8
Agri-Vie II	Africa	2017	Crop and animal production, hunting and related service activities	Funds	11%	Mauritius	USD	129,0
Fanisi Capital Fund II	Africa	2017	Investment funds	Funds	35%	Mauritius	USD	108,0
Spear Africa Holding II	Africa	2017	Manufacturing	Funds	21%	Mauritius	USD	65,6
Oasis Africa Fund	Africa	2017	Investment funds	Funds	10%	Ghana	USD	43,2
Fanisi Management II	Africa	2017	Investment funds	Equity and Loans	25%	Mauritius	USD	21,9
FIPA II	Africa	2016	Investment funds	Funds	38%	Luxembourg	USD	156,2
Frontier Fund II	Bangladesh	2016	Investment funds	Funds	10%	Cayman Islands	USD	29,8
GroFin SGB Fund Limited Partnership	Africa	2015	Investment funds	Funds	19%	Mauritius	USD	125,6
Cambodia Laos Myanmar Development Fund II	Asia & Pacific	2015	Investment funds	Funds	16%	Singapore	USD	84,3
CASEIF III	America	2014	Investment funds	Funds	24%	Canada	USD	82,2
Ascent Rift Valley Fund Ltd	Africa	2013	Investment funds	Funds	13%	Mauritius	USD	80,0
Novastar Ventures East Africa Fund	Africa	2013	Investment funds	Funds	13%	Mauritius	USD	77,3
CORECO	America	2012	Other financial services	Funds	22%	Delaware	USD	74,9
Africa Health Fund (Aureos)	Africa	2011	Investment funds	Funds	9%	South Africa	USD	48,8
Voxtra East Africa Agribusiness Ini	Africa	2011	Agriculture, forestry and fishing	Funds	30%	Norway	NOK	31,7
Vantage Mezzanine Fund II	Africa	2011	Investment funds	Funds	5%	South Africa	ZAR	31,0
Frontier Fund	Bangladesh	2010	Investment funds	Funds	11%	Cayman Islands	USD	49,5
Neoma South-East Asia Fund II	Asia & Pacific	2010	Investment funds	Funds	2%	Canada	USD	37,8
Agri-Vie	Africa	2010	Agriculture, forestry and fishing	Funds	9%	South Africa	ZAR	26,5
Fanisi Venture Capital Fund	Africa	2009	Investment funds	Funds	34%	Luxembourg	USD	96,7
Fundo de Investimento Privado-Angol	Angola	2009	Investment funds	Funds	26%	Luxembourg	USD	61,0
Cambodia-Laos Development Fund	Cambodia	2009	Investment funds	Funds	20%	Luxembourg	USD	17,2
Fanisi Venture Management Company	Africa	2009	Investment funds	Equity and Loans	50%	Luxembourg	USD	3,1
Angola Capital Partners LLC	Angola	2009	Investment funds	Equity	48%	Delaware	USD	1,4
Evolution One Fund	Africa	2009	Energy	Funds	7%	South Africa	ZAR	1,3
Neoma Africa Fund	Africa	2008	Investment funds	Funds	11%	Mauritius	USD	85,4
GroFin Africa Fund	Africa	2008	Investment funds	Funds	9%	Mauritius	USD	42,6
Aureos Latin America Fund (ALAF)	America	2007	Investment funds	Funds	14%	Canada	USD	47,6
Horizon Equity Partners Fund III	South Africa	2007	Investment funds	Funds	9%	South Africa	ZAR	9,2
CASEIF II	America	2007	Investment funds	Funds	14%	Bahamas	USD	4,2
Adenia Capital Ltd II	Africa	2007	Investment funds	Funds	13%	Mauritius	EUR	3,0
Aureos South Asia Fund (Holdings)	Asia & Pacific	2006	Investment funds	Funds	24%	Mauritius	USD	42,1
Aureos CA Growth Fund (EMERGE)	America	2006	Investment funds	Funds	14%	Mauritius	USD	7,1
APIDC Biotech Fund	India	2005	Investment funds	Funds	8%	Mauritius	USD	16,0
Aureos Southern Africa Fund	Africa	2003	Investment funds	Funds	25%	Mauritius	USD	7,5
Aureos East Africa Fund	Africa	2003	Investment funds	Funds	20%	Mauritius	USD	3,9
Aureos West Africa Fund	Africa	2003	Investment funds	Funds	26%	Mauritius	USD	2,2
SEAF Sichuan Small Investment Fund	China	2000	Investment funds	Funds	13%	Delaware	USD	3,7
Lafise Investment Management	Bahamas	1999	Investment funds	Equity	20%	Bahamas	USD	0,0
BPI East Africa LLC	Africa	1900	Investment funds	Funds	17%	Mauritius	USD	51,1

CASE

INVESTING PROFITABLY IN SOMALIA

The Nordic Horn of Africa Opportunities Fund is one of the first commercial investment fund in Somalia. It focuses on investing in small and medium sized companies and aims to demonstrate Somalia's investment potential.

The business environment in Somalia is one of the most challenging in the world. Access to capital is constrained, electricity supplies are limited, and the protection of minority investors is problematic. Some areas face severe security challenges, and international investments are few. However, Somalia is now recovering from civil war and is rebuilding the legal framework to attract more investments.

"Somalia has a lot of opportunities, and investments are important for building peace and prosperity in our country," says Prime Minister, Mr. Khaire.

In this context, Norfund has initiated a USD 10 million Fund to support small and medium sized companies. The Nordic Horn of Africa Opportunities Fund is one of the first commercial investment fund in Somalia, and will fill an investment gap by funding SMEs that have no other sources of capital.

The Fund was created together with the Danish development finance institution, IFU, and Shuraako, a US-based NGO and fund manager with a local presence across Somalia. Another important Fund enabler was the Norwegian Development Fund (Utviklingsfondet), an NGO which operates in Somalia.

The Nordic Horn of Africa Opportunities Fund seeks to create positive development effects while also generating a positive return on capital. By adding risk capital to the Somali region, the Fund will enable Somali entrepreneurs to build sustainable businesses, create jobs, and contribute to the country's economy and tax base.

By the end of 2018, the Fund had invested in 14 companies across Somalia. The investments were made in different sectors, including fisheries, agriculture, light manufacturing, hospitalities, and energy. One of the investees is Maandeeq Poultry Company, a chicken producer with a stock of 35,000 chickens. Maandeeq Poultry Company has 50 employees, about half of whom are women. The company has received a Sharia compatible loan from the Fund, for the purpose of expanding the company significantly.

"Any country needs a profitable private sector and in order to achieve this, you need investors. This fund is therefore a very important start for Somalia," said Nikolai Astrup, prev. Minister of International Development.

"With this loan, we will be able to expand our company in a sustainable manner and hopefully double the number of employees," says a manager at the Maandeeq Poultry Company. ■





AST (FIPA) supported fishindustry, Angola
Photo: Daniel J Albertse

GREEN INFRASTRUCTURE

AMBITIONS BY 2022:

- Improve essential infrastructure in Africa
- Establish partnerships and execute investments in waste, water, energy sectors
- **1 BILLION** NOK invested in 6-10 subjects

DEVELOPMENT RATIONALE

The urban population in developing countries is increasing. To avoid increased poverty, the cities need to grow in a way that creates economic growth, jobs and prosperity without straining land and resources.

While 93% of waste is dumped in low-income countries, waste management can be profitable and create many new jobs. This requires that regulations are in place and that right business models are developed.

Electricity access in cities is important. This requires not only significant power production, but also investments in the electricity networks that transmit and distribute the power.

Investing in green infrastructure contributes thereby to sustainable growth of cities, reduces adverse environmental impacts, creates jobs and improves people's standard of living.

INVESTMENT NEEDS

Lack of funds to provide basic services and necessary infrastructure is a major challenge. Electric transmission and distribution, for example, is an underfunded sector and a bottleneck for taking advantage of the increase in power supply in many countries and cities.

By investing in urban infrastructure, such as the safe removal and management of waste as well as electric transmission and distribution, we can help address urbanization challenges while improving resource use, reducing pollution and contribute to job creation.

NORFUND'S STRATEGY

Green Infrastructure is a new investment area for Norfund, with the aim to improve essential infrastructure services in:

- Waste management, including waste-to-energy
- Water supply & sanitation, including waste-water treatment
- Electric transmission & distribution

Priority is on direct investments in Sub-Saharan Africa. We will seek to find partners with industrial expertise and experience from emerging markets. Local or regional smaller players will also be considered.

In waste management and water supply, we will look for opportunities across the value chain with commercial/industrial customers. Norfund does not plan to invest in waste disposal.

In transmission, our strategy is to focus on cases where the governments will outsource the investment of transmission on a build, own, operate basis and seek to finance projects with technically competent partners.

In distribution, our strategy is to pursue opportunities in some niches, such as sub-concessions in urban areas, metering financing, distribution within industrial estates and mini-grids in rural areas.

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