



Nordic Development Fund

A young girl with braided hair, wearing a vibrant floral-patterned short-sleeved shirt and dark pants, is smiling broadly as she fills a large yellow plastic water container. She is standing at a public water tap where water is flowing. In the background, another person in a green patterned shirt is partially visible, also engaged with the water station. The setting appears to be an outdoor public water point in a rural or developing area.

**Nordic Development Fund
Annual Report 2020**

Contents

NDF in 2020	4
Report of the Board of Directors 2020	6
Board of Directors	21
Control Committee	21
Management and staff	21
Income Statement	24
Balance Sheet	25
Changes in Equity	26
Cash Flow Statement	27
Notes to the financial statements	28
Independent Auditor's Report	42
Statement by the Control Committee	45



Dear Partners and Friends of NDF,

2020 was an important year for NDF. The decision of the five Nordic countries to increase the capital of the NDF during 2020 is a testimony to the ongoing relevance and added value of the NDF mandate. It is also a sign of confidence that we are the right institution to make a difference in fighting climate change in developing countries.

Though COVID-19 was not the impetus for the decision on capital increase, it does provide an opportunity to address climate change through building back better and greener. Engaging in this work will advance NDF's potential to add even more value through its catalytic climate finance and position it in a relevant way in the climate finance landscape and respond to the increasing demand for climate change finance.

In addition to developing a refreshed Strategy during 2020 and securing a more long-term financing base for the fund, NDF has also developed its organisation in many aspects. All these elements together form a strong basis for being able to deliver on its role as a strong Nordic voice in pushing the climate and development agenda.

Throughout the year we have continued to work with our partners towards amplifying our impact. Strategic partnerships are, and will continue to be, a cornerstone of NDF's activities and an important element of added value, and a vehicle to leverage more financing and knowledge for climate change and development efforts.

I thank the entire NDF staff and Board members for their strong and committed work and the member states for their support and confidence. NDF is ready to deliver on the Strategy 2025 as a joint Nordic vehicle to support the most vulnerable people and countries in building back better and greener. In the challenging environment we experience, strong partnerships are needed more than ever.

Karin Isaksson

NDF in 2020

Milestones



Strategy 2025

NDF Board approved the new NDF Strategy 2025 on 30 April. The strategy process commenced in 2019 after an external evaluation of NDF's activities had confirmed that NDF has developed an important niche in the global climate financing landscape.

This strategy entails increased focus on adaptation financing and accelerating progress in gender equality. More financing will be targeted towards Africa, and special efforts will be made to further engage in the least developed countries and countries in fragile situations.



Capital increase

As the global climate crisis collides with the Covid-19 pandemic, the Nordic governments of Denmark, Finland, Iceland, Norway and Sweden are pledging to commit knowledge and new resources to build back better and greener.

NDF with its agility and capacity to adapt is the ideal vehicle to deliver on this. The capital increase is designed to deliver Nordic values and provide much needed finance to fight climate change in developing countries.



Gender Equality Policy

Gender equality is considered to be a goal by the Nordic countries as well as a driver of sustainable development and poverty reduction. NDF, as a Nordic-owned institution, strongly supports these goals.

Our approach to fully mainstream gender equality is further spelled out in the new **NDF Gender Equality Policy** that is in force as of 1 December 2020. This policy puts NDF at the forefront of development financiers and calls for a gender analysis and full gender mainstreaming in activities that it finances.



NDF response to Covid 19

As the pandemic has changed the world in unprecedented ways, NDF focused on activities in supporting resilience to climate change and to Build Back Better and Green (BBBG).

As the joint Nordic climate and development finance institution, NDF is well-positioned to coordinate and take an active role to further advance ambitions in sustainable green recovery. Together with its network of strategic partners, NDF identified ways to support developing partner countries in the recovery phase.

Report of the Board of Directors 2020

Strategy and Policy Issues

The year 2020 was a year of progress for NDF's future strategic direction and financial resources. Following a positive evaluation of NDF in 2019, a strategy process was initiated in late 2019 and continued throughout 2020. As a result of this process, Strategy 2025 was approved by the Board of Directors and launched in May 2020. Following the launch of Strategy 2025 and national preparations in the five Nordic member countries, in October 2020, the Nordic Council of Ministers approved a EUR 350 million capital increase for NDF to be paid in over a period of ten years.

In 2020, NDF's activities centred largely on the development of Strategy 2025 and the completion of the process for NDF's capital increase of 2020. NDF also began to work on strengthening its institutional structure and key administrative processes to create a basis for the financial, structural and human capital of NDF's operations under Strategy 2025. Many institutional projects were launched, some of them commitments under the capital increase and some of them preparation for the organisational changes at NDF taking place on 1 January 2021.

Most notably, in 2020, NDF developed and adopted its first Gender Equality Policy, and initiated the development of a new Results Monitoring Framework (RMF) and recruited dedicated resources for the work related to monitoring and evaluation (M&E). To strengthen transparency and accountability, and to meet the increased expectations on compliance, NDF also began the work to evaluate the feasibility and impact of adopting the International Financial Reporting Standards (IFRS) in their entirety. Furthermore, the revised Liquidity and Investment Management Policy defines the risk tolerance level for NDF's treasury operations.

For the first half of the year, NDF's operations continued to be guided by the strategy introduced in 2016 in a "business-as-usual" manner, NDF's Management aligning activities with the revised strategy where feasible and as further guided by the Fund's Board of Directors. The on-going COVID-19 pandemic impacted NDF's activities on many levels, including project development and monitoring activities in partner countries. As a result of the combined effect of the strategy and capital increase processes and the COVID-19 pandemic, the expected level of new financing commitments during 2020 settled around a figure slightly lower than projected.

Projects and Results

At the end of 2020, the accumulated climate project portfolio consisted of 122¹ on-going or completed projects with total NDF financing of EUR 427.95 million. The portfolio includes 74% public sector and 26% private sector projects. 69% of the activities are in partnership with the multilateral development banks and 31% with other partners. 17% of the portfolio focus on mitigation, 21% on adaptation and 62% includes a combination of both mitigation and adaptation. 70 projects out of the total are ongoing and located in 16 countries across Africa, Asia and Latin America. Africa accounts for 53% of the accumulated portfolio.

All NDF-financed activities contribute towards the achievement of UN Sustainable Development Goals (SDGs) and the five projects approved in 2020 focus in particular on SDG 1. No poverty, SDG 5. Gender equality and SDG 13. Climate action.

As part of the 2020 results monitoring, the annual Project Performance Rating shows that the overall project level results were highly satisfactory. More specifically, the 2020 ratings show that approximately 86% of the on-going projects are highly satisfactory or satisfactory regarding progress towards objectives and outcome. Fourteen projects were completed in 2020; a final assessment resulted in seven being rated highly satisfactory or satisfactory and seven were rated either adequate, unsatisfactory or highly unsatisfactory. A process has been initiated to assess the aspects contributing to the seven less-than-satisfactory completed projects in order to draw conclusions, which will help to inform future engagements.

As part of NDF institutional and operational commitments, the work on establishing a new Results Monitoring Framework (RMF) was initiated in 2020 and will be completed in 2021. The 2020 reporting is based on the current Results-Based Management Framework, but in the future, reporting will be based on the new RMF.

¹ The 82 ongoing sub-projects under the financing facilities of Nordic Climate Facility (NCF) and the Energy and Environment Partnership Trust Fund (EEP Africa) are not included in this number.

NDF in numbers

2020

Accumulated climate finance portfolio
Total financing: **EUR 427.95 million**



122

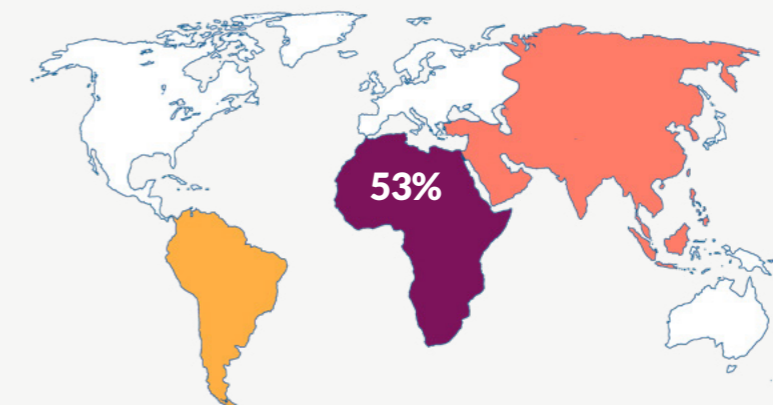
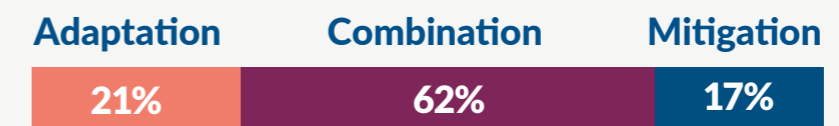
Projects

74%
public
sector

26%
private
sector

69%
in partnership
with MDBs

31%
other
partners



Operational Highlights in 2020

In 2020, NDF approved financing amounting to EUR 25.85 million as grants for five new projects. In addition, NDF continued with financing activities within the two financing facilities, namely the Nordic Climate Facility (NCF) and the Energy and Environment Partnership for Africa (EEP Africa) as described below.

The following projects benefitted from NDF financing during 2020:

AFRICA		ASIA	
Country/ project	NDF investment, EUR million	Country/ project	NDF investment, EUR million
Regional		Regional	
Africa Circular Economy Facility	2.0	Community Resilience Partnership Program (CRPP)	6.0
COVID-19 Recovery through Climate-Resilient Water and Sanitation	7.5		
Sustainable Energy Fund for Africa (SEFA)	10.0	Total Asia	6.0
Rwanda			
Rwanda Catalytic Green Investment Bank (RCGIB)	0.35		
Total Africa	19.85		



AFRICA REGIONAL
Sustainable Energy Fund for Africa (SEFA)
(EUR 10 million grant)

The Sustainable Energy Fund for Africa (SEFA) is a special fund designed to catalyse private sector investments in early stage renewable energy and energy efficiency markets to stimulate a transformative transition to more inclusive and green growth in Africa. SEFA is a delivery vehicle for the African Development Bank's (AfDB) New Deal on Energy for Africa (NDEA). The overall objective of SEFA is to contribute to universal access to sustainable, reliable and affordable energy services in Africa, while addressing several key themes of the NDEA: early-stage project finance, renewable energy, off-grid connectivity and energy sector country programs. In order to achieve this goal, SEFA works with governments, the private sector, and bilateral and multilateral initiatives to develop public-private transformative partnerships for energy sector finance in Africa.

AFRICA REGIONAL
COVID-19 recovery through Climate-Resilient Water and Sanitation
(EUR 7.5 million grant)

The grant aims to enable the African Development Bank-hosted African Water Facility (AWF) to strengthen COVID-19 recovery investments and preparation of investment-ready projects for water supply, sanitation, and integrated water resource management in the Sahel and the Horn of Africa. The program will use a climate-resilient approach to prepare investments in water supply, sanitation and integrated water resource management, prioritising urban areas and with a specific focus on the urban poor, vulnerable and unserved communities displaced from the countryside because of famine, a lack of security, and climate and environmental disasters.

^ The "COVID-19 Recovery through Climate-Resilient Water and Sanitation in Africa" program will assist in post-pandemic recovery through a Build-Back-Better and Greener approach to prepare climate-resilient water supply, sanitation, and hygiene investments.
Photo: African Water Facility



AFRICA REGIONAL

Africa Circular Economy Facility (ACEF)

(EUR 2 million grant)

The Africa Circular Economy Facility (ACEF) is a multi-donor trust fund under the Climate Change and Green Growth Department (PECG) of AfDB. The overall objective of ACEF is to mainstream circular economy as an inclusive green growth strategy to help African nations fulfil their development objectives, while at the same time meeting the goals of the Paris Agreement, SDGs and Africa's Agenda 2063. The program is a pioneering intervention to promote public and private environments that will drive the adoption of an inclusive circular economy model in Africa. ACEF will provide technical assistance and capacity-building support for governments, regulators and the private sector in selected African countries, as well as provide pilot funding for promising early-stage circular economy business models.

^ The Rwanda Catalytic Green Investment Bank is specifically designed to support implementation of Rwanda's Nationally Determined Contributions, green growth objectives and national development goals, plans and targets. Moreover, the institution is dedicated to fill Rwanda's local market gaps, attract public and private funding, and benefit from a tax incentive to achieve its mission while supporting national green growth objectives.

Photo: Dylan Walters, Creative Commons

ASIA REGIONAL

Community Resilience Partnership Program (CRPP)

(EUR 6 million grant)

The Community Resilience Partnership Program (CRPP) will be the ADB's first multi-donor trust fund uniquely positioned to tackle the nexus between poverty, gender, and climate change. The CRPP will serve as an important knowledge, preparatory and financial tool for launching and developing new pro-poor climate resilience initiatives in low-income and fragile countries in Asia and the Pacific. The CRPP is also part of the post-COVID-19 recovery. The overall objective of CRPP is to strengthen the climate resilience of poor and vulnerable populations (women and men) by preparing and financing gender-responsive, pro-poor investments in adaptation that are aligned with broad priorities of National Determined Contributions (NDC), National Adaptation Plans (NAP) and National Disaster Risk Reduction Plans. With a strong focus on strengthening institutions and processes for delivering adaptation at the local level, the Program aims to help countries set up the climate change adaptation and disaster risk reduction institutions proposed in respective national legal frameworks on climate change and/or disaster risk management.



Photo: Emeli Möller, NDF

NCF is a financing window set up and managed by NDF to finance early-stage climate projects to stimulate local business and employment opportunities in the developing world.

In 2020, EEP Africa finalised contracting of 18 projects from the 2019 call for proposals aiming to advance women in leadership in clean energy.



EEP Africa's new portfolio of 18 projects, launched in 2020, promotes women in leadership and gender inclusion in the clean energy sector. The new projects encompass 8 technologies and 10 countries, with a total financing commitment of almost EUR 6.5 million. Photo: Solar Sister

Booster Facility

During 2020, NDF approved financing for one new intervention under the Booster Facility:

RWANDA

Rwanda Catalytic Green Investment Bank
(EUR 0.35 million Booster grant)

The overall objective of the Booster grant is to support the design, capacity-building, and capitalisation of Rwanda Green Investment Facility (RGIF). Specifically, it will provide co-financing for the collaborative engagement to develop the GCF funding proposal and the required attachments. It will also support the development of the "Green Bank" concept in Rwanda, which is expected to increase access to loans and non-reimbursable and reimbursable grants for green investments in the country.

Nordic Climate Facility (NCF)

Activities within the Nordic Climate Facility continued during 2020 with the following highlights.

NCF is a financing window set up and managed by NDF to finance early-stage climate projects to stimulate local business and employment opportunities in the developing world. NCF financing is allocated on a competitive basis through calls for proposals. The latest (9th) call for proposals took place in 2019 with the theme "Testing the viability of innovative climate solutions." In 2020, 38 full proposal applications were evaluated. Out of these, 12 projects were shortlisted for the due diligence process, which involved online interviews with all project proponents. Eventually, nine projects were selected for financing. By the end of 2020, grant agreements were signed with three project developers, and contract negotiations on the remaining six selected projects are ongoing. In addition, financing agreements for some projects originating from the previous call for proposals were finalised during 2020. To illustrate NCF's results in more detail, a Results Report for 2019 was published in the spring of 2020 with detailed information on the results of the ongoing portfolio. The NCF Results Report is available on NCF's website at www.nordicclimatefacility.com/results/reports-publications.

Energy and Environment Partnership Trust Fund (EEP Africa)

The following activities took place under the Energy and Environment Partnership Trust Fund (EEP Africa) during the year:

EEP Africa is a multi-donor trust fund hosted and managed by NDF, with Austria, Finland, and NDF as donors. EEP Africa provides early stage grant and catalytic loan financing for innovative clean energy projects in Southern and East Africa. It also supports its portfolio companies by providing investment facilitation and business development support, as well as disseminates relevant knowledge to the sector via publications and strategic partnerships. In 2020, EEP Africa finalised contracting of 18 projects from the 2019 call for proposals aiming to advance women in leadership in clean energy. The 2020 call for proposals focused on productive use of energy and circular economy solutions and resulted in the approval of 26 projects with EUR 8.3 million financing commitment. The successful applicants had a strong representation from local and women entrepreneurs. More detailed information can be found at the EEP Africa website <https://eepafrica.org>.

Moreover, in 2020, the first EEP Catalyst loan agreement was finalised with a financing commitment of EUR 1.5 million to support the scale-up of REDAVIA's solar power leasing model toward commercial and industrial and SME clients in Ghana and Kenya. EEP Catalyst is designed to provide flexible early-stage debt that is still scarce in the sector and much-needed to support innovation and unlock commercial capital.

In November, EEP Africa hosted its flagship investor matchmaking event virtually in collaboration with GET.invest. More than 80 scheduled investor meetings were organised for 25 companies (15 from EEP Africa portfolio). Also in November, the EEP Africa Knowledge Week featured a series of events, publications and awards that highlighted the role of clean energy in climate adaptation and resilience, circular economy, and productive use. A new award for Rising Energy Leaders was introduced to recognise young professionals who are leading the clean energy transition in Africa. Four out of the five recipients were women. Finally, the first EEP Africa Impact and Performance Evaluation was completed and confirmed that EEP Africa's activities are perceived as relevant with the key added value being the Trust Fund's willingness to invest in early-stage and unproven businesses.

Partner Institutions

In 2020, NDF continued to identify co-financing opportunities with its multilateral development bank (MDB) partners with focus on activities where NDF can add value through active participation. NDF's partnerships with the MDBs date back to the establishment of NDF, with a positive development in both depth and volume. In Africa, the main partners are the World Bank (WB) and the African Development Bank (AfDB). In Asia, NDF collaborates mainly with the Asian Development Bank (ADB), but also increasingly with the WB. In Latin America, NDF collaborates mainly with the Inter-American Development Bank Group (IDB).

During recent years, NDF has also increased its cooperation with other partners. These include the European Investment Bank (EIB), the Asian Infrastructure Investment Bank (AIIB), Kreditanstalt für Wiederaufbau (KfW), the Nordic bilateral development financing agencies and other development finance institutions (DFIs). Interaction with other partners has materialised also through private sector engagements in which NDF typically has a seat in selected Boards of Directors or in other governing structures of the project entity. Such engagements include, for example, the African Guarantee Fund (AGF), responsAbility Renewable Energy Holding (rAREH) and the Facility for Energy Inclusion Off-Grid Energy Access Fund (FEI-OGEF). NDF is formally accredited as an observer to the Green Climate Fund (GCF) Board meetings.

The NCF and the EEP Africa continued to provide a channel for interaction with the private sector.

In 2020, the process towards the adoption of NDF's Gender Equality Policy benefitted from NDF's smooth cooperation with its partner institutions. The adoption of the policy was preceded by a peer review process and involved a number of gender specialists in the partner organisations. The organisations consulted include ADB, AfDB, GCF, Global Green Growth Institute (GGGI), IDB and UNU-GEST, whose inputs are reflected in the final policy document.

In line with Strategy 2025, NDF views strategic partnerships as a major tool for reaching its purpose. Starting in 2020, more systematic efforts have been made towards strengthening the existing collaboration with strategic partners, as well as creation of new strategic partnerships spanning from financial partnerships towards advocacy and knowledge for an increased Nordic voice. One example of such new collaboration is the partnership with the Global Center for Adaptation (GCA) around increased adaptation-focused action in Africa.

Communication And Outreach Activities

The highlight of the communication activities in 2020 was the outreach around the decision on the NDF capital increase in October 2020. Supported by high-level communication activities by the organisations of the owner countries, NDF was able to reach both its strategic partners and a large number of interested stakeholders with the news. This contributed positively to the strengthened branding of NDF's Nordic identity and increasing the visibility of NDF, which has been, and will increasingly be, in the focus of NDF's communication and outreach activities.

During 2020, one of the key activities was the development of a new web page with refreshed content along with new technical features that enable more options for different outreach activities as well as an extranet function for the governing bodies. Moreover, it provides a facelift that allows the newly approved strategy and the related activities and focus areas to be reflected in an illustrated way. In parallel, the internet domain of the Fund will be changed to correspond to NDF's status as an international organisation. The new web page will be published during the first quarter of 2021 on www.ndf.int.

An overall visual rebranding of the organisation has been going on during the year to reflect the Nordic identity and Strategy 2025. A visual design manual and various templates and tools have been developed as part of this rebranding.

Throughout the year, emphasis has been on disseminating news, results and other outreach material in electronic format. In addition to the NDF website, the electronic communication channels include an electronic newsletter and social media platforms such as LinkedIn, Facebook and Twitter. The electronic outreach enables the monitoring and statistics of the communication activities, which show a steady increase in followers throughout the different channels.

Even though the COVID-19 called for cancellations and special arrangements for many events, NDF attended many digital events and seminars. Examples include the webinar arranged by Southpole and Gaia focusing on climate risks, resilience and adaptation in NDF private sector activities, the launch event for the Sustainable Energy Fund for Africa (SEFA), and the WACA Call for Innovation Demo Day.

Strategy 2025 and the decision on the capital increase in 2020 provided a positive basis for continuing a systematic development of NDF's communication and outreach activities.

Starting in 2020, more systematic efforts have been made towards strengthening the existing collaboration with strategic partners, as well as creation of new strategic partnerships spanning from financial partnerships towards advocacy and knowledge for an increased Nordic voice.



^ SEFA has a strong Nordic identity as the Nordic countries represent a large share of the current funding. In addition to promoting clean energy markets, it promotes climate change mitigation and adaptation, gender equality, poverty reduction, job creation and inclusive green growth.

Photo: Chris Morgan

^ CRPP is an action-oriented partnership to support low-income and fragile countries and communities in Asia and the Pacific to scale up investments in local resilience that aim at transformational changes. Photo: Asian Development Bank

Cooperation with Nordic Institutions

In 2020, NDF continued its dialogue with both the Nordic Council and the Nordic Council of Ministers (NCM) in issues relating to climate change and development. Notably, the discussions of recent years on the overall structure of the Nordic development and climate finance architecture and NDF's role in it culminated in the NCM's affirmative decision on NDF's capital increase in October 2020. On a practical level, the NDF administration liaised actively with the NCM secretariat as regards the preparations for the NCM's final decision on the capital increase.

NDF continued collaboration with the Nordic Investment Bank (NIB) and the Nordic Environment Finance Corporation (NEFCO) on various levels during 2020, mostly in matters related to office functions, administrative collaboration and communication, and in particular to protect the staff, to support distance working, and to ensure business continuity during the COVID-19 pandemic.

In addition to collaboration with the MDBs, NDF continued to actively identify co-operation opportunities with Nordic actors, especially with the bilateral development financing agencies and development finance institutions (DFIs).



The first NDF Gender Equality Policy was created to support the implementation of Strategy 2025 and to provide general policy guidance to NDF.

Institutional issues

Policies and Regulations

In parallel with the work on developing Strategy 2025 and the negotiations on NDF's 2020 capital increase, NDF also focused on strengthening its institutional structure and key administrative processes. Consequently, a large number of institutional policy-related projects were launched, of which eight projects are commitments under the capital increase. Of these institutional projects, the following ones were completed during 2020, while the rest are scheduled for 2021 and 2022.

- As part of NDF's proactive approach on gender responsiveness, clearly expressed in Strategy 2025, the first NDF Gender Equality Policy was created to support the implementation of Strategy 2025 and to provide general policy guidance to NDF. The new policy was adopted by the Board in November 2020 and the related guidelines will be introduced in 2021.
- The revised Liquidity and Investment Management Policy, outlining the key elements of governance, responsibilities and principles in relation to management of NDF's liquidity defining the risk tolerance level for NDF's treasury operations, was adopted by the Board in December 2020 and the related guidelines will be introduced in 2021.
- Following a fact-based peer analysis of NDF's compensation and benefits package carried out by an external consultant in 2020, NDF's Board decided in 2020 to introduce some changes to NDF's compensation and benefits package as of beginning of 2021.
- As part of governance development, NDF conducted a mapping exercise of NDF's existing legal framework documents. Building on this exercise, the Rules on the Issuance of Legal Framework Documents, clarifying and formalising the existing rules with regard to the powers and procedures concerning issuance of legal framework documents at NDF as well as providing some additional guidance, were adopted by the Managing Director in August 2020.

Furthermore, in 2020, NDF initiated the development of a new Results Monitoring Framework (RMF) and recruited dedicated resources for the M&E-related work, and began the work to evaluate the feasibility and impact of adopting the International Financial Reporting Standards (IFRS) in their entirety.

Board of Directors

In 2020, the Board of Directors had seven meetings, which historically is a record high number of such meetings. Except for the first Board of Directors' meeting held as a physical meeting in early February 2020, the meetings were held as remote meetings due to the prevailing COVID-19 circumstances. In addition to these meetings, some of the Board decisions were, as is customary, taken in written procedure.

The Chair of the Board of Directors for the period from 1 January to 30 April 2020 was Lars Roth (Sweden), with Morten Houmann Blomqvist (Denmark) as Deputy Chair. As of 1 May 2020, Morten Houmann Blomqvist took over the Chair, with Max von Bonsdorff (Finland) as Deputy Chair for the period from 1 May to his resignation as member on 21 August and with alternate Johanna Pietikäinen acting as Deputy Chair in the interim for the period of 22 August to 30 September. As of 1 October, Pekka Hirvonen was appointed member (Finland), taking over the role of the Deputy Chair.

In addition, the following changes took place in the Board membership in 2020. As of 1 August, Davíð Stefánsson was appointed member (Iceland), succeeding Ásta Fjeldsted. As of 21 January, Anders Nyström was appointed alternate (Sweden). Henrik Silkjær Nielsen left his position as alternate (Denmark) in October and the appointment of a successor is pending.

A list of NDF Board members and their alternates can be found on page 21.

Control Committee

The Control Committee ensures that NDF's operations are conducted in accordance with its Statutes. The Committee is furthermore responsible for the financial audit of the Fund. The financial audit of NDF is carried out by authorised public accountants Ernst & Young, appointed by the Control Committee.

The 2019 annual accounts and the annual auditor's report were approved by the Control Committee in mid-February 2020. The Nordic Council of Ministers approved the 2019 annual accounts in June 2020. The Control Committee's autumn meeting was held in October 2020. A list of the members of the Committee can be found on page 21.

Administration

As of 31 December 2020, NDF had 19 full-time positions² and one part-time employee. Out of the full-time employees, four were employed on contracts financed by the NCF and the EEP Africa. The staff consists of seven (35%) male and 13 female (65%) members, representing three different nationalities. A list of the employees can be found on page 18.

In May 2020, Jesper Andersen, Procurement Specialist and Program Manager, was appointed the Director of the new Quality Assurance and Reporting (QAR) Department (operational as of 1 June 2020), becoming the fourth member of NDF's Management. During the autumn, recruitments were made for the two new specialist positions in the QAR Department, namely an Environmental and Social Specialist and a Monitoring and Evaluation Specialist who took up their positions in November.

To deliver on Strategy 2025, in 2020, NDF began the work to develop the organisation and its human capital, including planning and other preparations for the organisational changes with effect as of 1 January 2021. The Board of Directors was presented with the new organisational structure and the related budget for additional recruitments when discussing and approving the Business Plan 2021 in the November Board meeting.

The Fund's growing portfolio and increasingly complex activities required active involvement from the staff and accentuated the importance of careful monitoring of the overall workload and efficient resource utilisation to ensure the well-being of staff. Additional challenges were posed by the COVID-19 pandemic and the need to ensure safe and functional distance working arrangements. Consequently, the necessary, mostly technical adjustments were made to working procedures, systems and tools enabling the staff to work remotely.

During 2020, NDF continued to acquire services from NIB regarding, for example, office premises, staff administration, ICT services and accounting. Formally, this administrative collaboration is based on service agreements between NDF and NIB, subject to review from time to time.

NIB's headquarters has been certified as a Green Office by WWF Finland since 2009. NDF, who rents its premises from NIB, follows NIB's principles on green office. In 2020, NDF's carbon footprint amounted to 41 tons of CO₂. The share of the carbon footprint from air travel amounted to 17 tons of CO₂ equivalents in 2020.

The direct reduction of greenhouse gases for the NDF mitigation projects approved during 2020 has been estimated at 144,995 tons of CO₂ equivalents.

² One of the staff members being on a leave of absence until 31 December 2020.

Financial review

Disbursements and results

During 2020, total disbursements to climate projects amounted to EUR 54.2 million (2019: EUR 30.8 million), of which EUR 35.9 million as grant financing (2019: EUR 27.4 million), EUR 12.0 million was made as equity contribution (2019: EUR 1.9 million), and EUR 6.4 million as financing to climate loans (2019: EUR 1.5 million). The total sum also includes disbursements to the EEP Africa Trust Fund as well as to sub-projects under NCF. At the end of the year, accumulated disbursements to climate change projects since 2009 amounted to EUR 336 million.

The net result for the year before adjustments for currency exchange fluctuations and after disbursements of grant totalled EUR -27.0 million in comparison with EUR -17.9 million the previous year. The net result is EUR -37.2 million for 2020, compared to EUR -15.2 million in 2019.

Instruments

NDF operates with several types of financing instruments. Depending on the project type, NDF contributes with grants, loans and equity. These instruments can be used stand-alone or blended, as relevant.

Accounting currency

Since 2001, NDF's financial accounts are kept in EUR and, consequently, also the financial statements have been presented in EUR since 2001. However, capital increases adopted before year 2000 and related capital contributions remain in the previous accounting currency Special Drawing Rights (SDR), resulting in NDF's capital being denominated in both EUR and SDR.

As a result of operating for many years with SDR as the prevailing currency, NDF has outstanding credits in SDR and fluctuations in the SDR/EUR exchange rate lead to variations in financial results, positive or negative, from one year to another. Since 2012, hedging measures have therefore been taken to decrease the effect from the exchange rate fluctuations.

Capital and liquidity

During 2020, NDF's member countries decided on a capital increase in the amount of EUR 350 million. According to the base case payment schedule, the countries have agreed to pay in the amount of this capital increase during 2021–2031. Despite the base case payment schedule, NDF can expect variations to the schedule as countries, for example, may wish to make prepayments. In late 2020,



The direct reduction of greenhouse gases for the NDF mitigation projects approved during 2020 has been estimated at 144,995 tons of CO₂ equivalents.

one of the member countries wished to make a prepayment, which was accommodated by NDF.

NDF's operations are financed from the existing liquidity, the cash inflow coming from the outstanding portfolio and the capital increase. During 2020, NDF received repayments under disbursed portfolio amounting to EUR 27.6 million (2019: EUR 26.7 million).

The liquid assets of NDF are managed by a commercial bank on behalf of NDF. Based on NDF's Liquidity and Investment Management Policy, the assets are placed in green bonds, funds and deposits, altogether yielding an average interest rate of approximately 0.5% (2019: 0.8%). The green bonds have an average maturity of four and a half years and NDF's deposits are placed on 1 to 12-month intervals. The liquidity as per 31 December 2020 was EUR 94.2 million (2019: EUR 109.9 million) of which EUR 43.2 million was placed in green instruments (2019: EUR 41.5 million).

Financial results and allocation

NDF's total assets as of 31 December 2020 amounted to EUR 752,007,126 (2019: EUR 784,282,510). This amount includes outstanding credits to public sector projects, climate loans, other loans with equity features and equity investments to the amount of EUR 650,497,636 (2019: EUR 666,201,449) and investments with credit institutions to the amount of EUR 94,210,616 (2019: EUR 109,879,546). The total net loan losses, write-down on loans and reversals during 2020 totalled EUR 0 (2019: EUR 0).

As of 31 December 2020, NDF's capital consisted of SDR 515 million and EUR 330 million in paid-in capital under previous capital increases, EUR 350 million to be

paid in 2021-2031 under the fifth capital increase, and EUR -275,657,020 (2019: EUR -238,496,465) in accumulated net income after adjustments for currency exchange fluctuations. The Fund's income during 2020, amounting to EUR 6,053,929 (2019: EUR 7,942,536), consisted of income from credits to the public sector to the amount of EUR 4,794,642 (2019: EUR 4,928,728), interest on investments with credit institutions of EUR 437,392 (2019: EUR 717,672), EUR 0 (2019: EUR 677,394) as remuneration on equity loans and other loans and EUR 821,895 (2019: EUR 1,618,742) from interest income from other financial investments, cash and balances with banks and realised and unrealised gains/losses from other investments. Zimbabwe continues to be in payment delay to NDF. All of its accrued, outstanding obligations towards NDF have

therefore been placed in non-accrual status, and in line with the World Bank's recommendations, an impairment loss of 50% has been made.

Administrative expenses were EUR 3,060,769 (2019: EUR 2,807,668). The largest single item of expenditure consists of salaries and ancillary expenses of EUR 2,111,994 (2019: EUR 1,751,373).

The net income for the year, which after adjustments for currency exchange fluctuations and hedging measures of EUR -10,082,172 (2019: EUR 2,726,039), amounts to EUR -37,160,555 (2019: EUR -15,173,179), is carried forward to the new account. The income statement, balance sheet, changes in equity, cash flow and notes can be found on pages 24-41.

Helsinki, 5 February 2021

Morten Blomqvist
Chair of the Board

Anne Sofie Bjelland

Pekka Hirvonen
Deputy Chair of the Board

Davíð Stefánsson

Karin Isaksson
Managing Director

Anders Nyström



Illustration: Sanna Turunen



NDF's management and staff

BOARD OF DIRECTORS *

DENMARK

Morten Blomqvist, Special Adviser,
Ministry of Foreign Affairs
Chair of the Board
Alternate: to be nominated

FINLAND

Pekka Hirvonen, Director, Ministry for Foreign Affairs,
Deputy Chair of the Board
Alternate: Johanna Pietikäinen, Programme Officer,
Ministry for Foreign Affairs

ICELAND

Davíð Stefánsson, Consultant, D. Stefansson Ltd.,
Renewable Energy Consultancy Firm
Alternate: Ólafur Sigurðsson, Director,
Ministry for Foreign Affairs

NORWAY

Anne Sofie Bjelland, Senior Adviser,
Ministry of Foreign Affairs
Alternate: to be nominated

SWEDEN

Lars Roth, Deputy Director, Ministry for Foreign Affairs
Alternate: Anders Nyström, Ministry of Foreign Affairs

Observer:

Johan Ljungberg, Chief Environmental Analyst,
Nordic Investment Bank

CONTROL COMMITTEE *

CHAIR Jan-Erik Enestam, Minister, Independent
Consultant

DENMARK Sjúrdur Skaale, Member of Parliament

FINLAND Wille Rydman, Member of Parliament

ICELAND Viljálmur Árnason, Member of Parliament

NORWAY Michael Tetzschner, Member of Parliament

SWEDEN Johan Andersson, Member of Parliament

AUDITORS APPOINTED BY THE CONTROL COMMITTEE

Ernst & Young Finland Oy,
Responsible partner: Terhi Mäkinen, Authorised Public
Accountant
Ernst & Young Sweden AB,
Responsible partner: Mona Alfredsson, Authorised Public
Accountant

Secretary to the Control Committee
Terhi Mäkinen, Ernst & Young Finland

MANAGEMENT AND STAFF *

Karin Isaksson, Managing Director
Leena Klossner, Deputy Managing Director
Christina Stenvall-Kekkonen, Vice President, Chief
Counsel
Jesper Andersen, Director, Quality Assurance and
Reporting

Sofia Chaichee, Monitoring and Evaluation Specialist
Martina Jägerhorn, Program Manager
Aage Jørgensen, Program Manager
Isa Kujansuu, Legal Trainee
Isabel Leroux, Program Manager
Aleksi Lumijärvi, Program Manager
Ann-Christin Lundin, Assistant
Emeli Möller, Manager of Nordic Climate Facility (on leave)
Juha Seppälä, Environmental and Social Specialist
Mats Slotte, Manager, Financial Administration
Jessica Suominen, Financial Controller
Maria Talari, Communications and Administration Officer
Aleksandra Reskalenko, Trainee in Communications and
Project Administration
Visa Tuominen, Project Officer, Nordic Climate Facility
Jussi Viding, Acting Manager, Energy and Environment
Partnership
Johanna Zilliacus, Acting Manager of Nordic Climate
Facility

*As of 31 December 2020

List of abbreviations used

ACEF	Africa Circular Economy Facility
ADB	Asian Development Bank
AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
AWF	Africa Water Facility
CRPP	Community Resilience Partnership Program
DFI	Development finance institution
EEP	Energy and Environment Partnership Trust Fund
FEI-OGEF	Facility for Energy Inclusion Off-Grid Energy Access Fund
GCA	Global Center on Adaptation
GCF	Green Climate Fund
GGGI	Global Green Growth Institute
IDB	Inter-American Development Bank
KfW	Kreditanstalt für Wiederaufbau
MDB	Multilateral development bank
NAP	National Adaptation Plans
NCF	Nordic Climate Facility
NCM	Nordic Council of Ministers
NDC	National Determined Contributions
NDEA	New Deal on Energy for Africa
NDF	Nordic Development Fund
NEFCO	Nordic Environment Finance Corporation
NIB	Nordic Investment Bank
PECG	Climate Change and Green Growth Department
rAREH	responsAbility Renewable Energy Holding
RGIF	Rwanda Green Investment Fund
RMF	Results Monitoring Framework
SDGs	Sustainable Development Goals
SDR	Special Drawing Rights
SEFA	Sustainable Energy Fund for Africa
UN	United Nations
WB	World Bank



Income Statement (Amounts in 1,000 EUR)

		1 January to 31 December 2020	1 January to 31 December 2019
Income	Note		
Service charges from credits	(2)	4,724	4,878
Income from loans with equity features		-	677
Fee and commission income		70	51
Interest income/expenses from investments with credit institutions		129	219
Interest income from other financial investments		161	129
Interest income from cash and balances with banks		7	83
Real. and unreal. gains/losses other financial investments		654	1,406
Total income		5,746	7,444
Expenses			
Grant financing for climate projects	(3)	35,900	27,437
Refund of grant financing		-6,133	-4,660
Fee and commission expenses		91	89
Commission expenses, derivative instruments		19	19
General administrative expenses	(4)	3,061	2,808
Interest expenses/income		-308	-498
Depreciation/amortisation on tangible and intangible assets	(5)	149	153
Changes in provision for credit losses, write-down of loans and reversals	(6)	-	-
Total expenses		32,779	25,347
Net result for the year before foreign exchange differences and unreal./real. gains/losses derivatives		-27,033	-17,903
Foreign exchange differences		-10,206	3,421
Unrealised gains/losses on fair value of derivative instruments	(7)	-12	-654
Realised gains/losses on derivative instruments		136	-42
Foreign exchange differences, net		-10,082	2,726
Unrealised gains/losses on fair value of forward contracts		-45	4
Unrealised/realised gains/losses on forward contracts		-45	4
Net result for the year		-37,161	-15,173

Balance Sheet (Amounts in 1,000 EUR)

		31 December 2020	31 December 2019
Assets	Note		
Cash and cash equivalents	(8)	13,229	15,643
Other long-term financial investments	(8)	30,080	29,938
Other financial investments	(8)	50,901	64,298
		94,211	109,880
Other assets		5,000	5,481
Forward contracts		-	-
Derivative instruments	(7)	316	328
Accrued income		1,271	1,556
Credits to sovereign states	(9)	602,329	636,094
Other loans	(10)	3,826	4,099
Climate loans	(3), (11)	7,798	1,446
Loans with equity features and equity investments	(3), (12)	36,545	24,561
Intangible assets	(5)	699	825
Tangible assets	(5)	13	13
Total assets		752,007	784,283
Liabilities and Equity			
Liabilities			
Other liabilities		1,279	1,318
Forward contracts		-	56
Equity			
Fund capital SDR 515,000,000			
Fund capital EUR 330,000,000			
Paid-in fund capital	(13)	1,026,385	1,021,405
Accumulated net result		-238,496	-223,323
Net result for the year		-37,161	-15,173
Total equity		750,728	782,909
Total liabilities and equity		752,007	784,283

Changes in equity (Amounts in EUR 1,000)

	Paid-in fund capital	Accumulated net result	Result for the year	Total
Equity as of 1 January 2019	1,021,405	-223,323	0	798,082
Result for the year			-15,173	-15,173
Transfers between equity items		-15,173	15,173	0
Equity as of 31 December 2019	1,021,405	-238,496	0	782,909
Result for the year			-37,161	-37,161
Paid-in fund capital	4,980			4,980
Transfers between equity items		-37,161	37,161	0
Equity as of 31 December 2020	1,026,385	-275,657	0	750,728

Cash Flow Statement (Amounts in EUR 1,000)

	31 December 2020	31 December 2019
Cash flow from operating activities:		
Net result for the year	-37,161	-15,173
Adjustments		
Depreciation/amortisation on tangible and intangible assets	149	153
Foreign exchange differences	10,206	-3,421
Fair value of derivative instruments	57	650
Fair value of other financial placements	-317	-1,389
Change in accrued interest and fees (assets)	285	-39
Lending		
Repayments of credits	27,304	26,471
Disbursed equity loans and equity investments	-11,984	-2,561
Repayments of other loans	273	273
Climate loans disbursed	-6,351	-1,446
Change in other liabilities	-67	-133
Other adjustments to the year's result	4	5
Cash flow from operating activities	-17,600	3,389
Cash flow from investing activities:		
Change in placements with a maturity longer than 3 months	-142	22,537
Change in other financial placements	13,714	-16,073
Change in derivative instruments	-101	758
Change in other assets	336	-2,104
Cash flow from investing activities	13,807	5,119
Cash flow from financing activities:		
Paid-in capital	4,980	0
Cash flow from financing activities	4,980	0
Foreign exchange differences	-3,600	692
Change in cash and cash equivalents	-2,414	9,200
Opening balance for cash and cash equivalents	15,643	6,443
Closing balance for cash and cash equivalents	13,229	15,643

The cash flow statement has been prepared using the indirect method and cash flow items cannot be directly concluded from the balance sheet and income statement.

Notes to the financial statements

Note 1: Accounting policies

1.1 Reporting entity

Governance Structure

The most important formal basis for Nordic cooperation is the Helsinki Agreement of 1962. This agreement sets out the aims of Nordic cooperation and contains provisions for the Nordic Council and, as subsequently amended, for the Nordic Council of Ministers.

The Nordic Council is a forum for consultation and discussion on issues of common interests at a parliamentary level. The Nordic Council of Ministers is empowered to make decisions on matters of cooperation that are binding to the governments of the Nordic countries.

On 19 May 1988, the Nordic Council of Ministers decided to establish Nordic Development Fund ("NDF" or "Fund") for financing projects of Nordic interest in developing countries on concessional terms. The establishing agreement of NDF was signed by the five Nordic countries namely Denmark, Finland, Iceland, Norway and Sweden on 3 November 1988 and entered into force on 30 January 1989. The Fund's operations commenced on 1 February 1989.

In November 1997, the Nordic Council of Ministers decided that the legal framework of NDF should be revised to reflect the Fund's status as an international institution. This led to a new Agreement on the Nordic Development Fund, which was signed on 9 November 1998 (the 1998 Agreement), replacing the agreement of 1988.

Purpose

The statutory purpose of NDF, which has remained unchanged since establishment of the Fund, is to promote economic and social development in developing countries through participation in financing, on concessional terms, of projects of interest to the Nordic countries. As the Nordic countries' joint international development financing organisation, NDF focuses, as reflected in the Strategy approved by the Board of Directors in April 2020, on the nexus between climate change and development in lower-income countries and countries in fragile situations. NDF engages in both the public and the private sector, and uses financial instruments flexibly, alone or in various combinations, to match the needs of the project.

Legal Status

NDF is governed by the provisions of the 1998 Agreement and the pertaining statutes (the "Statutes") as amended from time to time. In addition, there is a Host Country Agreement between NDF and the Government of Finland ("Host Country Agreement"), which was signed on 15 October 2013 and entered into force on 11 May 2014.

NDF has the legal status of an international legal person, with full legal capacity and is vested with some privileges and immunities typical for an intergovernmental financial organisation, such as exemption from credit policy measures and payment restrictions, protection from search and seizure of its property and assets, inviolability of its premises, and broad tax exemptions.

The Statutes provide that the principal office i.e. the headquarters of the Fund shall be located at the principal office, i.e. the headquarters of the Nordic Investment Bank (NIB). The address of the headquarters is Fabianinkatu 34, Helsinki, Finland.

1.2 Basis of Accounting

The financial statements have been prepared in accordance with methods of valuation and recognition of income and expenses as described below. With the exceptions noted below, they are based on historical cost.

1.3 Accounting standards adopted in 2020

No new accounting standards have been adopted in 2020.

1.4 Functional and presentation currency

The Fund's functional and presentation currency is the euro and the financial statements are presented in EUR 1,000, unless otherwise indicated. All figures in the accounts have been rounded and consequently the sum of individual figures may deviate from the presented sum figure. Furthermore, all percentages are subject to possible rounding differences.

1.5 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are recognised in the accounts at the exchange rate prevailing on the closing date. Non-monetary assets and liabilities are recognised in the accounts at the euro rate prevailing on the transaction date. Income and expenses recognised in currencies other than the euro are converted on a daily basis to the euro, in accordance with the euro rate prevailing on that day.

Realised and unrealised exchange rate gains or losses are recognised in the income statement as Foreign exchange differences.

The Fund uses the official exchange rates published for the euro by a leading market data provider with some exceptions, as disclosed in Note 15.

1.6 Significant accounting judgements and estimates

The preparation of financial statements requires management to make assessment and estimates that affect the result, financial position and additional disclosures. The main impact is on the assessment of impairment of loans and the fair value of the investments. They are based on information available to the management. Actual results may differ materially from the assessments made.

1.7 Recognition and derecognition of financial instruments

Financial instruments are recognised in the balance sheet on a settlement date basis. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire. A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

1.8 Basis for classification and measurement

The Fund classifies its financial assets into two categories: those measured at amortised cost, and those measured at fair value. This classification depends on both the contractual characteristics of the assets and the business model adopted for their management.

An investment is classified at “amortised cost” only if both of the following criteria are met: the objective of the Fund’s business model is to hold the assets in order to collect the contractual cash flows, and the contractual terms of the financial assets must give rise on specified dates to cash flows that are only payments of principal and interest on the principal amount outstanding.

If either of the two criteria above is not met, the asset cannot be classified in the amortised cost category and must be classified at fair value through profit and loss (FVPTL).

Determination of fair value

The fair value of financial instruments, including derivative instruments that are traded in a liquid market, is the bid or offered closing price on the balance sheet date.

The Fund measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market prices (unadjusted) in an active market for identical instruments.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

1.9 Cash and cash equivalents

Cash and Cash Equivalents comprise monetary assets and investments with original maturities of three months or less, calculated from the date the acquisition and investments were made.

Cash and Cash Equivalents in the cash flow statement refers to the net amount of monetary assets, investments and liabilities with original maturities of three months or less, calculated from the time the transaction was entered into.

1.10 Derivative instruments

As NDF will in future years have outstanding credits denominated in SDR, changes in the SDR-EUR rate may lead to the income statement showing substantial foreign exchange differences since these currency positions are not 100% hedged against changes in foreign exchange rates. However, in accordance with the Hedging Policy, measures have been taken to reduce the effects from the foreign exchange differences by hedging 50% of the credits denominated in SDR.

The derivative instruments are valued at fair value at the end of the year and the change in fair value is recognised in the income statement.

NDF utilises both forward and deposition contracts for liquidity management purposes. NDF has forward and deposition contracts with a commercial bank.

1.11 Investments with credit institutions

NDF invests monetary assets with a commercial bank at current market interest rates. The placements are initially recognised at cost (normally nominal value) at settlement date. Placements are also recorded at cost in the annual report. Accrued interest on placements is recorded within “Accrued Income” in the balance sheet. Placements with credit institutions for longer than three months are shown as investments in the Cash Flow Statement.

1.12 Credits to sovereign states

The recipient countries for NDF credits are primarily low-income developing countries. The credit period for credits to sovereign states, which NDF granted during the years 1989 - 2005, is 40 years, including a 10 year grace period. The credits are initially recognised at cost at settlement date and held at amortised cost.

There is considerable concessionality in the credits from NDF as they are interest-free and have very long maturities.

1.13 Other loans

Other loans outstanding consists of one loan, which NDF granted during the years 1989 - 2005. The purpose of the loan was to serve as an on-lending facility to the financial sector. The loan is initially recognised at cost at settlement day. In the balance sheet, other loans are recorded net of provisions for actual and possible loan losses. A provision for possible loan losses, is established based on the assessment of the nature and maturity structure of the loan portfolio.

1.14 Climate loans to sovereign states

The first climate loan was approved by the Board of Directors in 2016. Since then, the Board of Directors have approved five climate loan projects, to a value of EUR 26 000 thousand (2019: EUR 26 000 thousand). Climate loans follow the same principles and structure as Credits to sovereign states, thus providing concessional loans to sovereign states for a loan period of 25 - 38 years. The climate loans are initially recognised at cost at settlement date and held at amortised cost.

1.15 Loans with equity features and equity investments

Loans with equity features and equity investments are accounted for in the balance sheet under Loans with equity features and equity investments and are to be valued at cost during the investment period. When the investment enters the post-investment period, NDF recognises the investment at fair value. Write-downs are presented separately in the income statement.

1.16 Provision for loan losses

NDF’s lending conditions for Credits to sovereign states, Other loans and Climate loans to sovereign states allow a long-term view to be taken of the repayment capacity of recipient countries. In the event of debt consolidation, it is assumed that credits from NDF will be treated in the same manner as loans from other multilateral financing institutions (*preferred creditor status*).

For payments, which are more than 180 days overdue, the Fund places all credits to the borrower in non-accrual status, whereupon the Fund stops recording accrued service charges and fee and commission revenue as income on the income statement. All accrued but unpaid income in respect of the borrower that had been recorded as income is then reversed.

Credits outstanding are recognised in the balance sheet at their recoverable amount. Loans to sovereign states are recorded net of provisions for possible loan losses and actual loan losses. Provision for possible loan losses is established based on the assessment of the nature and maturity structure of the credit portfolio.

1.17 Financing of grant projects

Disbursements to climate projects in the form of grants, are recorded as a cost under “Grant financing for climate projects” in the income statement. Upon completion of a project or cancellation of a grant, any refund is accounted for as a reduction of the total costs for the year under “Refund of grant financing.”

1.18 Intangible assets

Intangible assets mainly consist of investments in software, software licenses and since 2019 also right to use assets arising from leasing arrangements. Acquisitions that generate economic benefits exceeding costs beyond one year are recognised as intangible assets. The investments are carried at historical cost and are amortised over the assessed useful life of the assets, which is estimated to be between three and five years. The amortisations are made on a straight-line basis.

1.19 Tangible assets

Tangible assets are recognised at historical cost, less any accumulated depreciation based on their assessed useful life. The depreciation period for tangible assets is determined by assessing the individual item, usually three to five years. The depreciations are calculated on a straight-line basis.

1.20 Write-downs and impairment of intangible and tangible assets

The Fund’s assets are reviewed annually for impairment. If there is any objective evidence of impairment, the impairment loss is determined based on the recoverable amount of the assets.

1.21 NDF's capital

NDF's capital is provided from the development cooperation budgets of the five Nordic countries. Each member country has subscribed to a certain portion of the capital, calculated on the basis the scheme of allocation for joint Nordic financing between the Nordic countries. The scheme of allocation reflects each Nordic country's proportion of the Nordic Region's total gross domestic income at factor cost for the last two calendar years.

100% of NDF's capital subscribed to during 1989-2000, i.e. SDR 515 000 thousand - the equivalent of EUR 691 405 thousand - and EUR 330 000 thousand, has been paid-in.

In October 2020, the Nordic Council of Ministers, consisting of representatives of NDF's member countries decided on a capital increase in the amount of EUR 350 000 thousand. The member countries have agreed on a base case payment schedule according to which the amount of the capital increase shall be paid in its entirety during 2021-2031.

Consequently, the total subscribed capital is SDR 515 000 thousand and EUR 680 000 thousand, equivalent to EUR 1 371 405 thousand.

In late 2020, one of the member countries wished to make a prepayment, of EUR 4 980 thousand. Thereby, the total paid-in capital by the Nordic countries amounts to EUR 1 026 385 thousand (for further details on the capital see note 13).

In addition to the subscribed capital by the Nordic countries, future operations of NDF will build on the existing liquidity, the inflows coming both from the 163 outstanding credits and loans, which NDF granted during the years 1989-2005 as well as from the ongoing climate loans (see notes 9 - 11).

At the end of the year, the net result of the year is transferred to the accumulated net result.

1.22 Income from service and commitment charges, loans with equity features and equity investments

The Fund's long-term lending to sovereign states is interest-free, but a service charge of 0.75%-1.25% per annum is collected on outstanding amounts. A commitment charge of 0.5% per annum is collected on any undisbursed balance commencing 12-18 months after the loan agreement has been signed. Income from other loans is presented within Service charges from credits in the income statement. Income from loans with equity features is normally related to the return received by the shareholders of the company.

Income from service charges on lending and income from loans with equity features and equity investments are presented as separate items in the income statement. Commitment charges are presented within Fee and commission income.

1.23 General administrative expenses and host country reimbursement

NDF purchases administrative services from NIB. Costs of these services are shown under note 4. On the basis of the Host Country Agreement, NDF receives a host country reimbursement from the Finnish government equal to the tax levied on the salaries of the Fund's employees. This is presented in note 4.

1.24 Leasing agreements

Following the adoption of IFRS16 effective from 1 January 2019, the Fund applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The liability and asset are equal at recognition date. Short-term leases and leases of low-value assets are recognized on a straight-line basis over the lease term.

Right-of-use assets

The Fund recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented as part of intangible assets in Note 5.

Lease liabilities

At the commencement date of the lease, the Fund recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

1.25 Employee benefits

Employee pensions and insurance

The Fund is responsible for arranging pension insurance for its employees in accordance with the Host Country Agreement. As part of the Fund's pension arrangements, the Fund has decided to apply the Finnish public sector pension system. Contributions to this pension system, which are paid into the Finnish State Pension Fund, are calculated as a percentage of salaries. Finland's largest pension provider, Keva, confirms the basis for the pension contribution determined by the Finnish Ministry of Finance (see Note 4).

NDF also provides its permanent employees with a supplementary pension insurance scheme, arranged by a private pension insurance company. This is a group pension insurance based on a defined contribution plan. The Fund's pension liability is completely covered.

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

1.26 Cash Flow Statements

The cash flow statement has been prepared using the indirect method whereby the net result is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities. Cash flow items cannot be directly determined from the balance sheet.

Note 2: Service charge from credits and climate loans

The table shows the service charge recorded during the year from the following outstanding loans.

(EUR 1,000)	31 Dec. 20	31 Dec. 19
EUR and SDR credits	4,636	4,843
EUR other loans	30	32
EUR climate loans	58	3
	4,724	4,878

Note 3: Financing for climate projects

Total disbursements for climate projects amounted in 2020 to EUR 54 235 thousand (2019: EUR 30 768 thousand) of which EUR 35 900 thousand was made as grants (2019: EUR 27 438 thousand), EUR 11 984 thousand as equity contribution (2019: EUR 1 884 thousand*) and EUR 6 351 thousand as loan financing (2019: EUR 1 446 thousand).

*) The total equity contribution comprise of EUR 2 561 thousand which in the settlement was reduced with dividends of EUR 677 thousand.

The geographic distribution is as follows:

Grant financing: (EUR 1,000)	31 Dec. 2020	31 Dec. 2019
Africa	21,716	18,623
Asia	12,794	2,692
Multiple regions	329	4,346
Latin America	1,061	1,777
	35,900	27,438

Equity financing: (EUR 1,000)	31 Dec. 2020	31 Dec. 2019
Africa	10,000	1,884
Multiple regions	1,984	-
	11,984	1,884

Loan financing: (EUR 1,000)	31 Dec. 2020	31 Dec. 2019
Asia	6,351	1,446
	6,351	1,446

In addition, financing to projects for the total amount of EUR 106 404 thousand has been approved as at 31 December 2020 but not yet disbursed (2019: EUR 141 064 thousand)

Note 4: General administrative expenses including compensation for the Board of Directors, the Control Committee and the Managing Director

General administrative expenses (EUR 1,000)	2020	2019
Personnel costs other than pension premiums	2,128	1,752
Pension premiums in accordance with the Finnish public sector pension system	566	527
Other pension premiums	129	112
Office premises costs	24	20
Other general administrative expenses	479	707
Cost coverage, NIB	494	400
Total	3,820	3,517
Host country reimbursement according to agreement with the Finnish Government	-759	-710
Net	3,061	2,808

Pension Benefits

NDF is responsible for arranging the pension security for its employees. The Finnish public sector pension system (JuEL Pension) forms the basis for the pension benefits. The JuEL Pension is calculated based on the employee's annual taxable income and the applicable age-linked pension accrual rate. The employer's pension contribution in 2020 was 16.81% (2019: 17.34%) of the pensionable income. The employee's pension contribution was either 7.15% or 8.65%, depending on the employee's age. NDF pays this contribution for its permanent staff, and it is taxed as a benefit for the employee. The pension is accounted for as a defined contribution plan.

In addition to the JuEL Pension, the Fund has taken out a supplementary group pension insurance policy for its entire permanently employed staff, including the Managing Director. The insurance premium, 6.5%, is calculated based on the employee's taxable income and paid until the age of individual retirement under the JuEL Pension, with an upper age limit of 65 years. The supplementary pension is also accounted for as a defined contribution plan.

The employer's pension contribution regarding the Managing Director amounted to EUR 126,357 (2019: EUR 53,441) of which EUR 35,691 (2019: EUR 14,539) comprised supplementary pension premiums. The current Managing Director took up her position on 15 August 2019. The Board of Directors and Control Committee members are not eligible for NDF pension arrangements.

Insurances

NDF has taken out several (both statutory and voluntary) insurance policies for its staff: unemployment insurance, group accident insurance, group life insurance, medical insurance and disability insurance. All personal insurance policies are valid for the total duration of employment (if not otherwise stated for the separate insurance alternatives). Longer periods of absence from work may temporarily interrupt the insurance coverage. Some of the insurances are available only to staff with a longer fixed term contract and permanently employed staff. The Board of Directors and Control Committee members are not under the coverage of the above mentioned insurances.

Health care

NDF has also arranged occupational health care for its staff through a private medical centre in Finland. The Fund's medical insurance covers in addition to a broad extent use of other health care service providers if needed and public sector health care services for more severe or complex medical treatment needs. The occupational health care benefit includes both preventive health care and wellbeing actions for staff and medical care. The Board of Directors and Control Committee are not under the coverage of the health care benefit.

Additional Benefits for Expatriate Personnel

Professional staff (including the Managing Director) who move to Finland for the sole purpose of taking up employment at the Fund are entitled to certain expatriate benefits, such as an expatriate allowance and a spouse/family allowance. In addition, NDF assists the expatriate in finding accommodation, usually by renting a house or a flat in its own name. The staff member reimburses NDF for a part of the rent, which is equal to at least the taxable value of the accommodation benefit established annually by the Finnish National Board of Taxes.

Compensation for Board of Directors, Control Committee and Managing Director

Compensation for the Board of Directors and the Control Committee is set by the Nordic Council of Ministers. The compensation consists of fixed annual remuneration and an attendee allowance. The members of the Board of Directors and the Control Committee are also entitled to reimbursement of travel and accommodation expenses and a daily allowance in accordance with the established travel policy.

Compensation for the Managing Director is paid in the form of a fixed annual salary and usual salary-based benefits.

Compensation for the Chairman of the Board of Directors, the Board, the Control Committee and the Managing Director appears in the table below:

(EUR 1,000)	2020 Compensation/ taxable income	2019 Compensation/ taxable income
Chairman of the Board of Directors	6	5
Other members of the Board	19	17
Managing Director	356	152
Control Committee	2	2

During 2020, NDF paid a total of EUR 126,357 (15.8-31.12.2019: EUR 53,441) in pension premiums for the Managing Director. The current Managing Director took up her position on 15 August 2019.

Taxation and Host Country Reimbursement

According to an agreement between the Fund's member countries, taxation of staff salaries and taxable benefits, the Managing Director's salary and the compensation for Board of Directors and Control Committee members, shall be taxed in the host country Finland in accordance with applicable Finnish taxation legislation.

According to the Host Country Agreement between the government of the Republic of Finland and the Fund, the amount of tax withheld in advance on the salaries of NDF's staff and the final tax on salaries collected shall be repaid to the Fund. The host country reimbursement, which the Fund received in 2020, amounted to EUR 759,305 (2019: EUR 709,549). The payment reduces the Fund's administrative expenses as shown above.

Note 5: Intangible and tangible assets

(EUR 1,000)	2020	2019
<i>Intangible assets</i>		
Acquisition value at beginning of year	982	6
Acquisitions during the year	24	976
Acquisition value at end of year	1,006	982
Accumulated amortisation at beginning of year	158	6
Amortisation according to plan for the year	149	152
Accumulated amortisation at end of year	307	158
Net book value	699	825
<i>Tangible assets</i>		
	Office Equipment	Office Equipment
Acquisition value at beginning of year	107	107
Acquisitions during the year	0	0
Acquisition value at end of year	107	107
Accumulated depreciation at beginning of year	94	93
Depreciation according to plan for the year	0	1
Accumulated depreciation at end of year	94	94
Net book value	13	13
Intangible and tangible assets total	712	837

The right-of-use asset relating to lease agreements for office premises in Helsinki is included in the Intangible assets table above. The amount at the end of 2020 is EUR 699 thousand (2019: EUR 825 thousand).

Note 6: Impairment of loans and reversals, realised impairments

No realised impairment of loans and reversals in 2020 (2019: EUR 0).

Note 7: Derivative instruments

(EUR 1,000)	31 Dec. 2020	31 Dec. 2019
Fair value of option contracts at beginning of year	328	982
Fair value of option contracts at end of year	316	328
Change in fair value	-12	-654

NDF has received adequate collateral, in the form of government bonds, that covers the derivative instruments' market value. The derivative instruments are measured at fair value level 2. Valuation techniques are based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Note 8: Cash and cash equivalents and other financial investments

(EUR 1,000)	31 Dec. 2020	31 Dec. 2019
Cash and cash equivalents		
Cash and balances with banks	13,229	15,643
Total, cash and cash equivalents	13,229	15,643
Other long-term financial investments		
Other long-term financial investments	30,080	29,938
Total long-term financial investments	30,080	29,938
Other financial investments		
Fixed income	43,205	39,639
Equities	0	1,841
Money market	7,697	22,818
Total, other financial investments	50,901	64,298

Total, cash and cash equivalents, other long-term financial investments and other financial investments **94,211** **109,880**

Fixed income instruments consist of green bonds issued by financial institutions and state backed companies with an investment grade credit rating 21% AAA, 41% AA, 24% A and 14% composite BBB+ (2019: 22% AAA, 46% AA, 16% A and 16% composite BBB+). Money market instruments are investments in a highly liquid moderate yield fund managed by a Nordic commercial bank.

The remaining maturity of other long-term financial investments, counted from the balance sheet date to maturity, is as follows:

(EUR 1,000)	31 Dec. 2020	31 Dec. 2019
Up to and including 3 months	10,880	11,574
More than 6 months and up to and including 12 months	18,744	17,908
Investments without a fixed maturity	456	456
Total	30,080	29,938

Note 9: Credits to sovereign states

Credits outstanding according to lending currency:

(Face value in EUR 1,000)	31 Dec. 2020	31 Dec. 2019
EUR credits	465,168	484,663
SDR credits	141,274	156,085
Total, outstanding credits	606,442	640,748
SDR credits, impairment	-4,113	-4,654
Total, outstanding credits including impairment	602,329	636,094

Credits outstanding:

(EUR 1,000)	31 Dec. 2020	31 Dec. 2019
Bangladesh	28,421	29,721
Benin	16,025	16,529
Bolivia	23,138	25,145
Botswana	2,791	3,050
Burkina Faso	9,082	9,286
Cambodia	7,966	8,151
Cape Verde	1,352	1,520
China	2,902	3,124
Colombia	849	948
Dominican Republic	5,222	5,863
Ethiopia	21,170	22,853
Ghana	41,699	43,459
Honduras	26,852	28,059
Indonesia	7,625	8,273
Jamaica	3,857	4,335
Kenya	22,852	23,372
Kyrgyz Republic	3,335	3,537
Lao PDR	39,983	42,188
Malawi	17,002	18,034
Maldives	6,340	6,782
Mauritius	1,462	1,624
Mongolia	19,840	21,083
Mozambique	48,936	51,185
Namibia	1,104	1,183
Nepal	15,585	16,455
Nicaragua	35,973	37,784
Pakistan	6,120	6,635
Philippines	8,582	9,349
Rwanda	11,100	11,350
Senegal	38,482	42,071
Sri Lanka	16,222	17,087
Tanzania	17,834	19,088
Tunisia	3,491	3,737
Uganda	43,769	45,709
Vietnam	21,270	22,264
Zambia	19,981	20,609
Zimbabwe	16,180	16,973
Credits outstanding	614,397	648,414
Credits in default (Zimbabwe)	7,955	7,666
Total, credits outstanding	606,442	640,748

As of 31 December 2020, Zimbabwe was more than 180 days overdue with payments. In line with the World Bank's principles for handling Zimbabwe's credits, NDF has made a 50% impairment loss on Zimbabwe's outstanding credits and payables to NDF.

Amortisations on credits outstanding as at 31 December 2020 show the following maturity profile:

(EUR 1,000)	31 Dec. 2020	31 Dec. 2019
2020		27,383
2021-2025	154,110	156,119
2026-2030	170,906	172,919
2031-2035	147,154	148,998
2036-2040	98,448	99,476
2041-2045	35,824	35,852
Total, credits outstanding	606,442	640,748

Note 10: Other loans

Other loans outstanding are distributed as follows:

(EUR 1,000)	31 Dec. 2020	31 Dec. 2019
East African Development Bank	3,826	4,099
Total, other loans outstanding	3,826	4,099

Amortisations on other loans outstanding as at 31 December 2020 show the following maturity profile:

(EUR 1,000)	31 Dec. 2020	31 Dec. 2019
2020		273
2021-2025	1,366	1,366
2026-2030	1,366	1,366
2031-2035	1,093	1,093
Total, other loans outstanding	3,826	4,099

Note 11: Climate loans

Climate loans outstanding:

(EUR 1,000)	31 Dec. 2020	31 Dec. 2019
Lao PDR	7,798	1,446

Amortisations on climate loans outstanding as at 31 December 2019 show the following maturity profile:

(EUR 1,000)	31 Dec. 2020	31 Dec. 2019
2020	-	-
2021-2025	848	177
2026-2030	1,287	239
2031-2035	2,160	421
2036-2040	2,612	485
2041-2045	891	125
Total, climate loans	7,798	1,446

Note 12: Loans with equity features and equity investments

Loans with equity features and equity investments are distributed as follows:

(EUR 1,000)	31 Dec. 2020	31 Dec. 2019
African Guarantee Fund (AGF)	15,000	15,000
Climate Resilience and Adaptation Finance and Technology Transfer Facility (CRAFT)	1,984	-
Facility for Energy Inclusion Off-Grid Energy Access Fund (FEI OGEF)	2,561	2,561
responsAbility Energy Holding Company (rAREH)	17,000	7,000
Total, loans with equity features and equity investments outstanding	36,545	24,561
Write-down	-	-
Total, loans with equity features and equity investments outstanding after write-down	36,545	24,561

As at 31 December 2020, the write-down for impairment totalled EUR 0 (2019: EUR 0) based on assessment of the risk of losses which exists or may exist.

Note 13: NDF's capital

NDF's capital subscribed to during 1989-2000 i.e. SDR 515 000 thousand and EUR 330 000 thousand. This amount has been paid-in.

In 2020, the Nordic Council of Ministers passed a resolution to increase the capital of NDF by EUR 350 000 thousand.

After the capital increase, the capital of NDF amounted to SDR 515 000 thousand and EUR 680 000 thousand, equivalent to EUR 1 371 405 thousand.

As of 31 December 2020, SDR 515 000 thousand - the equivalent of EUR 691 405 thousand- and EUR 334 980 thousand, totalling EUR 1 026 385 thousand has been paid in by the member countries.

Subscribed capital as at 31 December 2020:

(EUR 1,000)	SDR	%	EUR	%
Denmark	115,067	22	158,800	23
Finland	96,726	19	116,840	17
Iceland	5,453	1	8,550	1
Norway	101,591	20	171,550	25
Sweden	196,163	38	224,260	33
Subscribed capital	515,000	100%	680,000	100%

Subscribed capital as at 31 December 2019:

(EUR 1,000)	SDR	%	EUR	%
Denmark	115,067	22	82,500	25
Finland	96,726	19	58,740	18
Iceland	5,453	1	3,300	1
Norway	101,591	20	74,250	23
Sweden	196,163	38	111,210	34
Subscribed capital	515,000	100%	330,000	100%

Paid in subscribed capital of NDF as at 31 December 2020

(EUR 1,000)	in SDR	Converted into EUR	in EUR	Total	%
Denmark	115,067	153,858	82,500	236,358	23
Finland	96,726	130,592	63 720	194,312	19
Iceland	5,453	7,303	3,300	10,603	1
Norway	101,591	136,354	74,250	210,604	21
Sweden	196,163	263,299	111,210	374,509	36
Paid-in capital	515,000	691,405	334,980	1,026,385	100%

Paid in subscribed capital of NDF as at 31 December 2019

(EUR 1,000)	in SDR	Converted into EUR	in EUR	Total	%
Denmark	115,067	153,858	82,500	236,358	23
Finland	96,726	130,592	58 740	189 332	19
Iceland	5,453	7,303	3,300	10,603	1
Norway	101,591	136,354	74,250	210,604	21
Sweden	196,163	263,299	111,210	374,509	37
Paid-in capital	515,000	691,405	330 000	1 021 405	100%

Note 14: Related party disclosures

According to the constituent documents of NDF, the Fund's principal office shall be located at the principal office of NIB. Furthermore, the Statutes of NDF set out that that the Fund's Control Committee members appointed by the Nordic Council shall be the same persons as appointed by the Council to the Control Committee of NIB. In addition, the Statutes of NDF set out that the powers vested in the Board of Directors may to the extent appropriate be delegated to the Fund's Managing Director and/or to NIB.

NDF acquires services at cost from NIB and rents the office premises through NIB.. The outstanding balance of claims and debts between NDF and NIB are presented in the table below. No interest is charged during the year (2019: 0 EUR).

(EUR 1,000):	NDF's outstanding debt to NIB	NDF's outstanding claim on NIB	Rental expenses
2020	3	74	155
2019	-	33	148

Note 15: Currency exchange rates

		EUR rate on 31 Dec. 2020	EUR rate on 31 Dec. 2019
DKK	Danish krone	7.44088	7.47168
ISK	Icelandic króna	156.0581	135.9166
NOK	Norwegian krone	10.47062	9.86548
SEK	Swedish krona	10.02819	10.4486
USD	US dollar	1.22706	1.12319
SDR	Special Drawing Right	0.84875	0.8091

NDF uses exchange rates acquired from a leading market data provider based on rates prevailing at 13:00 GMT at 31 December except for Special drawing right (SDR) which is based on the International Monetary Fund (IMF) last published rate of the year.

Note 16: Subsequent Events

There have been no material subsequent events that would require disclosure or adjustment to these financial statements.

To the Control Committee of Nordic Development Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nordic Development Fund (the Fund) which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements present fairly, in all material respects, the Nordic Development Fund's financial position as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with the accounting principles described in the notes to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the Fund in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information than the annual accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles described in the notes to the financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Fund's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

< Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

< Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

< Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

< Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

< Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other requirements

Opinion

In addition to our audit of the financial statements, we have also audited the administration of the Board of Directors and the Managing Director of Nordic Development Fund for the year 2020 in accordance with the Terms of the Engagement. In our opinion the administration of the Board of Directors and the Managing Director, in all material aspects, complied with the Statutes of the Fund.

Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Fund in accordance with professional ethics for accountants and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

All the powers of the Fund shall be vested in the Board, which may delegate these powers to the Managing Director or the Nordic Investment Bank or both to the extent considered appropriate based on Section 7 of the Statutes.

The Managing Director is responsible for the conduct of the ordinary operations of the Fund and shall follow the guidelines and instructions given by the Board.

Auditor's responsibility

Our objective concerning the audit of whether the Board of Director's and the Managing Director's administration have complied with the Statutes of the Fund, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect has acted in contravention of the Statutes. Our objective concerning the audit of whether the Board of Director's and the Managing Director's administration have complied with the Statutes of the Fund, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect has acted in contravention of the Statutes.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect actions or omissions that can give rise to liability to the Fund.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Fund's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion.

Helsinki, 11 February 2021

Ernst & Young Oy
Authorized Public
Accountant Firm

Terhi Mäkinen
Authorized Public
Accountant

Ernst & Young AB
Authorized Public
Accountant Firm

Mona Alfredsson
Authorized Public
Accountant

Statement by the Control Committee

Statement by the Control Committee of the Nordic Development Fund on the audit of the administration and accounts of the Fund

To the Nordic Council of Ministers

In accordance with section 9 of the Statutes of the Nordic Development Fund, we have been appointed to ensure that the operations of the Fund are conducted in accordance with the Statutes and to bear responsibility for the audit of the Fund. Having completed our assignment for the year 2020, we hereby submit the following report.

The Control Committee met during the financial year as well as after the Fund's financial statements had been prepared, whereupon the necessary control and examination measures were performed. The Fund's Annual Report was examined at a meeting in Helsinki on 11 February 2021, at which time we also received the Auditors' Report submitted on 11 February 2021 by the authorised public accountants appointed by the Control Committee.

Following the audit performed, we note that:

– the Fund's operations during the financial year have been conducted in accordance with the Statutes, and that
– the financial statements, which comprise the balance sheet as at 31 December 2020, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, are prepared in all material respects in accordance with the accounting principles described in the notes to the financial statements. The financial statements show a loss of EUR 37 160 555,27 which will be carried forward to new account.

We recommend to the Nordic Council of Ministers that:

– the income statement and the balance sheet will be adopted, and
– the Board of Directors and Managing Director will be discharged from liability for the administration of the Fund's operations during the accounting period examined by us.

Helsinki 11 February 2021

Jan-Erik Enestam
Chairman

Vilhjálmur Árnason

Sjúrður Skaale

Johan Andersson

Wille Rydman

Michael Tetzschner

Cover Photo: African Water Facility



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