



Investing for development

Presentation at the Symposium on SDG 7 (Energy) in preparation for the 2018 High-Level Political Forum on Sustainable Development

Oslo - October 19th, 2017

OUTLINE

- About Norfund
- What we have achieved
- Financing energy in developing markets



ABOUT NORFUND

NORFUND AT A GLANCE (AS OF 30.06.2017)

Committed portfolio

USD ~2 billion

New commitments

USD 53 million

Direct investments Number of companies

129

750

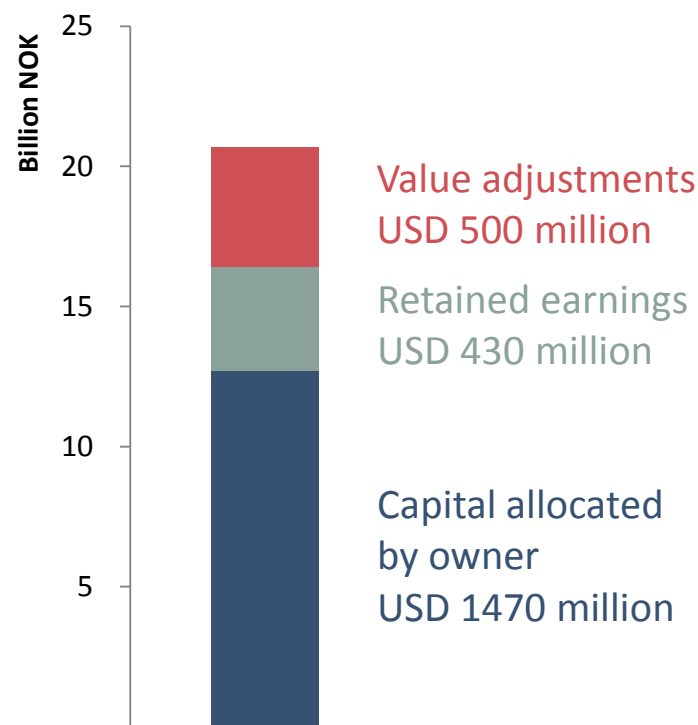
IRR since inception

6% in investment currency

9% in NOK

Value adjusted equity as of 31.12.2016

USD 2.4 billion



CATALYTIC AND ADDITIONAL

- Mobilizing private capital and expertise that would not otherwise have been available in poor countries
- Making more capital available because we are willing to assume more risk than many other private investors.
- Contributing to better investments through active ownership and business development support.



FOCUS WHERE WE CAN SUCCEED AND MAKE A DIFFERENCE

Geography:

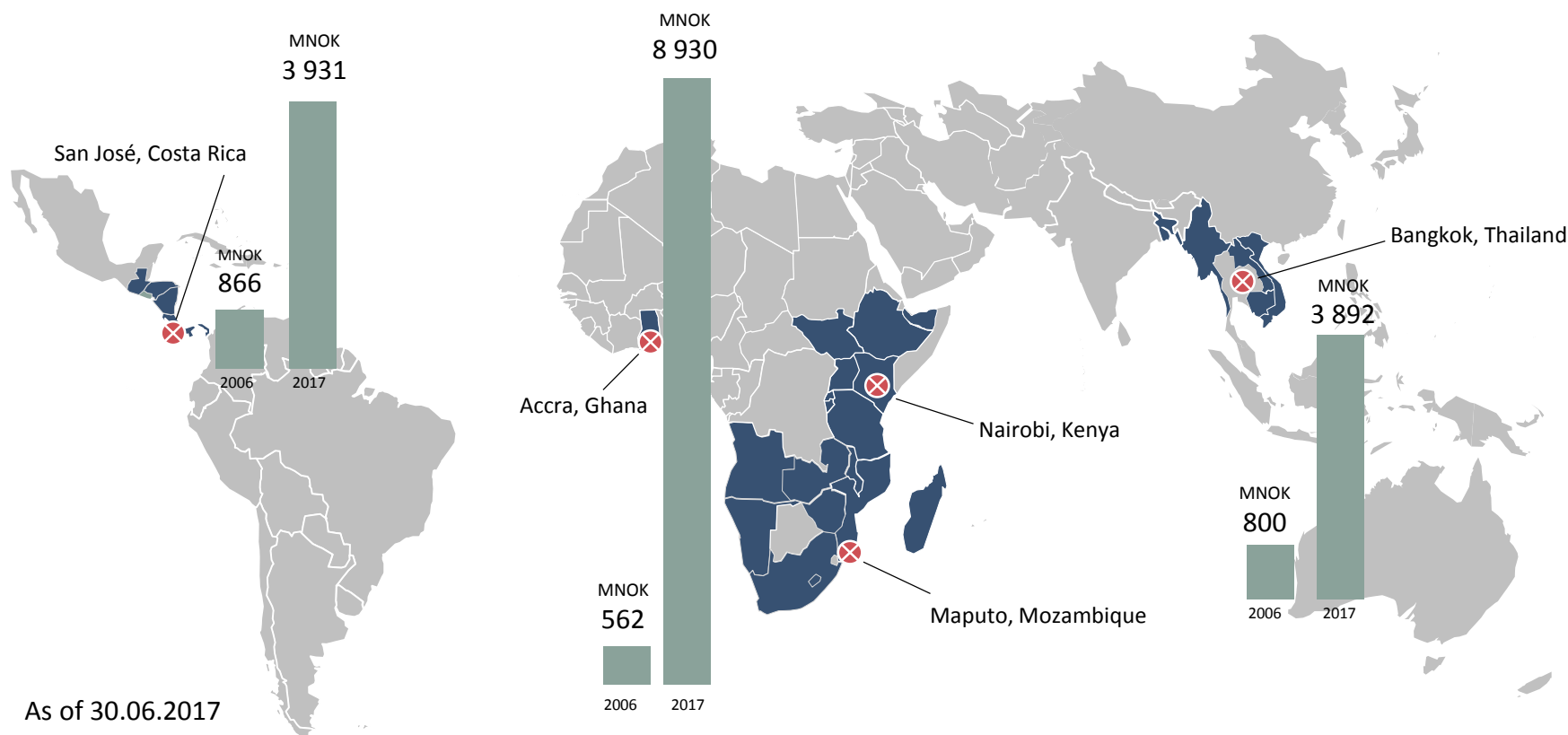
Five regions, priority to Africa and LDCs, local presence

Sector focus:

Clean energy, financial institutions, food and agribusiness, and SMEs

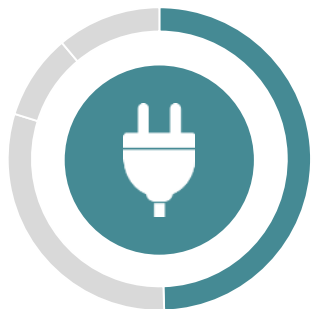
Instruments:

Preference for equity/ direct investments where we have direct influence and responsibility



As of 30.06.2017

INVESTMENT AREAS



CLEAN ENERGY

Reliable electricity supply is a precondition for economic growth and poverty alleviation

8.4

NOK bn. invested



FINANCIAL INSTITUTIONS

An effective financial sector underpins investment and growth – for both enterprises and individuals

4.9

NOK bn. invested



FOOD AND AGRIBUSINESS

Agriculture is fundamental to economic transformation and a major source of employment in developing countries

1.6

NOK bn. invested



SME FUNDS

SMEs employ a large share of the workforce and contribute to economic diversification

1.9

NOK bn. invested

As of 30.06.2017

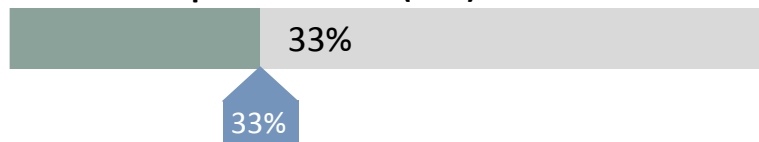


WHAT WE HAVE ACHIEVED

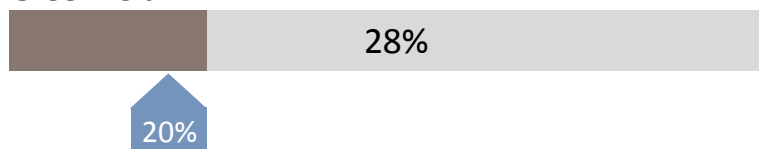
KEY PERFORMANCE INDICATORS AS OF 30.06.2017

PORTFOLIO

Least Developed Countries (LDC)



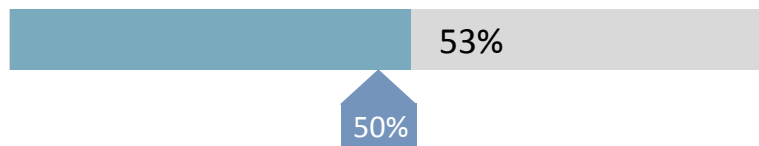
Greenfield



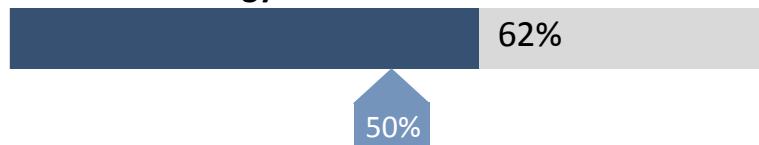
Equity



Africa



Renewable energy¹

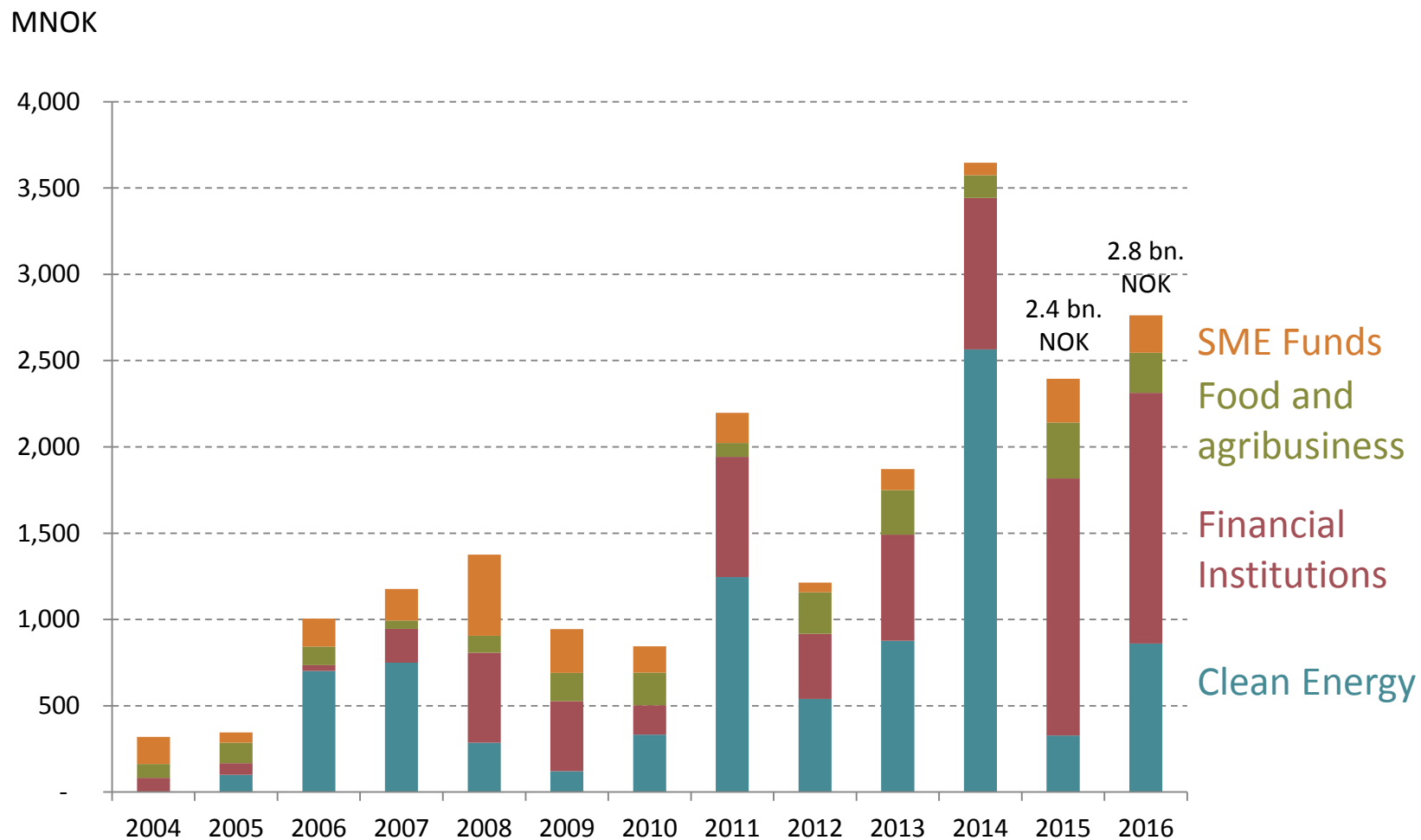


¹Share of allocated capital 2016

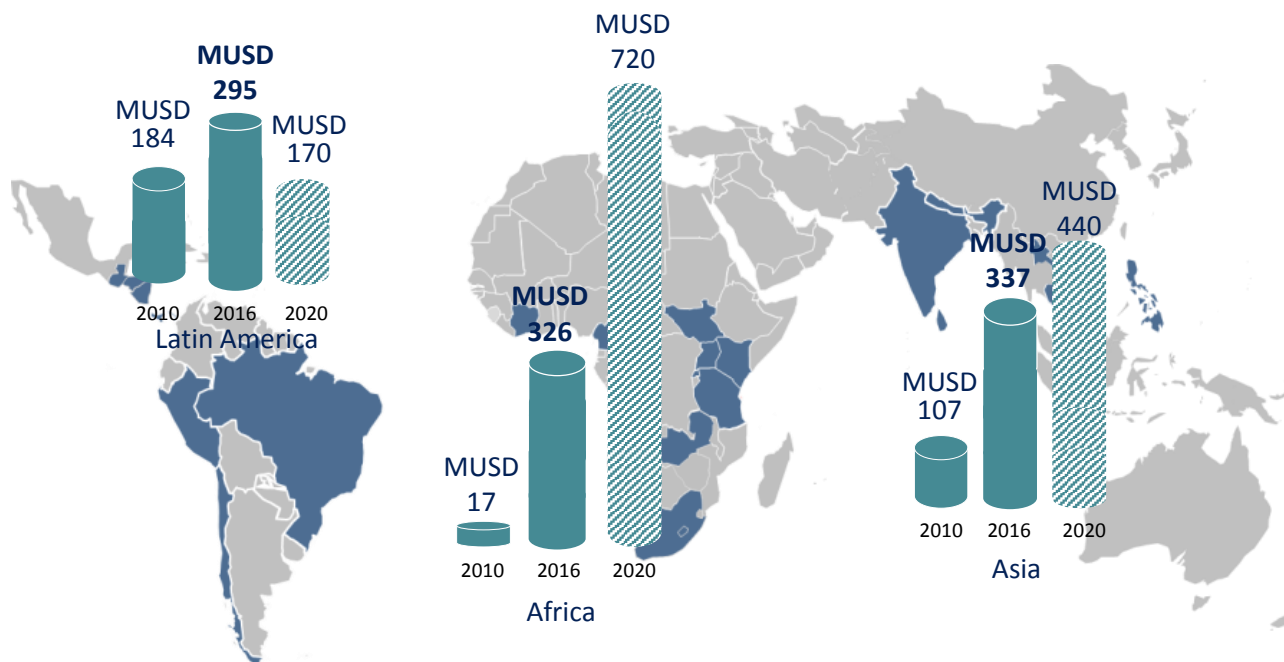


X% Target

COMMITTED INVESTMENTS PER YEAR



CLEAN ENERGY – HALF OF NORFUND'S PORTFOLIO



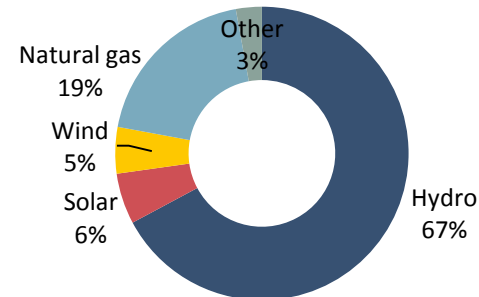
COMMITMENT

960 MUSD
in equity, loans and
fund structures

CAPACITY

4,960 MW installed
+ **600 MW** under
construction

TECHNOLOGIES





FINANCING ENERGY IN DEVELOPING MARKETS

DFIs – CAN SCALE AT LOW COST TO ODA

Total EDFI Portfolio:

€36 billion

New investments 2015:

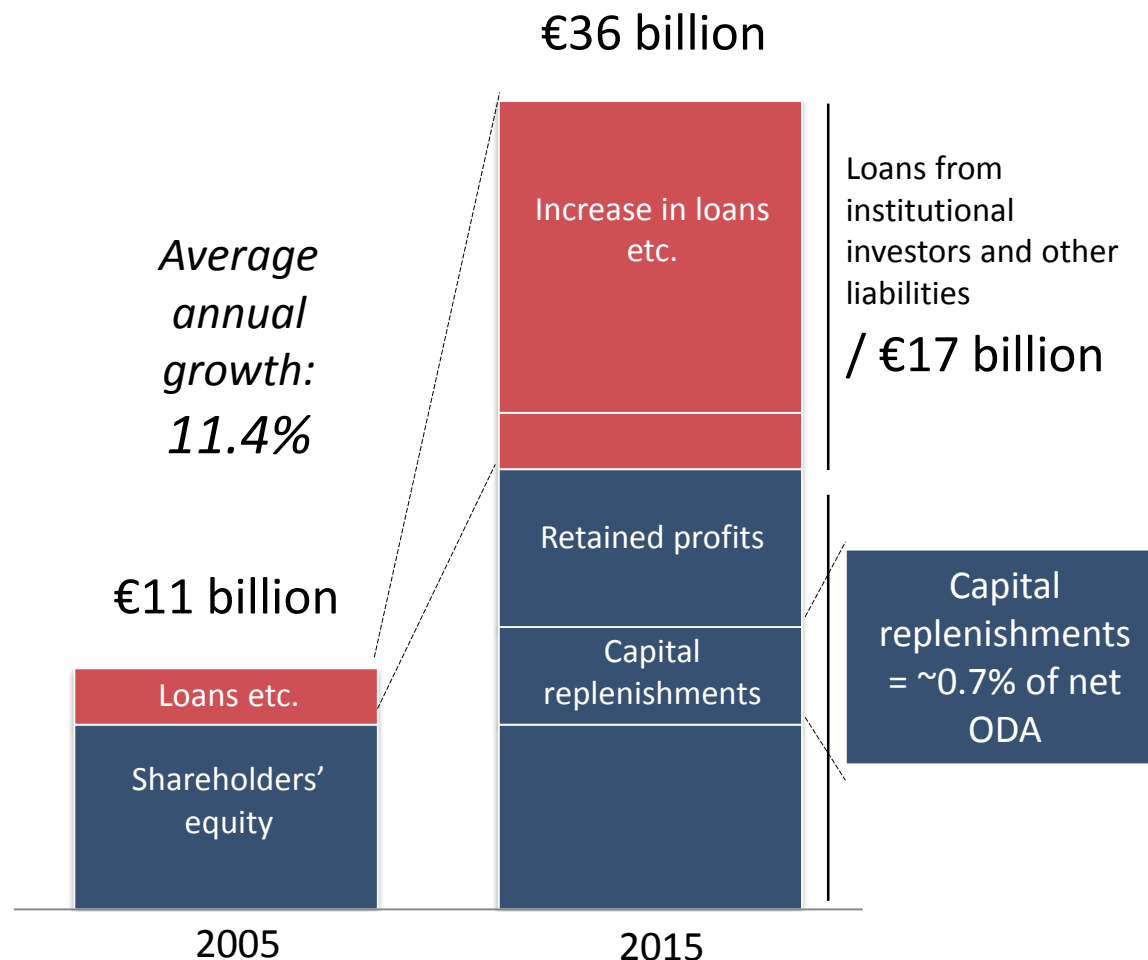
€6 billion

Staff:

1,800

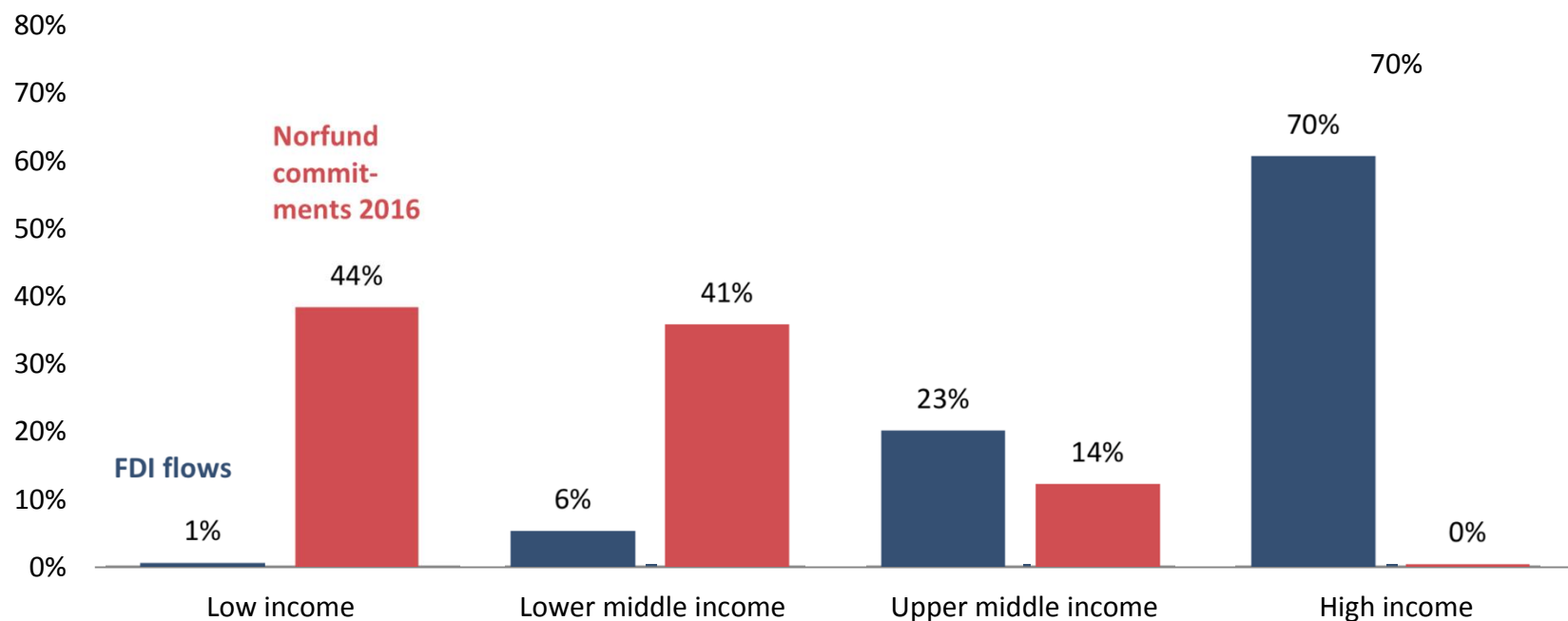
42 overseas offices in
20+ developing countries

Funding sources, 2005-2015



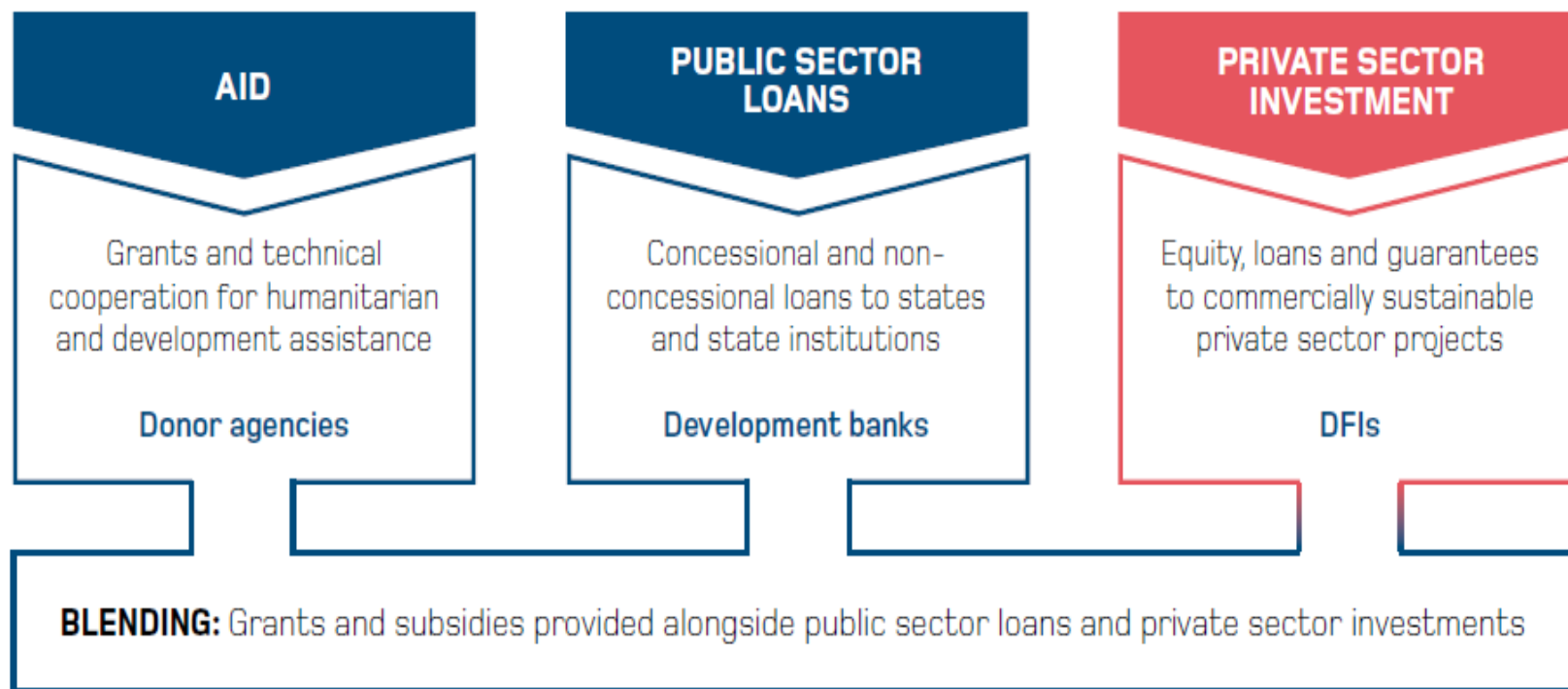
FDI FLOWS – SHIFTING TO HIGHER INCOME COUNTRIES

Share of investments by income group



Source: World Bank Group

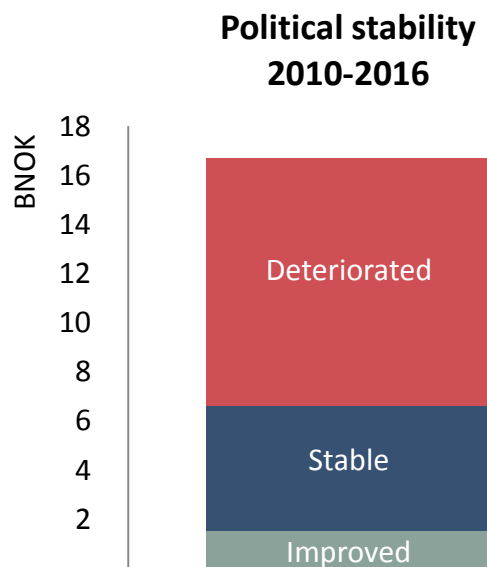
BLENDING



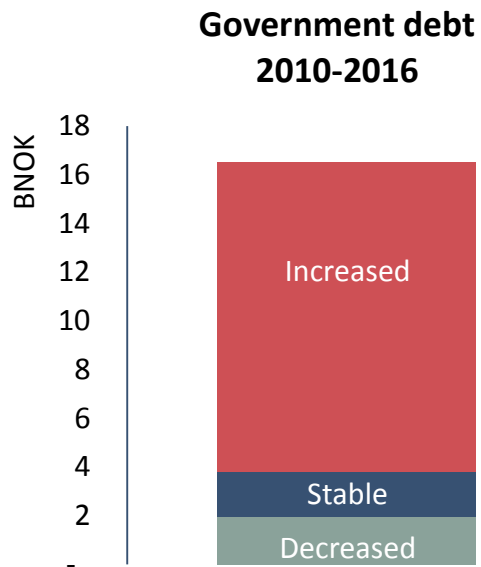
Source: EDFI

BUMPY ROAD - IMPACT ON PORTFOLIO

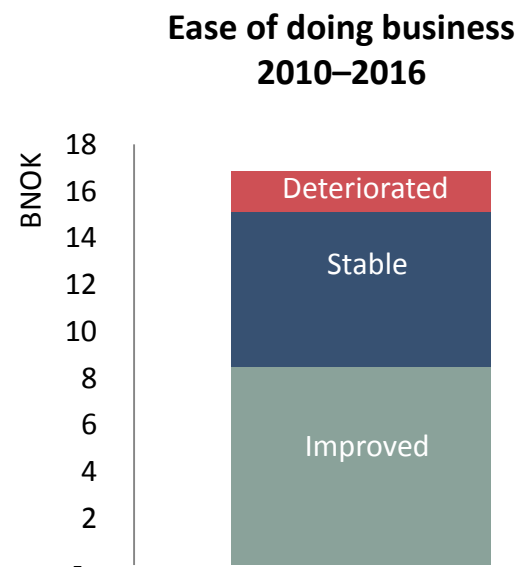
Norfund portfolio



Source: Business Monitor International



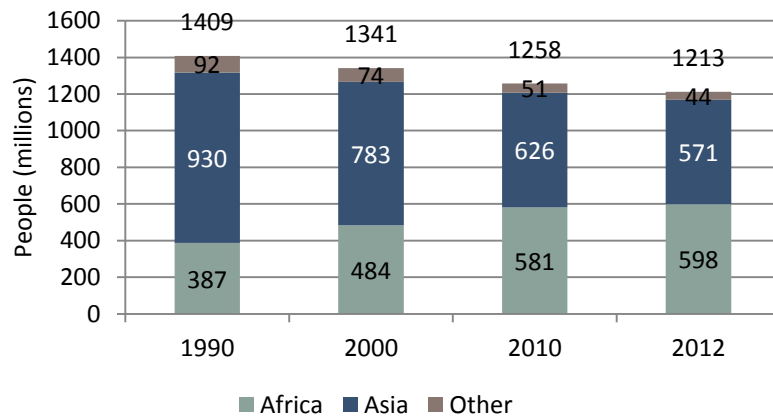
Source: Business Monitor International



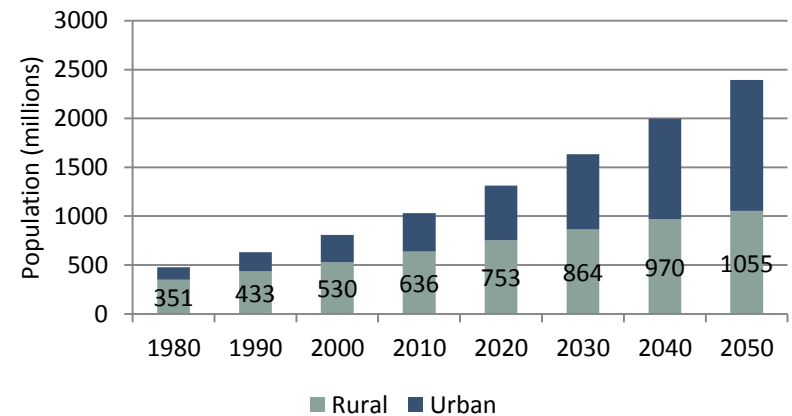
Source: World Bank Group

OFF GRID SEGMENT STILL LARGE

Off grid population by region

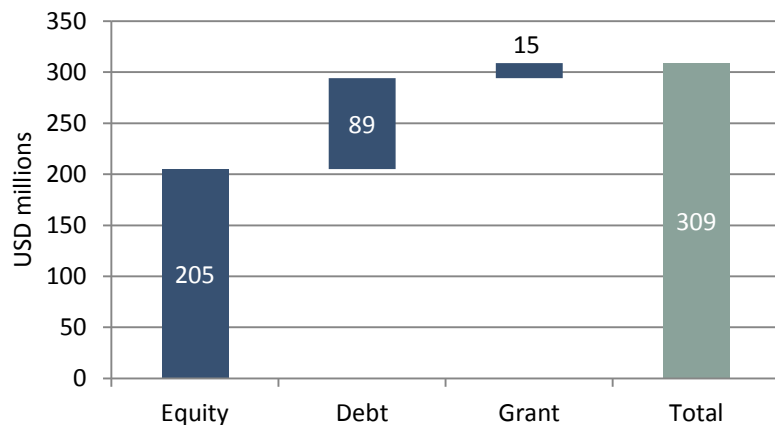


Urban and rural population of African countries

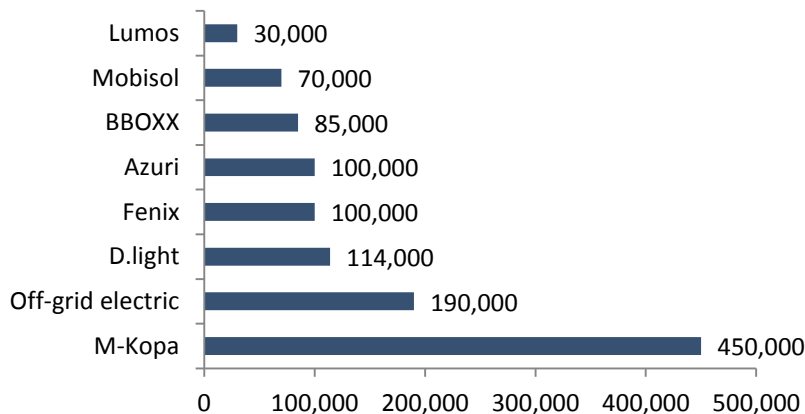


CAN RECENT INVESTMENTS CONTINUE TO GROW?

SHS funding 2011-2016



SHS units sold major players



Challenges:

- Returns, pricing issues and hype
- Profitability vs. growth
- Demand and scalability – why has no company succeeded?
- Grid expectations, free systems and soft(er) money

UTILITY SCALE PROJECTS

- IPPs and China are now fastest growing sources of funding for power projects
 - But still insufficient to meet power demand
- Grid connected renewable energy markets taking off
 - Experiences from Uganda and South Africa
- Investor challenges:
 - Market reforms (unbundling, privatisation, competition, independent regulation)
 - Bankability of projects
 - Planning, competitive procurement and contracting