

Nordic Development Fund



Strategy 2025

*Nordic Leadership addressing
climate change*

April 2020

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1. Introduction to NDF

NDF is the joint Nordic international finance institution (IFI) focusing on the nexus between climate change and development in lower-income countries and countries in fragile situations¹. Since the introduction of the climate mandate in 2009, NDF has built a track record of adding value by financing climate mitigation and adaptation projects² in close interaction with its extensive network of strategic partners. NDF provides financing on concessionary terms in the form of grants, loans, and equity. 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.

As an organisation with a clear focus on creating impact on societies, we have chosen to formulate our objectives and aspirations as a Purpose. The Purpose describes the overarching objectives and what we are striving to achieve.

The purpose of NDF is to advance Nordic leadership in addressing climate change and development challenges through financing, knowledge and partnerships.

Together with our strategic partners, we develop, launch and scale high-impact projects to support developing countries and the most vulnerable people affected by climate change.

NDF's primary focus is on climate change mitigation and adaptation. While climate finance has reached record levels, action still falls far short of what is needed. This is particularly true with regard to adaptation financing. A dramatic step-change in climate finance is necessary to achieve the global commitments set forth in the Paris Agreement on climate change. This development in financing is particularly important for the countries where NDF operates. These countries and their populations are most vulnerable to the consequences of climate change and also mostly lack financing to remedy the situation. There is also a wide agreement that this step-change will require the active engagement of the private sector not just as a financing partner, but also for innovation and implementation of projects.

In addition to its primary focus on climate change and thus the Sustainable Development Goal (SDG) 13³, NDF works in a holistic way towards the development challenges spelled out in the other sixteen SDGs, recognising the interlinkages to and actively seeking co-benefits with other SDGs, not least with regard to environmental objectives. The position entails a strong focus on inclusive development as well as a proactive approach on gender responsiveness in line with Nordic priorities. NDF is well-placed to further advance the Nordic agenda both on a policy level and on an operational level. NDF

¹ See Chapter 3 Mandate for a definition of eligible countries.

² The term "project" is used for all NDF's interventions in its portfolio and also covers, for example, investments and knowledge dissemination activities.

³ The Sustainable Development Goals / SDG 13 calls for urgent actions to combat climate change and its impact.

gives a voice to Nordic policy priorities as a highly-regarded dialogue partner to multilateral and bilateral institutions as well as to other partners. The Nordic agenda is further enhanced on an operational level via NDF's numerous interactions in its financing activities.

The project portfolio of NDF illustrates the value adding aspects of NDF's operations in several ways. Among these are NDF's prioritisation of projects focused on adaptation and resilience, and projects delivering synergetic adaptation and mitigation benefits. In addition, NDF's network of strategic partners, and the capacity to engage across regions but with a strong focus on Africa and the least developed countries increases the added value. Furthermore, NDF's ability to provide the full range of financial instruments tailored to the needs of the project including small- and micro-scale financing landscape, has proven to be highly catalytic, and gives NDF an added value in the climate financing landscape.

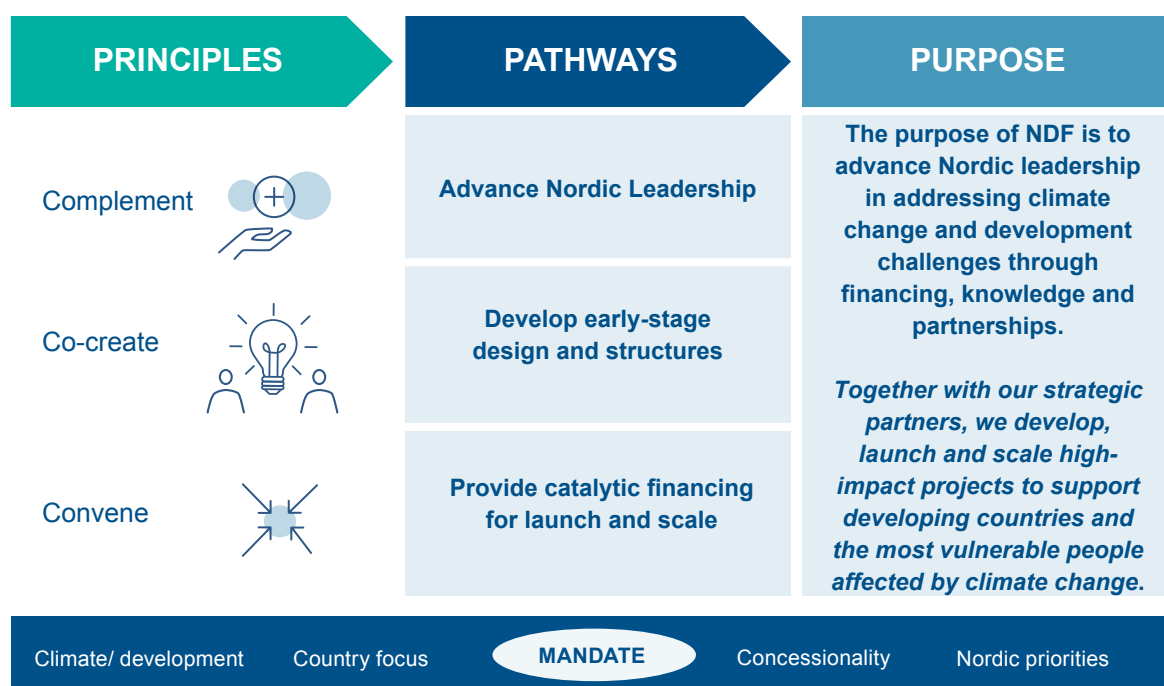
As the demand for climate change financing is constantly evolving, NDF's approach is to respond quickly and appropriately by using financing instruments flexibly to build a portfolio of projects along the pathways of (1) Advancing **Nordic leadership**, (2) Developing **early-stage** project design and structures and (3) Providing **catalytic** finance for launch and scale. NDF has thus developed a valuable position in the global climate finance landscape and has demonstrated its ability to adapt and evolve. The Strategy 2025⁴ builds on the past experiences and lessons learned and is structured to further sharpen the strategic focus and capitalise on NDF's unique position as the joint, and only, Nordic climate and development finance institution with a strengthened focus on achieving environmental co-benefits which will be reflected in the upcoming Results Management Framework.

⁴The Strategy covers the period starting 1 May 2020, when alignment and implementation of the Strategy will start, until 31 December 2025.

2. Strategy Components

NDF’s Strategy 2025 is developed to outline the roadmap that will take us from our Mandate to the fulfilment of our Purpose. This chapter describes the components of our Strategy.

An illustration of the components, collectively forming the Strategy, is shown below. A short description of each component is part of this chapter. The four components forming the strategy - the Mandate, the Principles, the Pathways and the Purpose - are further elaborated in the following chapters of the Strategy.



Mandate Our Mandate has been defined by the member countries and is spelled out in our constituent documents with additional continuous guidance and directions given by the members of NDF’s Board of Directors. The key elements of the Mandate constitute the foundations for NDF’s operations and they reflect the priorities by the member countries.

Principles The Principles of engagement are derived from the analysis of NDF’s added value. The added value has been derived from a combination of NDF’s position in the climate finance landscape and our proposition to partners for financing and cooperation.

Pathways The Pathways describe our main avenues of activities in order to fulfil our Purpose.

Purpose As an organisation with a clear focus on creating impact on societies, we have chosen to formulate our objectives and aspirations as a Purpose. The Purpose describes the overarching objectives and what we are striving to achieve.

3. Mandate

Our Mandate has been defined by the member countries and is spelled out in our constituent documents with additional continuous guidance and directions given by the members of NDF's Board of Directors. The following key elements capture the Mandate.

- Nexus between climate and development
- Focus on lower-income countries and countries in fragile situations
- Concessionary financing
- Nordic priorities

Nexus between climate and development

Today climate change is a global, all-encompassing agenda for both human and natural systems. Critical global commitments are set forth in the Paris Agreement on climate change and in the SDG framework in which goal number 13 specifically targets urgent action to combat climate change and its impacts. Together with the other sixteen goals, the SDG framework provides a joint effort for poverty elimination with specific goals addressing, for example, health and education, reduction of inequality, and sustainable economic growth.

The five Nordic countries have incorporated and mainstreamed climate change into their development cooperation agenda. As a Nordic institution, NDF is well-placed to support and advance this agenda through strengthening the Nordic voice globally, and through ensuring that considerations related to climate change are mainstreamed for high impact actions. In addition to its climate focus, NDF works in a holistic way towards the development challenges spelled out in the other sixteen SDGs recognising the interlinkages to and actively seeking co-benefits with other relevant SDGs.



Climate change and poverty reduction are closely interlinked. Climate change poses stronger negative impacts on poor people in developing countries due to a combination of exposure, capacity and resource constraints. This situation makes societies and individuals less able to cope with hazards and damages caused by severe weather events, rising sea levels and other phenomena related to climate change. Support for adaptation and resilience are critical areas for which NDF is increasingly providing support.

Women are particularly vulnerable to the consequences of climate change and gender equality is of high importance to NDF as a Nordic organisation. NDF supports gender-responsive approaches in its processes and operations, including the need for projects and programs to specifically address gender concerns as part of a gender assessment.

Also of particularly high importance to NDF as a Nordic institution is the link to the impact on the environment, such as on oceans and on biodiversity, both from the perspective of safe-



guards but also from the perspective of co-benefits. Climate change and the environment are closely interlinked. The linkages between climate change, environmental degradation and international development include complicated issues that need global approaches and solutions. In addition to economic and social co-benefits, climate change adaptation and mitigation initiatives often have environmental co-benefits. The responses to these challenges are complicated and have to be planned carefully. NDF is well-positioned to advance these responses as part of its activities. Recognising that NDFs activities already today provide significant support for activities linking climate change and the environment, NDF will continue to make efforts to identify activities within the nexus between climate change, oceans and biodiversity.

Focus on lower-income countries and countries in fragile situations

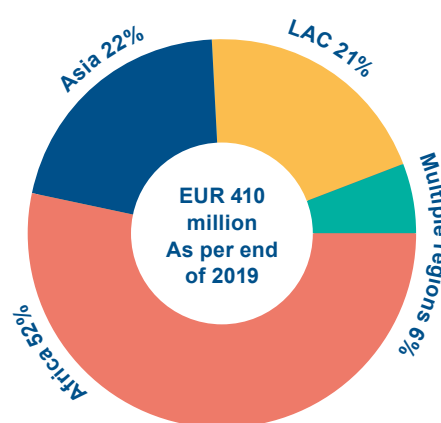
NDF's country focus is linked to the nexus between climate and development in our Mandate, which implies a focus on lower-income countries and countries in fragile situations, including Small Island Developing States (SIDS). Our country focus has thus from an **eligibility perspective** been defined to be:

Lower-income countries as per the OECD-DAC list

- Least Developed Countries (LDC),
- Other Low-Income Countries (OLIC), and
- Lower Middle-Income Countries (LMIC).

Countries in fragile situations

- World Bank List of Fragile and Conflict-affected Situations
- OECD States of Fragility framework
- UN Vulnerable Countries



From a **strategic perspective**, and to ensure alignment with development co-operation priorities of the Nordic countries, the share of interventions in Sub-Saharan African countries will be increased from the current 52% of the portfolio to at least 60% of new commitments during the Strategy period⁵. Also, in alignment with Nordic priorities, a special effort will be made to further engage in the least developed countries and countries in fragile situations that have been identified to be particularly exposed to negative effects of climate change. NDF will also strive to cluster its interventions among countries where we can build on previous experiences and, where we can, capitalise on a cross-fertilisation over regions as the project portfolio continues to be developed and streamlined according to the Strategy.

⁵ The Strategy period covers the period 1 May 2020 until 31 December 2025

Concessionary financing

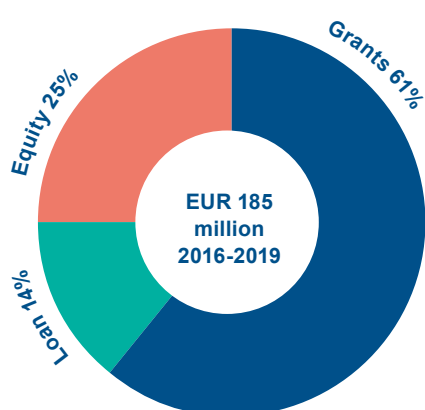
NDF's statutory Mandate allows for use of grants, loans and equity. These instruments can be used stand-alone or blended as relevant. NDF strives to keep a high grant element, as defined below, across its portfolio while customising and adopting the mix of instruments to maximise impact. At the same time, careful consideration is taken not to distort the market conditions, in particular as concerns private sector projects.

A high grant element is consistent with the member countries' no-return requirement in the aggregated portfolio; this feature, however, does not exclude return expectations in individual transactions. A high grant element is also consistent with the directions given to NDF to utilise the available financial resources in a highly catalytic way to develop and launch high impact climate projects and bring these to closing. The added value aspect of grants is further elaborated in chapter 4, Principles of engagement.

For the use of loans and equity in private sector projects, NDF does as stated above, pay special attention to how these instruments are used, so as to avoid distorting market conditions. NDF supports best practice adopted by international financial institutions as concerns blended finance. The definition of blended finance, used by such institutions, states⁶:

Combining concessional finance from donors or third parties alongside Development Finance Institution's (DFI) normal own account finance and/or commercial finance from other investors, to develop private sector markets, address the SDGs, and mobilize private resources.

While NDF supports these principles, it is worth noting that NDF does not have a DFI role in financing. NDF participates in private sector transaction as a donor or a third party. To further define the role of NDF in financing private sector transactions, a policy for the use of non-grant financial instruments will be developed reflecting the added value and willingness to take on risks that other institutions cannot or will not. This policy will build on NDF's experiences from recent transactions and market best practice and will guide operations going forward.



To ensure a sufficiently high level of concessionality in line with the Mandate, NDF has defined a target based on OECD's definition of concessionality. This definition states that grants carry a 100% grant element and loans will result in a grant element depending on the difference between the actual interest rate charged and a pre-determined discount rate. There is no definition to calculate the grant element of equity investments. Due to the structure of NDF's portfolio, and the share of equity where a grant element cannot be calculated, the target has been defined as having at least 50% grants in the aggregated portfolio over the Strategy period.

⁶ From the DFI/Development Finance Institutions working group on Blended Concessional Finance for private sector projects, 2017 and 2019

Nordic priorities

As the joint, and only, Nordic climate and development finance institution, NDF is in a unique position to advance Nordic values and priorities in the global climate finance landscape. Nordic priorities relevant from the perspective of climate and development are a central element of our Mandate.

With respect to NDF's Mandate, Nordic priorities are most importantly understood as advancing Nordic policy priorities in the sphere of climate and development including human rights, gender equality, non-discrimination, inclusiveness, environment including biodiversity and emphasis on fragile situations. The concept of Nordic priorities also covers active advancement of Nordic solutions, including technologies and innovations, to global challenges as a tool to achieve the ultimate purpose of poverty eradication as well as climate change mitigation and adaptation.

Nordic priorities translate into guiding targets for NDF's portfolio during the Strategy period. These targets are expressed as aggregated new commitments and relate to the three key elements.

- **Climate. At least 50% directed towards adaptation projects**
- **Country focus. At least 60% targeted towards Sub-Saharan Africa**
- **Concessionality. At least 50% of financing with grants**



4. Principles of Engagement

The Principles of Engagement guide how NDF engages in its operations. These principles are derived from the core components of NDF's added value which have been extracted from a combination of benchmarking NDF against global and Nordic players active in climate finance, and the value that NDF can create for different stakeholders including the member and partner countries and our financing partners.

Added value

Elements of our added value include NDF's prioritisation of projects focused on adaptation and resilience, and projects delivering synergetic adaptation and mitigation benefits. In addition, NDF's human and institutional capital, the network of strategic partners, its strong Nordic profile, the flexible and catalytic financing, the interaction with the private sector, as well the ability to work both with the public and private sectors are important components of our added value.

Focus on adaptation

The vast majority of climate finance is targeted at mitigation, resulting in a significant lack of financing focusing on adaptation, or financing that is able to provide benefits for both challenges. NDF's focus on adaptation and the capacity to contribute to the climate and development agenda is highly additional.

Other gaps found in the climate finance landscape include the lack of actors focusing on adaptation in lower-income countries. NDF's activities contribute to closing this gap particularly in the category of small and micro-sized, early-stage interventions.

NDF has also been in the forefront of developing adaptation finance led by the private sector where strategic transformations of business models and production processes can provide adaptation solutions, as well as simultaneously find ways to finance this transformation. NDF is developing a clear added value in this important emerging area.

Institutional capital and strategic partnerships

During NDF's 30 years of operations, of which ten years have focused specifically on climate change, the organisation has accumulated a considerable amount of institutional knowledge, partnership relations, capacity and a highly committed staff. The knowledge, the partnerships and the commitment are clearly visible in NDF today and have transformed NDF into a highly respected organisation, which compares well with other organisations in its professionalism, flexibility, ability to move quickly and decisively, and its openness to new ideas and willingness to innovate. The "Nordic brand", which penetrates the organisation and all operations, is recognised and sought out among NDF's broad partnerships.

Strategic partnerships provide a key element of added value for NDF. Through its wide global networks, NDF is well-positioned to form strategic partnerships and leverage more financing and knowledge for climate change and development efforts. NDF's role as co-financier with strategic partners, together with its smaller commitment size and the combination of different instruments, enables NDF to provide highly additional financing. NDF will continue to be a trusted and preferred partner for high-quality projects.

Nordic leadership

The joint Nordic commitment to the climate work, and an agreement to use the common Nordic voice to support and work for the international community to meet the goals of the Paris Agreement, translates to considerable Nordic leadership in the area of combatting climate change. The Nordic Prime Ministers' declaration on Nordic Carbon Neutrality, the so-called Helsinki Declaration, from January 2019, confirms a specific intention to continue to intensify focus on climate change in development cooperation and to mobilise climate financing from various sources. In August 2019, the Nordic Prime Ministers signed a joint statement with Nordic CEOs for a sustainable future, emphasising the importance of strong leadership by the private sector to contribute towards the delivery of the Paris Agreement and the SDGs. Furthermore, the Nordic governments have set the objective that the Nordic region should be a leader in the transformation to carbon neutrality and drive international action to combat climate change.

NDF is well-positioned to further support and promote the joint Nordic commitment to the climate work, the Nordic development policy agendas through assisting in closing identified financing deficits in priority areas or cross-cutting areas, such as in increased adaptation financing and accelerating progress in gender equality.

In addition to its strategic partnerships with global actors, NDF is well-placed to support collaboration opportunities and partnerships with other Nordic institutions, including the bilateral development finance institutions as well as the bilateral development aid agencies. Such collaboration has the potential to advance the Nordic agenda more broadly in the world.

NDF's Nordic identity is a valuable source of comparative advantage and it makes NDF an important joint Nordic vehicle for spearheading the common Nordic climate and development agenda. This role can be further reinforced and utilised to support the high-level Nordic commitments to climate work on policy and operational levels.

Flexible financing and catalytic impact

The market demand for concessionary and risk-tolerant capital provides opportunities for NDF to distinguish itself within the climate finance spectrum. NDF is well-positioned to match optimally existing market demand with relevant and flexible financing instruments and institutional support. NDF's possibilities to provide different instruments, including grants, in a flexible way constitutes a comparative edge and a value adding feature. This position is particularly visible in the small (EUR 1 million to 10 million) financing landscape in which NDF differentiates itself through its focus.

NDF has diversified catalytic roles in each project and investment. NDF exercises its catalytic role through various entry points, building on the innovativeness of its approaches, its role in project design, the systematic climate screening and proofing of all investments as well as efforts to promote replication and up-scaling. Within this spectrum of catalytic efforts to promote climate compatible development, the capacity of NDF to leverage funding from other parties indicates how NDF adds value to investments and secures additional funding.

NDF focuses on early, often risky stages of investments. Particularly in private sector operations, NDF adds value to investments by mobilising co-financing from investors with higher return expectations including commercial investors. NDF's catalytic impact is also relevant to other publicly-funded DFIs, both multilateral and bilateral including the Nordic DFIs. NDF's current portfolio includes investments, in which NDF's concessionary financing is used to leverage investments on

commercial terms. In these cases, NDF's concessionary financing mitigates return-related risks to crowd in financing.

Interaction with the private sector and the link between private and public sector

Through a strong dialogue and its operations, NDF is in an optimal position to support and influence both public and private sector development, as well as activities linking the two. NDF's approach to private sector operations recognises the central role of the private sector in achieving the global climate and development goals determined in the Paris Agreement and the SDGs in addition to activities carried out by the public sector. This approach emphasises the private sector as an essential source of financing, innovation, cutting-edge solutions, efficient interventions and market development. In this context, a guiding principle is that private sector companies, such as technology and project developers, play an important role in leading the transition of developing countries towards green, resilient and sustainable economies and societies.

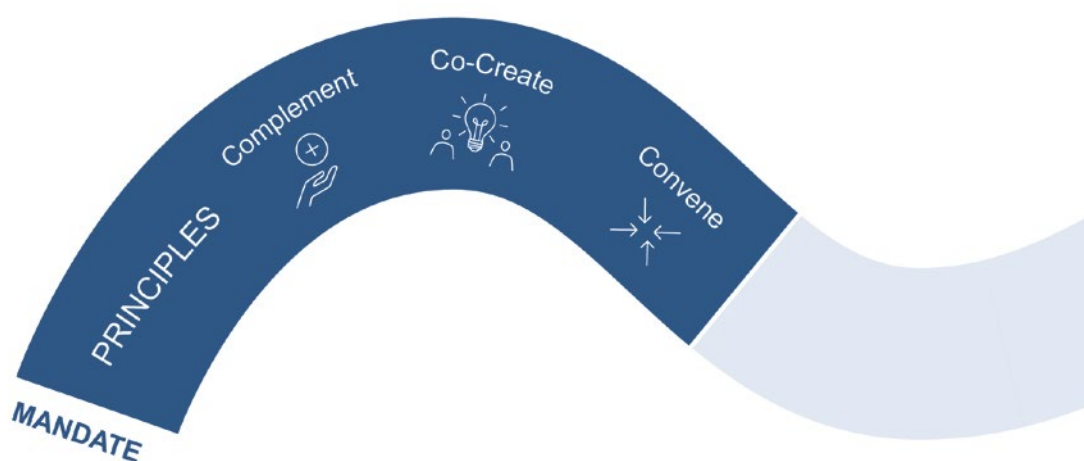
Principles

Building on the strengths the added value will bring to our operations, we have developed three principles for engagement. The principles of Complement, Co-create and Convene will steer and guide us, cutting across all activities that we undertake.

Complement. The ambitious global climate and development agenda calls for strong action by multiple stakeholders. NDF constitutes a value adding complement to the actions of its strategic partners, which can amplify NDF's impact and add value in addition to the financing and resources NDF can provide.

Co-create. As a co-creator, NDF demonstrates a robust engagement with strategic partners that offer an opportunity to co-create and design financial support and interventions translating into a range of new portfolio activities and financing arrangements to achieve the overall NDF Purpose.

Convene. As a convener, NDF strives to mobilise support and visibility around Nordic priorities in climate and development for an increased Nordic profile and leadership, and to strengthen synergies within the Nordic structures for an enhanced global impact. As a convener around Nordic priorities, NDF has the network and potential to partner with a number of different institutions to demonstrate increased outreach and knowledge activities with linkages to Nordic priorities.



5. Three Strategic Pathways

NDF has defined three strategic pathways underpinning and supporting achievement of its Purpose. The pathways are intended to be integrated and mutually re-enforcing, and together, they capture NDF's value proposition in the global climate and development finance landscape.



Pathway 1: Advance Nordic leadership

The Nordic countries have made strong commitments to climate work and agreed to use the common Nordic voice to support and work for the international community to meet the goals of the Paris Agreement. This commitment translates to considerable Nordic leadership in the area of combatting climate change. As a climate-focused joint Nordic institution, NDF can further drive and support the objectives and actions of the Nordic countries' development and climate policy agendas, and to provide assistance in closing identified financing deficits in priority focus areas, or cross-cutting areas.

What is the objective? The objective of this strategic pathway is to mobilise public and private support for climate and development areas that are underserved and those that rank as a high priority on the Nordic countries' climate and development agenda. By highlighting high-need sectors and concentrating knowledge-building and financing on their development, NDF looks to improve the strategic partners' ability to design, implement and scale replicable solutions, contributing to creation of sustainable, inclusive and climate-resilient societies.

In addition to its strategic partnerships with global actors, collaboration opportunities and partnerships with other Nordic institutions, including the bilateral development finance institutions as well as the bilateral development aid agencies can further strengthen the Nordic leadership. Such collaboration has the potential to advance the Nordic agenda more broadly in the world.

Under this pathway, NDF will seek to:

- mobilise action and visibility around Nordic priorities in climate and development;
- strengthen synergies with Nordic financing organisations, IFIs and Nordic institutions for an enhanced global impact;
- strengthen and effectively implement initiatives within the Nordic climate and development policy agenda;
- contribute to thought leadership on Nordic priority areas.

What are the activities that NDF will carry out under this strategic pathway? NDF will use its expertise, networks and Nordic leadership to increase action and support for, and knowledge of, climate and development areas that are underserved or high priority. It will do so by:

- identifying, highlighting, and actively monitoring emerging and underserved climate change and development areas of high priority to the Nordic countries;
- acting as a convener, encouraging its partners and other ecosystem players to explore priority and underserved areas;
- driving thought leadership on priority and underserved areas, developing knowledge-building workshops and seminars targeted at partners and the wider ecosystem, and leverage internal and external expertise to suggest solutions;
- identifying financing opportunities and acting as a matchmaker between the public and private sectors to help raise capital for demonstrably viable and scalable initiatives;
- actively identifying financing opportunities with Nordic development financing institutions and other Nordic institutions.

Pathway 2: Develop early-stage design and structures

The lack of available financing for the design, development and structuring of early-stage climate- and development-focused projects and investments is well-recognised. The lack of financing is often hindered by the perceived risks related to early-stage financing. Effective risk mitigation will help in unlocking such financing in a larger scale.

What is the objective? The objective of this strategic pathway is to increase the probability that innovative early-stage climate and development projects, in a planning or pilot stage, will be validated, developed and tested to a point where they can draw financing for scale-up from public or commercial sources. By creating a larger pipeline of effectively designed and implemented early-stage projects, NDF seeks to increase the number and effectiveness of large-scale and highly replicable climate and development solutions.

Under this pathway, NDF will seek to:

- engage with strategic partners in the design, preparation and delivery of emerging early-stage projects, investments and climate solutions;
- mitigate the issues related to lack of financing and support due to perceived risks related to early-stage financing.

What are the activities that NDF will carry out under this strategic pathway?

Activities under this pathway will cover identification of impactful and scalable early-stage concepts in need of financing and project design support. Building on the identified pipeline of projects, support will be provided to strengthen design and financial structure by leveraging expertise and providing preparatory and technical assistance financing. Activities will include:

- identifying impactful and scalable early-stage initiatives in need of innovative financing or project design support;
- leveraging internal expertise and providing preparatory and technical assistance financing to strengthen programs' design and financial structure, thus increasing their chances of achieving financial close and scale-up;
- acting as a matchmaker between the public and private sectors to help raise further financing once a project is demonstrably viable and scalable;
- leveraging lessons learnt from NDF's global experience in early-stage climate financing to identify critical success factors in pipeline projects.

Pathway 3: Provide catalytic financing for launch and scale

Lower-income countries suffer in particular from climate change, urgently requiring both mitigation and adaptation solutions that are compatible with sustainable and inclusive development. To drive a change, and to address the lack of interest from risk-averse international private financing, it is important to develop financing mechanisms which address the existing gaps. These mechanisms need to creatively address deficits and needs in financing packages of both public and private financiers.

What is the objective? The objective of this strategic pathway is to enable and catalyse financing from the public and private sectors for climate and development impact. By increasing the number of projects that receive scale-up financing and improving leverage ratios to create a larger volume of climate finance, NDF facilitates the more widespread creation of climate and development solutions capable of delivering inclusive and climate-friendly development.

As a concessionary financier, NDF can add value to projects by mobilising co-financing from investors with both concessionary and non-concessionary mandates. The market demand for concessionary and risk-tolerant capital provides opportunities for NDF to distinguish itself within the climate finance spectrum. NDF is well-positioned to match optimally existing market demand with relevant financing instruments and institutional support. NDF's possibilities to customise solutions creatively to address deficits and needs in financing packages, constitutes a comparative edge and a value adding feature.

Under this pathway, NDF will seek to:

- create financing arrangements with various types of strategic partners, including Nordic financing organisations, and to provide financing tailored to specific situations and needs;
- co-finance projects in the public sector through grants and concessionary loans with the goal of validating the project's concept and leveraging financing from other sources;
- take higher-risk positions in the private sector to improve investment risk profiles and to catalyse financing from other sources;
- act as a matchmaker and first mover to help raise further financing once a project is demonstrably viable and scalable.

What are the activities that NDF will carry out under this strategic pathway? Activities under this pathway will consist of both public and private sector financing activities demonstrating strategic, catalytic and effective use of multiple financial instruments and structures in bringing projects to financial close.

NDF will catalyse the flow of capital to climate and development projects, achieving high public and private leverage ratios by providing patient and risk tolerant financing that improves projects' risk profile, encouraging further financing and enabling financial close. NDF will do so by:

- co-financing projects in the public sector through flexible use of multiple financing instruments, thereby validating the project's concept and leveraging financing from other sources;
- taking higher-risk positions in the private sector, in the form of junior loan or equity financing, with long holding periods to improve projects' risk profiles.

6. Towards Fulfilment of our Purpose

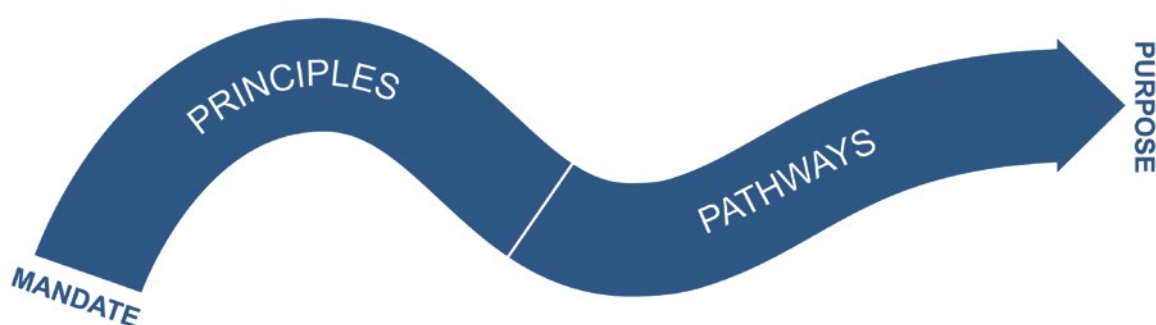
NDF's Strategy 2025 will guide us and take us from the Mandate to the fulfilment of our Purpose.

The purpose of NDF is to advance Nordic leadership in addressing climate change and development challenges through financing, knowledge and partnerships.

Together with our strategic partners, we develop, launch and scale high-impact projects to support developing countries and the most vulnerable people affected by climate change.

The Purpose describes the objectives that we are aiming to achieve, such as aspects of Nordic priorities, country focus and concessionary financing. These objectives have been thoroughly elaborated in the Strategy. We believe that NDF has the human and institutional capital to fulfil the Purpose. As for the financial resources, NDF will continue to depend on a combination of the present balance sheet, the reflow from the portfolio and from capital injections from the member countries. The latter will have consequences for the scale of our operations, but not on the strategic direction that has been elaborated in the Strategy 2025.

Following the clear Purpose and direction, the actual operationalisation of the Strategy will be further detailed in annual business plans and in selectively updated operational guidelines. A major exercise will also be launched to create a framework for the monitoring and measurement of the non-financial results of our operations. NDF's value proposition is anchored in our capacity to catalyse financing and expertise towards emerging ideas that tackle climate change and drive sustainable development in Nordic priority areas. The set of strategic goals to be developed will focus on measuring NDF's success along the Pathways and their components.



The full NDF team looks forward to work with all our partners towards the fulfilment of our Purpose. The challenges ahead for all of us living on the one planet are immense and require systematic actions. NDF is well-placed to contribute to this work, together with its partners to complement, co-create and convene around the challenges at hand.

Afterword

Helsinki October 2020

I hope that the NDF Strategy 2025 has given you a good understanding of NDF as an institution; how we work and what we do to address climate change in developing countries. In the Strategy, we have described our capacity to deliver on our Purpose in terms of human, institutional and financial capital. As highlighted in the Strategy, NDF's catalytic financing is a cornerstone in our added value and goes hand-in-hand with a high level of concessionality.

To be able to sustain the concessionality, we need capital injections from member countries from time to time.

It is therefore with great pleasure that I can now announce that NDF will receive a capital increase of EUR 350 million!

This is a real sign of confidence in NDF's capacity to deliver and of the importance the five Nordic countries place on climate change mitigation and adaptation on the global arena, and not least as concerns the poorest and most vulnerable people and countries.

Firm actions and commitments to address climate change are needed more than ever. NDF will, based on its Strategy 2025 and the agreement on the capital increase, play a central role in delivering these actions.

But this cannot be done in isolation. NDF's co-financing model, where we join forces with other like-minded partners to complement, co-create and convene, will contribute to meeting one of the most severe challenges that the world is facing.

Let's join forces!



Karin Isaksson

