FMO

Entrepreneurial Development Bank

DEVELOPMENT ACCELERATOR

Annual report

2019

Government of the Netherlands

FMO manages the following funds on behalf of the Dutch government: MASSIF, Building Prospects, the Access to Energy Fund (AEF), the Dutch Fund for Climate and Development (DFCD), FOM, FOM-OS, B-CD, Partnership Development Facility (PDF) and Development Accelerator (DA). The total committed portfolio of these funds (excluding grants) amounts to € 1,207.5 mln as per December 31, 2019. The term "fund" as used in this annual report refers to a program in the form of a subsidy received from the Dutch government that is managed by FMO, unless reference is made to an investment made under a program.

We create partnerships leading to shared value for both Dutch businesses and for the development in emerging markets

LETTER FROM THE EXCO OF THE FUND MANAGER

Dear reader,

2019 was a rough year for global development cooperation and climate action. The Madrid climate conference ended in an agreement to disagree and postpone a future consensus. Despite scientific reports that the window of opportunity for meaningful climate action is closing, nations have not been able to muster the strength to act as one community in charge of saving the global commons.

Against this backdrop of multilateral strain and rising systemic risks, the global community continued its efforts to attain the Sustainable Development Goals of the 2030-Agenda. Despite signs of progress, investments needed to overcome the USD 2.5 trillion financing gap are still lagging, particularly in fragile states, in climate adaptation and in the human development sectors such as health and education. At the time of publication of this report, these concerns are compounded by the COVID-19 pandemic in the first months of 2020. The expectation is that the world will face the worst recession since the Great Depression, due to the abrupt halt in economic activity in the last months. More than ever, there is a need for channels such as the FMO-managed state funds to play a counter-cyclical role and help address the global challenges of inequality and climate change.

The Development Accelerator (DA) addresses part of this financing gap by providing finance for the development of bankable projects in emerging markets with a demonstrable impact on the SDGs. As it remains difficult to find early- stage development capital, the facility aims to catalyse the development of impact projects and business activities with the Dutch business community in the agri-food, water, health and climate sectors.

In 2019, the DA signed contracts for eight new projects in Rwanda, Nigeria, Mexico, Vietnam, the Phillipines, Bangladesh and Indonesia. The investments include projects for hospital renovation, a wastewater treatment facility for a heavily polluted river and renewable energy projects. Once these projects will reach the financing stage, impact on the SDGs will become effective.

The year 2019 also made the first edition of Finture Solutions, a new initiative by FMO to support bold Dutch start-ups to scale up their business across emerging markets and create impact in the agri-food, renewable energy and water sectors. Five start-ups with innovative solutions were awarded development capital to scale their solutions in the markets that they operate in. The feedback from the market on Finture Solutions was positive and a new edition is scheduled for 2020.

We thank all our stakeholders for their continuous support, including our clients and investors, the Dutch Ministries of Finance and Foreign Affairs, the NGOs that help us to improve and our colleagues for giving their best every day.

The Hague, 8 May 2020

On behalf of the Executive Committee

Fatoumata Bouaré, Chief Risk & Finance Officer
Linda Broekhuizen, Chief Investment Officer
Peter van Mierlo, Chief Executive Officer

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AT A GLANCE

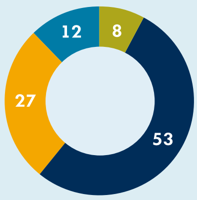
The Development Accelerator I and II (DA) was established in 2018 by the Ministry of Foreign Affairs and is managed by FMO NL Business. The core activity of the facility is to actively support Dutch businesses or project sponsors (public or private) to develop high- impact projects with a Dutch interest in the health, the agri-food, water, renewable energy and climate sectors in emerging markets. The facility co-finances the project costs needed to advance early- stage projects. The DA, with its broad mandate, also provides capital support for Dutch start-ups with innovative solutions for societal challenges in emerging markets that create positive impact on the SDGs.

Achievements portfolio as per 31-12-2019

Committed amount (2019)	Committed amount 2018-2019	Total Fund Capital
€2.6mln	**€5.1mln**	**€16.7mln**

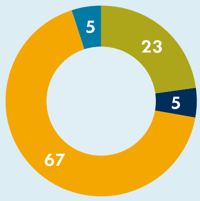
Committed amount 2018-2019

Portfolio by project phase
(in %)



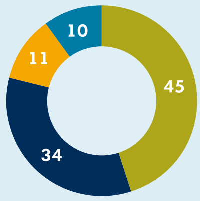
- Pre-feasibility
- Feasibility
- Public support
- Finture Solutions

Portfolio by sector
(in %)



- Water
- Climate
- Health
- Agri-Food

Portfolio by region
(in %)



- Africa
- Asia
- Latin America and the Caribbean
- Global

5 Active Projects

2 Water Projects

3 Health Projects

3 Newly contracted projects 2019

Finture Solutions

Number of start-ups
5

2 Climate

2 Agri-Food

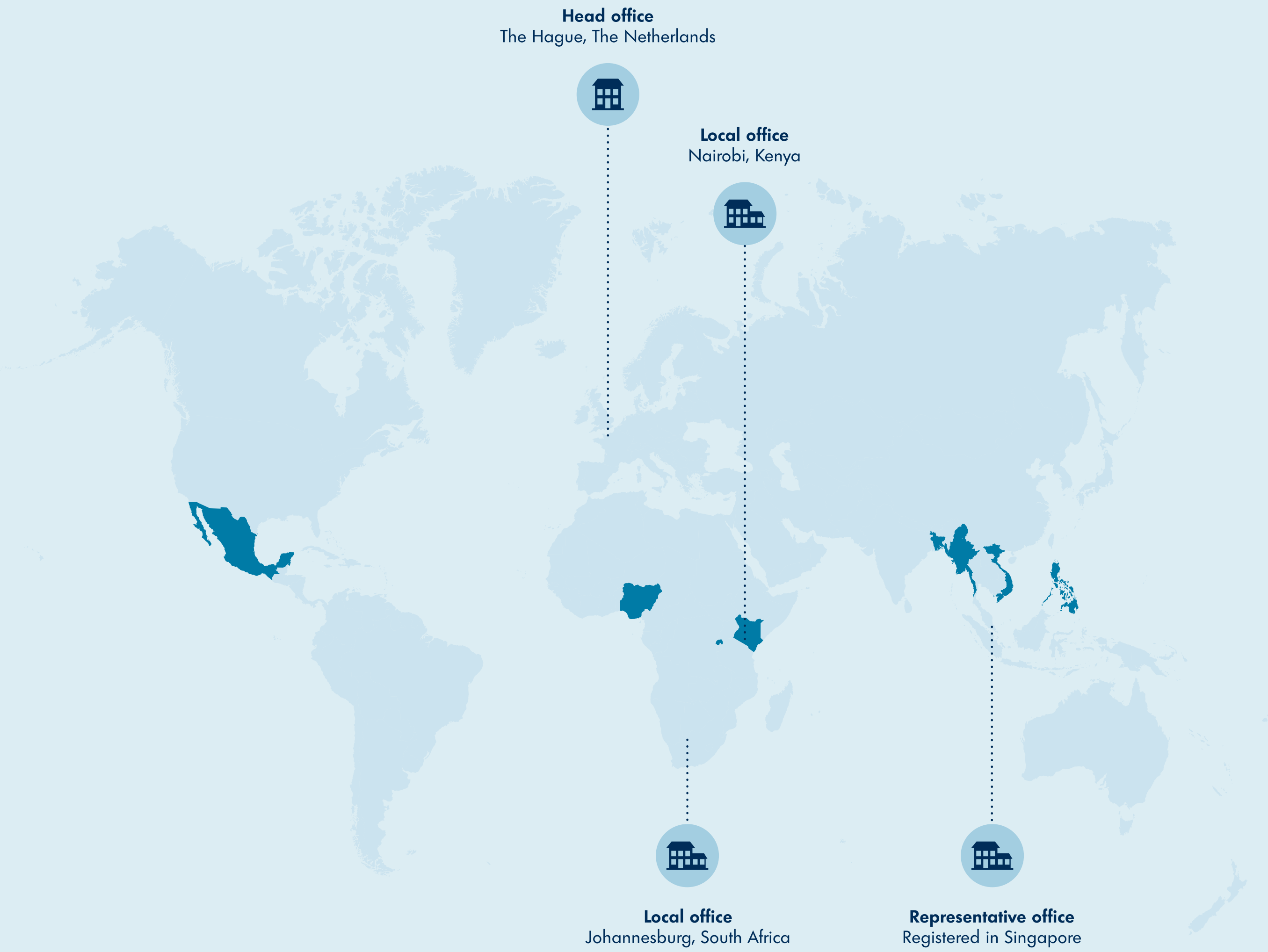
1 Water

Total amount
€625,000

€3.8mln Active Portfolio

€2.2mln Disbursed Amount 2019

€0.3mln Average Project Value


Head office
The Hague, The Netherlands
Local office
Nairobi, Kenya
Local office
Johannesburg, South Africa
Representative office
Registered in Singapore

Highlights

In 2019, the DA contracted three new projects for an amount of EUR 2.0 million in the health, and water sectors. In addition, five Dutch start-ups, the winners of Finture Solutions, were awarded EUR 625,000 in development capital.

A total of EUR 2.2 million was disbursed during the year. At year-end, the DA had 10 active projects in portfolio amounting to EUR 3.8 million. One additional proposal was approved in the last quarter of 2019 and is expected to be signed and disbursed in the first quarter of 2020.

The total fund capital of the DA I and II amounts to EUR 16.7 million of which EUR 6.9 million has been received for project development and reimbursement of management costs. EUR 7.0 million is still available until 2022.

Overview new projects 2019:

- **IFC Partnership on Health (Vietnam, Philippines)**
  A strategic partnership agreement was signed in 2019 with the IFC to structure two public private partnership (PPP) projects for hospital facilities in Vietnam and the Philippines. The aim of the projects is to provide better quality healthcare for local communities in both countries.
- **Ruhengeri referral hospital (Rwanda)**
  Development capital was provided to Dutch Health B.V. for the feasibility study of the reconstruction and re-equipment of an important referral hospital in Rwanda. The Government of Rwanda is committed to improving the quality of healthcare services for the population of Rwanda. The Ruhengeri Referral Hospital is the only secondary and tertiary health institute in the Musanze district, where approximately 400,000 people live. The development capital will be used for the preparatory work including the design and technical studies.
- **Naucalpan water treatment plant (Mexico)**
  Funding will be provided to OAPAS, the water and wastewater utility of Naucalpan in Mexico. The project aims to substantially reduce the discharge of untreated municipal and industrial wastewater into the Hondo river, one of the most polluted rivers in the country. The development capital will be used for the technical engineering of the water treatment plant and environmental and social impact studies. The support will assist OAPAS in bringing a technically sound and financeable wastewater treatment project under a Public Private Partnership (PPP) model to the market where several Dutch wastewater technology companies are interested to participate in the project execution

Finture Solutions

Over the coming decades, the global population will rapidly increase with fewer resources available. Power shortages are one of the biggest barriers to development. Meanwhile more than half of the world’s population lives in areas where the supply of water cannot meet demand sustainably. In close collaboration between FMO and Rockstart, one of Europe's first accelerators, Finture Solutions was initiated to address these challenges. The aim is to find bold Dutch start-ups that are looking to scale their business and create impact by improving people’s lives in those parts of the world where this makes the biggest difference. Finture Solutions was a great success and awarded EUR 625,000 in development capital to the following five innovative Dutch start-ups:

- **Eaglesensing B.V.**
  The company specializes in data acquisition and analysis through machine learning. Eagle Sensing provides cutting edge aerial data collection by capturing data from different sources such as planes, satellites and drones. Data can be gathered on for example crops, soil, irrigation, diseases, providing vital information for management decision to farmers.
- **Liquidseal Fruits B.V.**
  Liquidseal provides proven protection for fruits during every step of the supply chain. The company has invented an eco-friendly packaging (biodegradable and compostable) which enables a reduction in food wastage up to 40%.

- **AMMP Technologies B.V.**
  AMPP offers an energy IT platform in emerging markets to enable utilities and mini-grid operators to operate more effectively by reducing operational costs and enabling innovative business models.
- **Max Water Supply B.V.**
  Max Water Supply is a company set up by MAX foundation that aims to improve children's health by providing people in Bangladesh with safe water and access to basic sanitation.
- **Solarcreed B.V.**
  Solarcreed helps farmers in off-grid communities produce, package and distribute food using solar energy, eco-friendly packaging and SmartID to improve production and reduce carbon.

Projects finalized

In 2019 the SOMAGEP Utility Optimization project in Mali was finalized:

SOMAGEP - OPTIMISING WATER SUPPLY IN MALI
The project aimed to improve the operational performance of the Somagep water supply system, a state-owned company mandated to operate, manage and deliver potable water in 18 urban areas in Mali. DA supported Wereld Waternet to conduct a pre-feasibility study to develop key recommendations to Somagep in developing a sustainable water supply optimisation finance model. A Dutch consultancy firm finalized the study in 2019, concluding that the identified project would be too small and most likely not be commercially viable. The study shows it would be worthwhile to explore other concessional instruments to further develop and finance the project.

Makueni – PPP for Primary Care

Who is our client

DA funds are used to co-finance the feasibility phase of the project being undertaken in three primary healthcare facilities by Amref Flying Doctors and Philips Medical Systems B.V. in Makueni county in Kenya.

Funding objective

The goal of the project is to demonstrate that the outsourcing of the management of public primary healthcare facilities to the private sector leads to better health results. FMO is the financial co-developer for the consortium formed by Amref and Philips and provides a specific focus on the bankability of the project. During the feasibility phase, which lasted from July 2018 until January 2020, it was proven that better quality and more healthcare was provided in the catchment area of the three clinics and community engagement had substantially improved.

In the meantime, encouraged by the results of the feasibility phase, the scale-up phase is under preparation. The consortium of Amref and Philips will be expanded by one or two impact investors that will take over the management of the 233 primary healthcare facilities in Makueni under a public-private partnership based concession agreement. In 2019 the project evolved to a stage where the scale-up across the county is seen as a pilot for achieving universal health coverage throughout the whole country.

The involvement of Philips for the design of the clinics and the delivery of healthcare equipment was essential for the successful achievement of the first phase of the project.

In 2020 the consortium will hire a Public-Private Partnership (PPP) advisor that will assist in the preparation of an investment proposal to the PPP unit in Kenya. Depending on the approval process, the implementation is expected to commence in 2021.

Why we fund this project

Through the project, the 1 million inhabitants of Makueni county will have access to universal health coverage. It will also involve the implementation and testing of a model for further roll-out across Kenya and across the continent.

DA Investment | EUR 1,000,000

Instrument | development contribution

Country | Kenya

SDG | 3

FMO – IFC partnership

Who is our client

Under this partnership FMO has allocated EUR 1 million from the Development Accelerator to a trust fund managed by IFC, the investment arm of the Worldbank.

Funding objective

The funds will be used by IFC for preparation, structuring and tendering of public-private partnership (PPP) projects in water and healthcare, the two important sectors where the Netherlands offers advanced expertise. The arrangement aims to bring business opportunities to the market that are relevant for the Dutch private sector and at the same time create development impact in emerging markets. In 2019 two projects in the healthcare sector were selected by FMO and IFC.

PPPs for healthcare

Vietnam | With the co-financing of the DA, IFC will structure an outpatient, training, and diagnostics center in Vietnam with a total expected project size of USD100 million. Although the project is still in an early stage, the project structure foresees to include the Design, Build, Finance, Maintain and Operate model.

The Philippines |In the Philippines the IFC together with the co-financing of the DA, plans to develop a hybrid PPP structure for a commercial and charity hospital wing in Manila. The project was approved by the University of the Philippines and is due to receive central government approval in 2020, after which the tender documents will be published. The project structure foresees to include the Design, Build, Finance, Operation and Maintenance of the commercial and charity wings of the cancer hospital. The university will provide clinical staff for the charity wing, whereas the private sector is expected to provide clinical staff for the commercial wing.

FMO and IFC will work together to create interest for the PPP projects and tenders among potential Dutch investors by actively including them in investors conferences, market sounding and in matchmaking meetings. IFC has been a trusted partner of FMO for many years. With this arrangement, both parties aim to deepen the partnership and to benefit from IFC Advisory's successful track record and expertise as PPP transaction advisors. Through this arrangement, FMO has access to 90 IFC PPP Advisory staff based in more than 20 countries.

Why we fund this project?

The cancer hospital in the Philippines intends to increase the capacity of oncology care in the country with approximately 400 beds. Since the project will have a commercial and a charity wing, the care will also be made available for lower income groups. In the Vietnam project, the main objective of the project is for the private sector to support the public hospital to increase the quality of the healthcare provided and the quality of training of medical staff.

DA investment | EUR 1,000,000

Instrument | development contribution

Country | Vietnam, The Philippines

SDG | 3, 6, and 12

Pyigyitagon water supply, Myanmar

Who is our client

The project promoter is Ballast Nedam International Projects B.V. and the supporting partner is Vitens Evides International B.V. The activities will be complementary to WaterWorX, the SDG-6 program of the Dutch water utilities, in which Vitens Evides will provide operational support to Mandalay City Development Committee. Mandalay is the second-largest city in Myanmar, after Yangon.

Funding objective

Construction of a water supply system for Pyigyitagon: Pyigyitagon is the poorest of six urban Mandalay townships, with an estimated population of approximately 320,000 people. Currently >70% of the households in Pyigyitagon are not connected to piped water supply, causing problems such as the use of unprotected or unsafe water sources, shortage of water availability and uncontrolled groundwater extraction via drilling of private wells.

Through this project, an integrated water supply system from source to tap will be constructed consisting of raw water intake from the Dohtawadi river combined with a water treatment plant, transmission pipes, a clear water reservoir, and overhead tanks. Around 30,000 customers will be connected and receive clean drinking water. The new system will be managed by the Mandalay City Development Committee, which is responsible for water supply and sanitation in Mandalay. As this project will increase the customer base by about 30%, the project includes an integrated staff capacity development and organization-building program. Also included are a customer Water, Sanitation and Hygiene (WASH) needs assessment and a WASH behavior change campaign.

The funding provided was used for the preliminary project design, Environmental and Social Impact Assessment (ESIA), Feasibility study, WASH needs survey and the organizational expansion and staff development plan for the Mandalay City Development Committee (MCDC).

Funding from DA allowed Ballast Nedam International to develop a technically sound and sustainable project for Mandalay City Development Committee to achieve their SDG 6 goals. As the project was developed to a high standard and in accordance with Myanmar policies and guidelines, the Myanmar parliament decided to directly award a contract to Ballast Nedam for implementation. Currently the project is in advanced negotiations with two financial institutions and RVO to provide further financing for the implementation phase.

Why we fund this project

The project aims to provide safely managed water supply for 30,000 connections, relating to approximately 168,000 people. This contributes directly to SDG 6 by helping achieve universal and equitable access to safe and affordable drinking water for all.

DA investment | EUR 200,000

Instrument | development contribution

Country | Myanmar

SDG | 6


EBOLA Prevention
Ebola is a severe and often deadly disease caused by the Ebola virus.
EBOLA TRANSMISSION
OKOA MTOTO WAKO KUTOKANA NA UGONJWA HATARI WA KUHARA

Ruhengeri Referral Hospital reconstruction and equipment

Who is our client

Dutch Health B.V. is specialized in developing turnkey healthcare solutions, including the design, construction and equipping of hospitals, healthcare centers and other health-related infrastructure worldwide. Besides its involvement in hospital development, Dutch Health develops mobile clinics in the form of ambulance boats and tricycle ambulances which can be used in dense cities.

Funding objective

The current hospital is inadequate in terms of its infrastructure and has insufficient medical staff. The building consists of many different pavilions and lacks an integrated service. The hospital will be completely reconstructed and re-equipped. The new Ruhengeri Referral Hospital will be established on the land of the existing hospital without interrupting the hospital services during construction. The aim is to provide a comprehensive, advanced and highly accessible health facility for the people in the surrounding areas. Furthermore, the reconstruction will have a positive impact on the hospital itself in terms of enhancing staff satisfaction and retention. The hospital will function as a 24/7 comprehensive emergency obstetric and neonatal care facility. The new facility will benefit locals as well as international tourists visiting this part of the country. The design of the new facility will ensure the possibility of future expansion of health services while encouraging environmentally friendly hospital concepts.

DA supports Dutch Health in the preparative work of investigating the different redevelopment plans, which includes the financial and technical aspects as well as the design of the hospital.

Why we fund this project

The reconstruction of the Ruhengeri Referral Hospital will improve the health and well-being of the population in the Musanze District.

The Ruhengeri Referral Hospital is currently serving approximately 1,500 inpatients with 328 beds. However, due to the lack of capacity, a significant number of beds are not given any service and only serve as hotel capacity for patients waiting to be treated. The hospital was built in 1931, and the service level is inappropriate due to the lack of proper infrastructure and medical equipment. Therefore, it urgently needs to improve service quality through the reconstruction and procurement of medical equipment.

The reconstruction and equipping of the Ruhengeri Referral Hospital will contribute to the achievement of national goals in terms of reducing maternal and infant mortality, treating and preventing communicable and non-communicable diseases, and providing health security.

DA investment | EUR 618,798

Instrument | development contribution

Country | Rwanda

SDG | 3

OAPAS Naucalpan wastewater treatment system

Who is our client

Our client is OAPAS, a local Mexican drinking water company. OAPAS stands for Organismo Público Descentralizado para la Prestación de los Servicios de Agua Potable, Alcantarillado y Saneamiento del Municipio de Naucalpan de Juárez, Estado de México.

Funding objective

Our funding is aimed at supporting the development of a technically sound and finance-able wastewater treatment project that can be brought to the market for participation by the Dutch business community. The project will contribute to achieving SDG 6 and potentially reduce inequalities for marginalized populations in Naucalpan, which has a population of roughly 800,000 inhabitants. The project aims to reduce public health risks for the inhabitants by improving the discharge quality of wastewater to the river Hondo. It follows the Mexican and IFC performance standards.

The project will also increase the treatment of wastewater from 6% to approximately 60%. This will significantly reduce the discharge of untreated wastewater into the environment and improve the quality of groundwater. The project will furthermore provide significant volumes of treated wastewater for reuse by industries and thereby reduce the demand for potable water for non- domestic purposes.

Why we fund this project

This is a green project (pollution prevention, GHG avoidance) that fits very well with the funds' development objectives. By funding this project, we are also pro-actively supporting the Dutch business community by bringing a high-quality project to the Dutch market.

DA investment | USD 495,711

Instrument | development contribution

Country | Mexico

SDG | 6

INTERNATIONAL PRINCIPLES

Equator Principles	We have been implementing the Equator Principles (EP) since 2006. This risk management framework provides financial institutions with a minimum standard for due diligence and monitoring to determine, assess and manage environmental and social risks in projects. Our annual EP report is available online.	Signatory
IFC Performance Standards	Our E&S approach is guided by the IFC Performance Standards of Environmental & Social Sustainability. This framework helps us understand, avoid and mitigate E&S risks and impacts, for example through stakeholder engagement and disclosure obligations of the client in relation to project-level activities.	Adopter
OECD Guidelines	We follow OECD Guidelines on responsible business conduct, notably human rights, labor rights and the environment.	Adopter
UN Guiding Principles on Business and Human Rights	We integrate the set of guidelines defined by the UN for states and companies to prevent, address and remedy human rights abuses in business operations.	Adopter
ILO Standards	We follow the set of ILO legal instruments that set out basic principles and rights at work.	Adopter
Dutch Banking Agreement (IMVO Covenant)	We signed the Dutch Banking Sector Agreement on International Responsible Business Conduct Regarding Human Rights to analyze value chains of specific sectors and share practices on human rights.	Signatory
Global Impact Investing Network	We support the GIIN because it is dedicated to increasing the scale and effectiveness of impact investing through knowledge sharing, best practice exchanges, and tools / resources production.	Member
Sustainable Development Goals Charter	We joined the SDG Charter Network to foster cooperation between business, civil society and local governments in the Netherlands, in order to achieve the SDGs at home and abroad.	Signatory
Impact Management Project	We joined and support the IMP, a forum for building global consensus on how to measure, manage and report impact and for sharing best practices.	Member
Natural Capital Finance Alliance	We closely follow the developments of the NCFA initiative to integrate natural capital considerations into loans, public and private equity, and fixed income and insurance products.	Signatory
UNEP FI / EBF Working Group on Banking and Taxonomy	We are part of the UNEP Finance Initiative / European Banking Federation Working Group that assesses how the EU Taxonomy on Sustainable Activities can be implemented by banks and applied to selected banking products.	Member

Dutch Climate Accord — Signatory

We signed the financial sector commitment to fight climate change and support the Dutch Climate Accord to achieve a 49% CO_2 reduction by 2030 in the Netherlands.

Mainstreaming climate action in financial institutions — Signatory

We are following the five principles of the Climate Action in Financial Institutions Initiative. This coalition of public and private financial institutions aims to enhance integration of climate change considerations across their strategies, programs and operations.

Platform for Carbon Accounting Financials — Signatory

We are one of the early adopters of PCAF, an industry-led global partnership to develop and implement a harmonized approach to assess and disclose GHG emissions of loans/ investments. This facilitates transparency and accountability of the financial sector to the Paris Agreement.

NpM Platform for Inclusive Finance — Member

As a member of the NpM platform for Dutch inclusive finance investors, we are expanding access to affordable financial services worldwide and increasing the effectiveness of our investments and activities.

Consultative Group to Assist the Poor — Member

We are part of the CGAP global partnership to test, learn and share knowledge intended to help build inclusive and responsible financial systems.

European Microfinance Platform — Member

We are part of the e-MFP network to foster activities that increase global access to affordable, quality, sustainable and inclusive financial services for the un(der)banked through knowledge-sharing, partnership development and innovation.

Emerging Market Private Equity Association — Member

We are a member of the global EMPEA association. This aims to catalyze the development of private equity and venture capital industries in emerging markets through research, conferences, networking, and advocacy.

Corporate Governance Development Framework — Adopter

We adopted the Corporate Governance Development Framework as a common approach to corporate governance risks and opportunities in DFI investment operations.

Financial Action Task Force — Adopter

We use the FATF framework to combat money laundering and terrorism financing, as well as the proliferation of weapons of mass destruction.

For our own operations, we maintain the following standards: — Signatory

- MVO Prestatieladder

- The Gold Standard

Statement of financial position

At December 31, 2019

	Notes	2019	2018
Assets			
Current account with FMO	(1)	1,592	4,072
Total assets		**1,592**	**4,072**
Liabilities			
Accrued liabilities	(2)	269	-
Total liabilities		**269**	**-**
Fund capital			
Contributions DGIS previous years		5,360	-
Contributions DGIS current year		1,500	5,360
Undistributed results previous years		-1,288	-
Net profit/(loss)		-4,249	-1,288
Total fund capital		**1,323**	**4,072**
Total liabilities and fund capital		**1,592**	**4,072**
Irrevocable facilities	**(5)**	**832**	**353**
Total subsidy amount allocated to DA I		2,274	2,274
Total subsidy withdrawn from DGIS for DA I		2,160	2,160
"Subsiday available for DA I"		**114**	**114**
Total subsidy amount allocated to DA II		14,400	14,400
Total subsidy withdrawn from DGIS for DA II		4,700	3,200
"Subsiday available for DA II"		**9,700**	**11,200**

Statement of comprehensive income / (loss)

At December 31, 2019

	Notes	2019	2018
Income			
Interest income	(3)	-	-5
Total income		**-**	**-5**
Expenses			
Remuneration FMO		-1,834	-
Development capital expenses		-2,246	-1,283
Travel and subsistence allowances		-80	-
Other operating expenses		-89	-
Total operating expenses	**(4)**	**-4,249**	**-1,283**
Net profit/(loss)		**-4,249**	**-1,288**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income/(loss)		**-4,249**	**-1,288**

Statement of changes in fund capital

At December 31, 2019

	Contributed Fund Capital	Undistributed results previous years	Net profit/ (loss)	Total fund capital
Balance at January 1, 2018	-	-	-	-
Contributions DGIS	5,360	-	-	5,360
Results current year	-	-	-1,288	-1,288
Net balance at December 31, 2018	**5,360**	**-**	**-1,288**	**4,072**
Balance at January 1, 2019	5,360	-1,288	-	4,072
Contributions DGIS	1,500	-	-	1,500
Results current year	-	-	-4,249	-4,249
Net balance at December 31, 2019	**6,860**	**-1,288**	**-4,249**	**1,323**

Statement of cash flows

At December 31, 2019

	Notes	2019	2018
Cash from operating activities			
Outflows			
Disbursements on development capital costs	(2)	-1,976	-1,283
Other paid amounts	(2)	-170	-5
Net cash from operating activities		**-2,146**	**-1,288**
Cash flow financing activities			
Inflows			
Contributions		1,500	5,360
Outflows			
Remuneration FMO	(2)	-1,834	-
Net cash from financing activities		**-334**	**5,360**
Net change in cash & cash equivalent		**-2,480**	**4,072**
Position of cash at January 1 [1)]		4,072	-
Position of cash at end of period [1)]		1,592	4,072

1 Cash includes current account with FMO.

Summary of accounting policies

Basis of preparation

The annual accounts have been prepared in accordance with special purpose generally accepted accounting principles ("GAAP"). The accounts have been prepared under the historical cost convention.

Significant estimates and assumptions and judgements

In preparing the annual accounts management is required to make estimates and assumptions affecting reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment is inherent to the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from such estimates and the differences may be material to the annual accounts. In the preparation of the annual financial statements no significant estimates or judgements were required.

Foreign currency translation

The Fund uses the euro as the unit for presenting its annual accounts. All amounts are denominated in thousands of euros unless stated otherwise. Foreign currency transactions are translated to euro at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities are reported using the closing exchange rate. Non-monetary assets that are not measured at cost denominated in foreign currencies are reported using the exchange rate that existed when fair values were determined. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the profit and loss account under 'results from financial transactions' when necessary.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Fair value of financial instruments

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument. If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Amortized cost and gross carrying amount

The amortized cost ("AC") of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The *gross carrying amount* of a financial asset is the AC of a financial asset before adjusting for any expected credit loss allowance.

Development capital costs

Development capital contributions that do not contain performance obligations or stipulations are recognized as an expense in the period incurred.

Contributions under enforceable agreements with performance obligations and multi-year contracts with conditions attached are recognized on an accrual basis as the performance obligations are satisfied.

In certain instances, conditions are attached to these contributions whereby the amount distributed becomes repayable with a premium upon meeting the attached conditions. A contribution receivable meets the definition of an asset if the Fund has the ability to control the resource and future economic benefits are expected to arise from the resource. As a result, the accounting treatment of the financial asset with regards to recognition and measurement is based on accounting policies for financial assets set out below.

Classification of Financial Assets

On initial recognition, a financial asset is classified as measured at AC, FVOCI or FVPL.

A financial asset is measured at AC if it meets both of the following conditions and is not designated as at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

For equity investments that are not held for trading an irrevocable election exists (on an instrument-by-instrument basis) to present subsequent changes in fair value in OCI.

All financial assets not classified as measured at AC or FVOCI as described above are measured at FVPL. In addition, on initial recognition The Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition.

Business model assessment

The Fund has made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that is considered includes:

- How the performance of the portfolio is evaluated and reported to management of the Fund;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets whose performance is based on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets can be only reclassified after initial recognition in very infrequent instances. This happens if the business model for managing financial assets has changed and this change is significant to the Funds operations.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances and the current account maintained with FMO. There is no restriction on these financial instruments and the Fund has on demand full access to the carrying amounts.

Fund Capital

This special purpose reserve contains the capital provided by the State to finance the investments and contributions.

Undistributed results previous years

The undistributed results consist of the part of the annual results that the Fund is accumulating to maintain the revolvability of the Fund.

Interest income and expense

Interest income and expense are recognized in the profit and loss account for all interest-bearing instruments on an accrual basis using the 'effective interest' method based on the fair value at inception. Interest income and expense also include amortized discounts and premiums.

Statement of cash flows

The statement of cash flows from operations are presented using the direct method.

Taxation

The DA programme contributes to the overall income of the Ministry of Foreign Affairs and this income is considered business income subject to corporate income tax. No separate tax calculation is performed for DA in the preparation of the annual financial statements. The results of the Fund are included in the Ministry's overall calculation of tax payable. The Ministry's overall calculation of tax payable is not allocated back to the Fund as an expense.

Notes to the annual accounts

1. Current accounts

	2019	2018
Current account with FMO	1,592	4,072
Balance at December 31	**1,592**	**4,072**

Current account with FMO can be freely disposed of.

2. Accrued liabilities

	2019	2018
Accrued liabilities	269	-
Balance at December 31	**269**	**-**

Accrued liabilities primarily relate to unpaid development capital expenses.

3. Net interest income

	2019	2018
Interest on banks	-	-5
Total interest income	**-**	**-5**

4. Operating expenses

	2019	2018
Remuneration FMO	-1,834	-
Development capital expenses	-2,246	-1,283
Travel and subsistence allowances	-80	-
Other operating expenses	-89	-
Total operating expenses	**-4,249**	**-1,283**

Remuneration costs relate to personnel costs charged by FMO in return for the allocation of FMO personnel to the Fund.

Development capital expenses relate contributions paid to beneficiaries in terms of the Fund's objectives. Annex 1 contains the current list of projects entered into by the Fund.

5. Off-Balance Sheet information

Off balance sheet commitments relate to development capital contracts which have potential future disbursements.

	2019	2018
Contractual commitments for disbursements of:		
Grants	832	353

6. Related party information

Dutch Government:

The Dutch Ministry of Foreign Affairs, Directoraat-generaal internationale Samenwerking sets up and administers the investments funds (“State Funds”), including Development Accelerator, according to the Dutch Government’s development agenda. Directoraat-generaal internationale Samenwerking is the main contributor to Development Accelerator, providing funding upon FMO’s request (2019: € 1,500; 2018; € 5,360).

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (“FMO”)

The Dutch development bank FMO supports sustainable private sector growth in developing and emerging markets by leveraging its expertise in agribusiness, food & water, energy, financial institutions, Dutch business focus areas to invest in impactful businesses. FMO is a public-private partnership, with 51% of FMO’s shares held by the Dutch State and 49% held by commercial banks, trade unions and other members of the private sector. FMO has a triple A rating from both Fitch and Standard & Poor’s.

FMO has been entrusted by the Dutch Government to execute the mandates of the State Funds: Currently MASSIF, Building Prospects, Access to Energy – I, FOM, FOM-OS, Development Accelerator, Partnership Development Facility, Dutch Fund for Climate and Development Land Use Facility are under FMO’s direct management; the execution of Access to Energy – II and the other facilities of the Dutch Fund for Climate and Development are performed by third parties under FMO’s supervision.

FMO charges a management fee to the Dutch Ministry of Foreign Affairs and it is reimbursed accordingly from Development Accelerator’s subsidy amount (2019: € 1,834; 2018: € 0).

7. Subsequent events

There has been no significant subsequent event between the balance sheet date and the date of approval of these accounts which should be reported by the Fund.

The current COVID-19 outbreak most likely impacts the global economy and the Fund's performance. Given the uncertainties, ongoing developments and measures taken by governments around the globe, the Fund cannot estimate the quantitative impact in an accurate and reliable way at this point in time.

Risk management

The Development Accelerator-DA (the Fund) aims to optimize development impact by providing early stage capital for projects in the Agri- food, water, health, and climate sectors in low- and middle-income countries. FMO, acting as the Fund Manager, has a risk management system in place to identify, measure, monitor and mitigate financial and non-financial risks. The Fund provides financing in the form of development contributions and its capital structure is based on a 100% contribution from the Dutch government. As such, the Fund is not exposed to any form of financial risk. In this respect, FMO's processes for risk management are used as a starting point and adjusted where necessary.

Total contribution from the Dutch government is € 6,860 at 31 December 2019 (31 December 2018: € 5,360). For the year 2019, the contribution from the Dutch Government was € 1,500 (2018: € 5,360). Total fund capital – which is the sum of the contribution by the government, less cumulative distributions, as well as net profits and losses from previous years and from the current year, – was € 1,323 in 2019 (2018: € 4,072).

The key aspect for successful operation of the Fund is the selection of early stage projects or business activities with the potential to be turned into financeable long-term business opportunities. When investigating the opportunities, the Fund follows a structured approach consistent with its Investment criteria. The Fund Manager together with the Manager Project and Partnership Development reviews each transaction and provides an initial approval for an eligible project to be taken up on the pipeline and reviews whether the proposal is in line with the Fund's investment criteria. The Engagement Committee, comprising of senior representatives of FMO NL Business, reviews and approves the financial proposals for every new transaction and asseses wether the proposal is in accordance with the Fund's investment criteria and startegic composition of the project portfoio. Each financial proposal is furthermore assessed in terms of specific counterparty risk, performance risk, reputational risk, environmental and social risk as well as country risk. All financial proposals are accompanied by the advice of the Fund Manager and the Environmental and Social Officer.

The Fund can co-finance up to 50% of the project costs needed to advance early stage projects. Funding can be used either for analyzing and identifying the needs and potential of a project, assessing the feasibility of a project, pilot testing or supporting the procurement process. Beneficiaries of the Fund can either be Dutch businesses or project sponsors (public or private) in emerging markets. Together with the project developer, FMO NL Business experts engage in different stages of a project, with a focus on the impact and financeability of the project in order to increase the probability of materialization of the project. The Fund can also support Dutch startups providing innovate solutions to emerging markets.

Counterparty credit risk

Counterparty credit risk in the treasury portfolio is the risk that the Fund will suffer economic losses because a counterparty fails to fulfill its financial or other contractual obligations from open positions in the portfolio. The Treasury department of FMO is responsible for day-to-day counterparty risk management. Risk is the 'second line of defense' and responsible for assessing, quantifying, and monitoring counterparty risk daily. Limit excesses and material findings are reported to the ALCO on a monthly basis, together with recommended mitigations and/or actions. The Risk Department is also responsible for updating related policies and processes and for setting up limits, including minimum credit rating requirements, exposure limits, as well as transaction limits. The policies, processes, relevant parameters, and limits are reviewed and approved by the ALCO annually.

FMO mitigates its counterparty credit risk through various means. Minimum requirements of credit quality are set for counterparties of treasury activities. The choice of banks as FMO counterparties is based on the Treasury Counterparty Risk Policy, which requires banks to have a minimum rating of A- and money market funds rating AAA.

Liquidity management

Main objective is to manage liquidity and expenditures for the Fund in a way that results in informed decision making about funding requests from the Ministry of Foreign Affairs to the Fund, and accountability and transparency regarding the cost declared on the Fund.

The Fund is fully financed by the Ministry of Foreign Affairs. The Manager Risk Portfolio & Fund Mgt within FMO NL Business is responsible for the operational process of the fund management. The processing of liquidity transfers (applying for funds, repayments) by Accounting and Treasury follows existing FMO procedures, actual staff costs up to a certain amount are eligible under the Fund. The Manager Risk Portfolio & Fund Management within NL Business is responsible for the allocation and justification of staff cost to the Fund. There is a monitoring system in place to warrant the correct staff cost allocation.

Country limits

To ensure diversification within FMO's emerging market portfolio across regions, a country limit framework is in place to minimize concentration risk from the perspective of the portfolio as a whole. The Fund is only eligible to invest in low- and middle-income countries.

Reputational risk

Reputation risk is inevitable given the nature of the Fund's operations in developing and emerging markets. FMO has a moderate appetite for reputation risk, accepting that reputational impact of activities may incidentally lead to negative press coverage, NGO attention or undesirable client feedback, as long as these activities clearly contribute to FMO's mission. FMO actively mitigates the risk as much as possible through strict and clear policies, thorough upfront assessments, consultations with stakeholders, and when necessary, through legal agreements with clients. FMO has in place a Sustainability Policy, as well as statements on human rights, land rights, and gender positions.

Environmental, social and governance risk

Environmental & Social (E&S) risk refers to potential adverse impacts of the Fund's investments on the environment, employees, communities, or other stakeholders. Corporate Governance (G) risks refers primarily to risk to client business. ESG risks can lead to non-compliance with applicable regulation, NGO and press attention or reputation damage. These risks stem from the nature of the Fund' projects in difficult markets, where regulations on ESG are less institutionalized. The Fund has an appetite for managed risk in portfolio, accepting ESG performance below standards when starting to work with a client with the goal that performance is brought in line with our ESG risk mitigation requirements within a credible and reasonable period. ESG risks are mitigated through environmental and social action plans and monitoring. The risk appetite for deviations from the exclusion list and human rights violations is zero.

Compliance risk

Compliance Risk is the risk of failure to comply with laws, regulations, rules, related self-regulatory organization, standards and codes of conduct applicable to FMO. Being a regulated bank, the most important applicable laws in relation to products and customers, are the Dutch Financial Supervision Law (WFT); AML (WWFT); Sanctions Law and General Data Protection Regulation.

Fund's customers follow FMO's procedures e.g. customer onboarding; assessment of compliance risks, periodic Know Your Customer (KYC) reviews as well Event Driven KYC Reviews. FMO's standards and policies and good business practices foster acting with integrity. FMO is committed to its employees, clients and counterparties, adhering to high ethical standards. FMO has a Compliance framework which entails identifying risks, designing policies, monitoring, training and providing advices. FMO has policies on topics such as know your customer (KYC) & sanctions, anti-bribery and corruption, receiving and giving gifts-entertainment & hospitality, conflicts of interest, internal fraud, private investments, outside positions, privacy and speak-up. FMO also regularly trains its employees in order to raise awareness by means of e.g. face-to-face trainings and mandatory compliance related e-learnings. Employees are also encouraged to speak up in case of suspected integrity violations conducted by an FMO employee. Management is periodically informed via the Compliance Committee or when required on an ad-hoc basis, on integrity related matters at client or employee level. In 2019 no significant integrity incidents related to FMO employees have been reported and there were no incidents at existing clients' outside FMO's risk appetite.

KYC & Sanctions

FMO's KYC procedure includes screening of clients on compliance with applicable anti-money laundering, terrorist financing and international sanctions laws and regulations. Due diligence is performed on clients, which includes checks such as verifying the ultimate beneficial owners of the client we finance, identifying politically exposed persons, and screening against mandatory international sanction lists. These checks are also performed regularly during the relationship with existing clients. Following the DNB onsite inspection in 2018, FMO set up a FEC Enhancement Plan (FEC EP) . In 2019 FMO started with execution of the FEC EP which consisted of a.o. conducting the Systematic Integrity Risk Assessment (SIRA) and enhancing the know your customer (KYC) policy and procedures. The updated KYC policy and procedures have been implemented. Part of the FEC EP consists of remediation of the customer KYC files and bringing them in line with the updated policy. FMO has not been able to achieve the interim target on number of remediated customer KYC files. However additional actions, based on lessons learnt, are undertaken to further improve the FEC EP. The progress of the FEC EP is closely monitored by the Management Board and reported to DNB.
It cannot always be prevented that a client is involved or alleged to be involved in illicit acts (e.g. corruption). If such an event occurs, FMO will initiate a dialogue with the client to understand the background in order to be able to assess the severity. When FMO is of the opinion that no improvement by the client will be achieved (e.g. awareness, implementing controls) or the risk to FMO's reputation is unacceptably high, FMO can invoke legal clauses in the contract to terminate the client relationship.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or loss caused by external events. Operational risks are not actively sought and have no direct material upside in terms of return/income generation, yet operational risk events are inherent in operating a business. Operational risk events can result in non-compliance with applicable (internal and external) standards, financial losses or misstatements in the financial reports, and reputational damage.

FMO has in place an operational risk framework that governs the process of identifying, measuring, monitoring, reporting and mitigating operational risks, based on the 'three lines of defense' governance principle. Management of the first line is primarily responsible for managing (embedded)risks in the day-to-day business processes. The first line acts within the risk management framework and supporting guidelines defined by specialized risk departments and committees, the second line of defense. Internal Audit, as the third line, provides independent assurance on the effectiveness of the first and second lines.

In 2019 a Risk Control Self Assessement was initiated by the risk department for FMO NL Business. During this process management and co-workers at all levels assessed and evaluated operational risks areas and their main controls resulting in a risk treatment action plan for the coming year.

FMO is in the process of further strengthening its internal control framework for front-to-end processes. The Business Process Management function and an increase of the level of maturity of internal controls has been established in 2019. The implementation of the Control Testing process is on the agenda for 2020.

Legal risk

Legal risk is defined as the risk of a counterparty (client, supplier, stakeholder or otherwise) not being liable to meet its obligations under law or FMO being liable at law for obligations not intended or expected, caused by lack of awareness or misunderstanding of, ambiguity in, or indifference to the way law and regulation apply to business, relationships, processes, products and services, leading to financial or reputational loss.

Given the specific nature of legal risks that can occur, no risk appetite metrics are assigned to this risk type. Instead, the most relevant developments are included in the risk appetite report on a quarterly basis. FMO's Legal team is responsible for the review of the legal aspects of Fund's contracts with its clients and for mitigating legal risks arising from Fund's businesses and operations. Where applicable, the team seeks external expertise.

Colophon

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