

FMO

Entrepreneurial
Development
Bank

DEVELOPMENT
ACCELERATOR

Annual report

20
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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 € 1,180 mln as per December 31, 2020. 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.

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

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LETTER FROM THE MB OF THE FUND MANAGER

Dear reader,

Without a doubt, 2020 has been one of the most challenging years for FMO and its customers. Amid the economic and social fall-out of the pandemic, the state funds under management by FMO played an important role in ensuring that our customers could stay afloat. We look back at a turbulent year with delays in project development but also projects gaining traction as they proved to be essential for the development of the infrastructure in the countries, we are active in.

In 2021, substantial challenges and uncertainties remain. The pandemic aggravates existing challenges related to climate change, the deepening inequality-crisis and macro-economic precariousness. The public funds and facilities under management by FMO will continue to play their countercyclical role, generate impact on the ground and contribute to the creation of markets in which private finance can flow to those areas where it is most needed.

The Development Accelerator provides 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 contribution, the fund aims to catalyse the development of impact projects and business activities together with the Dutch business community in the agri-food, water, energy, enabling infrastructure and health sectors.

In 2020, the Development Accelerator co-financed 15 projects in the agri-food, water, energy and health sector. The second edition of Finture Solutions was held in June and five innovative start-up winners were selected to scale their solutions in emerging markets across the world.

In response to the pandemic and the need for innovative technological solutions and approaches, an amount of EUR 1.2 million within the Development Accelerator was approved specifically for COVID-19 related projects in close cooperation with the Dutch business and NGO community.

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, 15 April 2021

On behalf of the Management Board

Linda Broekhuizen, Chief Executive Officer, a.i.
Fatoumata Bouaré, Chief Risk and Finance Officer
Huib-Jan de Ruijter, Chief Investment Officer, a.i.

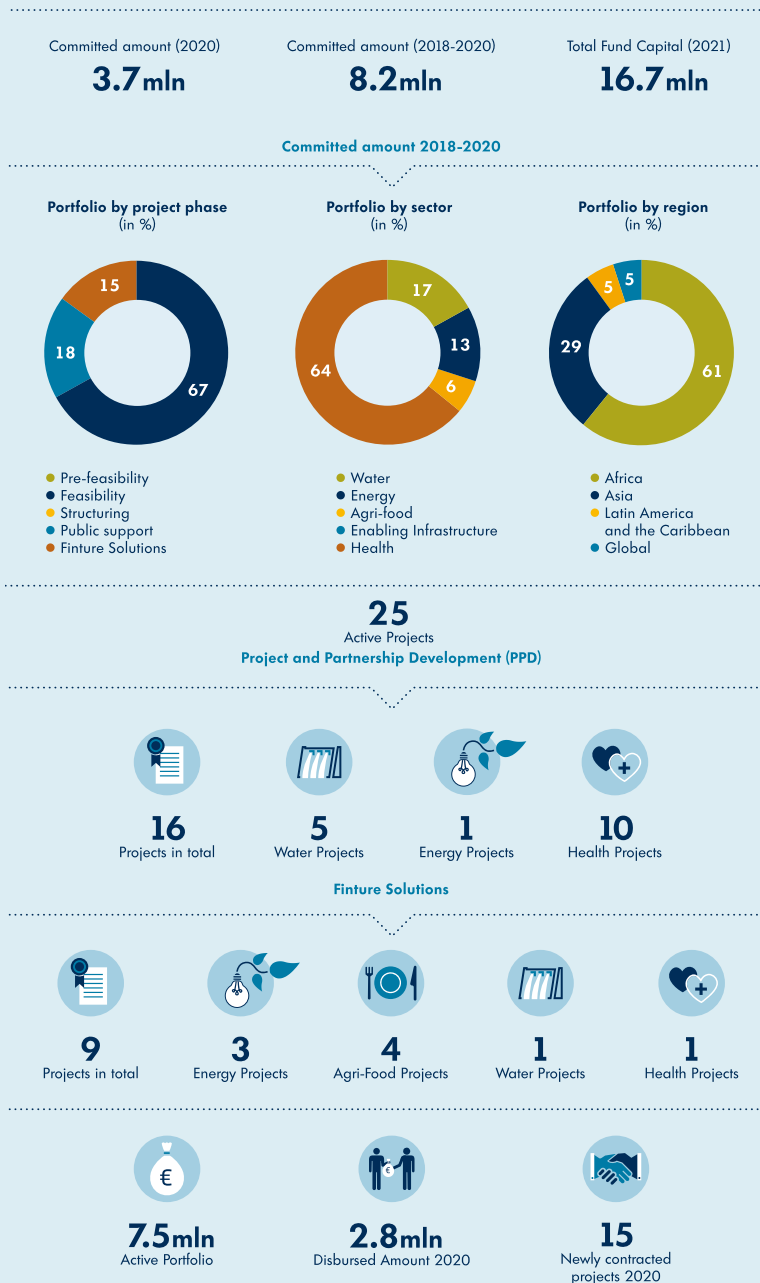
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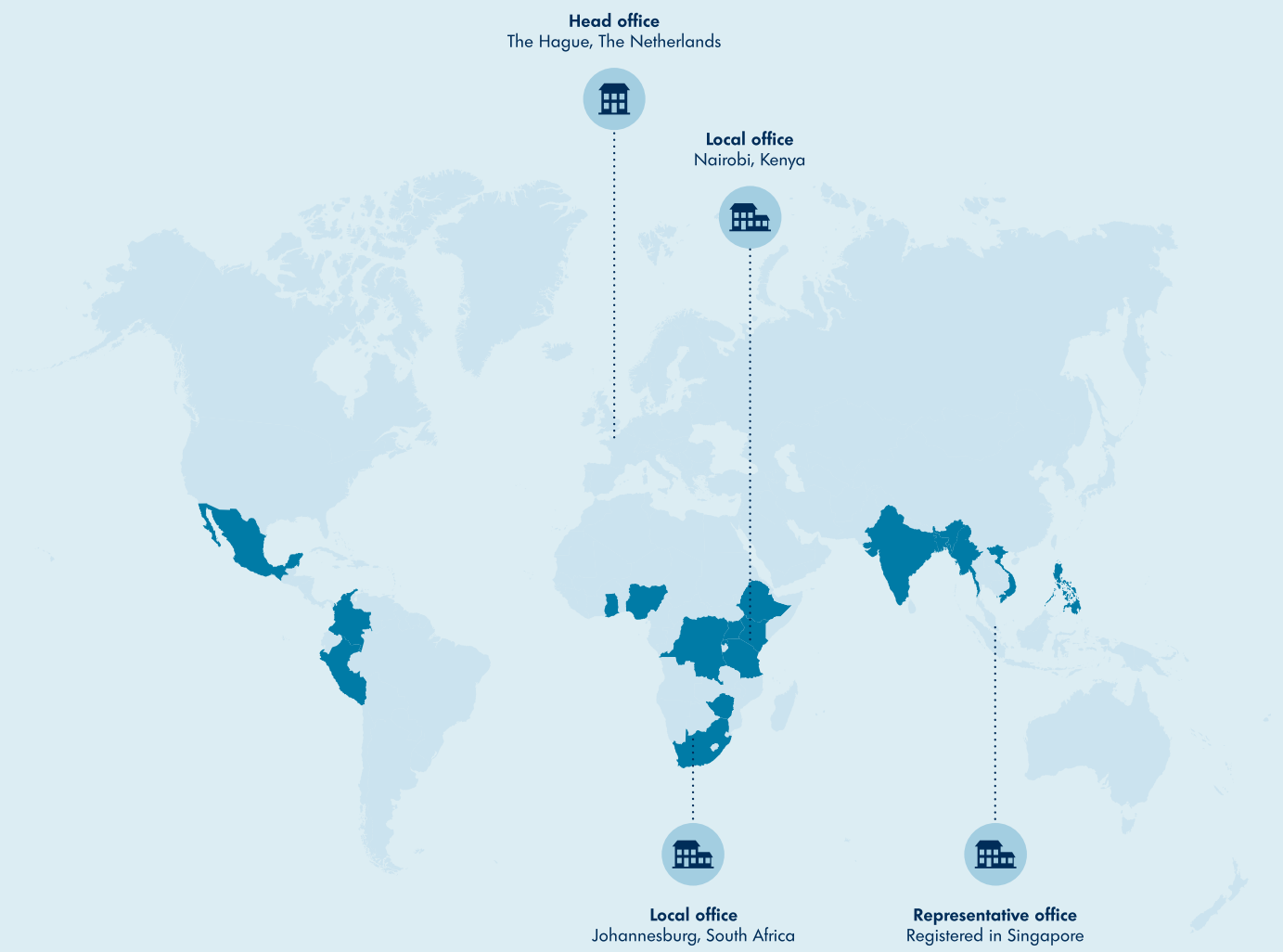
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AT A GLANCE

The Development Accelerator (DA) was established in 2017 by the Ministry of Foreign Affairs and is managed by FMO NL Business. The core activity of the facility is to support Dutch businesses or project sponsors (public or private) to develop high impact projects with a Dutch interest in the agri-food, water, energy, enabling infrastructure and health 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 31-12-2020





PERFORMANCE ON OUR STRATEGY

Highlights

In 2020, the Development Accelerator contracted 11 new projects with a value of EUR 3.7 million in the agri-food, water, energy, and health sectors, of which five projects were COVID-19 response projects. In addition, five Dutch start-ups, the winners of Finture Solutions, were awarded EUR 125,000 each in development contribution, of which four start-ups are contracted.

A total of EUR 2.8 million was disbursed during the year for projects in Bangladesh, Colombia, Congo-Brazzaville, and Vietnam amongst others. At year-end DA had 25 active projects in portfolio amounting to EUR 7.5 million.

The total fund capital of the DA for the period 2017-2021 is EUR 16.7 million of which EUR 1.8 million can still be withdrawn until the end of 2021. FMO NL Business requested an increase of the funding under the DA.

As a result of the pandemic, the DA saw delays in the execution of some of the projects in the portfolio. Especially the projects managed together with the IFC in the health sector could not progress as planned. At the same time, we look back positively on the new impact projects the fund was able to contract during the year.

Overview new projects 2020:

- **Prime Bank Hospital- Bangladesh (Health)**
Co-financing for Alinea Pty. Ltd., mandated by the Prime Bank Foundation, to develop a bankable feasibility study for an envisaged high impact 400 bed teaching hospital in Dhaka, Bangladesh. There will be at least two Dutch companies involved in the construction and equipment phase of the project.
- **Circular Farming- South Africa (Agri-food)**
DA supports Colsen International B.V., a Dutch SME, focusing on water, energy and environmental technology, to conduct a feasibility study for the development of a biogas plant using chicken manure from poultry farms in South Africa. The project will reduce the CO2 footprint of the chicken farms considerably by producing green energy and clean fertilizer from a waste stream of chicken manure.
- **Ngali healthcare project- Rwanda (Health)**
Health Access International B.V., an independent hospital and healthcare consultancy company that aims to create affordable quality healthcare for everyone, received funding for the feasibility to design and construct a central specialized health clinic with a network of five satellite health centers in Rwanda. The project will help to ease the burden on the people who need quality medical care.
- **Eboteli- Congo Brazzaville (Health)**
For this project funding was provided to Royal Philips N.V. to support an 18-month proof of concept pilot with the aim to reduce child and maternal mortality as part of the feasibility phase covering four district hospitals, one central emergency health clinic and fourteen health facilities throughout Congo Brazzaville.
- **PPJ-Wiser Pilot-Vietnam (Water)**
Wiser Globe B.V. received funding to support the scaleup of the innovative Wiser Wash patented denim wash technique, proven to offer considerable reduction of water usage and chemicals in the denim wash process, across Phung Phu International's (PPJ) denim laundry facilities in Vietnam.

COVID-19 response projects

In response to the COVID-19 outbreak and the need for innovative technological solutions and approaches to respond in a timely and effective manner in Africa and Asia, FMO has engaged with several Dutch organizations. The focus was firstly on reacting to requests related to COVID-19 from existing clients, and secondly on building relationships with organizations that the team has been in contact with for a longer period to develop joint business opportunities.

Given the extraordinary situation and the nature of some of the responses, DA assigned EUR 1.2 million in development contribution to eight COVID-19 response projects in the health and water sector. Six projects were contracted in 2020.

Overview of the contracted COVID-19 response projects 2020:

- **COVID-19 monitor (Ghana) – PharmAccess Foundation**
The project aims to support PharmAccess with the implementation and roll out of the COVID-19 response app, developed by Luscii in the Netherlands. The app will support healthcare providers, patients, and the local government in Ghana, to improve the response capacity for disease outbreaks and to contribute to build up a stronger healthcare system in Ghana.
- **AidInnov (Africa) – Solvoz Holding B.V.**
Solvoz has developed a platform that combines a digital catalogue with a tender workflow for the procurement of aid supplies for COVID-19 response. DA has provided funds to launch the platform free of charge in order to make the procurement process for health NGOs in Africa more transparent and efficient.
- **CAD4COVID Online Solution (Africa) – Delft Imaging Systems B.V.**
Funding has been provided to Delft Imaging Systems for the implementation of a Cloud based artificial intelligence tool to screen X-ray thorax images for COVID-19. The solution is an innovation which enhances locally installed, existing technology. Artificial intelligence is reducing the need for trained radiologists which is important in general in a low resource setting and certainly in times of a pandemic.
- **VODAN (Africa) – Cordaid Foundation**
Funding for the roll out of a Virus Outbreak Data Network (VODAN) aimed at providing African authorities with reliable COVID-19 related data to better prepare and manage their national responses. The project will create local data points and enable existing data sources at hospitals, universities and private institutions, to report the data. It is a project by Africans for Africa off an approach that was developed in the Netherlands and is now rolled out by Cordaid in close collaboration with the Go Fair foundation and Philips.
- **COVID-19 Sewage Surveillance Pilot (Kenya) – World Waternet**
Funding to World Waternet to roll out the early surveillance system of COVID-19 trends in populations by sampling and testing sewage for RNA strains of COVID in Nairobi. This is based on the methodology developed by the KWR Water Research Institute in the Netherlands.
- **COVID-19 improvement of water availability (Kenya) – Genap B.V.**
Funding provided for the piloting of a water solution developed by Genap and its partner for five Kenyan Water Service Providers to increase and improve the access to safe water to primarily prevent the spread of COVID-19. The proposed solution will lead to a cleaner and controlled water distribution system, enabling people to have sufficient water available for drinking, personal hygiene and hand washing.

Finture Solutions

Over the coming decades, the global population will rapidly increase with fewer resources available to provide sufficient food for all. Power shortages are one of the biggest barriers to development. Meanwhile a significant part of the world has trouble accessing quality healthcare and other basic needs. In close collaboration between FMO and Rockstart, one of Europe's first accelerators, Finture Solutions was initiated in 2019 to address these challenges.

The aim for Finture Solutions 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. The 2020 edition of Finture Solutions, this time as an online event, was a great success and awarded EUR 625,000 in development contribution to the following five innovative Dutch start-ups:

- **Almacena Platform B.V.**
Almacena BV is dedicated to support smallholder coffee and tea farmers in African countries to unlock their access to new markets and finance, enabling direct trades between them and final buyers. Its product, the Platform, offers African producers an online marketplace as a direct sales channel to end buyers – roasters and tea packers – in consumption markets. The direct sales are facilitated by the trading as a service model which allows the producers to get working capital finance, insurance, logistics, warehousing, and local marketing services via the Platform against a fixed minimal fee.

- **Oceans of Energy B.V.**
Oceans of Energy has designed and made durable offshore floating solar systems that operate at sea at a cost that is lower than any non-renewable energy producing technology. This technology allows for densely populated areas or islands with limited land space to have access to affordable clean energy. Their intention is to bring this technology also to emerging markets.
- **ASOBO B.V.**
ASOBO is creating a sustainable platform for e-mobility on the water in emerging markets. They provide electric outboard engines that are powered by renewable energy and currently offered on a full-service basis to the fisherfolks on Lake Victoria, Kenya. This will allow the fisherfolks to use clean energy engines, at a lower cost than the diesel generated ones, they traditionally used.
- **Agriplace B.V.**
AgriPlace helps farmers and farm groups to digitize the certification process and obtain international certification more easily. The platform also streamlines the compliance process and manages compliance from farm to fork. This will increase visibility for the farmers in emerging markets with the buyers in Europe and elsewhere.
- **Inuka Coaching B.V.**
Inuka Coaching is a digital mental health app and platform that bridges the accessibility and affordability barriers to quality mental health wellness in Kenya. On the platform, a client can take a wellbeing assessment, and is matched with a coach for sessions and practical solutions.



Reducing the water footprint in the production of denim in Vietnam

Who is our client

DA funds Wiser Globe B.V. with validating, creating demand and scaling up the patented Wiser Wash technique across Phung Phu International's (PPJ) denim laundry facilities in Vietnam.

Funding objective

The Wiser Wash technique is proven to offer up to 65% reduction of water usage in the denim wash process. In addition to the significant savings in water usage, Wiser Wash also contributes towards zero discharge of hazardous chemicals to the environment and offers up to 34% reduction in energy usage during the denim washing process. PPJ who is a large manufacturer of denim goods in Vietnam for high-end international brands, is committed to sustainable practices with a focus on the reduction of their water and energy footprint, reuse and recovery of heat, chemicals and wastewater, recycling of fabric and garment and zero discharge of hazardous chemicals.

As such, PPJ has partnered with Wiser Globe B.V. to pilot the Wiser Wash technique to meet their sustainability goals. Upon successful implementation and achievement of the key performance indicators of the pilot project, the Wiser Wash technique will be scaled up across all of PPJ's laundries in Vietnam over a 2-year period.

Why we fund this project

DA funds are made available to pilot an innovative proven water conservation technique patented by a Dutch company that will improve the water footprint, among others, in the denim textile industry.

The project will also be able to earn FMO's Green label status due to the Wiser Wash technique that provides significant water savings, energy savings and zero hazardous chemical use and discharge to the environment. The investment will also qualify as a 'gender inclusive business' as per FMO's Reducing Inequalities Label guidelines. This is because the client of Wiser Globe B.V., PPJ has a workforce that entails 90% of female employees.

DA Investment | EUR 400,000

Instrument | Development Contribution

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Country | Vietnam

SDG | 6 and 9



DA supports Colsen International B.V., an innovative, family-owned Dutch SME, focusing on water technology, energy and environmental technology. Through their subsidiary Aquest Colsen Ltd in South Africa, they are developing a manure to energy solution to serve almost 50 chicken farms in the West Cape region in South Africa.

International quality teaching hospital in Bangladesh

Who is our client

DA supports Alinea International Pty. Ltd., mandated by the Prime Bank Foundation to develop a private teaching hospital, together with a consortium of reputable international partners, including International Hospital Group and Philips from the Netherlands.

Funding objective

With the co-financing of DA, Alinea International will develop a bankable feasibility study for the Prime Bank Hospital. The ultimate goal is to develop a 400-bed teaching hospital, a nursing college, a medical college, a research academy and an incubator for new technologies.

Why we fund this project?

DA provides funding for the bankable feasibility study to support the positive impact of the project and to support Dutch exporter Philips and Dutch owned project manager Deltadesh to contribute to a high-impact hospital in Bangladesh, a country where healthcare is one of the most underinvested and least developed sectors. This project is foreseen to offer international quality healthcare to both the middle- and upper class as the underprivileged. In addition, the project is foreseen to reduce the shortage of medical staff, and in particular the lack of nurses

DA investment | EUR 323,860

Instrument | Development Contribution

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Country | Bangladesh

SDG | 3 and 4



Circular farming solution in South Africa

Who is our client

DA supports Colsen International B.V., an innovative, family-owned Dutch SME, focusing on water technology, energy and environmental technology. Through their subsidiary Aquest Colsen Ltd in South Africa, they are developing a manure to energy solution to serve almost 50 chicken farms in the West Cape region in South Africa.

Funding objective

With the co-financing of DA, FMO supports Colsen with the feasibility study and to prepare for the development of a manure-to-energy biogas plant for the West Cape region, where the plant would process manure from around 50 chicken farms in this region in South Africa. The biogas derived from the plant will then be sold back to these farms and used to heat their stables. The technology will be exported from the Netherlands.

Why we fund this project?

DA funds the project to make one of the largest protein producers (chicken) in South Africa more sustainable and less dependent on unreliable services of the electricity utility and less dependent on LPG imports. The developed project would reduce the CO2 footprint of the chicken farms by producing green energy and clean fertilizer from a waste stream of chicken manure, which is currently spread out on land, polluting the soil and emitting CO2. By funding this project, we support a Dutch exporter in doing business in South Africa and bringing Dutch innovations to emerging markets.

DA investment | EUR 455,583

Instrument | Development Contribution

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Country | South Africa

SDG | 7 and 13



INTERNATIONAL PRINCIPLES



Equator Principles

Signatory

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](#).



IFC Performance Standards

Adopter

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.



OECD Guidelines

Adopter

We follow [OECD Guidelines](#) on responsible business conduct, notably human rights, labor rights and the environment.



UN Guiding Principles on Business and Human Rights

Adopter

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.



ILO Standards

Adopter

We follow the set of [ILO](#) legal instruments that set out basic principles and rights at work.



UNEP FI | Principles for responsible banking

Signatory

FMO is a signatory of the [Principles for Responsible Banking](#).



Global Impact Investing Network

Member

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.



Sustainable Development Goals Charter

Signatory

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.



Impact Management Project

Member

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.



Natural Capital Finance Alliance

Signatory

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.

UNEP FI / EBF Working Group on Banking and Taxonomy

Member



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.

Dutch Climate Accord

Signatory

We signed the financial sector commitment to fight climate change and support the Dutch Climate Accord to achieve a 49% CO₂ 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

- The Gold Standard

Annual accounts

Statement of financial position

At December 31, 2020

	Notes	2020	2019
Assets			
Banks		4,326	-
Current account with FMO	(1)	-	1,592
Total assets		4,326	1,592
Liabilities			
Accrued liabilities	(2)	363	269
Total liabilities		363	269
Fund capital			
Contributions DGIS previous years		6,860	5,360
Contributions DGIS current year		8,000	1,500
Undistributed results previous years		-5,537	-1,288
Net profit/(loss)		-5,360	-4,249
Total fund capital		3,963	1,323
Total liabilities and fund capital		4,326	1,592
Irrevocable facilities¹			
	(5)	1,676	832
Total subsidy amount allocated to DA I		2,274	2,274
Total subsidy withdrawn from DGIS for DA I		2,160	2,160
"Subsidy 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		12,700	4,700
"Subsidy available for DA II"		1,700	9,700

¹ Irrevocable facilities (off-balance) represent commitments to extend finance to clients and consist of contracts signed but not disbursed yet which are usually not immediately and fully drawn.

Statement of comprehensive income

At December 31, 2020

	Notes	2020	2019
Income			
Interest income	(3)	-	-
Total income		-	-
Expenses			
Interest expenses		-6	-
Remuneration FMO		-2,375	-1,834
Development contribution expenses		-2,890	-2,246
Travel and subsistence allowances		-15	-80
Other operating expenses		-74	-89
Total expenses	(4)	-5,360	-4,249
Net profit/(loss)		-5,360	-4,249
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income/(loss)		-5,360	-4,249

Statement of changes in fund capital

At December 31, 2020

	Contributed Fund Capital	Undistributed results previous years	Net profit/ (loss)	Total fund capital
Balance at January 1, 2019	5,360	-	-1,288	4,072
Transfer profit/(loss) PY to Undistr. Results	-	-1,288	1,288	-
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
Balance at January 1, 2020	6,860	-1,288	-4,249	1,323
Transfer profit/(loss) PY to Undistr. Results	-	-4,249	4,249	-
Contributions DGIS	8,000	-	-	8,000
Results current year	-	-	-5,360	-5,360
Net balance at December 31, 2020	14,860	-5,537	-5,360	3,963

Statement of cash flows

At December 31, 2020

	Notes	2020	2019
Cash from operating activities			
Outflows			
Disbursements on development contribution costs		-2,796	-1,976
Other paid amounts		-95	-170
Remuneration FMO	(4)	-2,375	-1,834
Net cash from operating activities		-5,266	-3,980
Cash flow financing activities			
Inflows			
Contributions		8,000	1,500
Net cash from financing activities		8,000	1,500
Net change in cash & cash equivalent		2,734	-2,480
Position of cash at January 1		1,592	4,072
Position of cash at end of period		4,326	1,592

Summary of accounting policies

Basis of preparation

The annual accounts have been prepared in accordance with special purpose Generally Accepted Accounting Principles ("GAAP") and the remainder of this chapter describes the specific accounting policies applied. 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.

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 contribution costs

Development 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 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.

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

	2020	2019
Banks	4,326	-
Current accounts	-	1,592
Balance at December 31	4,326	1,592

In 2019 the Development Accelerator had no bank account but a current account with FMO which could be freely disposed of, among others for client drawdowns from committed but not disbursed amounts. Since 2020 the Development Accelerator has its own bank account.

2. Accrued liabilities

	2020	2019
Accrued liabilities	363	269
Balance at December 31	363	269

Accrued liabilities primarily relate to unpaid development contribution expenses.

3. Net interest income

	2020	2019
Interest income	-	-
Total interest income	-	-

4. Expenses

	2020	2019
Interest expenses	-6	-
Remuneration FMO	-2,375	-1,834
Development contribution expenses	-2,890	-2,246
Travel and subsistence allowances	-15	-80
Other expenses	-74	-89
Total expenses	-5,360	-4,249

Remuneration costs relate to personnel and other expenses charged by FMO in return for provided services to the Development Accelerator in accordance with the agreement made with the Ministry of Foreign Affairs.

Development contribution expenses relate to 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

Irrevocable facilities (off balance sheet commitments) relate to development contribution contracts which have potential future disbursements.

	2020	2019
Contractual commitments for disbursements of:		
Development contributions	1,676	832

The amount for off balance sheet commitments is much higher than previous year due to an increase in the number of projects contracted.

6. Related party information

Dutch Government:

The Dutch Ministry of Foreign Affairs, more specific department Directoraat-Generaal Internationale Samenwerking (DGIS), sets up and administers the investment funds ("State Funds"), including the Development Accelerator fund, according to the Dutch Government's development agenda. DGIS is the main contributor to Development Accelerator, providing funding upon FMO's request (2020: € 8 million; 2019: € 1.5 million).

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 and 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 and the Land Use Facility of the Dutch Fund for Climate and Development (DFCD) are under FMO's direct management. The execution of Access to Energy – II and the other facilities of DFCD are performed by third parties under FMO's supervision.

FMO charges an amount to the Dutch Ministry of Foreign Affairs as compensation for personnel and other expenses and it is reimbursed accordingly from Development Accelerator's subsidy amount (2020: € 2,375k; 2019: € 1,834k). In accordance with the agreement Beheerskostenvergoeding FMO 2020, dated 29/12/20, these were the estimated expenses based on the agreement written in the contract and FMO reassessed this and concluded that these were the actual cost in 2020.

Remuneration costs have increased as in 2020 more FMO employees have participated in activities for the fund.

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.

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.

Total contribution from the Dutch government is €14,860k at 31 December 2020 (31 December 2019: €6,860k). For the year 2020, the contribution from the Dutch Government was €8,000k (2019: €1,500k). 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 €3,963k in 2020 (2019: €1,323k).

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 assesses whether the proposal is in accordance with the Fund's investment criteria and strategic composition of the project portfolio. Each financial proposal is furthermore assessed in terms of specific counterparty risk, compliance risk (incl. KYC/FEC), 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 innovative solutions to emerging markets.

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.

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) risk 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's 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's services and activities.

Financial Economic Crime, incl. sanctions

Fund's customers follow FMO's procedures regarding financial economic crime, which includes screening of clients on compliance with applicable anti-money laundering, counter financing of terrorism and international sanctions laws and regulations. Due diligence is performed on customers, which includes checks such as verifying the ultimate beneficial owners of the customer we finance, identifying politically exposed persons, and screening against mandatory international sanction lists. These checks are also performed regularly during the relationship with existing customers. Following a DNB onsite inspection in 2018, DNB identified several shortcomings in the way FMO conducts Customer Due Diligence/Know Your Customer. As FMO sees this as an area where the risk of non-compliance with Wwft and Sanctions Law is present, a FEC Enhancement program was set up to demonstrate full compliance by the end of 2021. In 2019 FMO started with execution of the FEC EP which consisted of a.o. conducting the Systematic Integrity Risk Assessment (SIRA), the Risk Appetite Statement on Integrity, which was updated to include Tax Integrity Risk as well, and enhancing the CDD-AML Policy, CDD-AML Manual and a wide range of guidance notes. It became clear in September 2020 that the progress of the FEC Enhancement programme was not fast enough. The updated FEC Framework has meanwhile been implemented. Part of the FEC EP consists of remediation of the customer KYC files and bringing them in line with the updated framework. The remediation of customer KYC files will continue in 2021 and progress is closely monitored by the Management Board. As agreed with DNB, the remediation is expected to be finalized on December 31, 2021.

There is always a risk that a client is involved or alleged to be involved in illicit acts (e.g. money laundering, fraud or corruption). If such an event occurs, FMO will initiate a dialogue with the client, if possible and appropriate given the circumstances, to understand the background in order to be able to assess and investigate the severity. When FMO is of the opinion that there is a breach of law that cannot be remedied or that no improvement by the client will be achieved (e.g. awareness, implementing controls) or that the risk to FMO's reputation is unacceptably high, FMO may be able to exercise certain remedies under the contract such as the right to cancel a loan or suspend upcoming disbursements and will report to regulatory authorities if deemed necessary.

General Data Protection Act (GDPR)

After the implementation of the GDPR in 2018, FMO continued its effort towards the protection of personal data related to its employees, customers and other stakeholders. The data protection officer (DPO) monitors FMO's compliant behavior periodically. The DPO is involved in a.o. change management activities to advise on data protection risks and risk mitigation.

Corruption

Corruption is a global problem, requiring a global response. FMO is guided by the OECD Convention on Combating Bribery and the UN Convention against Corruption, and is dedicated to fight corruption and bribery not only to adhere to the law, but also because such acts undermine sustainable development and the achievement of higher levels of economic and social welfare. Good governance, fair business practices and public trust in the private sector is necessary to unlock the full potential of an economy and its citizens. Corruption can be best prevented collaboratively and FMO actively supports the Transparency International's Netherlands branch and the International Chamber of Commerce in order to share best practices and stimulate the dialogue between Dutch corporates on best practices in doing international business.

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.

FMO has defined risk appetite levels for risk events (P&L impact) and misstatements in financial reporting (P&L impact). In 2020, additional risk appetite indicators have been included.

Despite all preventive measures, operational risk events cannot always be eliminated. FMO, however, systematically collects risk event information and analyses such events in order to take appropriate actions. Furthermore, operational risks resulting from changes in activities are assessed in FMO's Change Risk Assessment Process and could trigger the Product Approval and Review Process. No risk events outside FMO's risk appetite have been reported.

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.

Tax risk

Tax risk includes Tax Accounting risk and Tax Integrity risk. Tax Accounting risk is defined as the risk of paying or filing an incorrect amount of tax (direct and indirect). Tax Integrity risk is defined as the risk of facilitating or involvement in unlawful tax evasion or undesirable tax avoidance by clients or investees. Through its investments, FMO is indirectly exposed to the tax matters of its investees and clients. FMO could unwittingly support or be perceived to support aggressive tax structures. FMO is averse to Tax structures that are clearly aggressive and is cautious with accepting structures that have been set up for multiple underlying purposes and where the principle purpose is not tax. FMO seeks to transpose its Responsible Tax Principles to its clients.



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Independent auditor's report

To: the management board of the Nederlandse Financierings-Maatschappij voor
Ontwikkelingslanden N.V. (FMO)

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Development Accelerator (hereinafter:
DA or the Fund), based in The Hague.

In our opinion the accompanying financial statements as of 31 December 2020 have been prepared,
in all material respects, in accordance with special purpose accounting principles as disclosed in the
financial statements.

The financial statements comprise:

- ▶ The Statement of Financial Position as at 31 December 2020
- ▶ The following statements for 2020:
 - ▶ The Statement of Comprehensive Income
 - ▶ The Statement of Changes in Fund Capital
 - ▶ The Statement of Cash Flows
- ▶ The notes comprising a summary of the significant accounting policies and other explanatory
information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the "Our responsibilities for the audit
of the financial statements" section of our report.

We are independent of the Fund in accordance with the "Verordening inzake de onafhankelijkheid van
accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation
with respect to independence) and other relevant independence regulations in the Netherlands.
Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants"
(VGBA, Dutch Code of Ethics).

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

Restriction on use and distribution

The financial statements have been prepared based on special purpose accounting principles. As a result
the financial statements may not be suitable for other purposes. Therefore, our independent
auditor's report is intended solely for FMO and the Dutch State and should not be distributed to or used
by other parties.

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Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements in accordance with the special purpose accounting principles. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Amsterdam, 15 April 2021

Ernst & Young Accountants LLP

J.G. Kolsters

Colophon

Contact details Should you have any feedback or questions, please feel free to contact us.

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