

Nefco
Strategy
2021-25



Ready to risk for green

NEFCO

The Nordic Green Bank

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1 Background

The Nordic countries established Nefco in 1990 as an International Financial Institution (IFI) dedicated to green projects. At that time, the environment was already high on the Nordic political agenda. In 1971, Denmark appointed the world's first minister with specific responsibilities for the environment, followed by Norway, Finland, Sweden and Iceland.

In the 1980s, efforts to clean wastewater and reduce industrial emissions released into the atmosphere had come quite a long way amongst the affluent Nordic countries. However, a large percentage of emissions polluting the Baltic Sea - the primary environmental concern of the area - originated from sources outside their borders, primarily Eastern and Central Europe.

In 1983, the United Nations Secretary-General had asked the former Prime Minister and Environment Minister of Norway to chair the World Commission on Environment and Development. It resulted in the 1987 Brundtland report *Our Common Future*. This report introduced the concept of 'sustainable development' for the first time and called for action at all levels: at home, regionally and internationally.

The original task given to Nefco was to increase awareness of environmental issues and promote sustainable and cost-efficient investments in the geographical areas prioritised by the Nordic governments, which at that time were in Eastern Europe.

While fulfilling this task, Nefco developed an extensive network within environmental and climate communities and an ability to quickly connect stakeholders to relevant projects. As a result, Nefco has financed a large number of private and public projects with its own Investment Fund over the years and attracted several trust fund management assignments, involving both public and private, and Nordic and non-Nordic investors.

1.1 International developments

More recently, the international community developed and undertook an unprecedented set of commitments to pursue a sustainable future by adopting the 2030 Agenda for Sustainable Development, in September 2015, closely followed by the Paris Agreement in December 2015. These instruments place treaty obligations on Nefco's Nordic owners to put their economies on a more sustainable footing and mobilise public and private finance for sustainable growth internationally.

In short, the 2030 Agenda for Sustainable Development is a plan of action for people, the planet and prosperity, requiring contributions from all countries and stakeholders (including International Financial Institutions), acting in collaborative partnerships nationally, regionally and globally.

The ultimate objective of the Paris Agreement is to strengthen the global response to the threat of climate change in the context of sustainable development. This includes making financing consistent with a path to low greenhouse gas emissions and climate-resilient development.

Biological diversity is declining globally at a rate unprecedented in human history - and the rate of species extinctions is accelerating, with grave impacts for people around the world. To reverse this trend, world leaders will meet in China in 2021 under the Convention on Biological Diversity to agree on a new set of commitments to conserve nature. This is often referred to as the global *Nature Deal*.

Biodiversity loss and climate change are two of our major environmental challenges. They are interlinked, as are their solutions. Nature-based solutions to tackle climate change are based on the role of nature to reduce greenhouse gas emissions and help us adapt to the impacts of climate change.

The new EU Green Deal and EU Taxonomy, which were launched in 2019, are an integral part of the EU Commission's strategy to implement the UN 2030 Agenda and Sustainable Development Goals (SDGs). All EU actions and policies will have to contribute to the European Green Deal objectives and will therefore affect Nefco's strategic priorities and activities in the future. A significant part of the EU Green Deal is about pursuing green finance and investment, including from the private sector, and developing standardised accounting practices and improved climate and environmental data disclosure.

The new Nordic Vision 2030, defined by the Nordic prime ministers in 2019, outlines the strategic framework that should be used by government actors and institutions in the Nordic countries to make the region the most sustainable and integrated in the world.

The international development and political frameworks have opened up many new opportunities for Nefco as a pioneering and entirely green international financial institution. Its robust experience as a fast-acting, cost-effective and hands-on results-orientated project implementer on the ground, and its focus on small- and medium-sized projects, makes it particularly well-positioned to take the lead in accelerating the scale-up and globalisation of new green technologies and solutions.

1.2 Nefco's past and present

1.2.1 Eastern Europe

Nefco's broad financing experience in Eastern Europe has been the foundation of its ability to pave the way, be at the forefront and understand risks. Northwest Russia, the Barents area, the Arctic, the Baltic Sea catchment area and Ukraine are of particular interest to the Nordic countries.

Nefco's involvement in these areas has led to capacity building and demonstrated value, and mobilised additional funds for sustainable investments.

Nefco can add value by continuing its assignments in Eastern Europe, with focus on:

- financing small, public sector projects,
- using concessionary loan financing, and
- blending loan financing with Nordic national grant programmes.

What more can and should Nefco do in the future, and where can it add most value?

1.2.2 Fund management for Nordic government initiatives and opportunities

In Eastern Europe Nefco has gained significant experience in fund management for grant programmes that directly support projects that it has financed with loans. Based on this experience, Nefco has been tasked with additional fund assignments for Nordic governments in Eastern Europe over the years, as well as in environmental programmes to which it has not provided its own capital, such as the Project Support Instrument of the Arctic Council.

Nefco has also been active in managing funds in international carbon markets on behalf of Nordic governments and other public and private funders. More recently, Nefco has been tasked with managing a large fund for development organisations for results-based financing of off-grid renewable energy projects in Africa. This fund, initiated by Sida, has now become a multilateral fund with financial contributions from several countries.

Nefco currently manages fund assignments from the Arctic to Africa.

1.3 Nefco's future

1.3.1 Globalisation of Nordic solutions

The urgency of global climate, biodiversity and environmental issues has created a demand for financing to support the scale-up of new, green technologies and solutions on international markets.

Nefco has already started financing Nordic SMEs for the global expansion of new technologies with significant potential to create positive environmental or climate impacts on international markets. Our experience so far shows that there is a particular need for this type of financing, as these projects are often too early in their development to attract traditional bank financing. Nefco can add value by financing the initial scale-up phase, providing 'mezzanine'-type investments - subordinated or unsecured loans that rank between ordinary equity and conventional senior secured loans.

To make a real and fast difference and have the most significant transformative impact, the focus should be on those technologies and solutions that are most easily scalable and presumed affordable over time. To build up necessary expertise and assess the full potential of new technologies and solutions, Nefco focuses on specific sectors, while also being open to financing projects outside its focus areas.

The Nordic markets are small. New green technologies and solutions that can have a significant impact on the climate and environment should be scaled up on global markets as quickly as possible. However, it is in this early scale-up phase that companies find it most difficult to secure financing. Nefco can therefore add the most value by

- financing Nordic private projects
- that aim to scale up on global markets
- through its Investment Fund
- blended with private capital and other funding.

1.3.2 Environmental challenges

General public awareness of climate, biodiversity and environmental issues has never been higher than today. Nonetheless, there is much to be done in many parts of the world. The amount of information available is overwhelming and often popularised, and it is difficult to get a grip of the 'big picture'. Nefco is currently running or involved in many different programmes, financing a wide variety of projects and sectors, and the lack of focus may lead to inefficiencies.

Furthermore, the need for reliable, comparable and verifiable information, using standard methodologies, is increasing, and the EU Taxonomy has introduced new methods for classifying environmentally sustainable activities.

What are the most significant problem areas? Where can the Nordic countries and Nefco add the most value? What kind of demonstration projects are most likely to have the greatest impact per euro spent? How should the results be measured? What indicators are most important for Nefco's activities? The Environmental perspectives section attempts to answer these questions.

1.3.3 Networks for financing at scale

Nefco's competitive edge is its expertise and willingness and ability to absorb financial risk to achieve positive green impacts. To reach scale, Nefco could further expand its collaborations within the Nordic private sector, combining private and public funds to realise green growth. The private sector will be vital for financing the green transition as the EU seeks to facilitate an increase in sustainable public and private investment.

In addition to working directly with individual companies' project financing, Nefco could work more broadly with particular impact funds or programmes through both public and private green networks and larger private companies.

Longer term, Nefco could also develop tools to provide innovative, sustainable financing in partnership with other financial institutions, including the Nordic Investment Bank, other Nordic and international banks, investors and pension funds. This is in line with the Nordic Finance Minister's undertakings under, *e.g.*, the Helsinki Principles to "*Mobilise private resources of climate finance by facilitating investments and the development of a financial sector which supports climate mitigation and adaptation*". Furthermore, Nefco can consider novel solutions on how to best merge public and private capital, including developing novel blended finance solutions and bundling smaller projects to make them suitable for financing from larger financiers.

2 Environmental perspectives

2.1 Nefco's purpose

Nefco's primary purpose is to accelerate the green transition by:

- financing environmentally sustainable small and medium-sized projects using Nordic solutions and technologies that have the potential to be scaled up on global markets and have a substantial positive environmental impact, and support globally set common targets and contributions, and
- continuing its original regional mandate for Eastern Europe, with particular focus on the completion of existing projects, and refocusing its efforts on small-scale projects in neighbouring regions in close cooperation with the Nordic governments.

Nefco is a Nordic institution that is guided by the Nordic priorities, as outlined in [the Helsinki Declaration \(January 2019\)](#) on the Road to Carbon Neutrality in the Different Nordic Countries, drawn up by the Nordic prime ministers as part of the active Nordic climate cooperation and [the Nordic Cooperation Vision for 2030](#).

With limited resources, Nefco needs to prioritise the sectors and activities in which its funding can add most value. A focused approach will allow Nefco to streamline and speed up its assessment of individual project proposals. Greater focus does not mean exclusion, just that its project origination efforts and the selection of projects for funding will be more targeted. It will prioritise specific agreed sectors and activities.

Nefco has decided to adopt the [EU Taxonomy framework](#) as its primary classification system to identify projects that are considered environmentally sustainable. In addition, Nefco will evaluate project proposals using criteria that it has developed during the course of its operation and selected SDG indicators.

Some sectors are of particular interest to Nefco: (1) Energy, (2) Transportation, (3) Food & Agriculture, (4) Forest, (5) Manufacturing & Materials, (6) Water, Seas & Oceans and (7) Waste. Projects in other sectors that fit Nefco's purpose and qualify under the EU Taxonomy may also be evaluated.

2.2 Nefco's role

Nefco's strength is practical project financing with a 'bottom-up' approach, processing a large number of project ideas presented to it by private companies, public entities and other organisations by assessing:

- the potential positive environmental effects of the project proposal
- the potential for scaling up or replicating the proposed project solution or technology

Nefco's ambition is not to be a large finance institution but to maintain an 'edge' as a forerunner with a hands-on approach. It is therefore relevant to focus on areas in which Nefco's financing can be most effective as a catalyst.

2.3 The green transition is the Nordic environmental priority

The Nordic environmental priorities are to accelerate the green transition and work towards carbon neutrality and a sustainable circular and biodiversity-positive economy. The Nordic countries have aligned their priorities within these areas. They have set out more ambitious greenhouse gas reduction targets as a region than any country within the EU or the OECD. The Nordic countries are strongly committed to the [Paris Agreement](#) obligations, the [UN Sustainable Development Goals](#) and the [Convention on Biological Diversity](#).

The Nordic priorities are also recognised in the [European Green Deal](#) and described in detail in the proposal for a [European climate law](#) and the [European Climate Pact](#), the [European industrial strategy](#), the [EU's Circular Economy Action Plan](#), the [EU's Farm to Fork Strategy](#) and the [EU's Biodiversity Strategy for 2030](#).

The European Green Deal lays out the foundation for protecting biological diversity at the European level. As part of this, the European Commission has adopted the new EU Biodiversity Strategy for 2030 and an associated action plan - a comprehensive, ambitious, long-term plan for protecting nature and reversing the degradation of natural ecosystems. It aims to put Europe's biodiversity on a path to recovery by 2030 with benefits for people, the climate and the planet.

Conserving biodiversity and using resources ecologically and sustainably is critical in order to maintain and increase the resilience and to reduce the vulnerability of ecosystems and people in the face of the adverse effects of climate change. Diverse, well-functioning and resilient ecosystems are better able to provide society with ecosystem services and benefits that support climate change mitigation, adaptation and disaster risk reduction.

Nature-based solutions are defined as "actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.

A broad project on 'Nature-based solutions' for 2021-24 has been adopted by the Nordic Council of Ministers. This project aims to contribute to policy development on nature-based solutions in the Nordic countries. It will also include cases for protecting carbon sinks, biodiversity and climate adaptation.

Another important Nordic project is the Initiative Climate Neutral Nordic *"Companies and governments level up together"*. The aim is to strengthen the Nordic region as a green power. This initiative is a joint venture between Nordic governments and Nordic businesses. Business perspectives need to be included in policy development in order to cut climate emissions efficiently.

The Nordic countries are leaders in the global transformation towards greener shipping. Successful implementation of zero emission shipping in the Nordics will further enhance competitiveness. The introduction of sustainable zero-carbon fuels will be crucial to realise the ambitious emission targets of the IMO, and the follow up of the EU Green Deal. A Nordic project for green shipping will start in 2021. It will establish a roadmap for implementation of alternative fuels throughout the Nordic region.

The [Helsinki Principles](#) by the Coalition of Finance Ministers for Climate Actions may also provide a platform for synergies and collaboration opportunities.

2.4 EU Taxonomy for sustainable finance

Nefco has decided to adopt the [EU Taxonomy framework](#) as its primary classification system to identify projects. The EU regulation that establishes the framework of the Taxonomy entered into force on 12 July 2020. The delegated acts should be established by the end of 2021 and will apply by the end of 2022. However, Nefco will start using the framework classification to identify projects from the beginning of 2021.

The EU Taxonomy is a classification system establishing a list of environmentally sustainable economic activities. It will be an important enabler to scale up sustainable investment and implement the European Green Deal. Notably, by providing appropriate definitions to companies, investors and policymakers on which economic activities can be considered environmentally sustainable, it is, when adopted properly, expected to create transparency for investors, protect private investors from greenwashing, help companies to plan for the transition, mitigate market fragmentation and eventually help shift investments to where they are most needed.

The Taxonomy establishes six environmental objectives:

- 1) Climate Change Mitigation,
- 2) Climate Change Adaptation,
- 3) Sustainable Use and Protection of Water and Marine Resources,
- 4) Transition to a Circular Economy,

- 5) Pollution Prevention and Control, and
- 6) Protection and Restoration of Biodiversity and Ecosystems.

In addition to the above-listed objectives, according to the Taxonomy, projects need to comply with four requirements to qualify:

- 1) provide a substantial contribution to at least one of the six environmental objectives above,
- 2) do 'no significant harm' to any of the other environmental objectives,
- 3) comply with robust and science-based technical screening criteria, and
- 4) comply with minimum social and governance safeguards.

Nefco will not finance projects with any components using fossil fuels.

2.5 Sectors

In this section, we describe some sectors in which we find high Nordic competence and speed of innovation. They are of particular interest to Nefco, since projects in these areas have a high probability of providing global benefits when implemented at a larger scale. However, projects in other sectors that can be classified as environmentally sustainable according to the EU Taxonomy may also be of interest.

There is an overlap between the sectors, and some projects fall under two or more categories. For example, energy and transportation are closely connected, some technologies reduce energy use significantly, and biomass produced in forest and agricultural sectors provide fuel for the energy and transportation sectors. Circular economy could be treated as a sector on its own but is instead considered a descriptive factor of projects in many of these sectors.

For each sector, we describe the global environmental effects and some possible solution categories.

Nefco can finance projects that have both direct and indirect impacts on the climate and environment. Enabling technologies may include solutions for smart energy use in communities or houses and to enhance public transportation systems or car sharing pools and digital marketplaces to increase recycling and reuse of used materials and products.

2.5.1 Energy

The energy sector is of vital interest with respect to climate change. Electricity generation alone accounts for over a quarter of the EU's greenhouse gas emissions. This sector is a priority in the Nordic countries. A wide array of modern technologies is available to reduce global emissions and provide modern, clean energy at affordable prices.

Solutions that reduce energy usage are equally important. Sectors like forestry, agriculture, transport and construction are all heavy energy users.

[The European industrial strategy](#) outlines comprehensive measures to modernise and decarbonise energy-intensive industries, support sustainable and smart mobility industries, promote energy efficiency, strengthen current carbon leakage tools and secure a sufficient and constant supply of renewable energy at competitive prices.

The solution categories include: 1) Reduction of the use of fossils by increasing energy efficiency and implementing more efficient technologies; 2) Replacement of fossil fuels with renewable energy sources; 3) Renewable energy conversion, transmission and storage; and 5) Access to renewable energy at affordable prices (in remote areas). Development of renewable energy projects need to address the risks to biodiversity, according to the do no significant harm principle

Renewable energy generation is a growing industry that is already attracting financing from traditional actors. Nonetheless, risk capital is needed to develop new solutions for the production, storage and transportation of renewable energy.

2.5.2 Transportation

The main environmental issues of transportation are harmful climate effects, noise and pollution.

Transportation needs are growing, and the drivers of transportation requirements, such as mobility and trade patterns, should be addressed, as should the use of fossil fuels as an energy source. Transport operations consume one-third of all energy, and the bulk of this comes from oil.

Although vehicle efficiency improvements have had a mitigating effect on emissions, it has been outweighed by growing demand for transportation and the small share of low-carbon solutions.

The solutions for this sector should reduce mobility needs and transport of goods, and incorporate electrification, biogas and biofuels, and environmentally friendly solutions for public transportation.

The need for new ways of working remotely, or arranging work in other ways, as a consequence of the Covid-19 pandemic, and to account for similar future threats, may pave the way for exciting solutions that contribute to a more environmentally friendly transportation sector

2.5.3 Food & Agriculture

The food production system impacts climate, biodiversity, animal welfare and human health. Food production is the cause of 60% of biodiversity loss and a third of the earth's land usage.

The continuous growth of this industry is the biggest reason for forest loss and degradation of other valuable habitats.

Land and soils are essential for all life-sustaining processes on our planet. They are the basis for the food we grow and for many other products such as feed, textiles and wood.

Soils also provide a range of ecosystem services that are essential for providing clean water, supporting biodiversity, cycling nutrients and regulating the climate.

Soils are facing pressures from an increasing population with demands on land for production, settlement and industries. Soils are also profoundly affected by climate change, erosion and sea level rises. Approximately 33% of our global soils are degraded and, in the EU, erosion affects 25% of agricultural land.

[The EU Farm to Fork Strategy](#), which is at the heart of the European Green Deal, aims to make food systems fair, healthy and sustainable, bringing new opportunities for operators in the food value chain. More efficient food chains with less food waste and new technologies and scientific discoveries, combined with increasing public awareness and demand for sustainably produced food, will benefit all stakeholders.

To enable and accelerate the transition to a fair, healthy and sustainable food system, [financial instruments](#) are necessary to help resolve tensions, develop and test solutions, overcome barriers and uncover new market opportunities.

Nordic companies have developed technologies at the forefront of plant-based protein production and land-based aquaculture. Organic fertilisers reconcile nutrient flow and decrease the need for artificial fertilisers, which reduces the use of fossil fuels and phosphorous mining.

2.5.4 Forest

Forest loss has a substantial adverse effect on global greenhouse gas emissions as well as biodiversity. Forest ecosystems are the foundations for species diversity, carbon storage, water resource distribution and terrestrial temperature balancing as well as social and cultural values. Forest management could thus play a pivotal role in meeting biodiversity conservation, and climate change mitigation and adaptation goals. Sustainable tourism, including fishing and hunting, also plays a positive role in maintaining biodiversity.

However, monoculture tree plantations have a twofold impact globally: contributing to loss of biodiversity and net carbon emissions. Old-growth forests store carbon for centuries, whereas plantations and young forests are net emitters of carbon due to the disturbance of soil and degradation of previous ecosystems.

The Nordic countries are strong players in the forest sector globally. The Nordic focus has typically been on intense utilisation of forest resources rather than environmental solutions. However, forests contain a large amount of biodiversity in the Nordic countries, and

sustainable development with a balance between forest harvest and conservation is essential to achieve the Nordic countries' environmental objectives.

More timber can be used in construction, replacing materials that are harmful to the climate, such as concrete and steel. Wood can play an important role in facilitating the circular economy, particularly in the construction industry.

Unused or underused forestry waste, trimmings and agricultural residue can provide substantial amounts of feedstock that can be converted into liquid fuels for direct combustion for energy or use as feedstock for the industrial production of biomaterials and biochemicals. However, biomass is (and will remain) a limited resource, and there is a limited stock of sustainably available biomass.

2.5.5 Manufacturing & Materials

The production of materials and goods typically puts a strain on the environment in many ways. Manufacturing is the second-largest contributor of CO₂ emissions, and the textile industry alone produces the same amount of emissions globally as all air and marine traffic combined. Improved material efficiency is key to the circular economy and capturing value in the industry. Increasing waste segregation into high-quality, circulated raw materials reduces the use of natural resources.

While the production and consumption of chemicals provide benefits to society, exposure to hazardous chemicals emitted over the course of the chemical life cycle can pose significant risks to ecosystems and public health. Reducing the use of dangerous and toxic chemicals contributes to the protection of the environment and human health.

2.5.6 Water, Seas & Oceans

Achieving the right environmental balance in seas and oceans can help to address eutrophication, hazardous substances, acidification, biodiversity and maritime activities. Disturbed phosphorous and nitrogen cycles result in eutrophication and oxygen-starved aquatic systems.

While an excess of nutrients in water is a problem, it can provide useful for agriculture if processed appropriately. Decreasing the need for artificial fertilisers reduces greenhouse gas emissions and the need for mining. Municipal wastewater treatment is also linked to nutrient recycling when usable biosolids are produced from wastewater treatment sludge. The Nordic countries have significant capacity in wastewater management and have introduced water-saving technologies in production, urban environments, housing, and irrigation machinery.

Protection, sustainable management and use of the seas and oceans is crucial to our collective future. Important areas include reduced eutrophication from wastewater and agriculture, reduced pollution from hazardous substances, strengthened ecosystem

management in fisheries, aquaculture, more sustainable shipping, marine litter and plastic waste.

2.5.7 Circular economy

Due to the increased use of material resources, the need for efficient solutions to waste management is increasing. Greater quantities of useful materials for further production can be extracted from waste or industrial by-products. The Nordic countries are forerunners in recycling, and many solutions in both waste management and material recycling can be found in the region. Waste management is an issue in the municipal, agricultural, industrial and construction sectors.

One of the main blocks of the European Green Deal is the Circular Economy Action Plan, in which waste is described as secondary raw materials. To create well-functioning markets for secondary raw materials, it is necessary to stimulate high risk investments that promise new alternative solutions.

3 Value proposition and focus areas

3.1 Value proposition

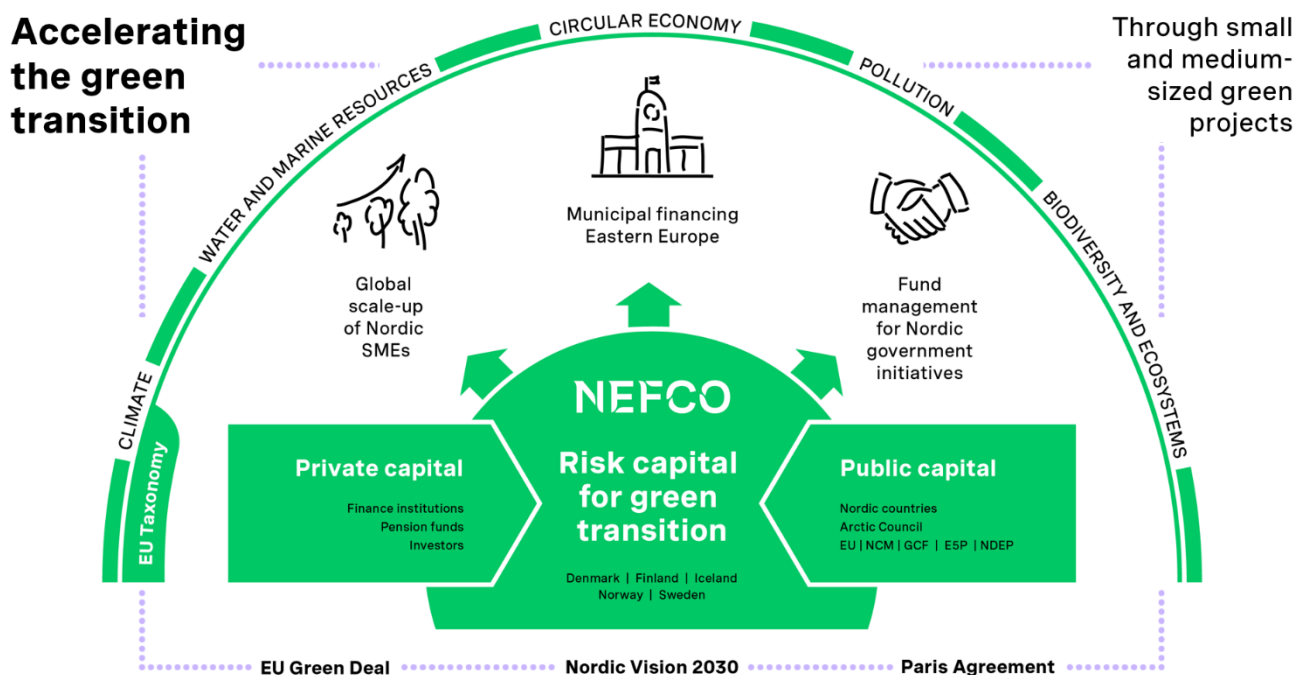
Nefco is the 'Nordic Green Bank' supporting Nordic green SMEs to internationalise and scale up their businesses worldwide.

3.2 Focus areas

Nefco has structured its current activities in three different focus areas:

1. Green transition financing for Nordic SMEs for international scale-up
2. Green transition municipal financing in Eastern Europe
3. Green transition fund management for Nordic government initiatives and opportunities

Nefco may also explore other opportunities for green finance where it can utilise its advantages, core competencies and capacities.



3.2.1 Green transition financing for Nordic SMEs

We finance the internationalisation of Nordic green technologies and solutions that can be scaled up on global markets.

Our clients are small and medium-sized companies with projects that have a higher financial risk profile than is acceptable for traditional commercial bank financing.

We finance the early growth phase of projects that are commercially and technologically proven, filling a financing gap between equity and traditional bank financing.

3.2.1.1 Goals

1. To be recognised as the leading risk-capital financier for the global scale-up of Nordic SMEs with Nordic green technologies and expertise.
2. To disburse over EUR 200 million to 100 new projects during five years.

3.2.2 Green transition municipal financing in Eastern Europe

Nefco shall continue its original regional mandate for Eastern Europe, focusing on the completion of existing projects, and refocusing its efforts on small-scale projects in neighbouring regions in close cooperation with the Nordic governments. The financing instruments are loans and grant programmes managed by Nefco or its partners.

3.2.2.1 Goals

1. To maintain a long-term sustainable project portfolio in Eastern Europe regarding the size and balance of countries included. Nefco shall focus on small catalytic projects in the public sector.
2. To make a substantial contribution to the modernisation of Ukraine's obsolete DH sector by funding modern district heating (DH) projects based on Nordic expertise combined with policy-related efforts.
3. To continue to manage funds for the Arctic Council and Nordic governments to implement trust fund projects in the Arctic and Barents regions and Northwest Russia.

3.2.3 Green transition fund management for Nordic government initiatives and opportunities

These are fund assignments outside of Eastern Europe managed on behalf of Nordic and other governments. The financing instruments can be results-based financing programmes aimed at mobilising private investments or other types of market-based investments but do not include direct investments with Nefco's own funds.

3.2.3.1 The BGFA Programme

The BGFA Programme was established early 2019 at Sweden's (Sida's) request. BGFA offers direct, results-based financial incentives to private energy service companies to encourage them to establish innovative sustainable businesses in challenging markets and accelerate access to affordable and clean off-grid energy at scale for customers in peri-urban and rural areas.

3.2.3.2 NICA

The Nordic Initiative for Cooperative Approaches (NICA) builds on existing Nordic/Nefco carbon market expertise. NICA aims to contribute to the Nordic governments' development of and future compliance with a new carbon market under the Paris Agreement. In the medium term, such a market could also benefit Nordic corporates.

3.2.3.3 Goals

1. To successfully implement the BGFA Programme (in Burkina Faso, Liberia, Zambia, Mozambique and Uganda).
2. To expand BGFA core activities/related activities (including clean cooking solutions) into 2-5 additional Sub-Saharan African countries and attract other like-minded donors.
3. To attract funds and establish a 'new carbon market' piloting/testing facility.

4 Communications

Purposeful communications with stakeholders and reporting of Nefco's impacts will be crucial to fulfilling the strategy. Nefco is a small organisation that is an accelerator of green Nordic solutions with global outreach.

The communications activities will be focused on:

1. Stakeholder relations: Who do we need on board?
2. Development of impact reporting: Why do we matter?
3. Identity and key messages: What is our story?

4.1 Stakeholder engagement

Nefco has defined key stakeholders it needs to engage with, including Nordic political decision-makers, civil servants, other financial institutions and investors, associations and coalitions, and think tanks, journalists and youth organisations.

The goal of Nefco's communication activities is to become top-of-mind of our stakeholders by:

4.1.1 Offering information when it is relevant

To spark the interest of stakeholders, Nefco shall offer information that's relevant to them at the given moment.

4.1.2 Anticipate public discussions

For small actors such as Nefco, which operates more on the ground than in high-level political circles, it often requires much effort to get opinions heard in public discussions. Anticipating these discussions offers the possibility to participate in public debates and present Nefco's insight to stakeholders.

4.1.3 Add value

As a small but international actor, Nefco's strength is bringing together different stakeholders. Building stakeholder relations in cooperation with other actors is justified, both by utilising national networks to spread the word and by linking these networks internationally.

4.2 Impact reporting

A relevant impact-reporting framework is an important part of the strategy. Communicating the impact of matters that are relevant to various audiences will significantly help Nefco to increase awareness of the organisation and its relevance among key stakeholders.

Nefco's impact reporting shall focus on the change that it is able to achieve through its financing activities.

A clear and well-prepared reporting framework will be developed in which Nefco will:

1. Use the EU Taxonomy framework to screen projects against environmental objectives.
2. Review the SDG framework and prioritise existing indicators.
3. Update its own indicator framework, including impact indicators for scale-up potential and demonstration value projects (based on the targets set for the projects).
4. Focus on outcomes rather than outputs, make more use of trend analyses and change, and provide more context to make impacts understood.