



21 October 2014

(14-6030)

Page: 1/5

**Council for Trade-Related Aspects of  
Intellectual Property Rights**

Original: English

## **REPORT ON THE IMPLEMENTATION OF ARTICLE 66.2 OF THE TRIPS AGREEMENT**

NORWAY

*Addendum*

The following communication, dated 14 October 2014, from the delegation of Norway is being circulated pursuant to paragraph 1 of the Decision on Implementation of Article 66.2 of the TRIPS Agreement (IP/C/28).

### **1 INTRODUCTION**

1.1. Article 66.2 of the TRIPS Agreement requires "developed country Members to provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base". The present note provides an update of the relevant facilities provided by the Norwegian Agency for Development Cooperation (Norad) and the Norwegian Investment Fund for Developing Countries (Norfund).

1.2. Least developed countries (LDCs) are eligible for Norad and Norfund incentive schemes along with other developing countries.

### **2 THE NORWEGIAN AGENCY FOR DEVELOPMENT COOPERATION (NORAD)**

2.1. Norad provides incentives for technology transfer to LDCs and long-term cooperation countries for Norwegian Official Development Assistance through (1) its facilities for pre-investment support including training and (2) its institutional support.

2.2. The incentives are application-based and untied. The main users are Norwegian enterprises. The schemes are open for all kinds of technology transfer, but priority is given to investments in renewable energy, environment and climate-related technology, agriculture, forestry and the marine and maritime sector. Technical assistance is the main mode of technology transfer but the schemes also include investments in basic infrastructure. Myanmar, Zambia, Afghanistan, Bangladesh and Tanzania are among the LDCs receiving such support. The financing facilities are fully utilized every year.

2.3. The purpose of the Norad facilities for pre-investment support is to encourage firms to invest in developing countries, including LDCs. The support scheme intends to pave the way for long-term commercially viable investments through financial support for risk-reducing measures and/or measures that promote the sustainability and feasibility of private investment projects. The facilities promote cooperation, including cooperation relating to transfer of technology, through the support of feasibility studies for establishing joint ventures or foreign subsidiaries, match-making, training in order to strengthen the local staff and management of joint ventures or companies that

are owned wholly or partially by one or more foreign companies, investments in basic environmental infrastructure and basic infrastructure (road, water/sanitation, electricity and telecommunication).

2.4. The purpose of supporting trade related projects is to strengthen the countries' export potential and to facilitate trade by assisting in building institutional and national capacities i.e. relating to standards, metrology, testing and quality and trade facilitation. Norad supports several regional and national programmes leading to international recognition and acceptance of certification systems. Some of these programmes also include financing of testing laboratories both for food exports and particular industrial goods. The area of trade facilitation is important for the development of trade, not least regional trade, and support is given mainly through multilateral and international organizations.

2.5. Norway's International Climate and Forest Initiative was established in 2008, to implement the pledge from Bali. Most activities are being coordinated through multilateral channels. In addition, Norway supports a few countries bilaterally in their efforts to reduce forest loss, and provide funding for civil society actors in relevant areas. Technology transfer- and development related to reduced greenhouse gas emissions will be an important element in the cooperation between public authorities and private sector. In particular the development of capacity for Measurement Reporting and Verification (MRV) has a high component of technology transfer. A large number of countries receive MRV support from Norway through multilateral and bilateral channels, which also benefits national private and public institutions through capacity building and technology transfer.

2.6. The purpose of the Clean Energy for Development Initiative is to provide increased access to clean energy. The Initiative focuses on areas where Norway has a special expertise to offer and mobilize private capital and competence in areas such as hydropower, solar, wind and bio-energy. The Initiative also supports various capacity building and institutional strengthening programmes within the energy sector. Some of the core LDCs receiving such support are Mozambique, Nepal, Tanzania, Uganda, Timor-Leste, Liberia, and Ethiopia. Norway is also a Partner of the International Energy and Climate Partnership. The Partnership aims to coordinate joint efforts to ensure access to sustainable energy for all and avoid greenhouse gas emissions through the increased use of renewable energy and improved energy efficiency in developing Partner countries.

2.7. The Norwegian Oil for Development Initiative (OfD) aims at assisting developing countries, upon their request, in their efforts to manage petroleum resources in a way that generates economic growth, and promotes welfare of the whole population in an environmentally sustainable way. The Oil for Development Initiative conducted activities in 19 countries. Mozambique, Sudan and South Sudan, Timor-Leste and Uganda are among the LDCs receiving support. The Oil for Development Programme is engaged in a number of other initiatives, either directly or via other donors and implementing partners (for example Petroleum Governance Initiative and Norad's Master Programme for Energy and Petroleum).

2.8. The main task for the Information Office for Private Sector Development, owned by Norad and Norfund, is to advise companies on different support instruments available when planning an investment in a developing country. Main sectors of interest have been renewable energy, manufacturing and services.

### **3 NORWEGIAN INVESTMENT FUND FOR DEVELOPING COUNTRIES (NORFUND)**

#### **3.1 About Norfund**

3.1. The purpose of Norfund is to promote private-sector development in developing countries by providing risk capital and expertise. Norfund provides loans and invests in equity both directly in companies and through local or regional funds. Norfund supports the realization of viable commercial projects which balance economic, social and environmental considerations, by investing in private enterprises. Norfund's strategy is to invest primarily in four geographical areas: Southern Africa, Eastern Africa, Central America and the Mekong area, with priority given to Africa and LDCs. These are areas with a particular shortage of capital and expertise, and in both 2013 and 2014 two of Norfund's own investment targets concern geographical reach, namely that 33% of new investments should be made in LDCs and 50% in sub-Saharan Africa (note that these

targets excludes Norfund's investments through SN Power, see more under paragraph 15 below). Of new commitments (excluding SNPI) during 2013, the LDC and sub-Saharan Africa shares were 42 and 68% respectively. Norfund has a local presence with offices and staff in all the four target areas. Norfund provided NOK 1.22 billion to ODA recipients in 2013.

3.2. Additionally, Norfund has chosen to concentrate especially on investments in renewable energy, agribusiness, and the financial sector. These are sectors with high developmental returns and where Norfund's prerequisites for mobilizing expertise of international quality are good. Assistance from Norfund is untied and do not have to be in cooperation with Norwegian enterprises. Of the three core sectors, renewable energy and the financial sector are the largest areas of investment. Both sectors are preconditions for development and growth. Renewable energy projects contribute to more energy production as well as healthier and more sustainable sources of electricity. Banks and microfinance institutions are important for businesses' and households' access to financial services such as loans, saving accounts and insurance which allows for more value creation and financial planning. Agribusiness is an important sector for poverty reduction through increased food production for local consumption and trade, as well as employment of both skilled and unskilled labour. Technology and competence transfers are an integral part of Norfund's investment activities, both regarding operational and industrial management and health, safety and environmental issues. The development of these elements is core to the organization's mission.

3.3. Norfund exercises active ownership in the companies and funds it invests in and it often requires seats on the investees' boards or other decision-making bodies. This gives Norfund proximity to operations and the possibility of influencing practices and standards over time. Given an ownership horizon of four to ten years, Norfund works for the creation of a corporate culture that is engaged in continuous improvement of corporate governance, and environmental and social standards. Action plans are sometimes used to stake out a long-term course for how companies should shift from operating according to local standards to international standards over time. Norfund also has a special grant facility that can be used to support enterprise improvements; better governance; and enhanced environmental and social responsibility for existing investees, as well as the development of particularly risky investment opportunities. These grant resources are allocated independently of the commercial investment capital and are an effective instrument in Norfund's execution of ownership and for transferring technology and knowledge.

### **3.2 Investments in agribusiness**

3.4. Currently Norfund has ten direct agribusiness investments which all involve a certain degree of technology and knowledge transfer. Norfund has recently invested in the company Africa Century Foods (ACF) that produces white protein in the form of tilapia and poultry in Zimbabwe, Zambia, Uganda and Mozambique. The company intends to expand its business, and Norfund is providing technical assistance to review and improve its production process in advance of the expansion. Agrica Ltd., a rice farm in Tanzania, uses state-of-the-art rice farming equipment and has constructed a high tech processing plant. In 2009 Agrica initiated, and is now running, a System for Rice Intensification (SRI) Programme for smallholder farmers in the villages surrounding the farm. The Programme provides farmers with high yield seed, weeding equipment, and training in order to increase the quality and quantity of their rice produce. Norfund has supported the SRI-Programme through the grant facility since 2010. Norfund also supports other initiatives for smallholder farmers. For instance, Norfund has funded a part of the costs of a development manager at its investee Africado Ltd., an avocado plantation in Tanzania. The manager is an international expert and is in the process of developing a professional out-grower scheme for the company. The objective of the scheme is to enable Africado to contract smallholder farmers ("out-growers") in the vicinity of the plantation and offer them a predictable intake for their produce. Africado has begun the process of certifying the out-growers (GlobalGAP certification), and while the quantity of out-grower fruit is still modest, the first tranche of GlobalGAP certified out-grower fruit has successfully been exported to the United Kingdom in 2014.

### **3.3 Investments in renewable energy**

3.5. Within the field of renewable energy, Norfund is working on several projects involving transfer of state-of-the-art technologies to developing countries. Commitments have been made to finance two wind projects in Kenya and one in Guatemala in which leading international wind

power technology companies will be involved in the design, construction and operation of the wind parks. In total 360 MW of electricity generated from wind power will be fed into the Kenyan grid, and 50 MW in Guatemala. Furthermore, Norfund has invested in three solar photovoltaic (PV) power plants in South Africa and one in Rwanda, developed by the Norwegian company Scatec Solar. The South African projects have been awarded under the South African renewable energy procurement programme and provide 190 MW of solar powered electricity on the South African grid. The Rwanda project provides 8.5 MW and will account for close to 8% of installed capacity on the grid. Norfund has also invested in a small-scale biomass to power plan in South Africa – while this technology is widely used elsewhere, it is not prevalent in Africa and this investment will pioneer the introduction of this technology to South Africa. Norfund also supports small-scale hydropower development, and has invested in three projects: the 13 MW Bugoye plan in Uganda; the 9 MW Nam Sim plan in Lao P.D.R. and the 4 MW Stortemelk project in South Africa. Small-scale run-of-the-river hydropower is an important technology in many developing countries due to the nature of the resources and scale of local markets.

3.6. Norfund has also been instrumental in setting up and funding the hydropower companies SN Power and Agua Imapara. These companies target hydropower investments in East and Southern Africa, Central America, and South-East Asia. The companies are currently constructing hydropower projects in Panama and looking at opportunities for new hydropower projects in Zambia and Mozambique. In addition, Norfund owns 33% of the investment company Statkraft International Hydropower Invest (SKIHI) which invests in hydropower in South Asia and South America. Although hydropower technology is known in most LMIC and UMIC countries, SN Power, Agua Imapara, and SKIHI, through rehabilitation work and construction processes, draw on Norwegian hydropower expertise and introduce state-of-the-art-technologies in, for instance, coating technologies of turbines and tunnel construction, also ensuring knowledge and technology transfer.

3.7. In order to promote technology transfer and ensure that even more projects in developing countries are developed to a bankable state, Norfund has established an early funding scheme that covers project development costs of renewable energy projects. The scheme is applicable for projects in established technologies such as hydro, wind and solar, as well as biogas, geothermal and waste-to-energy projects. The scheme is operating and allows Norfund to proactively contribute to a pipeline of projects being brought to fruition.

### **3.4 Investments in the financial sector**

3.8. By the end of 2013, 24% of Norfund's portfolio consisted of investments in financial institutions, including microfinance. While technology transfer is not necessarily an inherent part of investments in this sector, Norfund regularly provides grants in which technology and knowledge transfers are central components. In Mozambique, Norfund has invested in the microfinance institution Socremo that targets local micro, small and medium-sized enterprises. Norfund has supported several enterprise improvement projects in the institution, e.g., the development of a strategic plan, improving its IT platform, and implementation of paperless banking. Norfund also had a central role in establishing the bank Banco Terra in 2006. The Bank targets individuals and businesses in Mozambique with a special focus on agriculture lending. Being a start-up bank in a challenging and underdeveloped market, it needed assistance from people with international banking and IT skills. Norfund has supported parts of the salary of a Norwegian expatriate with extensive experience from the banking sector, and that could contribute with banking and IT skills that were not available on the Mozambican market. His job included training and transferring skills to local staff, as well as auditing and upgrading the IT platform. Norfund also provided a grant to implement a digital archive system developed by a Norwegian IT company. The installation of the digital archive system was completed in 2013, and is now integrated in the Bank's core banking system.

3.9. In South Sudan, Norfund has established the investment company Kinyeti Capital Ltd. The Company offers financial services to small and medium-sized enterprises in the areas surrounding Juba. Grant funding from Norfund, Swedfund and the Norwegian embassy in Juba, as well as expertise from regional banks has been important for the establishment of the Company, and will continue to be for the next couple of years. Norfund provided one of its own employees as the Company's first CEO.

3.10. In Myanmar, Norfund invested in the local microfinance operator Proximity Designs in 2013. It targets small rural farmers across Myanmar. The microfinance industry in Myanmar, which was legalized in November 2011, is underdeveloped and in dire need for investments, as well as professional and technical assistance. Therefore, Norfund provided a grant in addition to the investment that included the acquisition and implementation of a robust IT and Management Information System that was successfully implemented in 2013. It has delivered efficiencies in terms of freeing up loan officers time, and allowed a more systematic approach for collecting and assessing loan applications, disbursement, and up-to-date reporting, including non-performing loans, which enables the development of action plans.

### 3.5 Other activities

3.11. In addition to the three main investment sectors, Norfund also has some direct investments in other areas such as tourism. Sustainable tourism is a vehicle to generate sustainable use of natural resources. Through its investment in Basecamp Explorer in a conservancy bordering the Masai Mara in Kenya, Norfund has been instrumental in developing an equitable and sustainable tourism partnership between the Maasai landowners, tourism investors and conservation interests. The model is based on the application of sound eco-tourism principles and the transfer of the latest technology in energy generation and water harvesting. In 2011 Norfund's grant facility supported the formalization of a master plan for the development of the conservancy, taking commercial, social and environmental sustainability into account. Thereafter, Norfund has provided additional grants to support the implementation of the master plan. In Tanzania, Norfund has provided a grant towards vocational training in service and gastronomy related to its investment in the TPS Dar hotel.

3.12. In addition to direct investments, Norfund also invests in funds that focus on small and medium-sized enterprises (SMEs). SMEs are important for local value creation and employment, but are generally too small and too diverse for Norfund to invest in directly. By investing through local and regional funds, Norfund can reach enterprises that often experience difficulties obtaining finance from formal banks. Norfund also provides technical assistance grants to several of the funds' investee companies. Among other things, the grants are used to help SMEs obtain certifications and external expert advice to improve various aspects of their business model and/or operations. Grants have also been provided to strengthen the fund managers, for instance, Norfund supported part of the salary of an expatriate expert to strengthen the local investment team for the Fanisi fund in Kenya; and support for a work-related training programme was recently granted to the investment team of Angola Capital Partners.

3.13. For further information and details, please contact:

Norwegian Agency for Development Cooperation (Norad)  
Department for Private Sector Development  
P.O. Box 8034 Dep.  
N-0030 Oslo  
Norway  
Tel: +47 23 98 00 00  
Email: [postmottak@norad.no](mailto:postmottak@norad.no)  
Website: <http://www.norad.no>

Norwegian Investment Fund for Developing Countries (Norfund)  
P.O. Box 1280 Vika  
N-0111 Oslo  
Norway  
Tel: +47 22 01 93 93  
Fax: +47 22 01 93 94  
Email: [post@norfund.no](mailto:post@norfund.no)  
Website: <http://www.norfund.no>

---