





Timberwork, Vietnam

## What does SIFEM do?

### Promoting entrepreneurial initiative to fight poverty

The Swiss Investment Fund for Emerging Markets (SIFEM) is the development finance institution of the Swiss Confederation and a cornerstone of Swiss development cooperation. SIFEM's mission is to promote long-term, sustainable and broad-based growth in developing and emerging countries. Thereby, SIFEM shall contribute to the global economic integration of these countries.

Successful entrepreneurial activity creates high quality employment opportunities and promotes knowledge transfer. This is an important precondition for enabling developing and emerging countries to overcome poverty on a sustainable basis by drawing on their own resources and merits.

For small, medium-sized and fast-growing enterprises, raising the financial resources needed for their growth is a great challenge. Local banks are reluctant to lend to them and generally require personal guarantees or collateral securities. Moreover, access to capital markets remains unavailable to most small and medium-sized enterprises (SMEs).

This is where development finance institutions like SIFEM can play a crucial role. Working with other partner institutions, SIFEM supports enterprises in its partner countries by making capital and loans available and providing knowledge to professionalize business management. In addition, as a responsible investor, SIFEM encourages fair working conditions, environmentally friendly production standards and integrity in business practices.

**SMEs represent over 90% of all companies worldwide and create more than half of all jobs.** The private sector is the most important driver of sustainable growth in developing and emerging countries. Entrepreneurial development cooperation helps to finance and support fast-growing local businesses. The creation of decent employment opportunities combats poverty. On average, one Swiss franc invested as equity capital in an SME generates an additional ten Swiss francs in the local economy of the partner country.\*

\* Source: SEAF, *From Poverty to Prosperity*, 2007



Projekt: Exat Agriculture, Ivory Coast

# How does SIFEM work?

## Creating long-lasting values with controlled risks

Unlike the conventional instruments of development cooperation, investments made by SIFEM generate earnings. The reflows from these investments can be used to finance new projects. This economical business model permits the repeated use of Swiss Federal resources for development purposes.

By doing so, SIFEM takes certain risks that cannot yet be borne by the market. On the one hand, these are financial risks. On the other, SIFEM must also encourage the portfolio companies to respect internationally recognized social, environmental and governance standards and verify compliance on a regular basis.

Because the business environment in the partner countries tends to be difficult, compliance with these standards is not always guaranteed, which in turn brings certain risks to SIFEM's reputation.

Despite the risks, SIFEM aims to become self-financing in the medium-term from the resources that flow back from its investments. Broad diversification by investing in emerging regions all over the world makes this possible. Moreover, proven and successful projects can be entrusted to private investors in the medium to long term.

## Closely networking with local and international partners

Most projects are co-financed with other European development finance institutions and regional or international development banks. In addition, wherever possible, SIFEM mobilizes capital from local and international private investors for its projects. This creates a leverage effect and multiplies the impact of the capital invested.

SIFEM invests mainly through local funds, banks, leasing companies or microfinance institutions. As a rule, SIFEM invests between 5 and 15 million Swiss francs in funds, which in turn make investments in between eight and twelve local enterprises. Direct investments are generally made in the form of loans to local financial institutions and in exceptional cases also as direct participations. SIFEM enters into long-term partnerships with local specialists,

who serve as local contact persons for the companies and assist them with the implementation of their growth plans.

SIFEM invests primarily in sectors that are particularly important to the economic development of the partner countries. These include manufacturing, logistics, communication, infrastructure, renewable energy, healthcare, food processing and education.

SIFEM is committed primarily to the priority countries of the Swiss development cooperation: eight of the top ten countries in the investment portfolio are either priority countries of the Swiss Agency for Development and Cooperation (SDC) or of the Economic Cooperation and Development division of the State Secretariat for Economic Affairs (SECO).

**The Association of European Development Finance Institutions (EDFI)** is an alliance of 15 national development finance institutions whose aim is to support cooperation and the exchange of information between the partner institutions. To enable the implementation of investment projects, SIFEM generally works closely with other EDFI members.



**Eastern Europe & CIS**  
 Albania, Armenia, Azerbaijan, Bosnia, Georgia, Kazakhstan, Kosovo, Kyrgyzstan, Macedonia, Moldova, Serbia, Tajikistan, Ukraine

**Asia**  
 Afghanistan, Bangladesh, Cambodia, Indonesia, Lao, Mongolia, Myanmar, Nepal, Pakistan, Sri Lanka, Vietnam

**Sub Saharan Africa**  
 Benin, Burkina Faso, Chad, Ghana, Great Lakes Region (Rwanda, Burundi), Horn of Africa (Somalia, Ethiopia, Kenya), Mali, Niger, SADC Region (Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe)

**Middle East & North Africa**  
 Egypt, Jordan, Morocco, Occupied Palestinian Territory, Tunisia

**Latin America**  
 Bolivia, Central America, Colombia, Cuba, Haiti, Peru

SIFEM supports projects that have a measurable development impact. Alongside the profitability of the businesses financed, impact is actively measured and includes job creation, basic and advanced training of the workforce, knowledge transfer, the quality of business management, improved export opportunities and the generation of additional tax revenues.

*SIFEM priority countries and regions (in balloons) and eligible countries (on map), as of 2014*



Project: Altus Learning, India

## SIFEM uses the following financial instruments

### Risk capital funds

Risk capital funds are long-term equity capital positions in funds that participate in local SMEs and fast-growing businesses. These businesses are actively assisted in their growth and professionalization after which the participations are sold again at a profit. SIFEM generally also participates in setting up these funds. In the event of successful mobilization of private capital, the SIFEM participation in the fund as a whole is limited to around 15–30%.

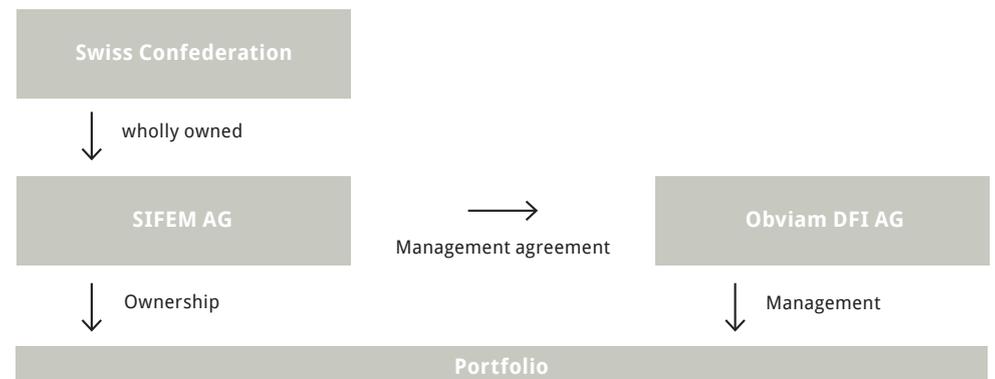
### Loans

SIFEM makes loans available to local banks, leasing companies, micro-financing companies and other financial institutions. In doing so, SIFEM does not act in competition with private entities but seeks to expand the market. Financing is generally granted on a long-term basis at market conditions.

### Direct participations

In its priority countries, SIFEM occasionally takes direct participations in financial institutions and other enterprises. It generally does so in an alliance with local risk capital funds in cases where the financing need of individual projects exceeds their capabilities.

**Outsourcing of portfolio management simplifies the mobilization of private investments.** SIFEM was set up in 2011 as a Swiss development finance institution and, on that occasion, took over the investment portfolio that had previously been built up by SECO since the late 1990s. SIFEM has outsourced portfolio management to a management company called Obviam, which was established in 2011 by the previous management team. This outsourcing ensures professionalism and permits the mobilization of private capital for joint investment projects without creating liability risks for the Swiss Confederation.



# What does SIFEM achieve? Performance, examples and figures

SIFEM investments demonstrably contribute to development

Internal and independent studies have demonstrated the following development impacts of SIFEM:

**Creation of decent employment opportunities:** around 250,000 persons have been employed across the entire SIFEM portfolio. SIFEM has already contributed to the creation of around 50,000 new jobs.

**Promotion of economic growth:** thanks to the capital made available, SIFEM's portfolio companies grow on average faster than the economies of the countries they operate in.

**Tax revenues for the partner countries:** both the sales and profits of the portfolio companies rise on average over the lifetime of SIFEM's investment. In this way, valuable tax revenues are generated for the partner countries.

**Dissemination of social and environmental standards:** SIFEM requires all the portfolio enterprises to comply with internationally recognized social and environmental standards, thereby encouraging sustainable growth.

**Technology and knowledge transfer:** to facilitate their growth, the portfolio companies typically use the capital made available to them for investments in new production resources. Wherever possible, SIFEM supports the transfer and integration of the knowledge needed for successful use of this capital.

**Mobilization of local capital:** as an institutional investor, SIFEM performs a detailed review of each of its investment projects. This creates confidence among private capital providers and mobilizes additional investments for projects that are relevant to development.

**Contribution to the diversification of the financial sector:** SIFEM looks specifically for investments in underdeveloped markets and market niches that have not been served at all previously or have only been partially served by the financial sector.

**Contribution to institution building:** as a rule, in return for each investment, SIFEM is allocated a seat on the strategic supervisory entity of the corresponding risk capital fund. Through active participation, SIFEM supports the creation of sustainable and viable financial institutions in developing and emerging countries.

**Improvement of business management:** generally, the risk capital funds in which SIFEM invests have a representative on the board of directors of their portfolio companies. This enables the fund managers to support the companies' management and thereby contribute to operational, social and ecological improvements.

**Contribution to gender equality:** experience shows that women derive particular benefit from investments in the microfinance sector. In other portfolio companies, SIFEM also contributes to gender equality to the extent possible.



Development effects achieved by SIFEM investments are systematically measured and documented according to internationally recognized criteria. So far, investments made by SIFEM have met the expectations of the Swiss Federal Council.

Project: Provident Agro, Indonesia



Project: Westline Education Group, Cambodia

## Project example: Westline Education Group

Westline teaches children from kindergarten age to the twelfth grade on the basis of an internationally recognized curriculum. In addition, Westline provides English courses for underprivileged adults.

<b>Where?</b>	Phnom Penh, Cambodia
<b>What?</b>	Education
<b>When?</b>	Investment made in 2011
<b>With whom?</b>	The “Cambodia-Laos Development Fund” is the local partner
<b>Who benefits?</b>	More than 700 employees and almost 8,000 male and female school pupils
<b>More info</b>	<a href="http://www.westlineschool.org">www.westlineschool.org</a>

### The situation in Cambodia

- Cambodia is one of the world’s least developed countries. Over 80% of the population make their living from subsistence farming.
- The educational system was largely destroyed under the rule of the Khmer Rouge through the systematic persecution of intellectuals. Now, there is an acute need for teaching personnel.
- Because of the growing population, the public authorities lack the necessary resources to maintain school infrastructure and procure new teaching materials.
- 25% of the Cambodian population are illiterate.

### Development impact of the SIFEM investment

- Westline schools provide high quality education for children of families with low and medium incomes.
- Westline schools cooperate with local non-governmental organisations (NGOs) so that reduced school fees can be offered to underprivileged families.
- Westline schools and their pupils are actively engaged in local social projects.
- Since its inception, the group has on average created more than 100 new teaching posts every year and admitted just under 2,000 new pupils of both genders.

According to Pech Bolene, founder of the Westline Education Group:

*“Cambodia needs to rebuild its education system on a model where the key is quality.”*



Project: Exat Agriculture, Ivory Coast

## Project example: Exat Agriculture

Since 2002, Exat Agriculture has been running a rubber plantation in the Ivory Coast. Since 2008, the rubber has been processed locally, which has created more than 240 new jobs.

<b>Where?</b>	Grand-Domaine (near San Pedro), Ivory Coast
<b>What?</b>	Agriculture
<b>When?</b>	Investment made in 2012
<b>With whom?</b>	The African “AfricInvest Fund II” is the local partner
<b>Who benefits?</b>	244 employees

### The situation in the Ivory Coast

- With annual gross domestic product of just over 1,500 Swiss francs per person, the Ivory Coast is one of the world's poorest countries, and life expectancy is only around 55 years.
- The country suffers from chronic political instability.
- More than two thirds of the population work in agriculture-related sectors.
- Estimates show that approximately one third of school age children works in their parents' business instead of going to school.
- 43% of the Ivorian population are illiterate.

### Development impact of the SIFEM investment

- Natural rubber is a renewable resource and is produced using environmentally friendly and socially responsible practices at Exat Agriculture.
- Local farmers make a living either by selling their products to Exat Agriculture or by working on the plantation and in the processing plant.
- As rubber can be grown and harvested all year round, the income of the local farmers no longer depends on seasonal fluctuations.
- In localities situated around its company site, Exat Agriculture runs a number of social programs and a school.

Amadou Doumbia, Head of Agricultural Development at Exat Agriculture:  
*“We look after our land and our people, it’s natural.”*



# Contact

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