

Development Effects Report 2013

Overview



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ABOUT SIFEM

The Swiss Investment Fund for Emerging Markets (SIFEM) is the Swiss Development Finance Institution. It provides long-term finance to private equity funds and financial institutions in emerging markets. SIFEM's primary focus is on institutions investing in the small and medium enterprise (SME) sector. On a selective basis, SIFEM also invests in microfinance. SIFEM's investment philosophy is guided by the belief that investing in commercially viable emerging market SMEs can provide investors returns that justify the risks, as well as generate sustainable, long-term development effects in local communities. SIFEM is fully owned by the Swiss Confederation and managed by Obviam, a privately owned management advisory group.

SIFEM is pleased to present an overview of the 2013 development effects report of SIFEM's portfolio, which is based on development data gathered from our portfolio-wide survey covering investments made in the years 2005 to 2013. Once again, this year's analysis demonstrates that overall expectations with regards to development effects of the SIFEM portfolio are being met, if not exceeded.

<p>315 MW of <i>renewable energy</i> is installed in the Evolution One portfolio - enough to power more than 31,500 homes in South Africa</p>		
	<p>Joma operates cafes in Cambodia & Laos and has 418 employees - many of them <i>women who have been at risk</i> or victims of domestic abuse, sexual violence or trafficking</p>	
<p>AccessBank in Azerbaijan has provided almost 60,000 micro-agricultural loans, the majority to small farmers in rural areas</p>		<p>25,926 people in <i>emerging markets</i> have had access to finance through the Global Microfinance Fund</p>
		
<p>8,691 children from <i>low-income families</i> in India have access to an education through Calorx</p>	<p>Tecnosol has installed more than 65,000 <i>home solar systems</i> in Nicaragua, Panama, El Salvador & Honduras</p>	

SIFEM seeks to encourage entrepreneurship, create jobs, deepen and strengthen financial sectors, and drive economic growth.

It is invested in **307** underlying portfolio companies located across **50** countries as of the end of 2013.

2013 NEW INVESTMENTS

In 2013, SIFEM made five new fund investments totaling USD 42 million. They have all been assessed prior to investment using SIFEM's internal rating system. The aggregate average expected development effects from these investments is the highest anticipated score since SIFEM started to track development effects for investments in 2005/2006.

All of SIFEM's 2013 investments are expected to support and create employment, provide training to staff, mobilize local capital, improve credit and capital allocation diversification, support institution building, and assist investee companies in improving operational excellence. Four of the investments will contribute to local financial sector diversification and two are specifically constructed to deliver positive gender effects.

NEW INVESTMENTS 2013

Falcon House Partners Indonesia Fund I
Indonesia
multiple sectors

Capital North Africa Venture Fund II
Morocco
multiple sectors

Armstrong South Asia Clean Energy Fund
South East Asia
renewable energy

Medu III International Partnership
South Africa
multiple sectors

Locfund II
Latin America
microfinance

LATIN AMERICA

Locfund II provides local currency loans to microfinance institutions (MFIs) in Latin America. It is expected to reach over 200,000 clients of whom at least 50% are anticipated to be women and at least 40% to live in rural areas. The average loan should amount to USD 1,400 which is considerably less than 50% of the GDP per capita of the client's countries. Thus Locfund II will reach clients at the bottom of the pyramid.

Locfund II is expected to make a significant difference by helping its portfolio MFIs access the local capital markets. By facilitating the transformation of MFIs into institutions offering a deposit service, Locfund II will contribute to the mobilization of local savings and support the building of a local capital base.



2013 OVERVIEW

Every year, Obviam collects data with regards to the development effects of SIFEM's investments. SIFEM currently has a total of 41 projects which are rated post-investment, including 33 funds and 8 financial institutions. Comparing the expected development effects of the SIFEM portfolio with effects observed post-investment, the investments performed overall 15% better than expected. The improvement in 2013 has upgraded SIFEM's internal rating system score across the portfolio.

DEVELOPMENT EFFECTS TO DATE

SUPPORT OF 294,328 JOBS

The SIFEM portfolio together with co-financiers has supported 294,328 jobs since its inception in 2005 until year-end 2013. This includes the jobs sustained and created in funds' successfully exited portfolio companies, as well as all existing jobs in current portfolio companies.



SUPPORT AND PROVISION OF TRAINING

With the exception of two of SIFEM's investments, all provide training to their employees, three-quarters to their management, and over half of them also to a wider audience outside the organization, such as local universities and industry associations.

MOBILIZATION OF LOCAL CAPITAL AND CONTRIBUTION TO LOCAL FINANCIAL SECTOR DIVERSIFICATION

SIFEM's partners are substantial contributors in diversifying the local financial sector as well as being proactively involved with the local authorities to improve the regulatory framework and foster a more inviting environment for future investors.

CONTRIBUTION BY OBVIAM TO INSTITUTION BUILDING

Obviam supports institution building at the level of private equity funds and financial institutions by strengthening their organizations and management, improving information and control systems, improving risk management, providing additional long-term financing capacity and working towards the establishment of environmental, social and governance (ESG) management systems.

POSITIVE GENDER EFFECTS

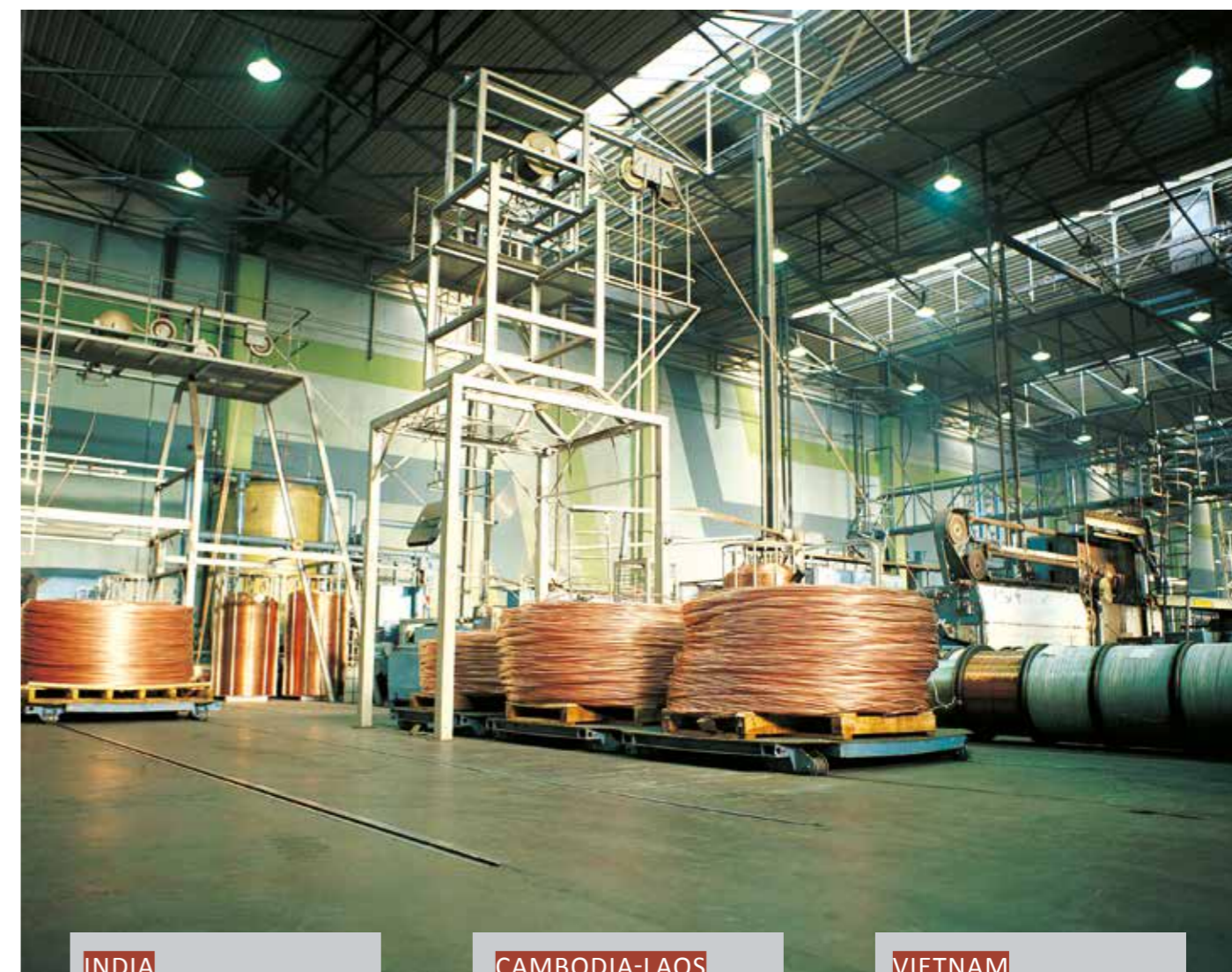
Obviam has a conservative approach to rating gender effects. Investments can only score in this area if the promotion of women is a specific target of the project. 12% of SIFEM's investments were expected to specifically have a gender focus and the actual result was 15%.

IMPROVEMENT OF CREDIT AND CAPITAL ALLOCATION DIVERSIFICATION

All of SIFEM's investments have contributed to the diversification of credit and capital allocation by providing finance to business segments, which have been insufficiently serviced in the past. In particular small and medium enterprises (targeted by almost 90% of SIFEM's investments), and export financing were supported.

IMPROVEMENT IN INVESTEE COMPANY OPERATIONAL EXCELLENCE

All of SIFEM's investments involve a high degree of company development at the level of investee companies. In 2013 the most significant areas for value-add by the fund managers were the social and environmental monitoring, corporate governance, and expansion finance. All investments except one contributed to company development in 2013.



INDIA

Kaizen Private Equity Fund is engaged in the Indian education sector and has portfolio companies which actively focus on ensuring girls are given a priority for education, particularly in rural areas. The Fund demonstrates a strong focus on women empowerment across its portfolio.

CAMBODIA-LAOS

The **Cambodia-Laos Development Fund** is the first private equity fund focused on small and medium enterprises in both Cambodia and Laos. It takes a very active role in supporting all of its investees in building strong environmental, social, and governance policies and in their sustainable development and growth.

VIETNAM

In 2013 Obviam facilitated technical assistance for **Mekong Enterprise Fund II** whose portfolio companies benefited from capacity building training. This was timely as the Fund's portfolio is one of SIFEM's highest job creators and supporters and sustainable growth is vital.

FUND HIGHLIGHTS



EnviroServ

EnviroServ is a market leader in the waste sector in southern Africa, providing responsible waste management innovations and solutions for more than 33 years.

Location:	Johannesburg (Head Office) and operations in South Africa, Angola, Botswana, Democratic Republic of the Congo, Lesotho, Mauritius, Mozambique, Namibia, Swaziland and Zambia
Business focus:	Integrated Waste Management
Investment year:	2010
Exit year:	2013
Fund intermediary:	Evolution One
SIFEM investment into Fund:	USD 8 million
Fund Investment into	
EnviroServ:	USD 4.7 million
Employment:	3,852 employees in 2012 of which 313 were created during the investment period
Website:	www.enviroserv.co.za

The Situation in South Africa

- **South Africa's population has grown by 15%** in the last ten years, reaching 52.3 million in 2012.
- **A growing population and rising demands on existing resources in South Africa** has made it necessary for the waste management sector to increase operations and present solutions in this area.
- **In 2011, South Africa generated approximately 108 million tons of waste**, with only 10% of this being recycled. Hazardous waste accounts for approximately 1 million tons per year.
- **The impact of waste on the environment and on people's health is a concern** which rises as the country raises its standards of living.
- **New and innovative mechanisms for financing and offering waste management** are needed to address the rising challenges.



Development Effects in a Nutshell

- **EnviroServ is the premier private waste management company in Africa.** It began as Wade Refuse in 1979, providing a door-to-door waste collection and disposal service, and has continued to display an ongoing commitment to providing high-quality responsible waste management services.
- **EnviroServ owns five of the six private hazardous landfills throughout South Africa** and operates them to the highest level of responsible landfill management. Control technologies are implemented to avoid, minimize and reduce risks. In addition, EnviroServ operates a number of specialist divisions.
- **In this particular sector, contaminations, pollutions and emission must be highly controlled and minimized.** EnviroServ holds several internationally recognized management systems certifications to support its strong ethic of responsible practice and legal compliance.
- **Employees are provided with primary health care**, as well as safety, health and environmental training in local languages. Local labor is used where possible, providing localized social and economic benefits.
- **EnviroServ supports a number of projects to encourage sustainability in the area of waste management and economic development.** One of these is the TOUCH Initiative, which gives unemployed seamstresses an opportunity to generate an income by making TOUCH rugby balls using recycled billboards and plastic bags collected in their communities.

“The responsibility to access and share good ideas lies with us all, and we encourage and harness them.”

The TOUCH Initiative: providing employment for unemployed seamstresses