



**SIFEM**

SWISS INVESTMENT FUND  
FOR EMERGING MARKETS

# SIFEM – INVESTING IN SUSTAINABLE DEVELOPMENT

## 2023 IMPACT REPORT





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# LIST OF ABBREVIATIONS

<b>BSM</b>	Business Services Manager
<b>CEE &amp; CIS</b>	Central and Eastern Europe and the Commonwealth of Independent States
<b>DFI</b>	Development Finance Institution
<b>E&amp;S</b>	Environmental and Social
<b>EDFI</b>	European Development Finance Institutions
<b>ESAP</b>	Environmental and Social Action Plan
<b>ESG</b>	Environmental, Social, and Governance
<b>ESGI</b>	Environmental, Social, Governance, and Impact
<b>ESMS</b>	Environmental and Social Management System
<b>GHG</b>	Greenhouse Gas
<b>GIIN</b>	Global Impact Investing Network
<b>GNI</b>	Gross National Income
<b>GWh</b>	Gigawatt hours
<b>HIPSO</b>	Harmonized Indicators for Private Sector Operations
<b>IFC</b>	International Finance Corporation
<b>ILO</b>	International Labour Organization
<b>LAC</b>	Latin America and the Caribbean
<b>JII</b>	Joint Impact Indicators
<b>LATAM</b>	Latin America
<b>LDC</b>	Least Developed Country
<b>LPAC</b>	Limited Partner Advisory Committee
<b>MFI</b>	Microfinance Institution
<b>MSME</b>	Micro, Small, and Medium-sized Enterprise
<b>NDC</b>	Nationally Determined Contribution
<b>PM</b>	Portfolio Manager
<b>SDC</b>	Swiss Agency for Development and Cooperation
<b>SDG</b>	Sustainable Development Goal
<b>SECO</b>	State Secretariat for Economic Affairs
<b>SIFEM</b>	Swiss Investment Fund for Emerging Markets
<b>SME</b>	Small and Medium-sized Enterprise
<b>SO</b>	Strategic Objectives
<b>TSF</b>	Technical Support Facility

# FOREWORD

Dear reader,

The Swiss Investment Fund for Emerging Markets' (SIFEM) commitment to sustainable impact underpins our approach. We believe that creating and strengthening enterprises, while simultaneously achieving positive financial results, is the key to lasting change. This approach acknowledges that sustainable impacts may not yield immediate results but ensures that the change we initiate is enduring.

Impact demands time, patience, and the right blend of expertise. SIFEM is not driven by the pursuit of quick gains but rather by the transformation of capacities, technologies, governance, and social inclusion that will yield improved results over the medium to long term. We acknowledge that some of our investments may be in transition, exposing shortcomings that we must address to create more sustainable outcomes.

SIFEM's development impacts are also intricately tied to environmental sustainability and climate resilience. To this end, we align our new investments with the Paris Agreement, supporting both climate mitigation and adaptation efforts. Our work in promoting sustainable economic development focuses on fostering inclusive, low-carbon growth in emerging markets, with an emphasis on generating economic opportunities and decent jobs while facilitating a 'Just Transition.'

In response to the crisis in Ukraine, the Swiss Confederation has initiated a strategy to provide support. Through SIFEM, the Confederation invested in a Ukrainian fund, Horizon Capital, recognising the urgent need for affordable capital in a market where interest rates are prohibitively high, and access to capital is scarce. This strategic investment not only aligns with our commitment to lasting impact (notably through job creation) but also showcases the power of partnership in times of adversity. We therefore reaffirm our responsibility to embrace calculated risks in a complex global landscape, transformed by the war in Ukraine and the fragmentation of multilateral governance.

We've reached a juncture in our journey in supporting sustainable development in emerging markets. This year marked a significant transition for SIFEM, with transformative changes in our governance and operational structure, as well as our continued commitment to forging a lasting impact.

SIFEM's Board decided to separate operational and monitoring functions by mandating a Portfolio Manager, responsAbility Investments AG (succeeding Obviam), and a Business Services Manager, Tameo Impact Fund Solutions SA. This strategic decision reflects our commitment to maintaining the highest standards of impact accountability.

This report captures SIFEM's journey through a year of transition, highlighting our continuous dedication to sustainable impacts, patient investments, calculated risk-taking, and our role in fostering economic growth and fighting climate change. We express our heartfelt gratitude to our past partners while looking forward to the next chapter.

Sincerely,









**Jörg Frieden**  
*Chairman of the Board of SIFEM*

# KEY IMPACT RESULTS 2022

## Portfolio Overview

 <p><b>USD 451 million</b> Investment Portfolio<sup>1</sup></p>	 <p><b>83 funds</b> in Investment Portfolio</p>	 <p><b>17 Financial Institutions</b> in Investment Portfolio</p>
	 <p><b>595 Underlying Investees</b> in fund portfolios</p>	

## Development Impacts<sup>2</sup>

SDGs	Impact Description	2022 KPI	Vs 2021
	<b>Creating more jobs with decent working conditions</b> SIFEM helps small- and medium-sized enterprises (SMEs) and other fast-growing companies to support and create formal, sustainable jobs	<b>483,253 jobs supported in 2022<sup>3</sup></b>	<b>▲ 11%</b>
		<b>87% of jobs have permanent contracts</b>	<b>▲ 1%</b>
		<b>51% of Investees and Underlying Investees provided training to their employees</b>	<b>▲ 3%</b>
	<b>Creating economic opportunities for women</b> SIFEM promotes gender equality and equal opportunities, including through jobs	<b>35% of employees are women</b>	<b>▲ 1%</b>
	<b>Providing access to financial services &amp; products</b> SIFEM facilitates access to finance for SMEs and fosters financial inclusion	<b>8.1 million microloans</b>	<b>▲ 7%</b>
		<b>153,665 SME loans</b> outstanding at the level of SIFEM Investees and Underlying Investees	<b>▲ 15%</b>
	<b>Accelerating the energy transition</b> SIFEM fosters access to clean energy and more efficient energy & resources management solutions	<b>5,159 GWh</b> clean energy produced	<b>▼ 14%</b>
		<b>4.9 million tonnes</b> greenhouse gas (GHG) emissions avoided by Underlying Investees <sup>4</sup>	<b>▼ 35%</b>
		<b>100% of new investments aligned with the objectives of the Paris Agreement</b>	
	<b>Broadening the local tax base</b> SIFEM's Investees and their Underlying Investees comply with tax regulations and pay taxes where they conduct business.	<b>USD 1,839 million in taxes</b> paid by Investees and Underlying Investees	<b>▲ 12%</b>
	<b>Reducing the financing gap</b> SIFEM leverages further private investment for development	For each dollar invested by SIFEM (fund investments), there were <b>USD 4.5</b> coming from private investors <sup>5</sup>	

<sup>1</sup> Investment portfolio valuation as of December 2022.

<sup>2</sup> Latest available data as of 31 December 2022. All impact data in this report is self-reported by Investees and Underlying Investees and, unless stated otherwise, has not been attributed based on the size of SIFEM's investment.

<sup>3</sup> This includes both direct jobs supported at the level of SIFEM's Investees and Underlying Investees, as well as indirect jobs supported through loans to MSMEs. See the Appendix for more details on the methodology.

<sup>4</sup> The GHG emissions avoided data is self-reported by Investees and Underlying Investees, each Investee/Underlying Investee hence chooses its own methodology to compute GHG emissions reduction. GHG emission reduction is not attributed to SIFEM.

<sup>5</sup> As of end 2022, calculated without pro-rata attribution. This number simply reflects the proportion between SIFEM's commitments and private investors' commitments in fund investments. It is computed following the OECD Development Assistance Committee (DAC) methodologies for measuring the amounts mobilised from the private sector by official development finance interventions.

SIFEM's portfolio has performed well in terms of environmental, social, and economic impact. As of December 2022, SIFEM is directly and indirectly supporting 483,253 jobs with its active portfolio, compared to 436,791 at the end of 2021. This 11% increase is mainly linked to the growing number of jobs among Investees and Underlying Investees, while a lesser influence can be attributed to new investments added to the portfolio in 2022.

In terms of sector, 48% of jobs are concentrated in the financial intermediation sector; in terms of geography, 44% are concentrated in Asia. Out of the direct jobs supported by SIFEM, 87% were permanent contracts, both full-time and part-time, a slight increase compared to 2021. Finally, in terms of gender, 35% of total jobs are held by women, a minor increase from 2021.

Investees and Underlying Investees in SIFEM's portfolio paid a total of USD 1.8 billion in corporate taxes and other government fees, a 12% increase compared to 2021. Taxes contributed by these investees constitute a resource pool for domestic governments to fund local investments and social programs. Moreover, there were 8.1 million microloans and 153,665 SME loans outstanding at Financial Institutions financed by SIFEM. The number of loans increased by 7% and 15%, respectively, compared to 2021. The micro- and SME loans in portfolios of Financial Institutions amounted to a total volume of USD 22.2 billion.

Underlying Investees in SIFEM's portfolio produced a total of 5,159 gigawatt hours (GWh) of clean energy in 2022, a 14% decrease compared to 2021. This decrease is due to one Underlying Investee exiting the portfolio, which accounted for 782 GWh of clean energy production in 2021, as well as some others not having reported in 2022, for a value of over 1,000 GWh. When excluding those that have not reported, the clean energy production follows a positive trend. The clean energy produced in 2022 is equivalent to the electricity consumption of 800,000 Swiss inhabitants in one year.<sup>6</sup> The production of clean energy and other projects in the portfolio led to avoiding the emissions of almost 4.9 million tonnes of GHG in 2022. This is equivalent to the yearly emissions of over 400,000 Swiss inhabitants.<sup>7</sup> However, the recorded GHG emissions reduction decreased by 35% compared to 2021 due to the exit of some Underlying Investees, representing over 2.3 million tonnes of GHG emissions reduction, as well as others that have not reported in 2022, representing over one million tonnes of GHG emissions reduction. This is usually due to the fact that SIFEM has already exited a fund at the time of reporting, i.e., in early 2023, hence preventing the collection of impact data for these Underlying Investees as of 31 December 2022.

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<sup>6</sup> FDFA. (2020). Energy – Facts and Figures. Retrieved from <https://www.eda.admin.ch/aboutswitzerland/en/home/wirtschaft/energie/energie---fakten-und-zahlen.html>

<sup>7</sup> Our World in Data. (2020). Per capita consumption-based CO2 emissions. Retrieved from <https://ourworldindata.org/grapher/consumption-co2-per-capita?tab=chart&country=~CHE>

# INTRODUCTION

**The 2023 SIFEM Impact Report provides an overview of the social and environmental impact of the SIFEM portfolio in 2022 through its investments in emerging markets.**

SIFEM is the Development Finance Institution (DFI) of the Swiss Confederation and acts as an integral part of Switzerland's International Cooperation Strategy. SIFEM specialises in providing long-term financing to SMEs and other fast-growing companies in developing and emerging countries, focusing on the priority countries of Switzerland's development cooperation. SIFEM uses three channels of investment. The first two channels are indirect, providing capital to Private Equity and Current Income Funds, which then finance enterprises and Financial Institutions in emerging markets. With its third channel, SIFEM provides long-term debt financing directly to Financial Institutions in emerging markets (see Appendix 'How does SIFEM work?' for more details). Through its investments, SIFEM contributes to creating decent jobs and promoting sustainable economic growth in emerging markets. In addition, SIFEM is committed to aligning its investments with international environmental goals to address the global climate crisis and support emerging markets in achieving low-carbon economic growth.

As of December 2022, SIFEM had a portfolio valuation of USD 451 million (the Investment Portfolio).<sup>8</sup> SIFEM was invested in 17 Financial Institutions and 83 funds, with 595 Underlying Investees in the funds' portfolios. This report demonstrates the development impact of these investments along the different dimensions of SIFEM's Theory of Change, focusing on economic opportunities and decent jobs, social inclusion, and climate change mitigation and adaptation. A chart describing the investment and impact value chain is presented in the Appendix (p. 35).

This is the first SIFEM Impact Report that is independently prepared by SIFEM's new Business Services Manager, Tameo Impact Fund Solutions. In its first iteration following the transition to SIFEM's new organisational structure, the objective of this report is to ensure the continuity of reporting and provide an overview of any significant changes in the impact performance of the fund compared to 2021. In the future, the new managers of SIFEM will engage with the Board of Directors to identify areas for improvement in SIFEM's impact processes and reporting to bring additional transparency and accountability.

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<sup>8</sup> The total active commitment of SIFEM is of USD 914 million as of 31 December 2022. This represents the current active commitments (total commitments since inception less terminated commitments) by SIFEM to funds and Financial Institutions. However, the commitment does not represent the active portfolio, which is why it is not used in this report. Instead, the Investment Portfolio is used to present portfolio exposure in this report. As of December 2022, the fair market value of the Investment Portfolio was USD 451 million. In order to avoid variations in impact figures due to fluctuations in the market value of investments, the calculations presented in this report are based on investment at cost. For more details on SIFEM's financials, please refer to SIFEM's Business and Financial Report 2022.







# SIFEM'S THEORY OF CHANGE

SIFEM is dedicated to optimising the developmental impact associated with its investment decisions across the entire investment life cycle. This commitment spans from initial investment analysis and decision-making, continues through monitoring, and extends to the exit strategy phase, all while mindful of the financial profitability constraints it must adhere to. SIFEM analyses and monitors the contribution of its investments to four broad development outcomes, which reflect the Strategic Objectives (SO) set for SIFEM by the Swiss Confederation (See Appendix 'How does SIFEM work?').<sup>9</sup>

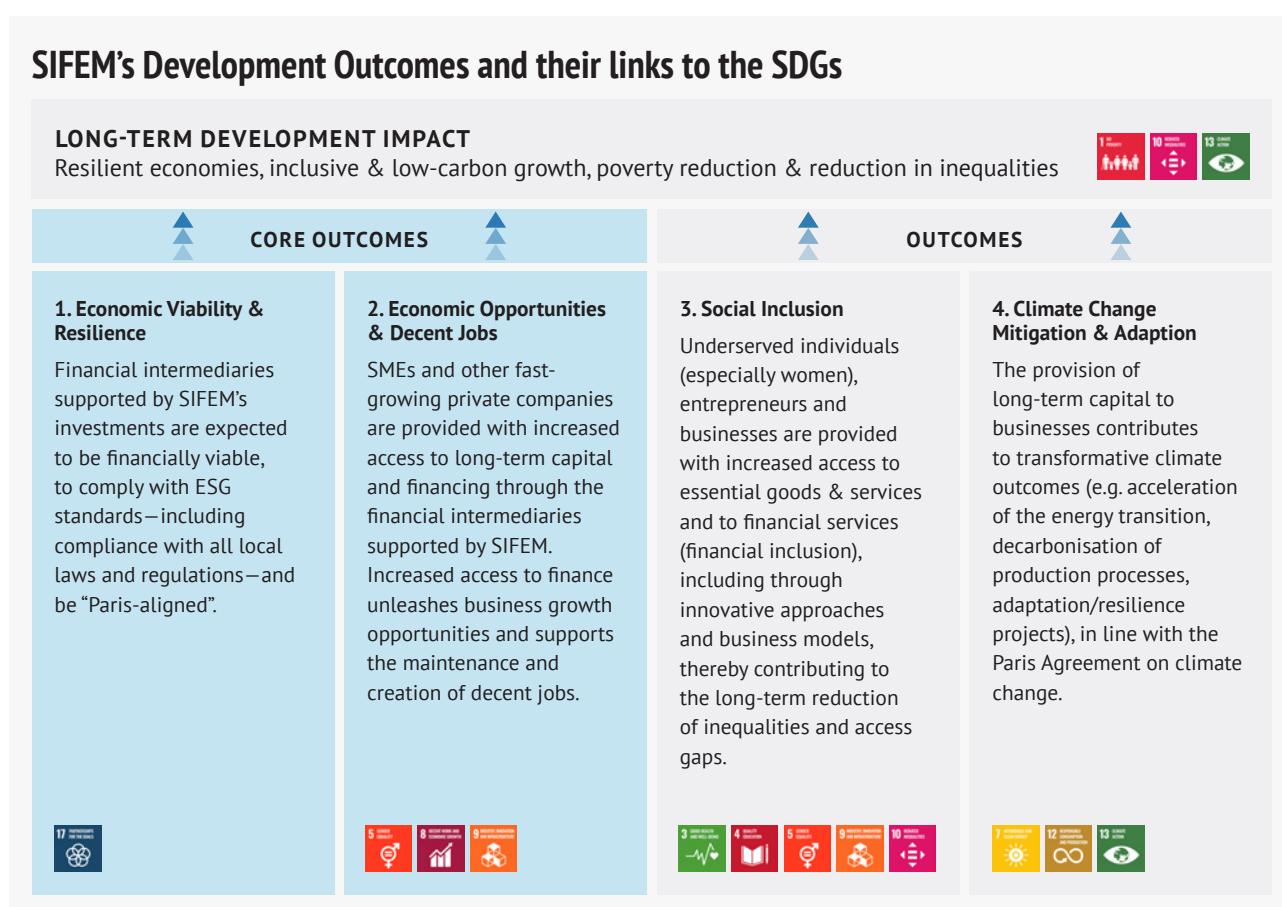
SIFEM's Theory of Change underpins all SIFEM's investments with the logic that financial intermediation plays a pivotal role in private sector growth in emerging markets. SIFEM focuses on strengthening local intermediaries in their capacity to deliver long-term capital to local SMEs and fast-growing companies. SIFEM's role is therefore both financial (provision of long-term finance) and non-financial (hands-on advice to financial intermediaries), and the combination of these two roles contributes to the sustainability of SIFEM's

outcomes. All SIFEM investments contribute to long-term development impact, albeit in different ways, as captured by the different outcomes depicted in Figure 1 below.

Every SIFEM investment contributes to the first two outcomes (economic viability & resilience, and economic opportunities & decent jobs). Some SIFEM investments may also contribute to additional development effects captured by outcomes 3 (social inclusion) and 4 (climate change mitigation & adaptation), depending on the characteristics of each investment. The SIFEM outcomes are linked to specific Sustainable Development Goals (SDGs), as shown in Figure 1. The first outcome is transversal as it pertains to SIFEM's engagement with intermediaries to improve their environmental, social and governance (ESG) risk management processes, irrespective of their sectors of investment.

Since the first outcome is more process-oriented, this report focuses more on the three latter outcomes.

**Fig. 1**  
SIFEM's  
Theory of  
Change



<sup>9</sup> Strategic Objectives 2021-2024: <https://sifem.ch/about-us/strategic-objectives>

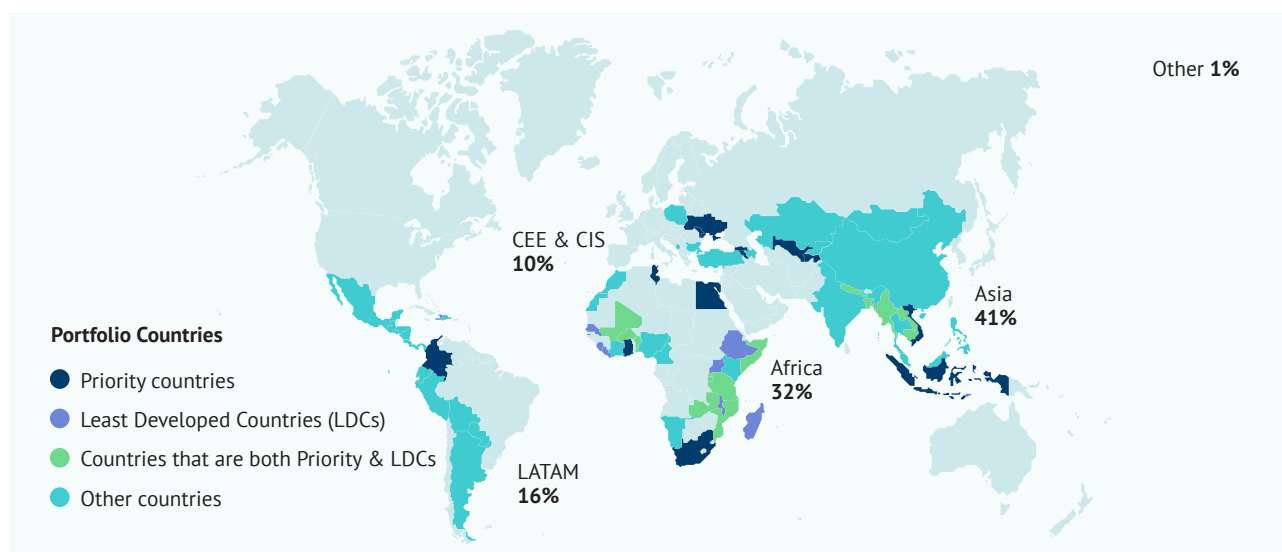






# PORTFOLIO OVERVIEW

**Fig. 2**  
Share of  
SIFEM  
Investment  
Portfolio by  
geography



As of 31 December 2022, SIFEM's Investment Portfolio was invested in 17 Financial Institutions and 83 funds, with 595 Underlying Investees in the funds' portfolios. This represents an Investment Portfolio of USD 451 million.

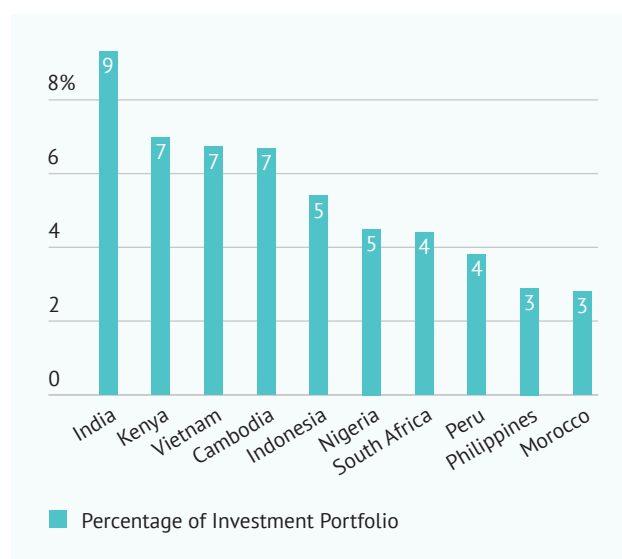
The Investment Portfolio consists primarily of Private Equity Funds investing in growth companies and SMEs (60%), infrastructure funds (3%) and Current Income Funds (15%). Investments in microfinance comprise 8% and other financial intermediaries 14% of the portfolio. In 2022, SIFEM closed seven new investments with commitments of USD 95 million. They include four investments in Private Equity Funds and three loans to Financial Institutions.

## Region exposure

73% of the Investment Portfolio was concentrated in two regions: Asia (41%) and Africa (32%; Figure 2). Latin America (LATAM) represents 16% and Central & Eastern Europe & the Commonwealth of Independent States (CEE & CIS) is 10%.<sup>10</sup> The remaining 1% comprises Investees and Underlying Investees present globally, with no single designated country of operation, such as holding companies.

## Country exposure

SIFEM was invested in 80 countries (See Appendix 'SIFEM Portfolio Countries' for the full list). Over half of the Investment Portfolio was concentrated in 10 countries (Figure 3). The largest exposure was in India with 9%, followed by Kenya, Vietnam, and Cambodia with 7% each. India, Kenya, and Cambodia were already among the top four countries in 2021, whereas Vietnam rose from 3% in 2021 to 7% in 2022, following a loan granted to EVN Finance, a Vietnamese Financial Institution.



<sup>10</sup> The Commonwealth of Independent States is an intergovernmental organisation in Eurasia, which was formed after the dissolution of the Soviet Union in 1991.

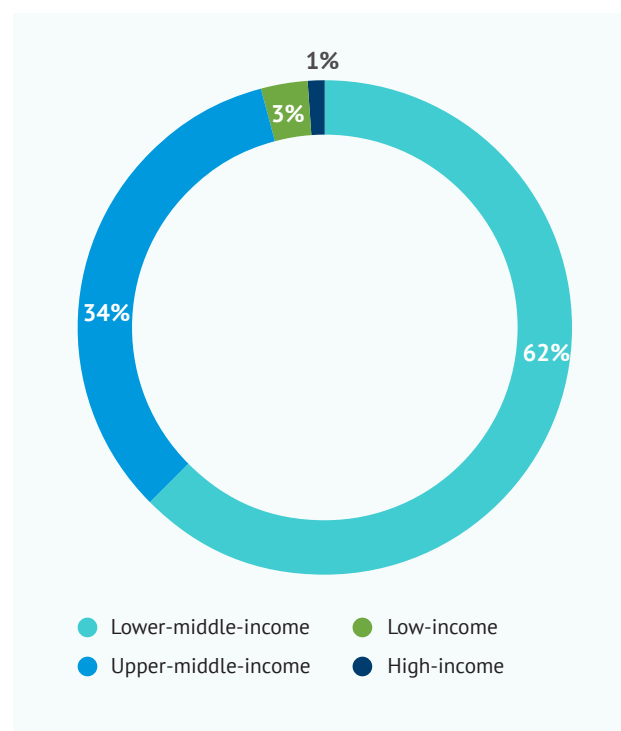


As part of its International Cooperation Strategy 2021–24, Switzerland has defined regions in which it focuses its development cooperation efforts.<sup>11</sup> It consists of a list of 41 priority countries as defined by the State Secretariat for Economic Affairs (SECO) and the Swiss Agency for Development and Cooperation (SDC).<sup>12</sup> As an instrument of economic development cooperation of the Swiss Confederation, SIFEM has an objective to concentrate its investments in priority countries.

As of December 2022, SIFEM was invested in 28 priority countries (Figure 2), which represented 42% of the Investment Portfolio.<sup>13</sup> Moreover, the fund targets Least Developed Countries (LDCs), 18 of which are included in the list of priority countries.<sup>14</sup> SIFEM was invested in 23 LDCs, which represented 15% of the Investment Portfolio. Of the 23 LDCs SIFEM invests in, three countries (Cambodia, Nepal, and Myanmar) are reached through direct investments in Financial Institutions, whereas the remaining 20 are reached through investments in funds whose managers are not domiciled in LDCs. This indirect investment approach is anchored in SIFEM's business model and is particularly effective in channeling capital to LDCs by partnering with fund managers who are experts in identifying and sourcing investments in these more complex markets.

## Income level

The Investment Portfolio was almost entirely allocated to middle-income economies, as determined by a country's gross national income (GNI) per capita.<sup>15</sup> More specifically, 62% was invested in lower-middle-income economies and 34% in upper-middle-income economies, as of December 2022.<sup>16</sup> Low-income economies (e.g., Ethiopia, Malawi) represented 3% of the Investment Portfolio, while high-income countries (e.g., Panama, Poland) accounted for only 1%.<sup>17</sup>



**Fig. 4**  
Investment Portfolio per country income level

<sup>11</sup> The priority countries of SDC and SECO are revised in every four-year strategy cycle.

<sup>12</sup> Priority regions for Swiss international cooperation can be found here (p. 46): Swiss Federal Department of Foreign Affairs FDFA. (2020). Switzerland's International Cooperation Strategy 2021-24. Retrieved from [https://www.eda.admin.ch/content/dam/deza/en/documents/publikationen/Diverses/Broschuere\\_Strategie\\_IJA\\_Web\\_EN.pdf](https://www.eda.admin.ch/content/dam/deza/en/documents/publikationen/Diverses/Broschuere_Strategie_IJA_Web_EN.pdf)

<sup>13</sup> 86% of investments closed in 2021 and 2022 (current strategy cycle) were made in priority countries.

<sup>14</sup> The United Nations defines LDCs as countries that have low levels of income and face severe structural impediments to sustainable development (See <https://www.un.org/ohrls/content/lde-category>)

<sup>15</sup> The World Bank classifies country income level according to its GNI per capita (2022): low-income economies have a GNI per capita below USD 1,135; lower middle-income economies are between USD 1,136 and USD 4,465; upper middle-income economies are between USD 4,466 and USD 13,845; high-income economies are above USD 13,846

<sup>16</sup> Investments made in emerging markets through Underlying Investees based in high-income countries are excluded.

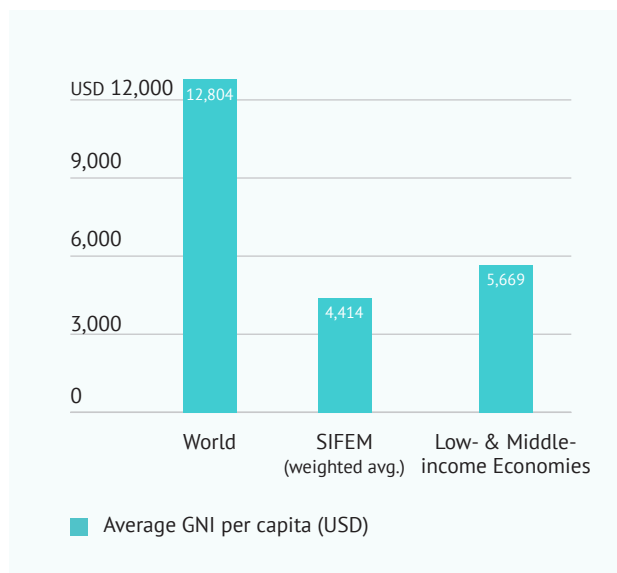
<sup>17</sup> Despite having higher per capita income, the International Monetary Fund's World Economic Outlook classifies Panama and Poland as 'emerging and developing economies'.

## GNI per capita

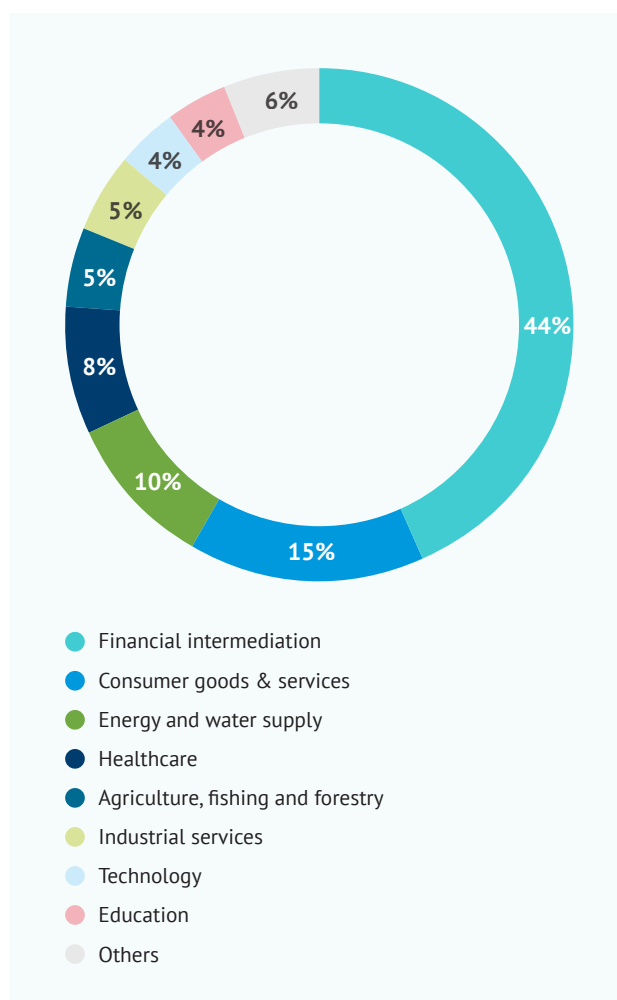
The average GNI per capita in SIFEM portfolio countries (USD 4,414) is considerably lower than the 2022 world average of USD 12,804 and lower than the average in low- and middle-income economies of USD 5,669 (Figure 5). By investing in middle-income markets, SIFEM tackles the issue of the “missing middle”. According to the World Bank, the missing middle portrays a situation where SMEs in emerging markets are significantly underserved by financial institutions, by being too small for the formal banking sector and too big for microfinance institutions, although they have an important role to play for social and economic development. Among other benefits, SMEs contribute over 35% of gross domestic product in many emerging markets, they account for over 50% of jobs, and they create most new jobs.<sup>18</sup>

## Sector exposure

As of December 2022, SIFEM's largest sector exposure was financial intermediation with 44% of the Investment Portfolio. This reflects the fact that SIFEM invests directly only in financial intermediation, whereas all other sectors are reached indirectly through investments in funds. Of the 44% invested in the financial intermediation sector, 29% were through direct investments, while the remaining 15% were through investments in funds. The second most prominent sector was consumer goods & services (15% of the Investment Portfolio), which includes companies providing food and beverage, travel, and leisure products, among others. The third and fourth most prominent sectors were energy and water supply (10%), and healthcare (8%). Other sectors depicted in Figure 6 individually represent 5% or less of the Investment Portfolio. The sectoral exposure distribution in 2022 was similar to that in 2021.



**Fig. 5**  
Average GNI per capita



**Fig. 6**  
Investment Portfolio per sector

<sup>18</sup> The World Bank. (2017). What's Happening in the Missing Middle?: Lessons from Financing SMEs. Retrieved from <https://www.worldbank.org/en/topic/financialsector/publication/whats-happening-in-the-missing-middle-lessons-from-financing-smes>

# DEVELOPMENT IMPACTS

The following section provides an overview of the development impacts of the Investment Portfolio, presented by the outcomes targeted by SIFEM's Theory of Change (See 'SIFEM's Theory of Change' [p. 9]) and illustrated by four case studies.

## Economic Opportunities & Decent Jobs

The main goal of SIFEM's mission is to provide SMEs and other fast-growing private companies with increased access to long-term capital and financing through financial intermediaries. Increased access to finance accelerates business growth opportunities and supports the maintenance and creation of decent jobs. This section provides an overview of how SIFEM supports economic growth and job creation through its investments.

### Post-Covid job context

Since the publication of SIFEM's 2021/2022 Impact Report, the COVID-19 pandemic has ended and supply chains have recovered to their pre-pandemic levels.<sup>19</sup> However, economies in emerging markets have not yet fully recovered, and additional pressure is brought by greater geopolitical uncertainty, the conflict in Ukraine, and an uneven post-pandemic economic rebound. These factors have converged to create stagflation in many economies. This is the first instance of both elevated inflation and slow growth occurring simultaneously since the 1970s. Decision-makers are confronted with a difficult balancing act as they address high inflation within the context of an incomplete rebound in employment. Most countries have not yet reached the employment and work hour benchmarks observed at the close of 2019, before the COVID-19 pandemic.<sup>20</sup> In the current global context, job creation is even more critical for emerging markets not only in quantitative terms but also in qualitative terms, to offer "better" jobs. Hundreds of millions of individuals remain without opportunities for gainful employment.<sup>21</sup> Even for those who are employed, social protection and essential workplace rights are frequently absent. This issue is pronounced among informal workers or those without channels to voice their concerns.

As part of its Strategic Objectives (SO) 2021-24, SIFEM had the objective in 2021 to support Investees and Underlying Investees in their efforts to maintain or create new jobs during the pandemic. More concretely, the fund aimed at supporting at least as many jobs in 2021 as in 2020. It succeeded in doing so as the number of jobs supported grew by 11% when only considering Investees and Underlying Investees that were in the Investment Portfolio throughout the COVID-19 crisis (from 2020 to 2021). This upward trend was confirmed in 2022, as the same sample of investees have seen their total number of jobs increase from 2021 to 2022.

As the world was recovering from the crisis of the COVID-19 pandemic, a new crisis unfolded as a result of the Russian military attack in Ukraine that started in February 2022. The Swiss Confederation has expressed its solidarity with the people of Ukraine and its commitment to support them through an emergency aid package.<sup>22</sup> In addition to the provision of aid by the Swiss Confederation, SIFEM is supporting the people of Ukraine by investing in the country's private sector. The following case study exemplifies how a fund coped with a crisis and provided support not only to Underlying Investees but to an entire community. The Ukrainian investment manager, Horizon Capital, demonstrated incredible resilience after the outbreak of war and proved its ability to support the communities in which Underlying Investees were operating. Through the investment in Horizon Capital Growth Fund IV (Horizon IV), SIFEM supports Ukrainian SMEs and their communities.

<sup>19</sup> Gourinchas, P. (2023). Global Economy on Track but Not Yet Out of the Woods. Retrieved from <https://www.imf.org/en/Blogs/Articles/2023/07/25/global-economy-on-track-but-not-yet-out-of-the-woods>

<sup>20</sup> ILO (2023). World Employment and Social Outlook Trends 2023. Retrieved from [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms\\_865332.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_865332.pdf)

<sup>21</sup> Ibid.

<sup>22</sup> War against Ukraine – measures taken by the Confederation since 24 February 2022. Retrieved from: <https://www.eda.admin.ch/eda/en/fdfa/fdfa/aktuell/dossiers/krieg-gegen-ukraine.html>



## Case study Horizon Capital Growth Fund IV

### Economic Opportunities & Decent Jobs



Horizon Capital team with Ralph Keitel, CIO of SIFEM.

SIFEM Investment	USD 15 million
Investment Year	2022
Country/Region	Ukraine
Sector	SME Development
Financial Instruments	Private Equity Fund
Fund Manager	Horizon Capital

### About Horizon Capital Growth Fund IV

Horizon Capital is a private equity firm with headquarters in Ukraine, launched in 2006 and with over USD 1.5 billion assets under management. Horizon IV is Horizon Capital's sixth fund and focuses on investing in export and tech-oriented companies in Ukraine and Moldova.

Since the beginning of the war in February 2022, up to 8 million people have fled Ukraine and 17 million have been displaced. In this context, the impact strategy of the Fund has become more hands-on. Horizon Capital formed a five-person humanitarian logistics group, which collaborates with Underlying Investees to identify what support they can provide to their communities. Each Underlying Investee has developed a more compassionate approach and has shifted its strategy, with community needs becoming as important as business outcomes. For example, an

Underlying Investee has started providing medicine at half price, or for free, to communities in need.

### How does Horizon Capital contribute to economic opportunities and decent jobs?

Horizon IV has developed an investment strategy that aims to support economic growth and job creation in the region. It consists of investing mainly in the information technology sector, the only sector that has been growing since the beginning of the conflict in Ukraine. In addition, more than a year after the start of the war, the fund pipeline is comprised of 80% "export champions", which are companies generating most of their revenues from abroad. Horizon Capital provides capital to visionary entrepreneurs and accompanies them in growing their businesses while diversifying their revenue base away from domestic sources. The sector is creating high-quality and high-paying jobs that allow employees to support their communities, directly through financial help, and indirectly through the economic activity it generates. So far, the fund manager has invested in 172 companies and has supported 80,000 jobs with all its funds.

“

Investments in Ukraine are now essential because with the war, there is no capital.

— Lenna Koszarny, CEO, Horizon Capital

Information technology is also a fast-growing sector for women in Ukraine as the largely male-dominated sector has seen the share of women workers triple over the last decade.<sup>23</sup> With many of the country's men now serving the armed forces, women have had to support their families alone and, in some cases, flee their houses to rebuild a life elsewhere. The Fund therefore promotes remote learning and remote working to adjust to any difficult situation faced by Ukrainian families. Horizon IV is also a 2X flagship fund, as it is committed to promoting gender equality both internally and among its Underlying Investees, with the aim to have over 30% of its companies achieve the 2X criteria (See 'What is Gender lens investing: 2X?' [p. 23]).

### SIFEM's investment in Horizon Capital

Despite the war, the Ukrainian economy has not come to a standstill and is showing remarkable resilience.

<sup>23</sup> Kravchenko, K. (2023). Ctrl + Alt + Empower: Celebrating Ukrainian Women in IT. Retrieved from <https://euneighbourseast.eu/young-european-ambassadors/blog/ctrl-alt-empower-celebrating-ukrainian-women-in-it/>

Banks have remained operational, the population retains access to essential services, albeit severely disrupted, and are trying their best to continue with business as usual. Nevertheless, in the current context, it is extremely difficult for Ukrainian companies to find capital. Investors do not want to risk investing in a country at war and debt is prohibitively expensive.

Horizon Capital can leverage capital provided by investors, such as SIFEM, to support the growth of local companies. This growth brings along much-needed income for communities where each Underlying Investee is based. According to Horizon Capital's CEO, the best way to support Underlying Investees and local communities since the outbreak of the war is through promoting economic opportunities and job creation.

## Jobs supported by SIFEM

Job creation has always been one of SIFEM's most important priorities in terms of development objectives. Creating and supporting more and better jobs has positive consequences on a range of interconnected impact goals. Jobs are considered the principal route for socioeconomic mobility out of poverty and contribute to a country's social development. Jobs can boost living standards by reducing food insecurity, improving health and wellbeing, and helping to build social cohesion.

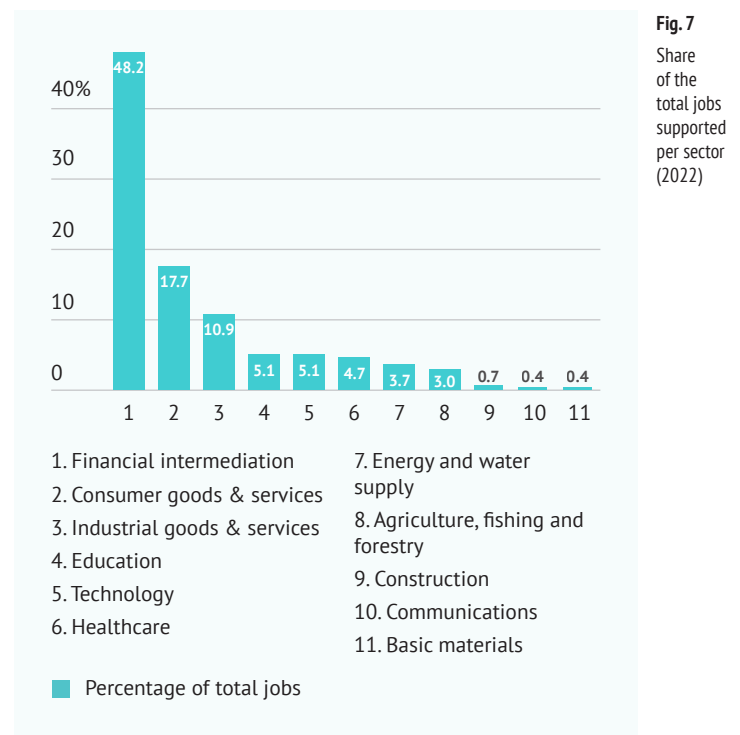
The total jobs supported fall into two categories: The first is **direct jobs** supported through investments made by SIFEM and Investee funds (e.g., employees of Underlying Investee companies, fund managers, and Financial Institutions). The second is an estimate of **indirect jobs** supported through micro, small and medium-sized enterprises (MSME) loans granted by Financial Institutions in the Investment Portfolio.<sup>24</sup> Direct jobs represent 85% of total jobs supported, whereas indirect jobs represent 15%.

As of December 2022, SIFEM directly and indirectly supported 483,253 jobs with its Investment Portfolio, compared to 436,791 at the end of 2021. This 11% increase is mainly due to the growth in the number of jobs among Investees and Underlying Investees, while a smaller share can be explained by new investments made in 2022. Over 47,000 jobs were created by Investees and Underlying Investees in the Investment Portfolio between 2021 and 2022.

## Sector concentration

48% of total jobs supported are concentrated in the financial intermediation sector (Figure 7). This high share can be explained by the concentration of the Investment Portfolio in this sector. The three following sectors with the most jobs are consumer goods & services (18%), industrial goods & services (11%), and education (5%).

The distribution of jobs in both the financial intermediation and consumer goods & services sectors was aligned with the financial exposure of the portfolio to these sectors. The industrial goods & services sector supports 11% of jobs while it only represents 5% of the Investment Portfolio. This sector appears to support disproportionately more jobs than other sectors. On the contrary, the energy & water supply sector supports less jobs, as it only accounted for 4% of jobs supported while it represents 10% of the Investment Portfolio. Due to the capital-intensive nature of the energy sector, it is not surprising that it supports fewer jobs than other sectors. This means that energy projects require many workers during the construction phase, but very few are necessary once energy plants are operational. Nevertheless, the energy sector contributes to other development objectives such as climate change mitigation and clean energy production.



<sup>24</sup> Direct jobs reported represent the sum of full-time equivalent workers employed by all the companies in the Investment Portfolio and do not consider the size of SIFEM's investment in each company. On the other hand, indirect jobs reported are estimated based on the assumption that each microloan granted by a Financial Institution in the Investment Portfolio supports one job, whereas each SME loan supports 10 jobs. The total number of indirect jobs is weighted by the share of SIFEM's investment in a Financial Institution.

## Geographical concentration

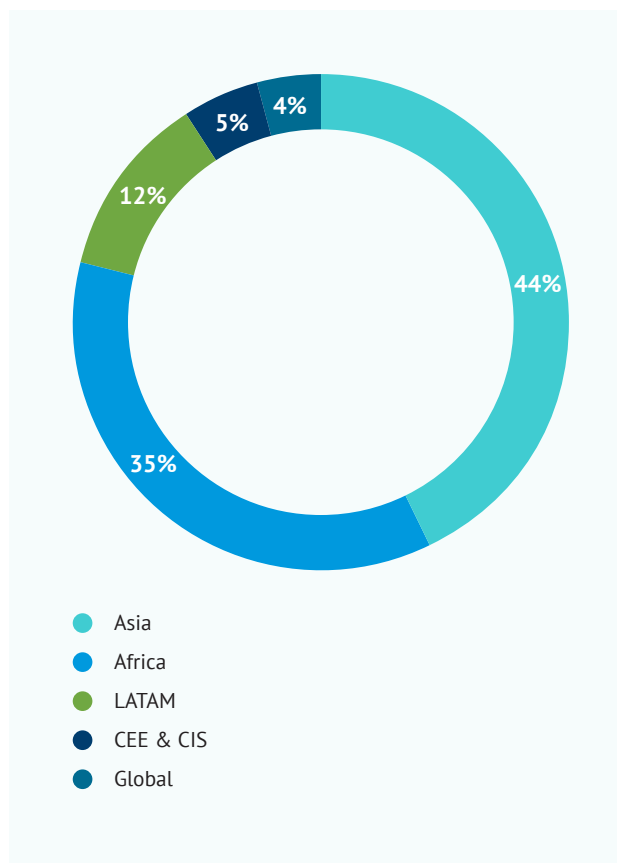
In 2022, jobs supported by the Investment Portfolio were concentrated in two regions representing 79% of total jobs (Figure 8). The first was Asia, with 44% and the second was Africa with 35%. The remaining 21% were distributed throughout LATAM (12%), CEE & CIS (5%), and “globally” (4%).

Asia’s share of 44% of total jobs supported is slightly higher than the portfolio exposure in the region (41%), similar to Africa’s share of jobs of 35% and a financial exposure of 32%. Compared to 2021, SIFEM witnessed a slight increase in the share of jobs supported in Africa (34% in 2021, 35% in 2022), while the share of jobs in Asia decreased from 49% in 2021 to 43% this year.

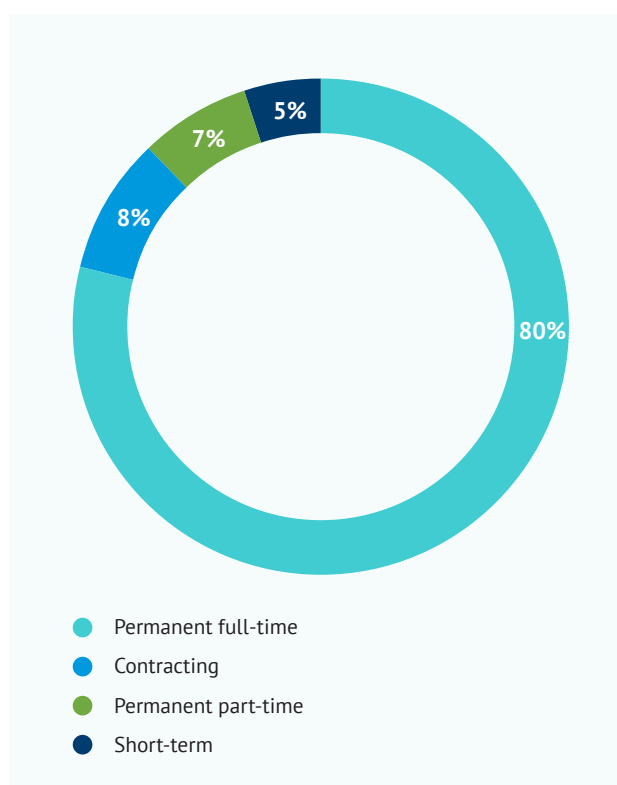
The top three countries represent 32% of total jobs, with 18% in India, 7% in Kenya, and 7% in Egypt. 43% of jobs supported in the Investment Portfolio were in the priority countries of Switzerland’s development cooperation, and 14% were in LDCs.

## Job type

Of the direct jobs supported (Figure 9), 87% were permanent contracts, both full-time and part-time. Permanent contracts are beneficial as they bring stability to employees. According to the International Labour Organization (ILO), workers who do not have a permanent contract tend to have lower incomes, experience reduced social security, and often alternate between temporary work and periods of unemployment.<sup>25</sup> The remainder were short-term contracts (5%) and contracting/outsourced jobs (8%).



**Fig. 8**  
Share of total jobs supported per region (2022)



**Fig. 9**  
Share of total jobs supported per job type (2022)

<sup>25</sup> ILO. (2016). Non-standard employment around the world: Understanding challenges, shaping prospects. Retrieved from [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_534326.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_534326.pdf)



## Case study iProcure Novastar Ventures Africa Fund II

### Economic Opportunities & Decent Jobs



Fund	Novastar Ventures Africa Fund II
Fund Investment	USD 3 million
Investment Year	2021
Country/Region	Kenya
Sector	Agriculture

### About iProcure

iProcure is an agricultural inputs distribution company based in Kenya and is the largest agricultural supply chain platform in rural Africa. It was created by two founders in Haiti after the 2010 earthquake to assist in the reconstruction of the country. They developed a technology to manage the supply chain of construction materials, ensuring that workers on the ground were provided with sufficient materials to rebuild the cities. Following this experience, they saw an opportunity to apply this technology to the agricultural inputs supply chain in Kenya. They used the same technology in the agricultural sector, initially establishing a supply chain infrastructure. They reached out to retail outlets and cooperatives, started building the infrastructure network, and implemented a business intelligence platform to support the activities. The company became operational as soon as it had warehouses and vehicles to store and transport grains and other foods.

### How does iProcure contribute to economic opportunities & decent jobs?

In Kenya, the agricultural sector accounts for a substantial portion of informal employment (60%), and of exports (60%), with the most significant contribution originating from crop production.<sup>26</sup> Agriculture is essential to creating jobs in rural communities and achieving food security, with farmers being highly dependent on agricultural inputs to produce their crops. By offering well-defined supply chain services, iProcure enables smallholder farmers to acquire cost-effective and high-quality agricultural inputs. With a reliable supply of inputs, farmers can enhance farm yields and increase their incomes.

“

With two planting seasons of only 4–6 weeks each, reliable distribution of seeds is vital for farmers.

— Niraj Varia, CEO, iProcure

The business intelligence platform empowers manufacturers of agricultural inputs to track the geographical locations of the distributors and monitor real-time product performance. Leveraging an extensive network of distributors and retailers facilitates the engagement of farmers even in the most remote regions and allows them to monitor product pricing in the entire country. The market reach aspect further provides manufacturers with insights into consumer purchasing trends, delivering comprehensive information rapidly. One of the big challenges facing iProcure is stock shortages—farmers all need the same product at the same time of the year. By ensuring the timely provision of fertilisers and seeds during crucial planting seasons, iProcure substantially improves the chances of an abundant and profitable harvest for farmers. By 2024, iProcure wants to serve more than 4.5 million smallholder farmers in Kenya, Uganda, Tanzania, and Nigeria through a network of more than 5,000 distributors and farm depots.

<sup>26</sup> Ministry of Agriculture, Kenya. (n.d.). Agricultural Sector Transformation and Growth Strategy, 2019-2029. Retrieved from: <https://kilimo.go.ke/wp-content/uploads/2022/03/ASTGS-Abridged-version.pdf>

### **SIFEM's investment in iProcure**

Through its investment in the fund Novastar Ventures Africa Fund II, SIFEM indirectly provides capital to Underlying Investees such as iProcure. The company used this capital to grow and expand its impact on the various stakeholders described above. Thanks to its

indirect investment strategy, SIFEM can contribute to job creation and economic growth in Kenya and other countries where iProcure operates. This is only one example of the almost 600 Underlying Investees that SIFEM reaches as a result of this strategy (See 'Interview with SIFEM's ESG & Impact Team' [pp. 29–31] for more details).

### **Better jobs – Qualitative aspects**

In 2022, 2 billion workers were employed in the informal sector globally, which has been the main source of employment recovery following the COVID-19 crisis.<sup>27</sup> The informal sector lacks many benefits inherent to formal employment, which play a crucial role in promoting social equity. For instance, informal jobs are significantly less likely to allow employees to access social protection mechanisms compared to formal jobs. On a global scale, only 47% of the global population is adequately covered by at least one form of social protection benefit, highlighting that over 4 billion individuals have no social safeguards.<sup>28</sup>

To support the creation of better jobs, SIFEM's funds and Financial Institutions contractually commit to operating in line with national labour and occupational health and safety regulations. They also commit to complying with the ILO Core Labour Standards, the IFC's Performance Standards on Environmental and Social Sustainability, and basic terms and conditions of employment when national legislation falls short of these standards (see 'ESG Standards' [p. 27] for more details). However, SIFEM invests in countries where national regulations may be weak and/or not enforced, as well as countries where laws are rigid and require the use of flexible contractual arrangements. Consequently, SIFEM ensures that the Investees develop Environmental and Social Management Systems (ESMS) and engage qualified personnel to manage these systems. The reason for this is that they are equipped to identify risks related to labour and working conditions and actively work together with their respective portfolio companies and clients over defined time frames to meet SIFEM's requirements.

### **Domestic resource mobilisation**

Mobilisation of domestic resources is essential to achieving sustainable development. Domestic resources play a crucial role in funding local investments and social programs, which foster economic growth and contribute to poverty alleviation. These resources serve as a means to reduce dependency on foreign aid. Therefore, the taxes contributed by Investees and Underlying Investees in the Investment Portfolio increase revenues for domestic governments. In 2022, these investees paid a total of USD 1.8 billion in corporate taxes and other government fees. This represents an increase of 12% compared to 2021.

To support domestic resource mobilisation, SIFEM has developed a Responsible Tax Policy which is used to assess and monitor the tax aspects of its investment opportunities.<sup>29</sup> It is aligned with the principles approved by all members of the Association of European Development Finance Institutions (EDFI).<sup>30</sup> One of SIFEM's commitments is to require all its Investees and Underlying Investees to comply with all applicable laws and regulations in the countries in which they operate.

<sup>27</sup> ILO. (2023). World Employment and Social Outlook Trends 2023. Retrieved from [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms\\_865332.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_865332.pdf)

<sup>28</sup> Ibid.

<sup>29</sup> SIFEM. (2021). Responsible Taxation Policy. Retrieved from [https://sifem.ch/fileadmin/user\\_upload/sifem/pdf/en/Other\\_Documents/191210\\_SIFEM\\_Responsible\\_Tax\\_Policy.pdf](https://sifem.ch/fileadmin/user_upload/sifem/pdf/en/Other_Documents/191210_SIFEM_Responsible_Tax_Policy.pdf)

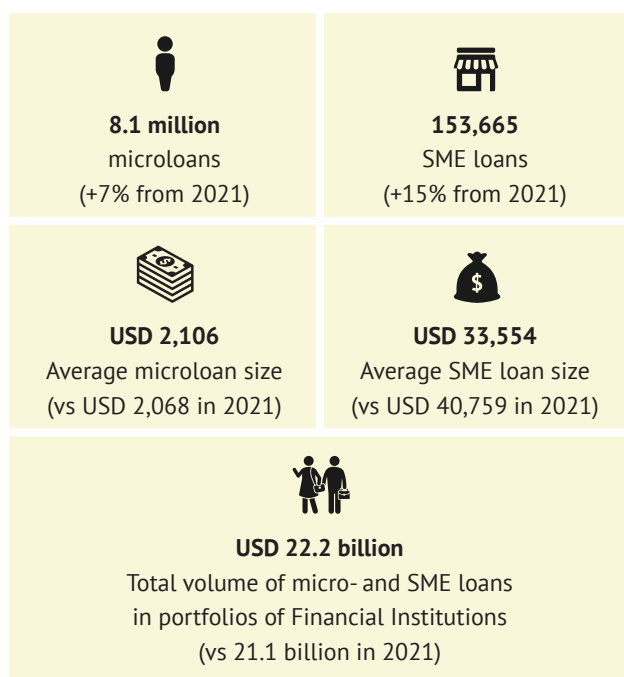
<sup>30</sup> EDFI. (2018). EDFI Principles for Responsible Tax in Developing Countries. Retrieved from [https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2018/05/EDFI-Responsible-Tax-Principles\\_Final-180509.pdf](https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2018/05/EDFI-Responsible-Tax-Principles_Final-180509.pdf)

## Social Inclusion

### Access to financial services

Access to financial services is an important factor for MSMEs as it allows them to invest in their businesses. Especially in developing countries, MSMEs play a significant role in creating employment, making substantial contributions to both economic expansion and the reduction of poverty. Financial inclusion also contributes to enhancing household resilience by providing individuals and families with access to financial services. This in turn empowers households to save and manage their income, establishing a safety net during periods of economic uncertainty or unexpected crises. This financial empowerment also provides households with the necessary foundation to invest in education, healthcare, and housing, ultimately improving their overall quality of life.<sup>31</sup>

### Loans granted by SIFEM through Financial Institutions (direct and indirect)



Investees and Underlying Investees in the financial intermediation sector operate in countries where, on average, 57% of the adult population has a bank account at a financial institution, which is significantly lower than the world average of 76%.<sup>32</sup> Through investments in Financial Institutions, SIFEM contributes to expanding access to financial services in countries where people are underserved.

### Client protection

As part of its investments, SIFEM promotes responsible lending among all the Financial Institutions it invests in. The aim is to protect clients from the risk of over-indebtedness and other negative impacts. To do so, SIFEM evaluates the responsible lending practices of each Financial Institution during the due diligence and asks its Investees to apply the Client Protection Standards.<sup>33</sup> These are eight standards that ensure the safe, responsible, and fair delivery of financial services to clients.

### Women

In 2022, 473 million people globally did not have a job, of which a large share is represented by women in emerging markets.<sup>34</sup> Women's personal and family responsibilities, such as unpaid care work, are among the main reasons that they are either unemployed or prevented from seeking employment. This is exacerbated by the absence of decent job opportunities and the limited availability of professional training opportunities for women. Investors can contribute to narrowing the gender gap through various means. Locfund Next is an example of a SIFEM Investee that supports women in the workforce in Latin America and the Caribbean. It does so through the creation and implementation of guidelines to support women in the work environment. Locfund Next also sets objectives on the share of women that will be reached through microloans disbursed by its Underlying Investees.

<sup>31</sup> The World Bank. (n.d.). Financial Inclusion. Retrieved from <https://www.worldbank.org/en/topic/financialinclusion/overview/>

<sup>32</sup> The World Bank. (2021). World Development Indicators. Retrieved from <https://databank.worldbank.org/>

<sup>33</sup> About Client Protection, by Cerise+SPTF: <https://cerise-sptf.org/about-client-protection/>

<sup>34</sup> ILO. (2023). World Employment and Social Outlook Trends 2023. Retrieved from [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms\\_865332.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_865332.pdf)



## Case study Locfund Next

### Social Inclusion



Client from the MFI Fafidess, Guatemala.

SIFEM Investment	<b>USD 10 million</b>
Investment Year	<b>2020</b>
Country/Region	<b>LATAM</b>
Sector	<b>Financial Services</b>
Financial Instruments	<b>Microfinance Debt Fund</b>
Fund Manager	<b>Bolivian Investment Management (BIM)</b>

### About Locfund Next

Locfund Next L.O. (Locfund Next) is a fund launched to serve microfinance institutions (MFIs) in Latin America and the Caribbean through local currency debt instruments, with a focus on facilitating digital transformation. It is managed by BIM, an impact investment manager with over two decades of experience in establishing and overseeing investment companies. Locfund Next works to address the challenge of narrowing the financial inclusion gap in LATAM. Its mission is to assist vulnerable populations with access to financing, allowing its beneficiaries to grow their profitability and have greater financial security for their families and communities. The Fund's main products include local currency loans, subordinated debt, and hard currency credit lines. It also provides technical assistance to MFIs through managerial skill enhancement and digital transformation training.

Locfund Next implemented ESG criteria in its investment process to manage ESG risks and defined a clear contribution to the achievement of the SDGs. In addition, Locfund Next is a member of the Social Performance Task Force (SPTF) which is promoting inclusive finance through the promotion of standards and good practices. In terms of gender equality, BIM has defined guidelines to encourage diversity and inclusion, with a special focus on labour practices to help female employees balance work and family. Non-discriminatory recruitment and training of female staff are also promoted. Additionally, in July 2022 Locfund Next was awarded with the "Growth" category of 2X Flagship Funds, due to its focus on gender-lens investing.

### How does Locfund Next contribute to social inclusion?

Social impact indicators have been established with different targets throughout the fund cycle. By its fourth year, the fund aims to have an average loan size below USD 1,500. A smaller loan size suggests that it provides loans to people with lower incomes and that it facilitates access to financial services to people who would not typically have access to it. By its sixth year, Locfund Next's goal is to provide loans to over 200,000 end clients. As of December 2022, Locfund Next had served more than 150,000 clients. Finally, among the 200,000 clients targeted, 40% should be in rural areas, and at least 50% should be women. According to the Global Findex report, despite increasing global account ownership, the majority of those excluded from the formal financial sector are women, adults with lower income, and individuals with lower levels of education.<sup>35</sup> In LATAM, there is a gender gap of 7 percentage points in account ownership between women and men. This shows the crucial role of Financial Institutions in targeting an equal number of men and women to close the gender gap in access to financial services. Locfund Next hence contributes to social inclusion by providing loans to low-income households, women and people in rural areas.

A Technical Support Facility (TSF) was established to assist and support MFIs with digital transformation. So far, about 3,800 staff of MFIs have been trained, 42% of whom are women. The TSF is supporting MFIs with the digital collection of loans, data analysis, credit assessment, and disbursements, among other topics. Locfund Next also promotes good environmental

<sup>35</sup> Asti, D., Klapper, L., Singer, D., Ansar, S. (2022). The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Washington, DC: World Bank.

practices through the TSF, notably with sessions on green finance which help identify potential environmental risks associated with MFIs' portfolios. The TSF co-finances activities related to carbon footprint measurement and the development of an environmental manual or policy.

### SIFEM's Investment in Locfund Next

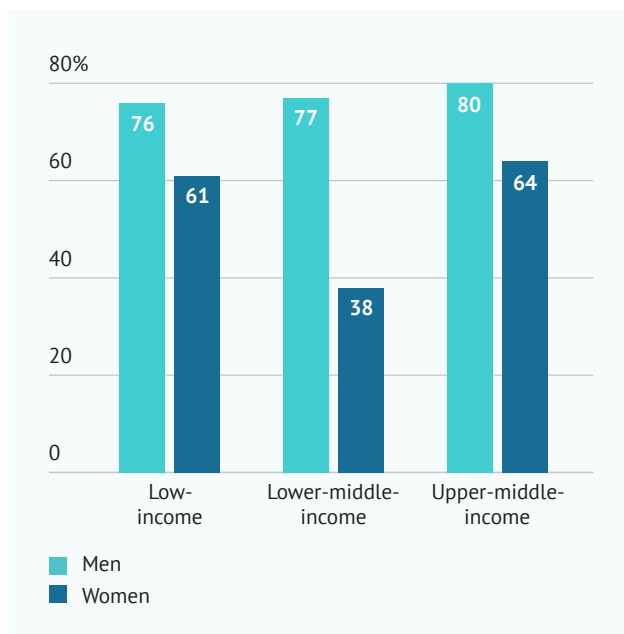
SIFEM invested in Locfund Next using a senior loan (USD 6m) and equity (USD 4m), which has been critical for the fund to reach its minimum equity amount

at the first closing. Through the impact objectives set by Locfund Next, SIFEM has a clear view of how the fund will contribute to social inclusion over its lifetime. In the long term, Locfund Next aims to reach 600,000 end-beneficiaries. The targeted USD 820 million disbursements will serve over 100 MFIs, which represent approximately 30% of the LATAM market. Through its investment in Locfund Next, SIFEM not only provided capital to complete its first closing, but it also contributed to social inclusion thanks to the provision of loans to underserved people.

## Participation of women in the workforce

The participation of women in the workforce varies widely among sectors, regions, and income levels. Emerging economies tend to have a lower share of women participating in their workforce. In lower-middle-income countries, female labour force participation was 38% in 2019, vs 77% for men.<sup>36</sup> Whereas in upper-middle-income economies, it was 64% for women, vs 80% for men (Figure 10). The gender gap is the largest in lower-middle-income countries, where almost two-thirds of women are not employed in the formal sector.

**Fig. 10<sup>36</sup>**  
Global labour force participation by income groups (2019)



As women have a lower labour force participation rate than men, they account for a lower proportion of the global workforce. According to the World Bank, women accounted for 39.5% of the global workforce in 2022.<sup>38</sup> Women accounted for 35% of total jobs supported by SIFEM. This relatively low share can be explained by several factors. First, investments made by SIFEM before 2020 and still active in the Investment Portfolio at the end of 2022 support fewer women, with an average of 32% women. In recent years, SIFEM has been working more proactively on supporting gender equality. For example, in the SO 2021-24, SIFEM committed to the 2X Challenge, an initiative supporting the creation of economic opportunities for women (See 'What is Gender lens investing: 2X?' [p. 23]). When considering investments made by SIFEM after January 2020, women represented 39% of total jobs supported.

A second reason is that SIFEM has investments in some sectors that are globally more male-dominated, despite their significant contribution to economic development. Examples in the Investment Portfolio include the industrial goods and services sector (27% women employees) and the construction sector (9% women employees). Sectors in the portfolio that tend to have a larger share of women employees are healthcare, education, and communications, in line with global trends.<sup>39</sup> However, these sectors represent a small portion of the total jobs supported.

<sup>36</sup> Labour force participation is defined by the ILO as the proportion of the population ages 15 and older that is economically active: all people who supply labour for the production of goods and services during a specified period.

<sup>37</sup> World Bank. (2022). Female labor force participation. Retrieved from <https://genderdata.worldbank.org/data-stories/flfp-data-story/>

<sup>38</sup> World Bank. (2023). Gender Data Portal. Retrieved from [https://genderdata.worldbank.org/indicators/sl-tlf-totl-fe-zs?view=trend&year-range=1992\\_2022](https://genderdata.worldbank.org/indicators/sl-tlf-totl-fe-zs?view=trend&year-range=1992_2022)

<sup>39</sup> World Economic Forum. (2023). Global Gender Gap Report 2023. Retrieved from <https://www.weforum.org/>

## What is 'Gender lens investing: 2X'?

2X Global is an organisation aiming to advance gender lens investing and bridge the financing gap that women face worldwide. The organisation brings together members from public and private financial markets, including capital providers and intermediaries. It started in 2018 as the 2X Challenge, which was launched during the G7 Summit as a commitment by DFIs to mobilise USD 3 billion in private gender lens investments in emerging countries over three years. The target was overachieved threefold, which led to DFIs committing to a new and more ambitious target of mobilising USD 15 billion over 2021-2022. The second target was again achieved. Building on this success, and after merging with GenderSmart, 2X Global was created in 2023.<sup>40</sup> According to 2X Global, gender lens investing is "the integration of gender analysis into a new or existing investment process for better social and financial outcomes".<sup>41</sup>

As a supporter of the 2X Challenge since 2019, SIFEM has among its SO that over 20% of new investments should be in line with the 2X Criteria. The aim is to strengthen the role of women as entrepreneurs, managers, and employees, and to provide women with financial services that improve their economic participation. An investment is eligible for the 2X qualification if it meets one of the 2X Criteria, such as having 30% or more women in senior management or having more than 50% of the entity owned by women. Almost half of the investments made by SIFEM in 2022 were qualified for the 2X Challenge, contributing to enhancing the role and participation of women in the targeted markets.

## What is the 'Paris Agreement'?

The Paris Agreement, established in December 2015 during the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC), is a pivotal international treaty aimed at addressing the global climate crisis. It was adopted by 196 countries and is often considered a historic milestone in the fight against climate change.

The primary objectives of the Paris Agreement are to limit the increase in global average temperature to well below 2°C above pre-industrial levels, with a strong preference to limit it to 1.5°C. To achieve this, participating nations commit to reducing GHG emissions through Nationally Determined Contributions (NDCs) and regularly updating these pledges to enhance ambition.

The agreement also emphasises transparency and accountability, with countries required to report on their emissions and progress towards their NDCs. Additionally, it recognises the importance of adaptation to climate impacts and supports efforts to build resilience in vulnerable communities.

Financial assistance and technology transfer from developed to developing nations are crucial aspects of the Paris Agreement, as they help developing countries transition to cleaner, more sustainable energy sources and adapt to the effects of climate change.

## Climate Change Mitigation & Adaptation

SIFEM is committed to addressing the urgent need for climate action, in alignment with Switzerland's International Cooperation Strategy 2021-24, its SO 2021-2024, and its Approach to Responsible Investment. To support inclusive, low-carbon economic growth and sustainable development in emerging markets, SIFEM invests and mobilises funds for climate change mitigation and adaptation. It does so within its priority to support economic resilience in developing markets, thereby facilitating a 'Just Transition'.<sup>42</sup> SIFEM is committed to allocating at least 25% of new investments

to opportunities to advance climate change mitigation and adaptation. In April 2023, SIFEM adopted its first Climate Approach, detailing the principles it defines to address climate action.<sup>43</sup>

The SO 2021-24 also require all new investments made by SIFEM to be aligned with the objectives of the Paris Agreement. Thus, all investments made by SIFEM in 2022 are aligned with the objectives of the Paris Agreement and are not in contradiction with the national climate goals (i.e., Nationally Determined Contribution) of the country concerned (see 'What is the Paris Agreement?' above).

<sup>40</sup> GenderSmart was a global initiative dedicated to unlocking the deployment of strategic, impactful gender-smart capital at scale. It joined with 2X Collaborative to become 2X Global in January 2023.

<sup>41</sup> 2X Global. (2023). What is gender lens investing. Retrieved from <https://www.2xglobal.org/>

<sup>42</sup> "A just transition for all towards an environmentally sustainable economy needs to contribute to the goals of decent work for all, social inclusion and the eradication of poverty." ILO. (2015). Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All. Retrieved from [https://www.ilo.org/wcmsp5/groups/public/@ed\\_emp/@emp\\_ent/documents/publication/wcms\\_432859.pdf](https://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_432859.pdf)

<sup>43</sup> SIFEM. (2023). SIFEM's Climate Approach. Retrieved from [https://sifem.ch/fileadmin/user\\_upload/sifem/pdf/en/Other\\_Documents/230413\\_SIFEM\\_Climate\\_Approach.pdf](https://sifem.ch/fileadmin/user_upload/sifem/pdf/en/Other_Documents/230413_SIFEM_Climate_Approach.pdf)

## Climate investments in 2022

In 2022, SIFEM made three new climate investments:

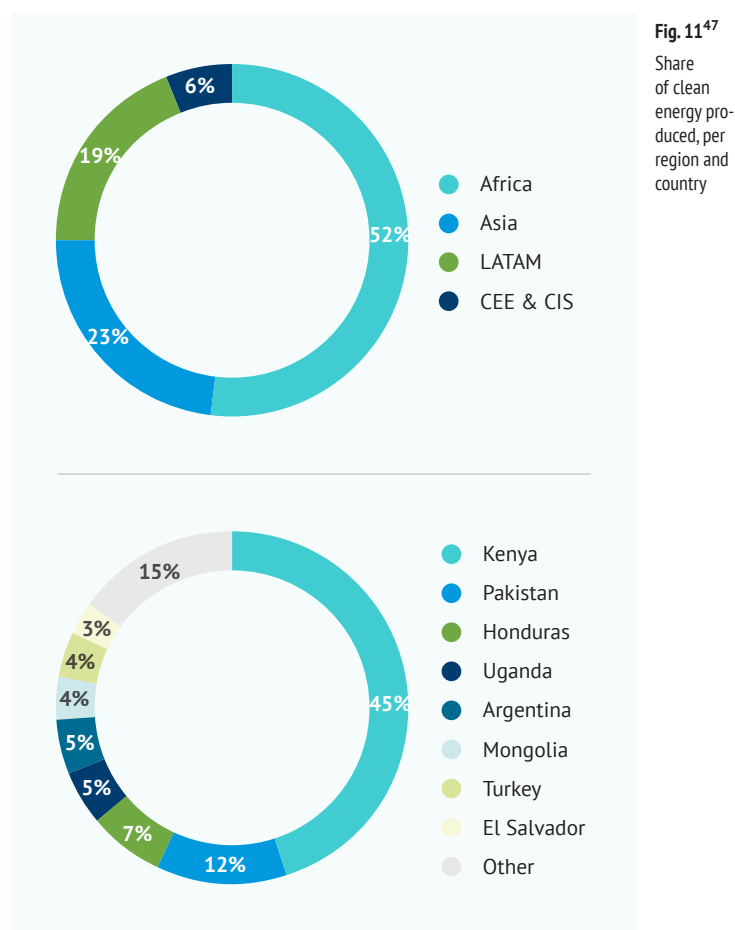
- Ashmore Avenida LATAM Energy Efficient Affordable Housing Fund III: the fund will invest in sustainable and affordable housing, and social infrastructure, for vulnerable populations of Colombia and Peru.
- Omnivore Agritech & Climate Sustainability Fund III: a fund active in Asia, which invests in start-ups developing innovative technologies for agriculture, food, and the rural economy in India.
- EVN Finance: a Financial Institution offering tailor-made products catering to the needs of small-scale solar photovoltaic panel developers in Vietnam (See 'Case Study: EVN Finance' [p. 25]).

## Clean energy production

The lack of access to energy supply and infrastructure poses obstacles to both human advancement and economic growth. In 2020, a total of 733 million individuals had no access to electricity, while 2.4 billion people continued to rely on harmful fuels for cooking, resulting in adverse effects on their well-being and the environment.<sup>44</sup> Among these energy sources, both renewable (such as solar, wind, hydropower, and biofuels) and non-renewable (including natural gas and coal) options exist. However, if the consumption of fossil fuels persists without efforts to curtail GHG emissions, it will inevitably exacerbate the negative effects of climate change worldwide.

Increasing energy efficiency and advocating for the adoption of renewable energy sources not only aids in providing cost-effective clean energy to populations but also contributes to the mitigation of climate change and the reduction of related risks. To support this effort, SIFEM invests in renewable energy projects through investments in funds specialised in the sector. SIFEM Underlying Investees produced a total of 5,159 GWh of clean energy in 2022, a 14% decrease compared to 2021. To have a point of comparison, the 2022 clean energy production is equivalent to the electricity consumption of 800,000 Swiss inhabitants in one year.<sup>45</sup> Finally, SIFEM supported clean energy production in 20 countries.<sup>46</sup> The largest share of clean energy produced is in Kenya, representing 45% of total clean energy produced. Similarly, over half of total clean energy is produced in Africa (Figure 11).

The decrease in clean energy production from 2021 to 2022 is due to Underlying Investees exiting the portfolio, representing a total of 782 GWh, as well as others not having reported in 2022, for a total of over 1,000 GWh. When excluding such Underlying Investees, the clean energy production follows a positive trend compared to 2021. Nevertheless, we expect the clean energy produced to increase in the coming years. With SIFEM's objective to allocate at least 25% of new investments to climate finance, an increasing number of climate investments are being made, some of which are in clean energy funds. However, for such funds, there may be a large time lag between the moment SIFEM makes the investment and when clean energy is actually produced. This is due to the fact that SIFEM's commitment may not be allocated to a specific project immediately, and clean energy projects may have long construction periods. Concretely, this means that a commitment made by SIFEM to a clean energy fund this year may start producing energy in one, or even several years.



<sup>44</sup> The World Bank. (2022). Tracking SDG 7 – The Energy Progress Report 2022. Retrieved from <https://www.worldbank.org/en/topic/energy/publication/tracking-sdg-7-the-energy-progress-report-2022>

<sup>45</sup> FDFA. (2020). Energy – Facts and Figures. Retrieved from <https://www.eda.admin.ch/aboutswitzerland/en/home/wirtschaft/energie/energie---fakten-und-zahlen.html>

<sup>46</sup> This considers only investments in energy projects that operate in one location (vs projects that are developed as a platform to produce energy in several countries).

<sup>47</sup> The share distribution of clean energy produced per country/region only accounts for energy projects that are based in the same country as where the energy is produced, hence excluding platforms based in a country and financing projects in several other countries.



## Case Study EVN Finance

### Climate Change Mitigation & Adaptation



<b>SIFEM Investment</b>	<b>USD 10 million</b>
<b>Investment Year</b>	<b>2022</b>
<b>Country/Region</b>	<b>Vietnam</b>
<b>Sector</b>	<b>SME Development, Renewable Energy</b>
<b>Financial Instruments</b>	<b>Fixed Income Securities/ Debt</b>

### About EVN Finance

EVN Finance Joint Stock Company (EVN Finance) is a non-bank financial institution providing capital and other financial services to the energy sector in Vietnam, as well as other corporates, SMEs, and consumers. The company was established in 2008 by EVN, Vietnam's state-owned electricity provider, to support the financing of the group's activities and development of the energy sector. EVN Finance is now the second-largest finance company in Vietnam with total assets of USD 1.7 billion. Its mission is to be a reliable financial service provider for Vietnam's power sector and its customers. Most customers are large companies and SMEs across the country.

EVN Finance made significant progress towards sustainability in 2022 by developing an ESMS and

releasing its first Sustainability Report in line with the Global Reporting Initiative's (GRI) Sustainability Reporting Standards.

### How does EVN Finance contribute to climate change mitigation?

In Vietnam, 18% of total energy consumption is from renewable sources,<sup>48</sup> whereas the Vietnamese government is aiming to reach over 40% by 2030 and 60% by 2050.<sup>49</sup> EVN Finance focuses on the energy sector, which accounts for about 30% of its portfolio, mainly in electricity and utility distribution. In recent years, EVN Finance has emphasised the transition to renewable energy, identifying this as an area of strategic focus.

It started by developing loans tailored specifically to the needs of small-scale photovoltaic panel developers, which accounted for 8% of their portfolio in 2021. EVN Finance continued to develop its renewable energy loan offering in partnership with IPC GmbH, a German consulting company, by designing a product for commercial and industrial projects. These projects are small-scale solar panel projects intended for existing SME customers with loans of about USD 500,000. EVN Finance's solar energy products offer a competitive interest rate, fast procedures, and specialised staff to respond efficiently to the increased demand in the renewable energy sector.

In addition, EVN Finance issued the first verified green bond in Vietnam for USD 75 million in 2022.<sup>50</sup> The proceeds from this bond will be channeled into eligible green projects under EVN Finance's Green Bond Framework. These projects include investments in the renewable energy sector, notably solar energy, as well as initiatives focused on enhancing energy efficiency throughout Vietnam. This significant milestone in green finance is expected to boost confidence in the potential of local currency green bonds as a means to secure funding for sustainable infrastructure development in Vietnam.

### SIFEM's Loan to EVN Finance

This transaction is SIFEM's first green loan. The investment in EVN Finance is earmarked for climate

<sup>48</sup> Sachs, J. D., Lafortune, G., Fuller, G., & Drumm, E. (2023). Sustainable Development Report 2023: Implementing the SDG Stimulus. Retrieved from: <https://s3.amazonaws.com/sustainabledevelopmentreport/2023/sustainable-development-report-2023.pdf>

<sup>49</sup> Wengel, F. (2023, June 5). Vietnam's Eight National Power Development Plan (PDP8). Green Finance & Development Center. <https://greenfdc.org/vietnams-eight-national-power-development-plan-pdp8/>

<sup>50</sup> GGGI. (2022). Accelerating the green transition: First onshore verified green bond issuance in Viet Nam. Retrieved from <https://gggi.org/accelerating-the-green-transition-first-onshore-verified-green-bond-issuance-in-viet-nam/>

mitigation projects (50%) as well as SME lending (50%). Through this loan, SIFEM aims to finance the growth of EVN Finance's renewable energy projects, which the company aims to grow from 8% to 20% of its portfolio by 2026.

The other 50% aims to support access to credit for SMEs and to the post-COVID recovery of the economy overall. While SMEs generate 40% of GDP and 50% of jobs in Vietnam, they struggle to get the financing they need with an estimated financing gap of USD

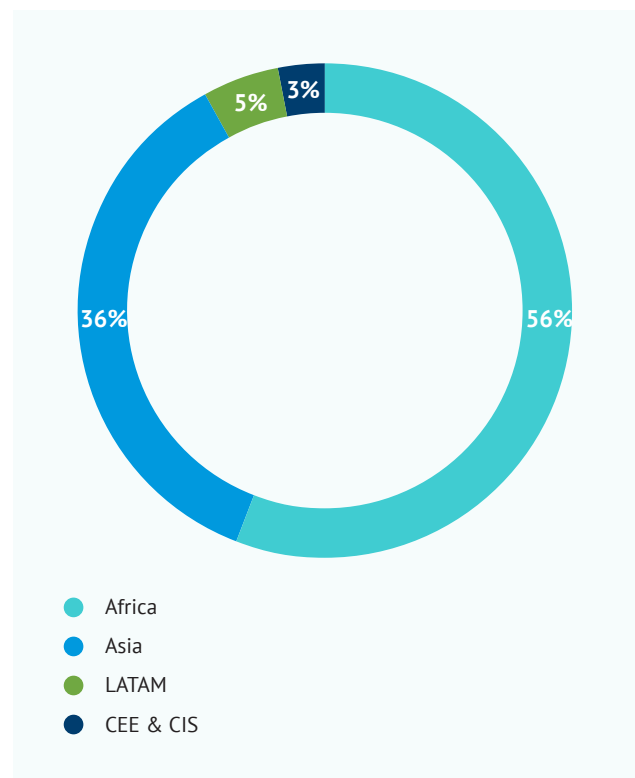
21.7 billion.<sup>51</sup> Therefore, through this loan, SIFEM aims to contribute to bridging this gap and supporting economic growth in Vietnam.

The investment in EVN Finance is aligned with the efforts provided by SECO in supporting Vietnam in its transition from a centrally planned economy to a market-oriented economy. More specifically, SECO aims to support the country in attaining market-oriented and sustainable growth, which is in line with the purpose of the loan granted by SIFEM.

## GHG emissions avoided

Climate change will continue to cause substantial increases in average global temperatures, exceeding the 3°C mark, if not effectively addressed. This will bring about adverse consequences across various ecosystems. The world is already experiencing how climate change amplifies the intensity of storms and disasters, intensifying challenges like the scarcity of food and water, which, in turn, can contribute to conflicts. To mitigate the impact of climate change, society must restrict the escalation of global temperatures to a level significantly below 2°C, with the optimal aim being 1.5°C, as stated by the Paris Agreement. Businesses and investors are proactively making commitments to reduce their emissions. This is of the utmost importance, as cumulative investments in energy transition technologies need to reach a total of USD 35 trillion by 2030 to align with the 1.5°C trajectory.<sup>52</sup>

In 2022, SIFEM's Underlying Investees avoided the emission of a total of almost 4.9 million tonnes of GHG emissions.<sup>53</sup> This represents a decrease of 35% compared to 2021 and can be explained by two factors. First, one Underlying Investee representing over 2.3 million tonnes of GHG emissions reduction exited the portfolio. Second, there were some missing data points for over one million tonnes of GHG emissions avoided, as some Underlying Investees were not able to report it in 2022. The GHG emissions avoided in 2022 were equivalent to the yearly emissions of over 400,000 Swiss people.<sup>54</sup> The largest share of GHG emissions avoided was in Africa (56%) (Figure 12), in line with the clean energy produced in the region.



**Fig. 12**  
Share of GHG emissions avoided, per region

<sup>51</sup> SME Finance Forum. (n.d.). MSME Finance Gap. Retrieved from <https://www.smefinanceforum.org/data-sites/msme-finance-gap>

<sup>52</sup> International Renewable Energy Agency. (2023). Investment Needs of USD 35 trillion by 2030 for Successful Energy Transition. Retrieved from <https://www.irena.org/News/pressreleases/2023/Mar/Investment-Needs-of-USD-35-trillion-by-2030-for-Successful-Energy-Transition>

<sup>53</sup> The GHG emissions avoided data is self-reported by Underlying Investees without a standard methodology set across Investees and Underlying Investees, each investee hence chooses its own methodology to compute GHG emissions reduction. GHG emission reduction is not attributed to SIFEM.

<sup>54</sup> Our World in Data. (2020). Per capita consumption-based CO2 emissions. Retrieved from <https://ourworldindata.org/grapher/consumption-co2-per-capita?tab=chart&country=~CHE>

## Economic Viability & Resilience

Across all sectors, funds and Financial Institutions supported by SIFEM are evaluated to ensure that they are financially viable, compliant with international ESG standards, and aligned with the goals of the Paris Agreement. SIFEM engages with financial intermediaries to support them in achieving this outcome, often putting in place action plans to improve their environmental and social risk management processes.

### Financial viability

Financial viability is assessed for all investments, to ensure that Investees' profitability is aligned with SIFEM's financial objectives. SIFEM aims to improve the financial performance of Financial Institutions, fund managers and their Underlying Investees by providing them with long-term financing and technical expertise, as well as supporting the mobilisation of private capital.

### ESG standards

SIFEM has ESG standards in place that are aligned with the policies used by other EDFIs. All Investees are assessed against these standards, which they are expected to comply with, and in some cases, they may implement the necessary measures to become compliant. SIFEM has different ESG requirements for funds and Financial Institutions, as detailed in its Approach to Responsible Investment.<sup>55</sup> These requirements are implemented by having all Investees develop and implement an ESMS before they make their first investment. Among others, the ESMS must contain the following elements:

- Apply the list of excluded activities, which is aligned with the Harmonised EDFI Exclusion List.<sup>56</sup>
- Uphold applicable local laws and regulations, including environmental, health & safety and labour laws, corporate governance regulations, and laws intended to prevent extortion, bribery and financial crime.
- Comply with relevant international standards, including the United Nations Guiding Principles for Business and Human Rights, ILO Core Conventions, and the International Finance Corporation (IFC) Performance Standards and associated environment, health, and safety guidelines.
- Assign ESG responsibilities to ensure effective oversight of the ESMS by senior management and implementation by suitably qualified staff or consultants.

SIFEM may create Environmental and Social Action Plans (ESAP) to address any gaps identified in an Investees' process to align with ESG principles and standards.

### Paris alignment

In line with the SO 2021-2024, all new investments made by SIFEM must be and are "Paris-aligned" (See 'What is the Paris Agreement?' [p. 23]).

Paris Alignment is broadly defined by the Paris Agreement (Article 2.1.c) as "making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development." In this context, SIFEM applies two measures to assess Paris Alignment. First, a screening is applied to ensure that all investments comply with SIFEM's exclusion list, which is in line with the Harmonised EDFI Fossil Fuel Exclusion List.<sup>57</sup> In addition, SIFEM assesses Investees' environmental and social (E&S) risk management systems in its due diligence process, as well as identifying any physical and transitional climate risks and mitigation strategies. Second, SIFEM recognises that the development pathways and starting points for climate action vary depending on different national circumstances and capabilities. As such, SIFEM considers the NDC set by each country as the main reference for alignment with the Paris Agreement and ensures that its investments do not contradict the NDCs.

### Limited Partner Advisory Committees (LPACs)

Among its SO, SIFEM seeks to be an active fund investor and, whenever possible, takes a seat on the fund's supervisory bodies. Therefore, SIFEM is a voting member of the LPAC in the four funds in which it invested in 2022. By having a seat on the LPAC of most funds it invests in (78 out of 83 funds), SIFEM engages with the fund managers and contributes to the decisions made by the LPACs. This is among the channels through which SIFEM provides technical advice and support to the funds in its portfolio.

<sup>55</sup> SIFEM. (2020). SIFEM's Approach to Responsible Investment. Retrieved from [https://sifem.ch/fileadmin/user\\_upload/sifem/pdf/en/Other\\_Documents/200303\\_SIFEM\\_Approach\\_to\\_Responsible\\_Investment.pdf](https://sifem.ch/fileadmin/user_upload/sifem/pdf/en/Other_Documents/200303_SIFEM_Approach_to_Responsible_Investment.pdf)

<sup>56</sup> Association of European Development Finance Institutions. (2011). Harmonised EDFI Exclusion List. Retrieved from <https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2021/02/EDFI-Exclusion-List-September-2011.pdf>

<sup>57</sup> Association of European Development Finance Institutions. (2020). Harmonised EDFI Fossil Fuel Exclusion List. Retrieved from <https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2021/02/EDFI-Fossil-Fuel-Exclusion-List-October-2020.pdf>







# INTERVIEW WITH SIFEM'S ESG AND IMPACT TEAM



**Safeya Zeitoun**  
*Tameo*

Safeya is the Head of Impact at Tameo. She has seven years of experience in impact measurement and management with both private and public sector investors and has contributed to various industry initiatives on impact management. Safeya represents SIFEM's Business Services Manager (BSM).



**Corianne Van Veen**  
*responsAbility*

Corianne is a Senior ESG and Impact Officer at responsAbility. She has been active in development finance for seven years, with experience in impact management and a focus on inclusion and equality, gender and social risk and impact. She represents SIFEM's Portfolio Manager (PM).

Following the structural change of SIFEM's management mandate, a new ESG and impact (ESGI) team was appointed to manage the fund's ESGI strategy. On the one hand, the PM, responsAbility, assesses and monitors Investees to ensure that they are aligned with SIFEM's ESG requirements. On the other hand, the BSM, Tameo, prepares the impact reporting of the fund, ensures that ESGI targets are achieved, and collaborates with EDFIs to contribute to harmonisation efforts in impact measurement and management.

To provide a better understanding of SIFEM's current ESGI practices and future outlook, the following interview was conducted with members of the ESGI team representing both the PM and the BSM.

## **What opportunities do you see for SIFEM to improve its ESGI practices in the future?**

**Safeya:** We have an opportunity to better align existing ESGI practices with other DFIs to improve comparability among different organisations, and to alleviate the reporting burden on Investees and Underlying Investees. SIFEM also has the opportunity to align climate reporting with other institutions and bring it up to par with best practices in the industry. For example, following the publication of SIFEM's first Climate Approach in 2023, we committed to start tracking and publicly disclosing SIFEM's GHG emissions in 2024 in line with the requirements of the Task Force on Climate-Related Financial Disclosures (TCFD).

**Corianne:** I agree that there is an opportunity in terms of harmonisation. Many DFIs have their own system, which is a burden for Investees and Underlying Investees. Having a new PM and BSM brings a natural opportunity to amend SIFEM's ESGI frameworks and processes.

## **What are the challenges SIFEM faces with impact measurement?**

**Safeya:** SIFEM is an indirect investor which can be a double-edged sword. This comes with the advantage of investing in a diverse set of sectors as well as the difficulty of defining a core set of impact metrics that capture the impact of all of SIFEM's activities. SIFEM has to try to limit itself to indicators that can be aggregated at a portfolio level and collected across all Investees and Underlying Investees. This makes it difficult to grasp the impact of every project.



**Corianne:** Data quality is another challenge. As SIFEM reaches so many Investees and Underlying Investees, it is difficult to verify the data quality reported by fund managers. More specifically, fund managers themselves may have difficulties collecting good data quality from Underlying Investees as investors often ask for detailed reporting. We have to balance the need to understand and monitor the portfolio's impact with the practical implications it has for fund managers in terms of reporting burden.

#### **How does SIFEM intend to benefit from the collaboration with other EDFIs?**

**Corianne:** EDFIs have a much stronger voice when they convey a message as a group, instead of individually. They have a much greater weight when aligning their ESGI objectives and communicating collectively with Investees. This is especially important for E&S topics such as gender and climate, and for a smaller EDFI like SIFEM.

**Safeya:** Working with other EDFIs is a learning opportunity for SIFEM. Larger EDFIs tend to have specialised knowledge of certain investment themes, like climate and infrastructure, and with greater transparency and collaboration, we can learn from their practices. For example, one of the topics we have been actively discussing through EDFI working groups is how to define the criteria for Paris alignment.

#### **How does SIFEM intend to support climate action while continuing to promote job creation?**

**Safeya:** The challenge is to strike the right balance between tackling the global climate crisis and, at the same time, pursuing SIFEM's long-established goal of supporting economic growth in the developing world. The strategy is therefore to support economic growth and decent jobs while supporting Investees to move towards a more sustainable path. However, we firmly believe in working towards a Just Transition because we recognise that developing countries will need to have higher emissions in the short term to reach adequate standards of living and achieve the SDGs.

**Corianne:** I do not believe that it is either jobs or climate. Both have to be considered as climate change is a reality that affects all. Climate cannot be taken out of the equation when talking about economic growth and jobs. SIFEM will integrate climate risks throughout its investments, as managing these risks is essential to ensure that economic growth and jobs are sustained in the long run.

#### **In your opinion, what are the advantages and the disadvantages of doing more fund investments?**

**Corianne:** An advantage of having a fund-of-funds strategy is that SIFEM can reach companies that it would otherwise not be able to reach. SIFEM could not invest directly in all these Underlying Investees. Fund-of-funds investments allow SIFEM to reach more companies and diversify its portfolio. It also allows SIFEM to support local fund managers in emerging markets and benefit from their expertise and network.

**Safeya:** SIFEM faces the challenge of not knowing which Underlying Investees will be in the portfolio at the moment of the investment. As a fund raises capital, it has an investment strategy and pipeline, but an investor cannot know exactly which companies it will invest in. This brings an additional level of uncertainty regarding the impact of the portfolio, especially as SIFEM targets the first closing of funds. Having a close relationship with the fund manager is therefore key for SIFEM, to understand their ESGI evaluation process and ensure that they remain aligned with the impact objectives agreed upon upfront. Moreover, to mitigate this uncertainty, SIFEM assesses ex-ante the likely impact of a fund and then measures ex-post the results through a rigorous ESGI methodology.

# ALIGNMENT WITH INDUSTRY INITIATIVES

SIFEM actively participates in impact measurement and management initiatives in the impact investing industry to work towards greater harmonisation and transparency. As a result, the ESGI framework adopted by SIFEM throughout the investment value chain is aligned with various industry standards defining the best practices in terms of management processes as well as performance indicators.

## Operating Principles for Impact Management

SIFEM's current impact management practices are aligned with the Operating Principles for Impact Management (Impact Principles), which were developed by the IFC and launched on 12 April 2019 at the World Bank Group Spring Meetings in Washington DC. The Impact Principles provide a common market standard for what constitutes impact investing. They describe the essential features of managing investments into companies or organisations with the intent to contribute to measurable positive social, economic, or environmental impact, alongside financial returns. Impact considerations have to be integrated into all phases of the investment lifecycle: strategy, origination and structuring, portfolio management, exit, and independent verification. Critically, the Impact Principles call for annual disclosure as to how signatories implement them, including independent verification, which provides credibility to the adoption of the Impact Principles. SIFEM was among the first adopters of these Impact Principles. Today, more than 170 investors in 40 countries have become signatories, covering more than USD 520 billion of assets under management. SIFEM's alignment with the Impact Principles has been confirmed through an independent verification process carried out in November 2020.

## Association of EDFIs

SIFEM is an active participant in various working groups created by EDFI, which aim at harmonising E&S and impact standards. Through these working groups, SIFEM can share its experience with other EDFI members and be aware of the latest developments in the industry. It can hence align with the best practices of other DFIs. SIFEM also collaborates with other EDFI members on co-investments when there is an opportunity to join forces.

## Harmonised Impact Reporting Initiatives: HIPSO and IRIS

The Harmonised Indicators for Private Sector Operations (HIPSO) is the result of an agreement between 27 DFIs to standardise indicators and relieve investees from the burden of using different reporting frameworks and different indicator definitions. Today, these indicators are also used by impact investors and are aligned with the SDGs.

The IRIS Catalogue of Metrics (IRIS) is a set of metrics to measure the social, environmental, and financial performance of an investment, as defined by the Global Impact Investing Network (GIIN). It is used by impact investors and enterprises to understand, assess, and advance impact performance. IRIS enables stakeholders to measure progress towards their goals in a way that produces clear, consistent, and comparable data.

In 2021, HIPSO and the GIIN came together to define the Joint Impact Indicators (JII). JII are a subset of HIPSO and IRIS metrics in topics that are common across investments, including gender, jobs, and climate.

As a member and supporter of both HIPSO and the GIIN, SIFEM uses impact indicators that are aligned with the metrics defined by both organisations to the greatest extent possible and continuously works towards more harmonisation.

## 2X Global

In 2019, SIFEM joined 2X Global, an initiative to mobilise capital to further gender equality worldwide (See 'What is Gender Lens Investing?' [p. 23] for more details). It aimed to unlock resources that will help advance women in emerging markets as entrepreneurs, business leaders, employees and consumers, and that enhance their economic participation.

SIFEM actively seeks investment opportunities that strengthen the role of women. This endeavour is operationalised by SIFEM's SO, which require at least 20% of investments closed by SIFEM to be in line with the 2X Criteria.







# APPENDIX

## Methodology

### Data Coverage and Methodology for Calculation of Development Impacts

SIFEM aimed to collect impact data for all Investees and Underlying Investees in its portfolio. It contacted all Financial Institutions it invested directly in and fund managers of funds it has invested in. Fund managers were responsible for collecting data from all the Underlying Investees. The fund manager then reported the impact data to SIFEM. However, not all Financial Institutions and fund managers have reported on their impact data. The reason why some fund managers have not reported is because they did not have any investment at the time of the reporting, or because they were already exited from the portfolio at the time of the reporting. The coverage rate of 2022 impact data is the following:

- Financial Institutions (n=17): 82%
- Fund managers (n=60): 82%
- Underlying Investees (n=595): 70%

Note on attribution:

All the impact indicators in this report represent the impact of SIFEM's Investees and Underlying Investees but do not consider SIFEM's impact proportional to the size of its investment in these companies/funds. The only exception is in the calculation of indirect jobs, which considers the share of SIFEM's investment in a Financial Institution to estimate the number of jobs supported by its micro- and SME loans (using the assumption that each microloan supports one job, whereas each SME loan supports 10 jobs).

## What is SIFEM?

SIFEM is the Swiss DFI. It is owned by the Swiss Government and is an integral part of the instruments of economic development cooperation. SIFEM specialises in providing long-term financing to small and medium-sized enterprises and other fast-growing companies in developing and emerging countries, focusing on the priority countries of Switzerland's development cooperation. This helps to create and secure more and better jobs and reduce poverty while also contributing towards the integration of these countries into the global economic system.

## What is the role of a development finance institution?

DFIs are government-backed institutions that provide finance to private-sector companies in developing and emerging countries. They have a double mandate to generate development impact as well as financial profitability. Only profitable companies will be able to generate lasting development effects on people and society. As a complement to traditional aid and public sector loans, DFIs are one of the key channels for development finance from donor countries to beneficiary countries. DFIs can help sustainably shape the private sector in developing countries, where companies tend to have insufficient or inadequate access to finance, and as a result are hampered in their growth, technological innovation, and job creation. DFIs also have a key demonstration effect on private investment flows. Compared to the majority of private investors, which only operate in developed markets, DFIs have a higher risk tolerance, a longer-term investment horizon, and a successful track record in difficult markets. DFIs will typically remain invested in projects for an extended period of five to 10 years, or even longer. At the end of the investment period, the proceeds of the investment – including the profits – are then reinjected into other investments. Finally, when global economic conditions deteriorate and when the risk appetite of international investors vis-à-vis emerging markets weakens, DFIs can play a useful role in acting in a “counter-cyclical” way, that is, in continuing to invest in those markets.

## The Association of European Development Finance Institutions

In 1992, seven European DFIs agreed to establish EDFI,<sup>58</sup> based in Brussels, to strengthen cooperation and facilitate knowledge-sharing and learning among DFIs. Other European DFIs progressively joined the Association and today, the organisation includes fifteen members, including SIFEM. The consolidated investment portfolio of EDFI was EUR 51 billion across 6,383 investments as of December 2022.

<sup>58</sup> Association of European Development Finance Institutions (EDFI), [www.edfi.eu](http://www.edfi.eu)

## How does SIFEM work?

SIFEM follows an indirect investment strategy by investing in regional or local Private Equity or Current Income Funds, or by providing credit lines to local banks and other Financial Institutions (together, the “Investees”), often in collaboration with other DFIs and private investors. This strategy is in general a more efficient solution than providing direct support to individual SMEs and contributes to strengthening the local financial and capital markets in developing countries and emerging markets, which are important development facilitators.

SIFEM invests around USD 80-100 million each year in new operations, through three channels (Figure 13)<sup>59</sup> :

1. “Private Equity Funds”: SIFEM invests in Private Equity Funds, which are managed by professional fund managers with presence in the region where they invest. These fund managers negotiate equity investments into a portfolio of SMEs.
2. “Current Income Funds”: SIFEM invests in Current Income Funds, which then provide debt to a portfolio of companies or other Financial Institutions.
3. “Financial Institutions”: SIFEM lends capital directly to Financial Institutions, which are typically regulated licensed banks or non-banking Financial Institutions. The bank then lends to SMEs or micro-credit customers.

In addition to financing, SIFEM may provide advice to its Investees on matters pertaining to the E&S dimensions of their investment activities. If needed, it may agree with the Investees on the implementation of an ESAP to improve their practices and compliance with SIFEM’s Responsible Investment Policy.<sup>60</sup>

SIFEM does not finance directly local businesses in developing and emerging countries, such as SMEs, fast-growing companies or infrastructure projects (the “Underlying Investees”). The latter are financed by the Investees through debt or equity investments, or through micro- and SME loans from the Financial Institutions.

In turn, the Underlying Investees generate various development outcomes such as the creation of jobs, production of renewable energy, avoidance of GHG emissions, and taxes paid to local authorities.

The Investees and Underlying Investees report ESG and impact information to SIFEM on an annual basis, which constitutes the raw data of this impact report.

The investment value chain is summarised in Figure 13 on the following page.

## SIFEM’s Strategic Objectives

The Swiss Government defines SIFEM’s financial and development impact objectives through a set of SO.<sup>61</sup> They are typically set for a period of four years and are revised at the end of each period. The SO 2021-24 were set in the spirit of the continuity from the previous period – given the long-term nature of SIFEM’s investments – but they also highlight new challenges and priorities such as gender equality and the contribution to the objectives of the Paris Agreement on Climate Change.

SIFEM monitors its investment activity and reports yearly on the level of achievement of the SO 2021-24. The results are published in SIFEM’s Annual Business and Financial Report and compute the performance of each objective according to an agreed methodology. These results typically consider all the investments closed during the reporting year by SIFEM as well as the impact data reported by all the Investees and Underlying Investees at the end of the previous year. This Impact Report is a complement to the Business and Financial Report although it does not summarise the performance results of the SO 2021-24.

SIFEM’s SO is split into four thematic groups: (1) programme-related objectives with a particular focus on compliance with SIFEM’s investment guiding principles;<sup>62</sup> (2) company-related objectives and tasks based on SIFEM’s ability to balance financial sustainability and development impact within its portfolio; (3) financial objectives related to SIFEM’s long-term financial sustainability; and (4) objectives related to SIFEM’s efforts to develop and sustain cooperation with other DFIs.

<sup>59</sup> The historical list of investments made by SIFEM can be found on SIFEM’s website under the following link: <https://sifem.ch/investments/portfolio>, or in SIFEM’s Business & Financial reports on an annual basis.

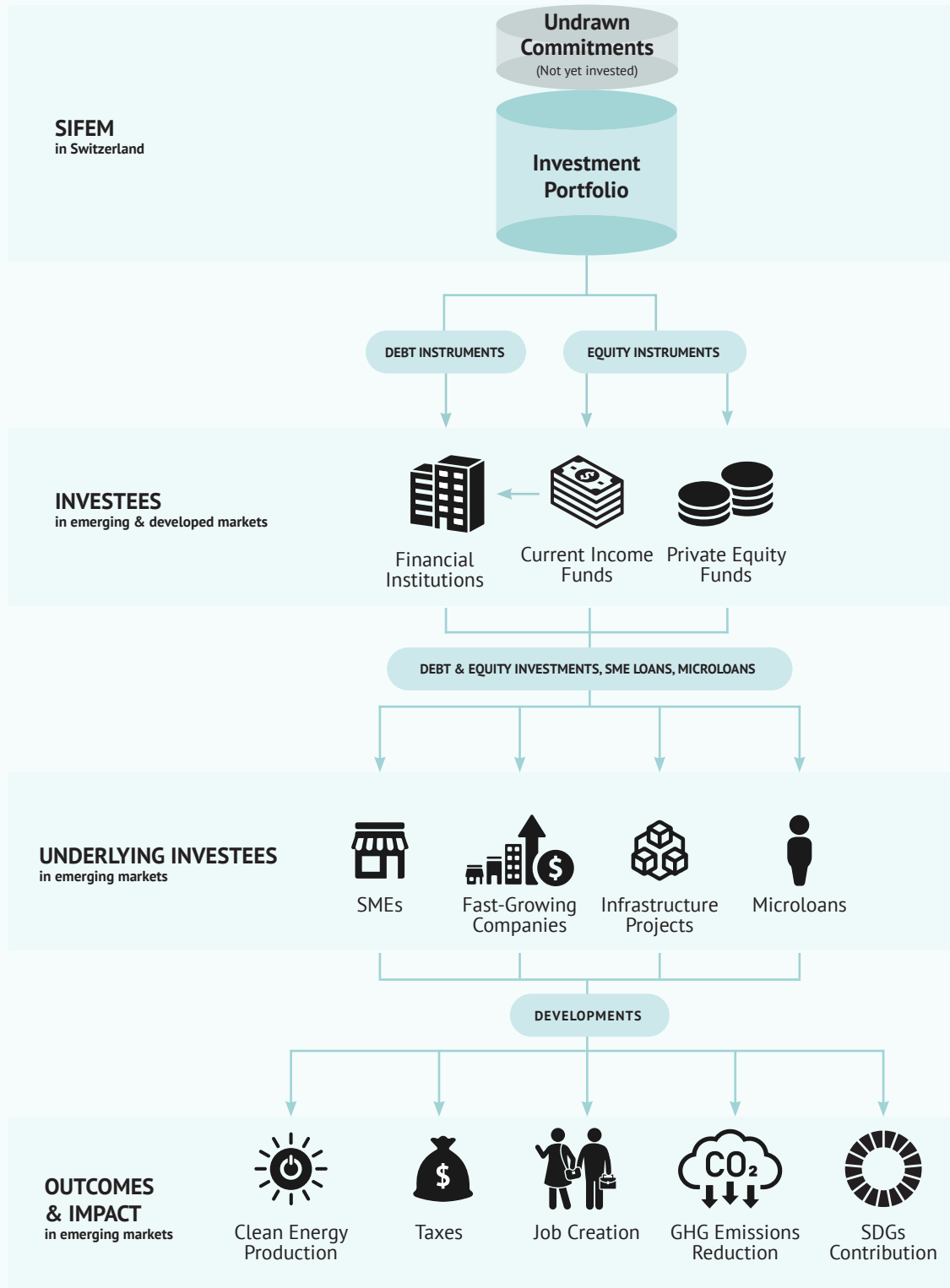
<sup>60</sup> SIFEM. (2020). SIFEM’s Approach to Responsible Investment. Retrieved from [https://sifem.ch/fileadmin/user\\_upload/sifem/pdf/en/Other\\_Documents/200303\\_SIFEM\\_Approach\\_to\\_Responsible\\_Investment.pdf](https://sifem.ch/fileadmin/user_upload/sifem/pdf/en/Other_Documents/200303_SIFEM_Approach_to_Responsible_Investment.pdf)

<sup>61</sup> SIFEM Strategic Objectives 2021-2024: <https://sifem.ch/about-us/strategic-objectives>

<sup>62</sup> SIFEM. (n.d.). Strategic Objectives 2021-2024 of the Federal Council for SIFEM AG. Retrieved from [https://sifem.ch/fileadmin/user\\_upload/sifem/pdf/en/en\\_Strategic\\_Objectives\\_2021-2024\\_of\\_the\\_Federal\\_Council\\_for\\_SIFEM\\_AG.pdf](https://sifem.ch/fileadmin/user_upload/sifem/pdf/en/en_Strategic_Objectives_2021-2024_of_the_Federal_Council_for_SIFEM_AG.pdf)

# How does SIFEM make an impact?

## The Investment Value Chain



## About the Portfolio Manager

The Portfolio Manager (PM) of SIFEM identifies, evaluates, structures, negotiates and advises on all investment and divestment opportunities, manages the portfolio investments through to their exits, and provides other portfolio management services to SIFEM. From 2011 when SIFEM became an independent company until 28 February 2023, Obviam AG acted as the PM of SIFEM. As of 1 March 2023, Obviam handed over the portfolio management to responsAbility AG. The results in this report demonstrate the impact of the investments managed by Obviam during 2022.



responsAbility Investments AG is a leading impact asset manager specializing in private market investments across three investment themes to directly contribute to the United Nations Sustainable Development Goals (SDGs): Financial Inclusion, Climate Finance and Sustainable Food. With over 200 employees collaborating across seven offices, as of 31 December 2022 the company manages USD 4.8 billion<sup>63</sup> in assets across approximately 270 portfolio companies in 74 countries

## About the Business Services Manager

Tameo Impact Fund Solutions SA (Tameo) is the Business Services Manager (BSM) of SIFEM. The BSM undertakes, in support of the Board of Directors, policy-related activities. It assumes representative functions, administrative functions, the financial management of the Board's administrative expenses, reporting, compliance and risk management oversight, communication, and other functions. The BSM supports the Board in overseeing the activities of the PM. Through this report, Tameo is independently assessing the impact performance of SIFEM's portfolio manager.



Tameo is an impact investing specialist serving the financial industry with independent expert solutions. Tameo guides investment funds, managers, and investors through the entire impact investing journey. It offers the most comprehensive online database of impact funds, customised analyses, and independent valuations. Through its research and advisory services, Tameo empowers clients to move towards best-in-class impact measurement & management.

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<sup>63</sup> responsAbility Investments AG, as of 31.12.2022. The AuM include the assets from SIFEM - Swiss Investment Fund for Emerging Markets for which responsAbility will assume the role of the portfolio manager as of 1st of March 2023.



## SIFEM Board Members



**Jörg Frieden**

Chairman of the Board,  
Chairman of the Investment  
Committee since 2018



**Kathryn Imboden**

Vice Chairperson,  
Member of the Investment Committee  
since 2014



**Dominique Biedermann**

Member of the Performance and  
Impact Committee since 2021



**Geoff Burns**

Member of the Investment Committee  
Chair of the Audit Committee since  
2014



**Angela de Wolff**

Member of Performance and Impact  
Committee since 2017



**Pascal Pierra**

Member of the Investment Committee,  
Member of the Audit Committee  
since 2023



**Laurie J. Spengler**

Member of the Investment Committee  
since 2023

## SIFEM portfolio countries

The following table provides a complete list of countries in which SIFEM was invested as of 31 December 2022. The second and third columns show whether the countries are priority countries and/or LDCs when a cell has a value (even 0.0%). The share of the Investment Portfolio is based on the cost exposure of SIFEM in Investees and their Underlying Investees.

Country	Share of Investment Portfolio	Priority country	LDC
Algeria	0.4%	-	-
Argentina	0.3%	-	-
Armenia	0.0%	0.0%	-
Azerbaijan	2.4%	-	-
Bangladesh	0.1%	0.1%	0.1%
Benin	0.0%	0.0%	0.0%
Bolivia	0.3%	-	-
Bulgaria	0.2%	-	-
Burkina Faso	0.3%	0.3%	0.3%
Burundi	0.1%	0.1%	0.1%
Cambodia	6.7%	6.7%	6.7%
Cameroon	0.1%	-	-
China	2.4%	-	-
Colombia	1.4%	1.4%	-
Costa Rica	1.1%	-	-
Dominican Republic	0.1%	-	-
Ecuador	1.6%	-	-
Egypt	2.5%	2.5%	-
El Salvador	0.7%	-	-
Ethiopia	0.5%	-	0.5%
Georgia	2.5%	2.5%	-
Ghana	1.1%	1.1%	-
Guatemala	1.4%	-	-
Haiti	0.0%	-	0.0%
Honduras	0.6%	-	-
India	9.3%	-	-
Indonesia	5.5%	5.5%	-
Ivory Coast	0.6%	-	-
Kazakhstan	1.3%	-	-
Kenya	7.0%	-	-
Kyrgyz Republic	0.0%	-	-
Laos	0.3%	0.3%	0.3%
Liberia	0.0%	-	0.0%
Madagascar	0.1%	-	0.1%
Malawi	0.4%	-	0.4%
Malaysia	0.2%	-	-

Mali	0.0%	0.0%	0.0%
Mauritius	1.5%	-	-
Mexico	1.2%	-	-
Moldova	0.0%	0.0%	-
Mongolia	2.5%	-	-
Montenegro	0.4%	-	-
Morocco	2.9%	-	-
Mozambique	0.0%	0.0%	0.0%
Myanmar	1.3%	1.3%	1.3%
Namibia	0.1%	-	-
Nepal	2.6%	2.6%	2.6%
Nicaragua	1.8%	-	-
Nigeria	4.5%	-	-
Other	1.3%	-	-
Other (Africa)	1.0%	-	-
Pakistan	0.2%	-	-
Panama	0.8%	-	-
Paraguay	0.1%	-	-
Peru	3.9%	-	-
Philippines	3.0%	-	-
Poland	0.2%	-	-
Rwanda	0.3%	0.3%	0.3%
Senegal	0.3%	-	0.3%
Sierra Leone	0.3%	-	0.3%
Somalia	0.0%	0.0%	0.0%
South Africa	4.4%	4.4%	-
Swaziland	0.1%	-	-
Tajikistan	2.1%	2.1%	-
Tanzania	0.7%	0.7%	0.7%
Thailand	0.3%	-	-
Timor-Leste	0.0%	-	0.0%
Tunisia	2.1%	2.1%	-
Turkey	0.1%	-	-
Uganda	0.8%	-	0.8%
Ukraine	1.0%	1.0%	-
Uzbekistan	0.0%	0.0%	-
Vietnam	6.7%	6.7%	-
Zambia	0.0%	0.0%	0.0%
Zimbabwe	0.0%	0.0%	-
<b>Share of SIFEM portfolio</b>	<b>100%</b>	<b>41.8%</b>	<b>14.7%</b>

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## Glossary

### Active Commitments

The current active commitments (total commitments since inception less terminated commitments) by SIFEM to funds and Financial Institutions.

### Avoided Greenhouse Gas Emission

Refers to the reduction or prevention of the emission of GHG into the atmosphere. It represents the amount of GHG emissions that would have occurred under a certain scenario but were averted due to specific actions or measures.

### Current Income Fund

An investment vehicle primarily aimed at generating regular income for its investors. This is achieved by investing in interest-bearing securities, which are usually composed of various forms of debt instruments.

### Debt Instrument

A type of financial contract. It signifies a borrower's promise to pay back borrowed funds, typically with interest, to a lender or investor. This often takes the form of a private loan.

### Decent Job

In employment terms, a job that provides fair wages, safe working conditions, job security, and avenues for both personal and professional growth. This contributes to an enhanced quality of life for the workers.

### Environmental and Social Action Plan

A set of initiatives that investment entities or businesses implement. Their goal is to proactively manage and tackle environmental and social issues that arise in their operations or projects.

### Equity Instrument

Ownership in a company. This can manifest as equity shares, membership interests, or other securities, giving investors a piece of the company's ownership.

### Financial Institution

An entity, like a bank or a microfinance institution, that offers a range of financial services. This includes but is not limited to loans, savings accounts, and payment solutions.

### Funds

Private Equity Fund and Current Income Funds.

### Investees

Funds or Financial Institutions that have received funding from SIFEM.

### Investment Portfolio

Outstanding amounts to Investees at fair market value or cost value.

### Just Transition

The equitable distribution of the significant benefits stemming from a transition to a green economy. It also offers support to those who might face economic disadvantages due to this shift.<sup>64</sup>

### Least Developed Countries

Low-income countries confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets.<sup>65</sup>

### Micro-enterprises

A very small, often informal business entity typically operated by a single individual or a small group of people.

### Microloan

A small, short-term loan given to individuals, especially those in low-income or underserved areas.

### Private Equity Fund

A collective investment platform. It pools capital from various investors to then invest in private equity securities.

### Private Investor

Someone who contributes commercial capital to a fund or a Financial Institution.

### Priority Countries

Nations that are targeted by SECO and SDC as part of the Swiss development cooperation.<sup>66</sup>

### Renewable Energy

Energy sourced from naturally replenishing resources like sunlight, wind, water (hydropower), and geothermal heat. It has a minimal environmental footprint.

### Small and Medium-sized Enterprise

A company that falls within specific size criteria. These criteria can be based on employee count, annual turnover, or total assets, and the definition can vary depending on the country or industry.

### SME loan

A financial product extended to SMEs to support their operational, expansion, or capital requirements.

### Environmental and Social Management System

A structured framework. Organisations or investors use it to consistently assess, monitor, and manage the social and environmental repercussions of their activities. It promotes sustainability and responsible business practices.

### Underlying Investees

Companies or individuals that receive capital from a fund or a Financial Institution in which SIFEM has invested.

<sup>64</sup> EBRD. (n.d.). What is a just transition?. Retrieved from <https://www.ebrd.com/what-we-do/just-transition>

<sup>65</sup> United Nations. (n.d.). Least Developed Countries. Retrieved from <https://www.un.org/development/desa/dpad/least-developed-country-category.html>

<sup>66</sup> Swiss Federal Department of Foreign Affairs FDFA. (2020). Switzerland's International Cooperation Strategy 2021-24. Retrieved from [https://www.eda.admin.ch/content/dam/deza/en/documents/publikationen/Diverses/Broschuere\\_Strategie\\_IZA\\_Web\\_EN.pdf](https://www.eda.admin.ch/content/dam/deza/en/documents/publikationen/Diverses/Broschuere_Strategie_IZA_Web_EN.pdf)









# SIFEM

SWISS INVESTMENT FUND  
FOR EMERGING MARKETS