

## DEVELOPMENT EFFECTS REPORT

# 2015

The Swiss Investment Fund for Emerging Markets is the development finance institution of the Swiss Confederation. SIFEM promotes long-term, sustainable and broad-based economic growth in developing and emerging countries by providing financial support to commercially viable small, medium and fast-growing enterprises (SMEs) which in turn helps to create secure and permanent jobs and reduce poverty.

In making its investments SIFEM seeks to achieve not only an acceptable return but also generate sustainable, long-term development impacts. The development impacts of SIFEM investments are measured according to their contribution to eight development indicators. The results are published in the Development Effects Report.



# DEVELOPMENT IMPACT OF SIFEM INVESTMENTS – 2015 HIGHLIGHTS

A microfinance fund in Latin America offers clients both financial and health services. During 2015 the fund reached **682,698 CLIENTS** (borrowers and savers) and provided 299,234 instances of medical attention (Social Impact Fund 5.0)

In 2015 a microfinance fund sold **1,294,981 SOLAR LAMPS** through its underlying micro-finance institutions, providing the products to clients via both upfront- and pay-as-you-go-models (Social Impact Fund 5.0)

**70 BOOKSTORES** with a particular focus on providing academic resources required for universities and other educational providers are now operating throughout South Africa, Namibia, Botswana and Swaziland (Medu III)

An education group in Cambodia has expanded to a total of **13 SCHOOLS** in 2015, providing education to more than **10,000 STUDENTS**. The group of schools achieved a national exam passing rate **3x** that of the national average (EMI Cambodia Laos Development Fund)

A rubber planting and processing company has implemented a water treatment system which allows the company to recycle almost **90%** of water used (AfricInvest Fund II)

A renewable energy fund contributed to the reduction of **812,362 TONNES OF CO<sub>2</sub>** in 2015 through its investments in renewable energy generation and energy efficiency products (Evolution One Fund)

A low-cost gym chain in El Salvador has expanded to Honduras and Costa Rica, with a total of **5 GYMS** and **21,500 MEMBERS** at the end of 2015 (Central American Small Enterprise Investment Fund III)

A healthcare provider in Indonesia serves more than **60,000 PATIENTS** annually via **1 HOSPITAL** and **4 SATELLITE CLINICS**. A current new expansion will allow inpatient capacity to grow from **66 TO 190 BEDS** (Falcon House Partners Indonesia Fund I)

# SIFEM DEVELOPMENT IMPACT

In order to track the progress of an investment over time, a benchmark is established prior to each investment to ascertain its expected development effects. This process is repeated every two years throughout the life cycle of the investment to measure expectations against actual effects, and to compare its rating with the aggregate SIFEM portfolio. In this way, SIFEM can best assess and measure the development impact generated by its investments. SIFEM's portfolio in 2015 included 46 active projects, which are rated post-investment, including 43 funds and 3 financial institutions. Comparing the expected development effects of the SIFEM portfolio with actual development effects, overall these investments performed 12% better than expected.

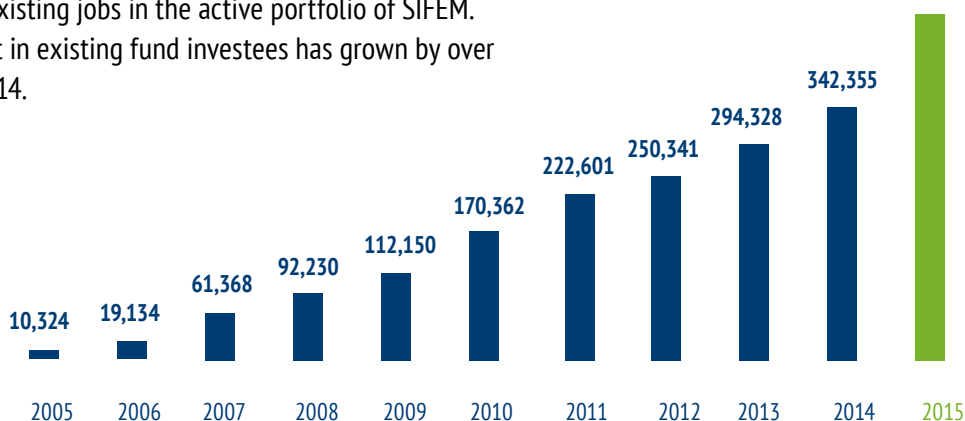
Investments are assessed according to their contribution to eight development areas or indicators (all data as per December 31, 2015):



## EMPLOYMENT

SIFEM has together with co-financiers supported 466,067 jobs (2005-2015). This includes the jobs sustained in successfully exited investments, as well as all existing jobs in the active portfolio of SIFEM. Employment in existing fund investees has grown by over 6% since 2014.

466,067



Jobs supported by SIFEM's overall portfolio since inception



## SUPPORT OF TRAINING

Training improves skills, productivity, and diversification of the labour force. A well-trained and hence often higher-paid labour force can expect improvements in their quality of live over time. All but three of SIFEM's invested funds and financial institutions provide training to their employees.

**CREDINS BANK, ALBANIA:** Over 27'000 training hours were attended by internal, new and promoted staff on topics such as operational risk management, know your customer or fiscal law during the last reporting year.



## GENDER EFFECTS

The majority of the world's poor are female and many women in emerging markets are forced to work in the informal sector. SIFEM investments can only score in this area if the promotion of women is a target of the project: out of the 46 assessed investments, 12 were able to demonstrate deducible effects on women empowerment.

**LOCFUND II (MICROFINANCE FUND), LATIN AMERICA:** More than 60% of the current **867,000 CLIENTS** are women.



## DIVERSIFICATION OF THE LOCAL FINANCIAL SECTOR

A diverse financial sector facilitates the allocation of capital to sectors and areas where it is scarce, and improves the ability for intermediaries to price risk and opportunities and provide client-focused services. 38 out of the 46 evaluated investments in some way contributed to the diversification of the financial sector in their respective regions. 39% of SIFEM's projects are new types of institutions for their respective markets, over 40% provide an innovative type of financial product, and over 50% of them are actively involved in improving the legal framework in their country.

**ARMSTRONG SOUTH-EAST ASIA CLEAN ENERGY FUND:** The Fund Manager and one of its investees have actively worked with regulators to **INTRODUCE REGULATIONS** which are commonplace in more established markets, thus paving the way for further financial sector diversification and investment.



## MOBILISATION OF LOCAL INVESTMENT CAPITAL

In many emerging markets, banks and local investors are reluctant to expand credit other than to the most creditworthy borrowers, and prefer not to incur the risks of providing credit to SMEs. By attracting local investors, funds and financial institutions contribute to improve the situation. SIFEM has exceeded its expected results with 98% of investments in some way contributing to the mobilisation of local capital or savings.

**CAPITAL NORTH AFRICA FUND II:** Part of the Fund's value-add strategy is to mobilise additional local capital for its investees, assisting them to **MAKE ACQUISITIONS** and improvements for their growth.



## CREDIT AND CAPITAL ALLOCATION DIVERSIFICATION

The finance sector in many emerging markets is not yet well established, and financial services are often not provided or are only available to a restricted group of clients. All of SIFEM's investments have contributed to the diversification of credit and capital allocation by providing finance to business segments which have been insufficiently serviced in the past. In particular SMEs (targeted by almost 90% of SIFEM's investments) and export financing were solidly supported.

During 2015, SIFEM's post-2013 investments contributed to the provision of almost **1.5 MILLION MICRO LOANS** and more than **28,000 HOUSING LOANS** in its target markets.



## INSTITUTION BUILDING

SIFEM supports institution building at the level of funds and financial institutions by strengthening their organisations and their management, improving information and control systems, improving risk management, providing additional long-term financing capacity and working towards the establishment of ESG management systems. All of SIFEM's investments have generated institution building benefits at the partner institution level.

In 2015 SIFEM has put in place an **ESG TRAINING PROGRAM** in cooperation with CDC, the British Development Finance Institution. This training program consists of three-day workshops conducted in different locations around the world, provided free of charge to SIFEM fund managers and underlying investees.



## LOCAL COMPANY DEVELOPMENT

All of SIFEM's investments involve a high degree of company development materialising as a result of the interaction between SIFEM's partners and their investee companies. In 2015, the most significant areas of value-add by the fund managers beyond expansion finance and up-grading of the business are the social and environmental monitoring, as well as improvement in corporate governance.

By growing their revenue and ensuring good corporate governance and accounting standards SIFEM's underlying investments also increase their payments to local governments. During 2015, SIFEM's post-2013 investments, including underlying investees, paid almost **USD 476 MILLION IN TAXES** in their respective countries.






# EXPECTED DEVELOPMENT EFFECTS OF THE 2015 COMMITMENTS




In 2015 SIFEM made nine new investment commitments totalling USD 81.2 million.




The new projects consist of seven funds and two direct investments in banks




(for more details see also SIFEM's 2015 Report on Operations).






- 
**1 ACLEDA BANK, CAMBODIA**  
 Currently more than 50% of the Bank's clients are women.
- 
 Through the ACLEDA Training Centre, the Bank provides training in micro financial services for more than 1000 Cambodians working in MFIs, NGOs and public institutions annually.
- 
 ACLEDA has a strong footprint in rural areas and ensures financing is available for rural Cambodian micro and SME clients.

- 2 AGRICULTURAL RURAL IMPULSE FUND (AGRIF), GLOBAL**  

 An expected 75% of the Fund's underlying loans will be directed towards women.
- 
 The Fund Manager staff and management will benefit from a range of ESG, social performance management, and industry-specific trainings.
- 
 A focus on the agricultural value chain and rural population will provide capital to sectors traditionally having limited access to financial services.




- 3 ASHMORE ANDEAN FUND II, LATIN AMERICA**  

 At least 2000 formal jobs are expected to be supported.
- 
 The Fund is expected to invest in infrastructure companies in disadvantaged and remote areas.
- 
 The Fund will assist its investees in their growth through consulting and technical support for corporate governance, environmental and social standards implementation, and improvement of accounting and reporting procedures.

- 4 BANCO LAFISE BANCENTRO, NICARAGUA**  

 The SIFEM loan will assist the Bank in providing funding to around 150 sub-borrowers with an average of 60 employees each.
- 
 The Bank has a wide range of products for SME clients and extensive regional coverage.
- 
 90%+ of the Bank's funding comes from deposits.




## 5 BUSINESS PARTNERS INTERNATIONAL EAST AFRICA, KENYA, RWANDA UGANDA

-  The high number of expected BPI investee companies will support and create a high number of jobs.
-  The Company's target is to ensure at least 30% of all investees are female-owned and/or -managed businesses.
-  The Company offers a unique product for its target markets, and it is currently the only SME financier with an open-ended structure.




## 6 CAMBODIA-LAOS-MYANMAR DEVELOPMENT FUND II

-  Each of the SME investees are expected to supporting approximately 250 jobs.
-  The Fund Manager will focus on innovative business models, SMEs and microfinance institutions. In addition, private equity is still largely a novel instruments in the target countries.
-  SIFEM continues to support the Fund Manager in the shaping of the Fund proposal and framework, financial and legal documents, and assistance with the establishment of a technical assistance facility for the Fund.



## 7 INVESTMENT FUND FOR HEALTH IN AFRICA II, SUB-SAHARAN AFRICA

-  The investees are expected to provide employment for a substantial amount of skilled employees, particularly for investments in the work-intensive healthcare provision segment.
-  The Fund's strategy aims to upgrade investees via strategic value-add interventions, including modernisation upgrades, management information system implementation, and reporting and monitoring support.
-  The Fund Manager is offering private equity training to its staff.

## 8 VANTAGE MEZZANINE FUND III, SUB-SAHARAN AFRICA

-  The Fund's focus is on medium sized companies, each of which is expected to employ approximately 300 people.
-  The Fund has a strong local investor base and the Fund Manager has traditionally supported its investees in acquiring other funding sources.
-  Mezzanine finance represents an underdeveloped asset class in the entire African continent and the Fund Manager is the only independent mezzanine-focused fund manager in this region.

## 9 VENTUREAST PROACTIVE FUND II, INDIA

-  The Fund Manager plays a key role in finding additional sources of local capital for their investees.
-  There is a high emphasis on value-adding services from the Fund Manager for its investees.

-  MOBILISATION OF LOCAL INVESTMENT CAPITAL
-  CREDIT AND CAPITAL ALLOCATION DIVERSIFICATION
-  DIVERSIFICATION OF THE LOCAL FINANCIAL SECTOR

-  EMPLOYMENT EFFECTS
-  INSTITUTION BUILDING
-  GENDER EFFECTS

-  SUPPORT OF TRAINING
-  LOCAL COMPANY DEVELOPMENT

# CASE STUDY: GLOBAL ENVIRONMENT FUND (GEF) AFRICA SUSTAINABLE FORESTRY FUND



2011

INVESTMENT YEAR



USD 10M

SIFEM INVESTMENT



2,774

EMPLOYEES

**FUND NAME:** GEF AFRICA SUSTAINABLE FORESTRY FUND

**LOCATION:** SUB-SAHARAN AFRICA (SOUTH AFRICA, SWAZILAND, UGANDA, TANZANIA, GABON)

**SECTOR:** FORESTRY

**PORTFOLIO:** 9 COMPANIES (FULLY INVESTED) WITH 680,000 HECTARES OF PRODUCTIVE TIMBERLAND UNDER MANAGEMENT IN THE FORM OF PLANTATIONS AND NATURAL FOREST CONCESSIONS, AS WELL AS SAWMILLS AND TIMBER PROCESSING PLANTS

**FUND MANAGEMENT:** GEF AFRICA SUSTAINABLE FORESTRY PARTNERS (ASFP)

**SIFEM INVESTMENT:** USD 10 MILLION

**TOTAL SIZE OF THE FUND:** USD 160 MILLION

**EMPLOYMENT:** 9 EMPLOYEES (FUND MANAGER)  
2,765 EMPLOYEES (PORTFOLIO COMPANIES' DIRECT EMPLOYEES)  
WITH AN ADDITIONAL 2,500 EMPLOYEES THROUGH CONTRACT COMPANIES

**WEBSITE:** [WWW.GLOBALENVIRONMENTFUND.COM](http://WWW.GLOBALENVIRONMENTFUND.COM)







GEF ASFF investee Imvelo Forests (South Africa)

## THE SITUATION IN SOUTH AFRICA AND SWAZILAND

South Africa and Swaziland have populations of 54 million and 1.3 million inhabitants respectively, and face the challenges of high broad<sup>1</sup> unemployment rates of approximately 40%. Jobs in the forestry industry are often underpaid, with little or no added benefits, and with breaches in health and safety standards.

Previously-employed poor standards in forest management have caused serious environmental and socio-economic degradation in both South Africa and Swaziland. Indeed, a lack of best practice standards is still more common than not in this industry, which raises serious concerns about its sustainability in the future.

More than 90% of the African continent rely on wood and charcoal for heating and cooking, which leads to rapid deforestation and land degradation, and results in accelerated biodiversity loss, increased poverty and malnutrition, decreased harvests, and increased desertification.

Forest plantations need careful planning to ensure the right species and methods are used for their surrounding environment and for the desired end-market requirement. Approximately 8% of the total land area of South Africa and 33% in Swaziland is used for forestry activities and careful silviculture intervention is needed to ensure sustainable land use and maximise the forest products which can be grown on the existing footprint.

<sup>1</sup> Broad unemployment includes the unemployed who want to work and searched for a job in the recent past, as well as the unemployed who report they want to work but did not search in the reference period





Plantation Nursery (MTO Group, South Africa)



Forest plantations need careful planning to ensure the right species and methods are used (Imvelo Forests)



Employees undergo extensive training for heavy machinery operation (Imvelo Forests)



Peak Timbers

## DEVELOPMENT EFFECTS IN A NUTSHELL

The Fund's investees collectively provide over 5,000 jobs in regions with otherwise high unemployment, and where approximately 70% of the population is tied to subsistence farming. The employees benefit from good wages, training and skills development, nutritious meals, and high quality accommodation if they are working away from home.

Environmental and social issues are of high relevance for the GEF ASFF portfolio. Best-practice and international standards are implemented across the portfolio's plantations and facilities. These include conservation area preservation and maintenance, health and safety standards, employee benefits, community engagement, and forest management, among others. 99% of the plantations are Forest Stewardship Council (FSC) certified, which signifies the substantial collective engagement from the GEF ASFF portfolio.

GEF ASFF is proactively contributing to restructuring and transforming African forestry assets, and assisting to halt the cycle of deforestation and land degradation in Africa through its leading sustainable management of timber and forest-related assets.

The implementation of state-of-the-art silviculture practices is increasing efficiency and value-add for the GEF ASFF portfolio. These practices allow a focus on the diverse endmarket demands and support investee companies in planning from an early stage, which is important for an industry with such a long-lead time for products.

### IMVELO FORESTS (SOUTH AFRICA)

GEF ASFF investee Imvelo Forests is a newly-formed forestry company, with an objective to bring several previously neglected forestry assets together under one platform and collectively improve their operations. Imvelo Forests has employed a silviculture specialist who has been instrumental in establishing and implementing good silviculture practices across all of the platform. His interventions are contributing to the improved growth of the eucalyptus plantations, the proper maintenance of the conservation areas, and the optimisation of the commercial value of the forest. Careful planning and implementation goes into each compartment to best manage the environmental and economic outcomes.





Imvelo Forests



Peak Timbers



Processing forestry products (MTO Group, South Africa)



Portable hives are part of the sustainable beekeeping programs (Peak Timbers)

## CORPORATE SOCIAL RESPONSIBILITY

One of the main causes of plantation fires is the illegal collection of wild beehives, as fires can break out when farmers smoke out the wild hives to gather honey. The portfolio companies are [implementing programs to support the beekeepers in applying more sustainable practices](#). The companies will safely remove the hives, provide timber to build portable hives, and alternative land for the bees to be kept.

GEF ASFF has also worked with its portfolio companies to strengthen their focus on building strong relationships with surrounding communities and other stakeholders through more regular dialogue around issues of shared concern.

### PEAK TIMBERS (SWAZILAND)

GEF ASFF investee Peak Timbers is a eucalyptus plantation and sawmilling business located close to village of approximately 6,000 inhabitants. The company offers products from its plantation free of charge to community members, including free re-usable forestry residues. There is a centralised permitting process to allow community members access to plantations to collect forestry products (firewood, grass for cattle, and/or wood for community projects) safely and fairly. With a permit, community farmers can also graze their cattle on Peak Timbers' plantations on a rotating basis.

Peak Timbers has teamed up with an NGO to build and run a health clinic in the closest village to the plantation. The clinic provides HIV treatment for the community, and operational health facilities for Peak Timber's employees and the general community, as well as mobile health services.



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