



# The Federal Council's Strategic Objectives for SIFEM AG 2025-2028

of 6 December 2024

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## 1. Introduction

SIFEM AG (Swiss Investment Fund for Emerging Markets, SIFEM) is the development finance institution of the Swiss Confederation. It is an instrument of Switzerland's international cooperation (IC) policy. SIFEM provides financing to promising, sustainable companies in developing countries and emerging markets. It invests in growth-oriented small and medium-sized enterprises through funds and financial institutions, helping to create and secure decent jobs and alleviate poverty.

The legal basis for its activities is the Federal Act of 14 June 2024 on the Development Finance Institution SIFEM (SIFEM Act, BBl 2024 1458). The Federal Council sets the strategic objectives for SIFEM every four years (Art. 9 para. 1, SIFEM Act). The SIFEM Board of Directors ensures that the strategic objectives are implemented; it reports annually to the Federal Council on the achievement of its objectives and provides the necessary information for monitoring purposes (Art. 9 para. 2, SIFEM Act). The Swiss Confederation owns 100 per cent of the share capital; the shareholder rights are exercised by the Federal Council.

## 2. Strategic Areas of Focus

### 2.1 Investment rationale

The Federal Council expects SIFEM to achieve the following objectives:

**Added value:** SIFEM provides financing that would not be accessible in sufficient amounts or on reasonable terms without public support. As an active investor, SIFEM normally sits on the advisory boards of the funds in which it invests.

**Mobilisation of private funds:** SIFEM seeks to collaborate with private investors who are willing to co-invest additional resources.

**Sustainability:** SIFEM's investment activities are guided by the principles of economic, social and environmental sustainability and responsible corporate governance. It can also provide technical assistance to facilitate investment in particularly challenging contexts.

**Geographical orientation:** SIFEM focuses its activities on the priority IC countries and regions and exploits synergies with the 2025–2028 International Cooperation

Strategy (BBl 2024 1518). Investments in the least developed countries (LDCs) and in fragile contexts will be further expanded as part of a new cooperation model between SIFEM and the Swiss Agency for Development and Cooperation (SDC).

## 2.2 Development objectives

The Federal Council expects SIFEM to achieve the following objectives:

**Economic opportunities and decent jobs:** The companies financed by SIFEM create decent jobs (UN Sustainable Development Goal 8, SDG\*<sup>1</sup>) help to alleviate poverty (SDG 1 \*), and contribute to the development of sustainable industry, innovation and infrastructure (SDG 9\*).

**Climate change and environmental protection:** By providing long-term capital to companies, SIFEM actively contributes to achieving international climate targets and the SDGs. In addition to climate action (SDG 13), affordable and clean energy (SDG 7), and responsible consumption and production (SDG 12\*) are also important objectives.

**Social responsibility:** Underserved sections of society are given better access to important goods and services (SDG 10\*), with a focus on fostering the economic participation of women (SDG 5). SIFEM investments contribute to providing essential goods and services in the areas of health and well-being (SDG 3\*), quality education (SDG 4\*), and supply infrastructure (SDG 9\*).

## 2.3 Financial goals and risk management

The Federal Council expects SIFEM to achieve the following objectives:

SIFEM ensures long-term **self-financing** by covering operating costs and investment commitments through returns from existing investments and maintaining adequate cash reserves. The net annual ceiling on operating costs may not exceed 1.5 per cent of active commitments.

The Federal Council expects a positive **overall result** in accordance with IFRS<sup>2</sup> (including exchange rate effects) cumulated over the period 2025–2028. The aim is to achieve an average annual **portfolio return** of 2.5 per cent in US dollars over the last four years.

SIFEM has a **corporate risk management system** based on the ISO 31000 standard and a **compliance management system** (CMS) based on the ISO 37301 standard. It informs the owner of the most important business risks and of the main areas of focus of the CMS at least once a year.

<sup>1</sup> [www.un.org/sustainabledevelopment/](http://www.un.org/sustainabledevelopment/); no objectives were defined for the SDGs marked with an asterisk (\*). The contribution to all SDGs is reported in the annual Impact Report (see Section 6).

<sup>2</sup> International Financial Reporting Standards (<https://ifrsr.org>)

SIFEM implements a **resource and environmental management** programme similar to that of the Swiss Confederation (RUMBA) as well as the Confederation's **climate package** (i.e. action plan for air travel, vehicle fleet, implementation concept for buildings). It informs the owner about the most important objectives, measures and results at least once a year.

### **3. Human Resources Objectives**

SIFEM regulates the compensation of the mandated companies in management agreements. Compensation for portfolio management consists of an annual fee calculated pro rata on the active portfolio commitments, and a variable component, which may not exceed 6 per cent of the annual fee. The assessment criteria for the variable component must take into account both financial and development objectives. Compensation for business services management is paid on effective costs.

SIFEM ensures that the amount of the highest individual fixed salary resulting from the SIFEM mandate does not exceed the maximum amount of the Confederation's salary class 32 (Art. 12, let. b, SIFEM Act).

### **4. Cooperation**

Investment activities create sustainable partnerships with public and private financial actors (SDG 17\*). SIFEM is also involved in the Association of European Development Finance Institutions (EDFI) and other relevant networks.

### **5. Adjustment of the Strategic Objectives**

The Federal Council may adjust the strategic objectives during their period of validity if necessary. It decides on whether to adjust them after consulting the SIFEM Board of Directors.

### **6. Reporting**

SIFEM submits an annual written report to the Federal Council on the achievement of the previous year's strategic objectives together with the activity report. It collects the necessary data and key figures (Art. 9, para. 2, SIFEM Act). SIFEM also produces an annual impact report. In addition, SIFEM maintains regular dialogue with representatives of the Swiss Confederation, in particular in the context of owner discussions, which normally take place three times a year.

## 7. Key figures and indicators

### 7.1 Investment rationale

Target field	Key figures/indicators	Measurement
1) Added value	At least half of the investment commitments to funds are first-time closings.	Annual
2) Mobilisation of private capital	Direct mobilisation of CHF 100 million from private and institutional co-investors.	Cumulated over the period 2025-2028
	CHF 200 million according to the methodology of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD).	Cumulated over the period 2025-2028
(3) Sustainability	SIFEM requires all financial intermediaries and portfolio companies to adhere to the Responsible Investment Policy. <sup>3</sup>	Annual
4) Geographical orientation	All investments are made in developing countries and emerging economies (as defined by the OECD). At least 60% of investment commitments are channelled into Swiss IC priority countries or regions. <sup>4</sup>	Average 2025–2028
	Investments in the poorest countries (Least Developed Countries or LDCs, as defined by the United Nations as of 1 January 2025) account for at least 12% of active commitments.	Average 2025–2028

### 7.2 Development objectives

Target field	Key figures/indicators	Measurement
5) Decent jobs (SDG 8)	SIFEM helps to create and/or maintain at least 10,000 jobs per year (pro rata <sup>5</sup> ).	Annual
6) Reducing emissions and adapting to climate change (SDG 7, 13)	At least 30% of investment commitments are dedicated to climate protection in accordance with the OECD methodology.	Average 2025–2028

<sup>3</sup> <https://sifem.ch> > Our investments > Approach > SIFEM's Approach to Responsible Investment

<sup>4</sup> Regional or global funds are considered investments in priority countries if at least 50% of the fund's investments are made in priority countries (20% for Sub-Saharan Africa).

<sup>5</sup> If SIFEM holds 10% of a fund that invests in a portfolio company with 1,000 jobs, 100 jobs are reported.

Target field	Key figures/indicators	Measurement
	All investment commitments are compatible with the goals of the Paris Climate Agreement and the national climate targets of the countries.	Annual
7) Gender equality (SDG 5)	At least 30% of investment commitments contribute to gender equality. <sup>6</sup>	Average 2025–2028
8) Development impact in total	At least 75% of investments in the portfolio must subsequently be rated <i>good</i> or <i>very good</i> according to the development monitoring system implemented by SIFEM.	Average 2025–2028

### 7.3 Financial objectives and risk management

Target field	Key figures/indicators	Measurement
9) Financing	Cash is fully committed. Overcommitments are permitted up to a maximum of 15% of active commitments.	Annual
10) Efficiency	Operating cost ceiling of 1.5% net of active commitments.	Annual
11) Operating result	Positive overall result according to IFRS accounting (incl. exchange rate).	Cumulated over the period 2025-2028
12) Target return	2.5% in USD on average over the last four years.	Annual
13) Investment risk tolerance thresholds	The percentage of investments classified as <i>high</i> and <i>very high</i> risk projects is below 45% for funds and below 20% for fixed income investments.	Annual
14) Risk management	SIFEM has a corporate risk management system based on ISO 31000 standard and a compliance management system (CMS) based on ISO 37301 standard. Other equivalent standards may be applied on a 'comply or explain' basis. SIFEM informs the owner in good time of the main business risks and the priorities of the CMS.	Once in the 2025-2028 period: External audit of risk management and CMS by an independent audit body on behalf of the SIFEM Board of Directors. Federal Council information (audit report, Board of Directors statement) as part of the reporting on the fulfilment of strategic objectives.

<sup>6</sup> According to the global standard for gender-specific investments initiated by the development finance institutions [www.2xchallenge.org](http://www.2xchallenge.org) > 2X criteria

On behalf of the Swiss Federal Council

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