



## SDC Investment Credit

# Leveraging Private Finance for the SDGs

## Introducing the Investment Credit

The Swiss Agency for Development and Cooperation (SDC) has expanded its Private Sector Engagement (PSE) portfolio over the past years. In 2021, it introduced the Investment Credit designed to facilitate direct investments into structured funds or granting impact-linked loans. This credit aims to foster innovation, and leverage private finance to achieve the Sustainable Development Goals (SDGs), with a specific focus on Least Developed Countries (LDCs) and underserved sectors.

Managed by the Competence Centre for Engagement with the Private Sector (CEP), this credit has already approved two investments in 2022 and 2023, respectively. As of 2024, 4.9 million CHF is available for investment, enabling the development of 1-2 ventures aligned with SDC's objectives at the thematic or country levels.

The SDC Investment Credit represents a strategic initiative to foster private sector investments for the SDGs. By leveraging private finance and embracing innovative ventures, SDC is committed to driving meaningful impact in LDCs and underserved sectors, while adhering to relevant criteria for investment selection and measurement.

## Objectives of the Investment Credit

### 1. Catalytic Investor for Innovation and Learning

SDC seeks to foster innovation and promote learning by assuming the role of a catalytic investor, encouraging novel approaches.

### 2. Leveraging Private Finance for SDGs

With a special focus on LDCs and underserved sectors, the credit aims to attract private finance and channel it effectively towards achieving the SDGs, fostering sustainable development and positive societal change.

## Selection Criteria for Investment Engagement

The investment credit is designed to make direct investments into structured funds (or granting impact linked loans). Potential investments should ideally fulfill the following criteria:

### 1. Alignment with SDC Priorities

- ▶ Focus on Least Developed Countries (LDCs) comprising a minimum of 50% investment; and/or
- ▶ Alignment with thematic priorities defined by SDC; and/or
- ▶ Co-ownership or financing of an SDC unit.

### 2. Additionality

#### ▶ Impact Additionality

The investment should create additional impact in SDC priority regions/themes compared to existing investment funds, promoting expansion or transformation of impact; and/or

#### ▶ Financial Additionality

The investment should play a vital role in launching new funds that drive additional private finance to SDC priority countries and sectors; and/or

#### ▶ Market Additionality

The investment fund should target currently underserved market segments in the impact investing landscape.

### 3. Subsidiarity

The Investment Credit should be utilized for ventures that fall outside the scope of projects financed through transfer credit or as complementary to the transfer credit investments.

### 4. Financial Sustainability

Supported investment funds should realistically aim for long-term financial sustainability, with financing needs that are temporarily limited.

### 5. Impact Measurement

Investments must be accompanied by robust impact measurement systems that regularly inform on the venture's performance, ensuring transparency and accountability.

## Example 1: Investment made – BUILD Fund

Launched in 2020, the Bamboo-UNCDF Initiative for the Least Developed (BUILD) is an innovative blended impact finance vehicle designed to finance SMEs that have the potential for strong development impact in the world's LDCs and lower middle income countries. Managed by Swiss-based Bamboo Capital Partners (BCP), the Fund addresses the market gap of the so-called "missing middle" by providing growth capital to SDG oriented SMEs.

SDC supports the BUILD Fund with two separate but complementary investments: First, a direct investment into the BUILD fund that can be deployed globally in target countries and sectors with the highest financing gap to achieve the SDGs. Second, an indirect investment by way of a contribution to UNCDF which will earmark the contribution to investments into SMEs in Zambia and Zimbabwe.

<b>Partners</b>	SDC (E+E SCO Harare) UNCDF, managed by Bamboo Capital Partners (BCP)
<b>Investments (as of 31.12.2022)</b>	SDC: USD 14 Mio. Other Public Donors: USD 35 Mio. Development Finance Institutions: USD 20 Mio. Commercial: Goal to attract up to UDS 200 mio.
<b>Investees</b>	SDG oriented SMEs in selected sectors.
<b>Theme / sector</b>	Food Security; Agribusiness; Financial Inclusion; renewable Energy; Local Infrastructure
<b>Geographic scope</b>	Global; Zambia and Zimbabwe (earmarked window)

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## Example 2: Pipeline project – Investment pending – N3F

N3F is an "impact-first" fund with a clear nutrition mandate, focused on supporting local food systems in Sub-Saharan Africa (almost LDCs only). N3F is expected to start operating in Q42023 and will primarily provide short-term loans (working capital up to 2 years) as well as long-term loans (up to 7 years), to SMEs with ticket sizes from USD 300'000 to USD 3 million.

SDC expects to support N3F with an investment of CHF 3 Mio in the first-loss tranche of the fund, with a strong catalytic role, and potentially, an additional investment of CHF 2 Mio in a more senior tranche of the fund as well, linked to the development of outcome-based payment incentives.

<b>Partners</b>	SDC (E+E, GPF5, GPH) GAIN, managed by Incofin
<b>Investments (potential – as of 15.07.2023)</b>	SDC: USD 5 Mio. Other Public donors: USD 7 Mio. Other investors to be mobilized (DFIs + Private): USD 30-40 Mio.
<b>Investees</b>	SMEs active in local food systems and supplying local markets.
<b>Theme / sector</b>	Food Security; Nutrition
<b>Geographic scope</b>	Sub-Saharan Africa (focusing on Eastern and Western Africa)

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### Join us

As the CEP actively explores new investment opportunities, we invite all operational units within SDC to be part of this process.

#### Actively Engage in the Investment Process

Expertise and dedication are key to the success of the investment. We encourage operational units to actively engage in the investment process, contributing human resources, knowledge, and experience to make a difference.

#### Consider Providing Financial Support

Financial support can further elevate the potential of the investment-project. Operational units are encouraged to explore possibilities to provide financial resources, reinforcing impact.

The investment project's approval will follow the regular SDC approval process, ensuring thorough assessment, due diligence, and alignment with our overarching goals. We thus ensure that each initiative aligns with SDC's mission and strategic objectives.

### Contact us

Liaise with the CEP to discuss how your operational unit can benefit and/or contribute from/to this initiative. For more information about the SDC Investment Credit and potential engagement opportunities, please contact:

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