

# Swedfund

Swedish Fund for Industrial Cooperation with Developing Countries  
Fonden för industriellt samarbete med u-länder

## ANNUAL REPORT

1981/82

Postal address

Swedfund  
Box 16360  
S-10327 STOCKHOLM  
SWEDEN

Visitors

Jakobs Torg 3  
STOCKHOLM

Telephone

Nat 08-23 17 40  
Int +468 23 17 40

Telegram

Swedfund

Telex

141 35  
swefund s



**BOARD OF DIRECTORS**



Rutger Martin-Löf  
Chairman



Ernst Michanek  
Ministry for Foreign Affairs  
Vice Chairman



Uno Alfredeen  
Alfredeen Teknik AB/Assista AB  
(photo Anders Ljung, Alternate)



Anders Forsse  
The Swedish International  
Development Authority, SIDA



Lars Kalderén  
The Swedish National Debt Office



Lars-Olof Lindgren  
The Swedish Trade Union  
Confederation



Sven-Erik Sterner  
The Swedish Central Organization  
of Salaried Employees



Ulf Svidén  
Ministry of Industry



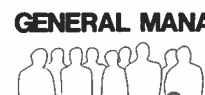
Bo Thomé  
Swedish Export Credits  
Guarantee Board



Curt Wiik  
Ministries for Foreign Affairs and  
Commerce



Johan Åkerman  
Swedish State Company Ltd



**GENERAL MANAGER**

Sven Öhlund  
Swedfund

**ALTERNATE DIRECTORS**

Gösta Dahlström  
The Swedish Trade Union  
Confederation

Lars Åke Eriksson  
Ministry of Industry

Christer Jansson  
The Swedish Central Organization  
of Salaried Employees

Anders Ljung  
Svenska Handelsbanken

Petter Narfström  
The Swedish International  
Development Authority, SIDA

Karin Storm-Roxman  
Ministries for Foreign Affairs and  
Commerce

Sten Rylander  
Ministry for Foreign Affairs

**CONTENTS**

page		page	
1	Introduction	14	Balance sheet
2	General economic conditions	15	Profit and loss account
4	Project activities	16	Auditors' Report
7	Promotional activities	17	GUIDELINES (pages 18-23)
11	Administration	24	Administration - Addresses
12	Project-pictures	25	Management and Staff

# Swedfund

Swedish Fund for Industrial Cooperation with Developing Countries  
Fonden för industriellt samarbete med u-länder

SWEDFUND IS AN INDEPENDANT PUBLIC FOUNDATION ESTABLISHED IN NOVEMBER 1978 WITH AN AUTHORIZED CAPITAL OF SWEDISH KRONOR 100 MILLION. IN ADDITION, THE FUND IS EMPOWERED TO BORROW THREE TIMES THIS CAPITAL AGAINST A STATE GUARANTEE.

THE PURPOSE OF THE FUND IS TO STIMULATE AND PROMOTE THE ESTABLISHMENT OF INDUSTRIES IN DEVELOPING COUNTRIES IN COOPERATION WITH SWEDISH INDUSTRY.

SWEDFUND'S MAIN ACITIVITIES ARE

- to arrange contacts between interested parties in developing countries and Swedish enterprises
- to assist in seeing that feasibility studies are carried out and contribute to the financing of these studies
- to aid in establishment of Joint Ventures together with parties in the developing countries and Swedish enterprises
- to contribute with share holdings and medium-term loans as well as provide guarantees for the projects
- to support projects primarily in countries where there already exists a long-term development aid cooperation with Sweden.

**CONTENTS** of Guidelines for industrial investments in developing countries in cooperation with Swedfund.

page		page	
18	Status and ownership Purpose Countries Partners	21	Financing of feasibility studies Swedfund as shareholder Swedfund as lender
19	Project criteria The role of Swedfund The role of other Swedish partner(s)	22	Forms and conditions for Swedfund guarantees Security for Swedfund loans and guarantees
20	The role of the local partner(s) Relations with Swedish institutions	23	Foreign exchange licences APPENDIX How to approach Swedfund Project preparation Legal documents

## GENERAL ECONOMIC CONDITIONS IN DEVELOPING COUNTRIES

The economic situation in the Third World countries as well as in the industrialized countries has seen very few improvements during the period of July 1981 through June 1982. Inflation rates remained high and unemployment continued to rise in the OECD area. Low production volumes in these countries caused demand for many products from developing countries to remain on a low level with depressed prices. In many industrialized countries, voices have also been raised for increased protection against imports from low-cost areas.

In addition to the negative effects on the economies of the Third World countries caused by the situation in the industrialized countries, many of them have been badly hurt by high oil prices, poor harvests due to bad weather conditions and political conflicts in or around their territories. Many non-oil producing developing countries have to spend as much as 60-80 per cent of their export income in freely avail-

able foreign exchange to pay for their oil bill. The corresponding figures were 5-10 per cent ten years ago. The drain on foreign exchange resources caused by higher import prices and lower export incomes has not by any means been compensated by an increased flow of concessional funds to those countries. At the same time, the attitude towards aid to the poor countries has hardened both in respect to financial and other conditions.

An increasing portion of their needs has had to be financed on international capital markets at high interest rates. The immediate results on the economies of the developing countries have been severe balance of payments and budget deficits. Development spending has had to be cut, and implementation of many projects has had to be postponed.

These are the general conditions and the environment in which Swedfund operates.

## PROJECT APPROVALS 1981/82

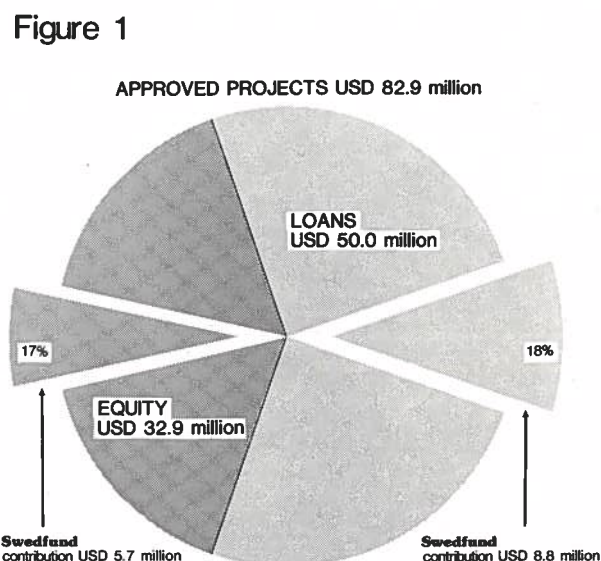
Notwithstanding the gloomy outlook in the areas designated for Swedfund's operations, the positive response generally received from Swedish industry to project proposals presented by Swedfund is most encouraging for future activities. Several ideas, however, have had to be abandoned as they upon closer scrutiny appeared to lack technical and/or commercial feasibility.

Swedfund's Board of Directors approved investments in nine new projects during the financial year of 1981/82. The total investment outlay for implementation of these projects amounts to approx USD 50.6 million. Swedfund's contributions in the form of equity, loans and guarantees amount to USD 8.6 million or 17 per cent of total costs. A summary of projects approved and projects under implementation at the end of June 1982 is shown in table 1.

Out of the fifteen projects so far approved by the Board, Swedfund contributes to the investments in the amount of USD 14.5 million or 17 per cent. In terms of total equity this amounts to 17 per cent and of total loan financing to 18 per cent (see figure 1.)

Around twenty new projects are under study and some of these are expected to materialize in the near future. In addition to the number of projects shown in table 1, three projects approved by the Board have not been implemented as originally foreseen owing to changes in the general market conditions and in the assumptions on which the preparations were based.

Note: For the purpose of this report all currencies have been converted into Swedish Kronor (SEK) at the rate prevailing on the day of transfer of Swedfund's contributions. The rate applied between the Swedish Krona (SEK) and the US dollar (USD) is 6.10 SEK per USD.



## Swedfund PROJECT STATUS

Table 1

	Approved up to July 1982	Approved July 1981 - June 1982	Under implementation June 1982
No. of projects	15	9	8
Total investment costs (USD millions)	82.9	50.6	42.5
Swedfund financial contribution (USD millions)	14.5	8.6	8.2
Swedish partners' financial contribution (USD millions)	8.2	6.6	2.6
No. of jobs created in the host country	1,300	800	600

Note 1

ALGERIA  
ANGOLA  
BANGLADESH  
BOTSWANA  
CAPE VERDE  
COSTA RICA  
CUBA  
DOMINICAN REPUBLIC  
ECUADOR  
EGYPT  
ETHIOPIA  
GUINEA-BISSAU  
INDIA  
JAMAICA  
KENYA  
LAOS  
LESOTHO  
MOZAMBIQUE  
NICARAGUA  
NIGERIA  
PAKISTAN  
SRI LANKA  
SUDAN  
SWAZILAND  
TANZANIA  
TUNISIA  
VIETNAM  
ZAMBIA  
ZIMBABWE

## AREA OF OPERATION

Developing countries with which Sweden has long-term development and technical co-operation (note 1) are still given priority in Swedfund's efforts to develop new projects. Cooperation has, however, been initiated with partners in other countries, and during the year the Board has approved

Swedfund participation in the People's Republic of China and the Congo. Starting operations in more countries is placing increased demand on Swedfund's staff capacity. The policy of prudence in commitments in new countries will therefore continue.

## DEPLOYMENT OF STAFF CAPACITY

The experience gained so far shows that Swedfund has a very active role to play during a project's investment phase. This is especially the case when our partners, in the developing country or in Sweden, have little or no experience in cooperation in joint ventures. As more projects are coming into implementation and operation, more capacity has to be used for follow-up activities and, eventually, the winding up of our engagement in these projects.

Simultaneously, more time and efforts have to be devoted to project identification in order to keep up a steady flow of projects under preparation and implementation. A constant dialogue with authorities and partners in developing countries and Sweden is therefore being maintained. To be in a position to respond effectively to the demand for its services, Swedfund is preparing a reinforcement of its regular staff.

## SCOPE OF ACTIVITIES

In the law originally approved by the Riksdag (the Swedish Parliament) Swedfund's activities were restricted to manufacturing industries only. Experience from the first years of operations showed, however, that there was also a demand from developing countries for assistance to develop certain types of service-oriented activities. As examples could be mentioned transport companies, electrical and mechan-

ical maintenance workshops, seed production and distribution systems within the agricultural sector, etc. In order to make it possible for Swedfund to also participate in such projects, The Riksdag approved an amendment in May 1982 to the law governing Swedfund's activities, thereby removing the restriction that Swedfund must participate in manufacturing industries only.

## TECHNICAL ASSISTANCE

Transfer of management and technical know-how is a major task for Swedfund. The presence of Swedish administrative and technical personnel during the initial operational phase of a project is therefore often a prerequisite. In principle, know-how costs are supposed to be covered within the project budget, but particularly in smaller projects these cost items can be disproportionate to the total project costs, thereby jeopardizing the im-

plementation of the project.

The Riksdag therefore approved a minor allocation from the development aid budget for training and technical assistance needed in Swedfund projects. The implementation of small projects with relatively heavy know-how components, which often are better adapted to local conditions, is thereby facilitated.

## PROJECT ACTIVITIES

### PROJECTS UNDER IMPLEMENTATION

Promotional and preparatory work undertaken during Swedfund's initial years continues to bear fruit in the form of project implementation. At the end of the 1981/82 financial year, Swedfund had con-

cluded agreements and committed funds to the following eight projects, of which seven are located in African countries and one in Ecuador in South America.

#### Société Tunisienne de Panneaux de Fibre, SOTUFIBRE, Gromballia, Tunisia

DATE OF AGREEMENT: January 15, 1980  
 PRODUCTION: Medium density fibre board  
 CAPACITY: 25,000 tons per year  
 EMPLOYMENT: Approximately 80  
 TOTAL INVESTMENT COSTS: TND 4.6 million  
 SWEDFUND CONTRIBUTION: TND 366,600, 26% of share capital  
 TUNISIAN PARTNERS: Industrial companies, private and institutional investors  
 SWEDISH PARTNER: Sunds Defibrator AB.

The implementation of the project began in mid-1980. The factory will produce fibre board from wine tendrils and other local materials. About half of the output will generate foreign exchange income for the Tunisian economy.

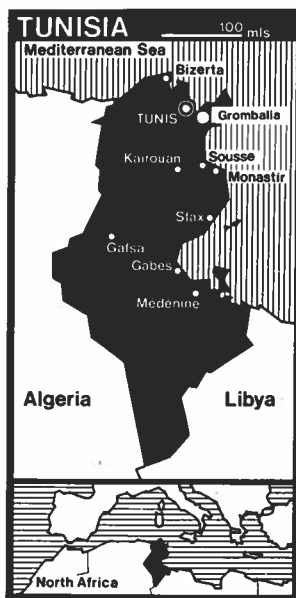
Installation of equipment was completed in mid-1982 and test-runs have yielded satisfactory results with respect to performance and product quality. In order to accustom the market to a new and superior product, sales of imported board have been undertaken with satisfactory results.

#### Société Tunisienne AWAB, STAWAB, Tunis, Tunisia

DATE OF AGREEMENT: December 17, 1980  
 PRODUCTION: Hose clips and parts for the automobile industry  
 CAPACITY: TND 450,000  
 EMPLOYMENT: Approximately 30  
 TOTAL INVESTMENT COSTS: TND 263,000  
 SWEDFUND CONTRIBUTION: TND 7,500, 10% of share capital  
 TUNISIAN PARTNERS: SEK 864,000 in loan  
 SWEDISH PARTNER: Private individuals  
 Anderstorps Werkstads AB.

The implementation of the project started in early 1981. The factory will produce hose clips, tube clips and cable sockets primarily for the motor car and truck industries. Other applications of importance for the products include household capital equipment such as refrigerators, freezers, etc. About 40 per cent of the output is expected to be exported to neighbouring countries.

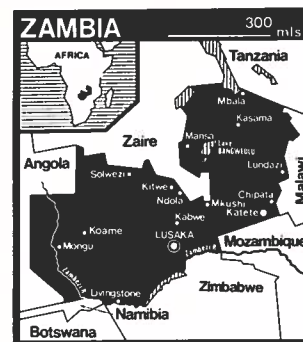
Installation of machinery and equipment was completed in June 1982 in a provisional building as construction of the Company's own factory had been delayed for about six months. Production started in late July and sales have already been initiated with promising results. STAWAB will participate in trade fairs in neighbouring countries during the autumn of 1982 in order to explore neighbouring export markets.



Note  
 1 Tunisian Dinar (TND) = SEK 10.50

#### Zambia Seed Company, ZAMSEED, Lusaka, Zambia

DATE OF AGREEMENT: December 23, 1980  
 PRODUCTION: Seed production and distribution  
 SALES: ZMK 9.2 million  
 EMPLOYMENT: 50 within the company and some 100 growers  
 TOTAL INVESTMENT COSTS: ZMK 8 million  
 SWEDFUND CONTRIBUTION: ZMK 300,000 in share capital  
 ZMK 300,000 in loan  
 ZAMBIAN PARTNERS: Rural Development Corporation of Zambia (RDC)  
 Zambia Seed Producers Association (ZSPA)  
 Zambia Cooperative Federation (ZCF)  
 SWEDISH PARTNER: Svalöf AB.



Note  
 1 Zambian Kwacha (ZMK) = SEK 6.50

The Company was formed on January 1, 1981. Its activities consist in organizing production of maize seed - the country's basic food crop - as well as sorting, packing, distributing and selling the seed to the growers and their organizations. The Company also organizes production and sales of other seeds, such as potato seed, other grain and vegetable seed.

The first full year of operations showed a profit of ZMK 1.9 million before taxes, which was well above budget estimates. The figures may be slightly adjusted, however, as the valuation of assets taken over from the Company's predecessor has not been finally agreed upon. The Company is operating and functioning well and according to expectations.

#### FOLBI, Empresa Mista de Folheados e Contraplacados de Bissau, Buba, Guinea-Bissau

DATE OF AGREEMENT: October 6, 1981  
 PRODUCTION: Veneer products  
 CAPACITY: 1.9 million m<sup>2</sup> of veneer per year  
 EMPLOYMENT: Approximately 90  
 TOTAL INVESTMENT COSTS: GWE 205 million  
 SWEDFUND CONTRIBUTION: GWE 12 million, 20% of share capital  
 GUINEAN PARTNERS: SEK 8.7 million in loan and guarantees  
 SWEDISH PARTNER: SOCOTRAM, Bissau  
 Bohman & Johansson AB.



Note  
 100 Guinean Pesos (GWE) = SEK 6.70

Site operation started immediately after the signing of the final agreement and building material arrived at the site in Buba in early 1982. Factory building and staff houses have been completed and installations of machinery and equipment will take place during the second half of 1982. Production start is tentatively scheduled for around March 1983.

An intensive training programme for Guinean personnel has started at Bohman & Johansson's factory in Blomstermåla, Sweden. The training costs are covered by a contribution from the Swedish Commission for Technical Cooperation with Developing Countries under the allocation recently approved by the Riksdag.

#### Dan-Quimica, Manta, Ecuador

DATE OF AGREEMENT: October 19, 1981  
 PRODUCTION: Salicylic acid and acetylsalicylic acid  
 CAPACITY: 720 tons of salicylic acid and 350 tons of acetylsalicylic acid per year  
 EMPLOYMENT: Approximately 80  
 TOTAL INVESTMENT COSTS: ECS 240 million  
 SWEDFUND CONTRIBUTION: ECS 16.3 million, 19% of share capital  
 ECUADORIAN PARTNERS: SEK 5.0 million in loan  
 SWEDISH PARTNER: Private individuals  
 OTHER PARTNERS: The Bofors group (Nobel Chematur)  
 The Industrialization Fund for Developing Countries and Rustfri Contractor AS., Denmark



Note  
 100 Ecuadorian Sucres (ECS) = USD 3.35

Erection of buildings is completed and installation of equipment for manufacturing of acetylsalicylic acid based on imported salicylic acid is in its final stage. Production and sales of acetylsalicylic acid can therefore begin in October/November 1982. Equipment

for manufacturing of salicylic acid will be installed in April 1983. Marketing of production has started with promising results both in neighbouring countries and in the United States as well as in Western Europe.

## Khartoum Dairy Products Company Limited, KDPC, Khartoum, Sudan

DATE OF AGREEMENT:  
PRODUCTION:  
CAPACITY:  
EMPLOYMENT:  
TOTAL INVESTMENT COSTS:  
SWEDFUND CONTRIBUTION:

SUDANESE PARTNERS:

SWEDISH PARTNER:

Initially, production will be based on dried skim milk and butter oil donated by the World Food Programme to the Government of Sudan and sold by the Government to the project. The proceeds from the sale will be used to develop local supplies of fresh milk which will gradually replace the imported milk powder. The milk will be

February 15, 1982  
Recombined and pasteurized milk  
60,000 litres per day  
Approximately 175  
USD 9.3 million  
SDP 372,000, 12.5% of share capital  
SEK 11.0 million in loan  
Sudan Development Corporation  
Animal Production Public Corp.  
Alfa-Laval AB.

distributed predominantly to low income groups in Khartoum, who presently do not have access to pasteurized fresh milk.

The project is under implementation. Contracts have been signed for machinery and factory buildings. Operations are planned to start at the end of 1983.



### Note

1 Sudanese Pound  
(SDP) = USD 1.13

## Société d'études de la cellulose du Congo (SECC), Pointe Noire, The People's Republic of the Congo

DATE OF AGREEMENT:  
PRODUCTION:

CAPACITY:

TOTAL INVESTMENT COSTS:  
SWEDFUND CONTRIBUTION:  
CONGOLESE PARTNER:

SWEDISH PARTNER:  
OTHER PARTNERS:

May 6, 1982  
A feasibility study for an export oriented pulp mill  
250,000 tons of bleached eucalyptus pulp per year  
XAF 550 million (FRF 11 million)  
XAF 55 million, 10% of share capital  
The Government of the People's Republic of the Congo  
Billerud-Uddeholm  
Elf Aquitaine  
Silos de Sud-Ouest  
IFC, International Finance Corporation  
European Investment Bank

The company was formed in early 1982 to conduct a feasibility study on an export-oriented pulp mill near Pointe Noire in the southern part of the Congo. A large research and plantation scheme has been carried out during the last 15 years in the coastal region of the Congo with the aim to develop a forest based industry. The plantation consists of fast growing eucalyptus

trees and will cover an area of about 36,000 ha. The Swedish company, Billerud, is responsible for the study, which will be presented in early 1983. This study will form the basis for a decision to establish a plant with a capacity of 250,000 tons per year of bleached eucalyptus pulp, which is an investment in the range of USD 350 million.



### Note

100 Congolese Francs  
(XAF) = SEK 2.00

## Metalform Limited, Nakuru, Kenya

DATE OF AGREEMENT:  
PRODUCTION:

CAPACITY:

EMPLOYMENT:  
TOTAL INVESTMENT COSTS:  
SWEDFUND CONTRIBUTION:

KENYAN PARTNER:  
SWEDISH PARTNER:  
OTHER PARTNERS:

May 25, 1982  
Metal pressings and related products and components, subassemblies and parts for use in finished and semi-finished products  
3,000 tons per shift per year of pressed and related products  
Approximately 75  
KES 38.0 million  
KES 2.0 million, 18.2% of share capital  
SEK 4.6 million in loan  
ILANIL Limited  
Anderstorps Werkstads AB.  
East African Development Bank  
Cauffiel Machinery Co, USA

Necessary approvals and licences from authorities and banks are expected in August 1982 and implemen-

tation of the project will start thereafter. Operations are planned to begin during the first half of 1983.



### Note

1 Kenyan Shilling  
(KES) = SEK 0.56

## PROJECTS UNDER NEGOTIATION

As shown in table 1, (page 3), the Board has approved 15 projects, out of which the eight earlier described are under implementation. The remaining seven projects are under final negotiations with the project partners or are awaiting final approval by the relevant authorities. We expect to conclude an agreement with Chinese partners and a consortium of Swedish pharmaceutical industries concerning a project for the production of pharmaceuticals in the People's Republic of China. The total investment cost is estimated at USD 23.5 million.

In Zimbabwe negotiations have been finalized on a project for the manufacture of pressure stoves in cooperation with the Swedish company Optimus AB.

The other approved projects under negotiation are situated in Sri Lanka, Egypt (2), Tanzania and Ethiopia.

Investments related to projects in this category add up to a total of USD 40.4 million, with Swedfund providing USD 6.2 million, or 15 per cent.

## PROJECTS UNDER PREPARATION AND STUDY

Nine projects were under preparation and study with financial support from Swedfund at the end of the 1981/82 financial year. This is a slight reduction compared to the situation a year before. The projects

under analysis today form the base for projects under implementation tomorrow. It is therefore important to maintain a high level of promotional activities to secure an even flow of new projects.

## PROMOTIONAL ACTIVITIES

Swedfund's major task is the promotion of industrial cooperation between developing countries and Swedish industry. Project and partner identification is perhaps the most crucial phase of the project cycle in order to secure success in later stages of project preparation and implementation.

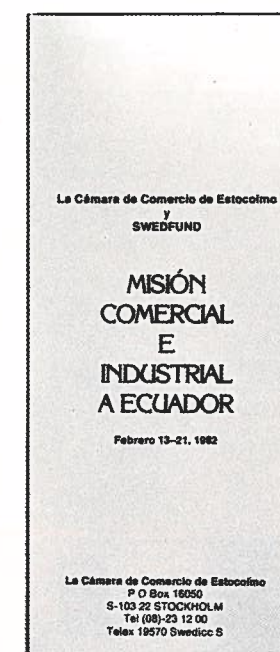
Swedfund has sought different ways of promoting new projects and has during the year worked through such activities as investment missions, participation in industrial and trade fairs, promotional seminars, local representatives, and last but not least through regular staff visits to developing countries for meetings with officials and industrialists.

## INVESTMENT MISSIONS

To many Swedish industrialists, the business opportunities that exist in the developing countries are fairly unknown. The long distance to the markets makes it difficult to establish the contacts necessary for obtaining information on potential projects for cooperation.

Swedfund's experience from previously organized investment missions as a means of identifying projects and partners is quite favourable. However, the mission has to be well planned and organized in close cooperation with local representatives of ministries and industries. This requires that rather substantial resources be set aside both in Sweden and in the host country for the organization and follow-up of a mission. During the 1981/82 financial year, Swedfund arranged one mission to Egypt and missions to Ecuador and Zimbabwe, in cooperation with the Stockholm Chamber of Commerce.

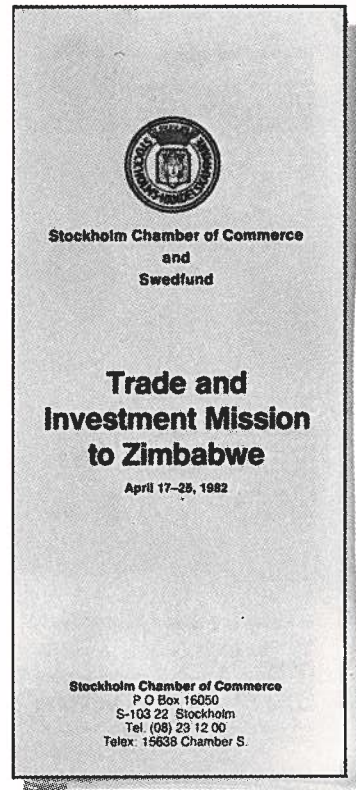
In Ecuador the Ecuadorian Industrial Promotion Agency, CENDES, in cooperation with the Swedish Embassy was responsible for the local arrangements. Fifteen Swedish corporations participated in the mission that took place in February 1982.



Twenty-three Swedish companies joined the mission to Zimbabwe in April 1982. The initiative was highly appreciated in Sweden. The mission was lead by a member of the Swedish Cabinet. The program was arranged by the Swedish Embassy in close cooperation with the Zimbabwean authorities and included a visit to the Bulawayo International Trade Fair where many firms participating in the mission were also represented.

The mission to Egypt was composed of Swedish industries which had already identified potential partners and projects which they wanted to discuss further with Egyptian officials. Meetings were arranged with the Minister of Industry and the Minister of Planning as well as the chief executives of the Egyptian authorities dealing with industrial investments. Time was also set aside for detailed project discussions with the Egyptian project partners.

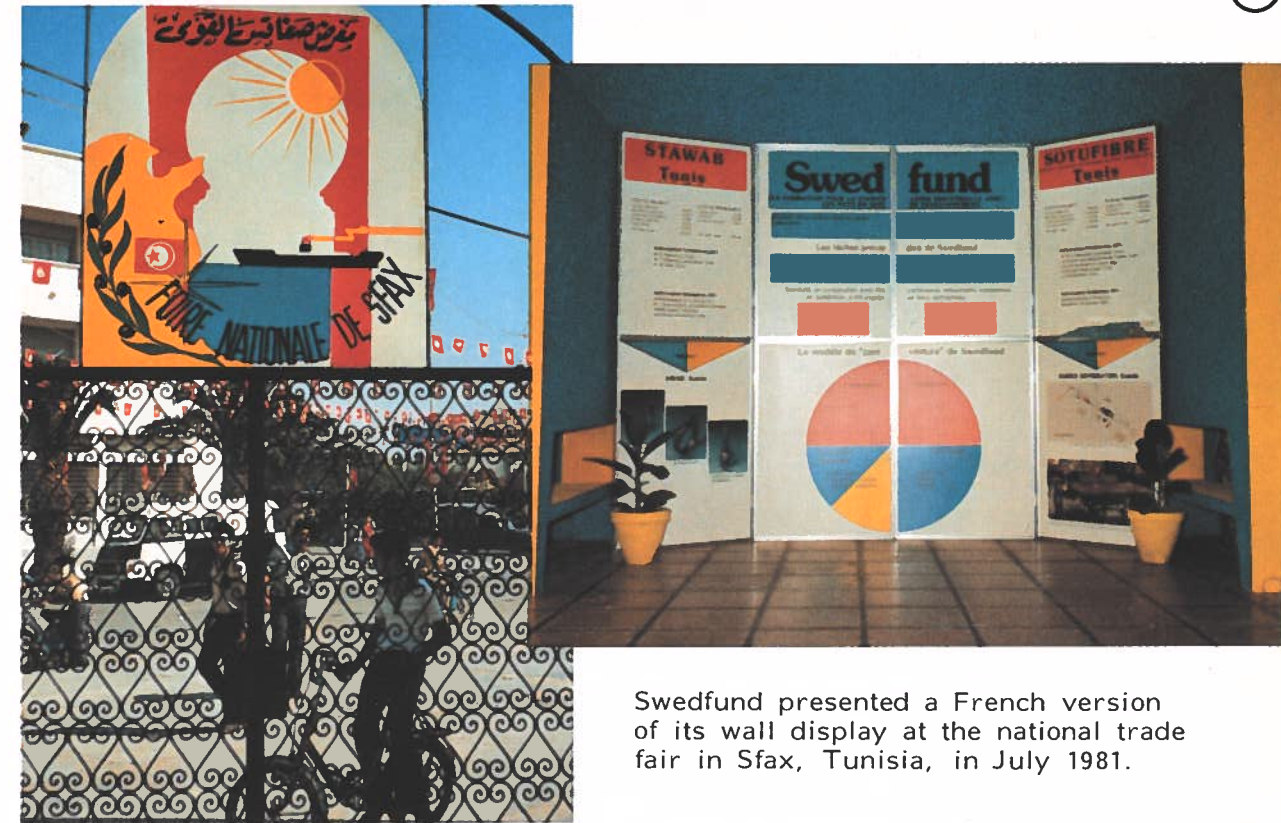
As a result of these missions, a few projects have already been approved and are under negotiations, while others are in the pre-feasibility phase.



### INDUSTRIAL AND TRADE EXHIBITIONS

To spread information on Swedfund's objectives and activities to a wider audience, a wall display has been prepared for present-

tation at trade and industrial fairs in Sweden and abroad.



Swedfund presented a French version of its wall display at the national trade fair in Sfax, Tunisia, in July 1981.

The exhibit has been received with considerable interest and has resulted in a number of queries and requests from potential partners.

Participation in various exhibitions is also planned for this financial year.

### LOCAL REPRESENTATIVES

In order to step up its efforts to bring about joint venture projects between Indian and Swedish industrialists, Swedfund concluded an agreement with Mr Ashok Nehru of New Dehli, in March 1982. Mr Nehru's mission is to identify projects for Indo-Swedish cooperation and to maintain close

contacts with Indian administration and industry. (Office see p. 24)

The cooperation with East African Development Bank has continued and the first project with participation from both EADB and Swedfund was concluded in May 1982.

### WHAT SWEDISH INDUSTRY OFFERS

Often, when discussing with representatives from developing countries, the question is raised: What kinds of industrial cooperation can Sweden offer? To be prepared to give an informative and satisfactory answer to this question Swedfund has initiated a survey of two sectors for which demand for cooperation is frequently received from developing countries. The

first survey centered on the food industry and the second on the light mechanical engineering industry. Companies which responded positively to the idea of starting up joint ventures in developing countries will be presented in a brochure, to be distributed to potential partners in developing countries.

### PROMOTION SEMINARS

During 1981/82 industrial promotion authorities in some developing countries have made special efforts to attract Swedish investors by arranging seminars in Sweden. Swedfund appreciates initiatives of that nature and is willing to take an active part in conducting such seminars by presenting the guidelines for cooperation with Swedfund. When the contacts taken at the seminar need to be followed up, Swedfund can serve as the local counterpart to the developing country's authority. The Tunisian "Agence de Promotion d'Investisse-

ment" (API) is one such organization that has arranged seminars for industry located outside the Stockholm area.

Also the Swedish Regional Development Funds and Chambers of Commerce are interested in spreading information to the industry in their own regions on the business opportunities that exist in developing countries. Swedfund is aiming at a closer cooperation with these Swedish organizations as they have good information of potential partners in their region.

**INTERESTED IN JOINT VENTURE TOGETHER WITH SWEDISH INDUSTRY?**

**Swedfund PROVIDES**

- CONTACTS WITH SWEDISH ENTREPRENEURS
- EQUITY PARTICIPATION
- NEGOTIATION SUPPORT
- FINANCE OF FEASIBILITY STUDIES
- MEDIUM-TERM LOAN

POSTAL ADDRESS: **Swedfund** BOX 16 380 S-103 27 STOCKHOLM, SWEDEN

PHONE: Int +468 23 17 40  
TELEX: 141 35 swefund s

**A Swedfund-PROJECT**

**SOTUFIBRE**  
Tunis

Manufacturer of medium density fibreboard, MDF.  
Production start April 1982  
Annual capacity 15,000 metric tons  
Estimated annual turnover SEK 30 million

EQUITY DISTRIBUTION

REPLY CARDS

**Swedfund's JOINT VENTURE MODEL**

**MODEL FOR PROJECT FINANCING**

Project Cost	Project Financing
Working Capital	Commercial Bank
Interest	<b>Swedfund</b>
Machinery and Equipment	Local Development Bank
Civil Works Infrastructure	Export Financing, etc.
	Local Partner Swedish Partner
	<b>Swedfund</b>

LOCAL PARTNER  
LOCAL SERVICES  
SWEDISH PARTNER  
SWEDFUND

The exhibit is available in Swedish, English and French versions. During the 1981/82 fi-

ncial year, it appeared in the following cities:

NAME  
La Foire Nationale de Sfax  
Stockholm Technical Fair  
Zimbabwe International Trade Fair

CITY AND COUNTRY  
Sfax, Tunisia  
Stockholm, Sweden  
Bulawayo, Zimbabwe

**FEASIBILITY STUDY SEMINARS**

For the second time, a one-week seminar on the preparation and evaluation of feasibility studies was arranged by the Swedish Institute of Management, associated with the Stockholm School of Economics, in cooper-

ation with Swedfund and the International Finance Corporation (IFC), Washington. The seminar was attended by 31 participants representing industry consultants, banks and aid agencies.



The Chairman of Swedfund's Board of Directors, Mr Rutger Martin-Löf and the General Manager, Mr Sven Öhlund are here being received by the Deputy Manager Mr Ahmed Lamine at API (Agence de Promotion d'Investissement) in Tunis.

**NORDACT**



- 1 Peter Hallberg, Swedfund
- 2 Hans Engebrigtsen, NORAD
- 3 Mogens Hasdorf, IFU
- 4 Jens Høgel, NIB
- 5 Sven Öhlund, Swedfund
- 6 Markku Pekonen, FINNFUND
- 7 Matts Andersson, FINNFUND
- 8 Odvar Sten Rønsen, NORAD
- 9 Sven Riskaer, IFU
- 10 Per Asmundrud, NIB

**Note**  
 NORAD Norwegian Agency for International Development  
 IFU The Industrialization Fund for Developing Countries  
 NIB Nordic Investment Bank  
 FINNFUND Finnish Fund for Industrial Development Cooperation

Swedfund and its Nordic counterparts meet regularly to share their experience and ideas as well as to discuss cooperation in projects.

In June 1982 the group met in Swedfund's office in Stockholm.

**ADMINISTRATION**

**BOARD OF DIRECTORS**

The Board of Directors has met on seven occasions during the 1981/82 financial year to consider project proposals and policy matters.

The Board made its first field visit in November 1981 to Tunisia, where two projects are being implemented with Swedfund participation. The Board Members were received by the Minister of Finance and Economic Plan-

ning, the Minister of Industry and the Director General of the Government Agency for Industrial Promotion (API) - Swedfund's counterpart organization in Tunisia.

The Board of Directors' first three-year term in office expired on November 30, 1981. Members presently serving on the Board were reappointed by the Government to serve for a second three-year period.

**PERSONNEL**

There have been no changes among the professional staff during the year. The supporting staff has been strengthened with one secretary. On June 30, 1982, Swedfund had a permanent staff of ten, of which three served on a part-time basis. The addition of a part-time legal advisor on a permanent basis and two professionals for project development is foreseen for the 1982/83 financial year.

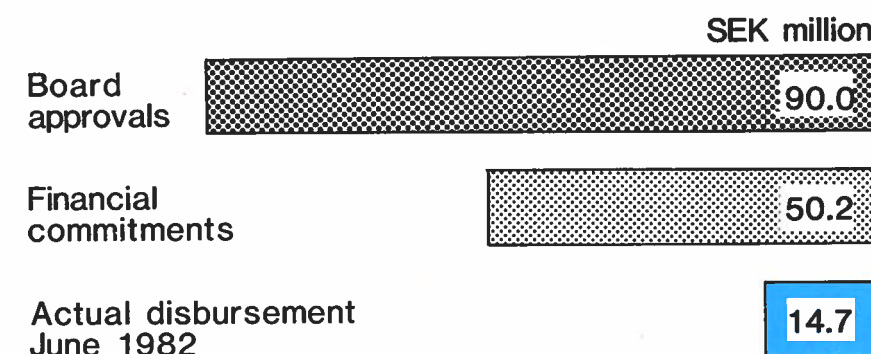
The use of external consultants for project appraisal and analysis has continued on a high level during the year. Extensive use has been made of financial and technical consultants as a support for Swedfund's own resources.

Specialized external expertise will also be needed in coming years for particular assignments in projects.

**FINANCIAL PERFORMANCE**

Financial commitments to projects have reached a level of SEK 50.2 million and Board approvals are close to SEK 90 million. Actual disbursements at the end of the

year, however, were no more than SEK 14.7 million. This is a common feature, as commitments are being honoured only as project implementation proceeds.



The undisbursed portion of Swedfund's basic capital, plus reserves and accumulated profits, have been placed in interest-bearing accounts in Sweden (mainly with the Swedish National Debt Office). The interest on these deposits, plus the first interest and commission on project loans, add up to SEK 15.3 million (last year 14.3). Operating expenditures during the year increased to 5.9 million (4.4). After writing off prefeasibility studies and after

setting aside SEK 7.0 million (4.8) to a reserve for future losses on project investments, the net income for the year is SEK 1.5 million (8.7). The significantly lower figure as compared to last year is explained by the higher operating expenditures (1.5), higher allocation to loss reserves (2.2) and no allocation from the Government budget (3.7) to cover administrative costs, which had been received during the first three years of operations.

SOME PROJECTS UNDER IMPLEMENTATION



SOTUFIBRE, Grombalia, Tunisia



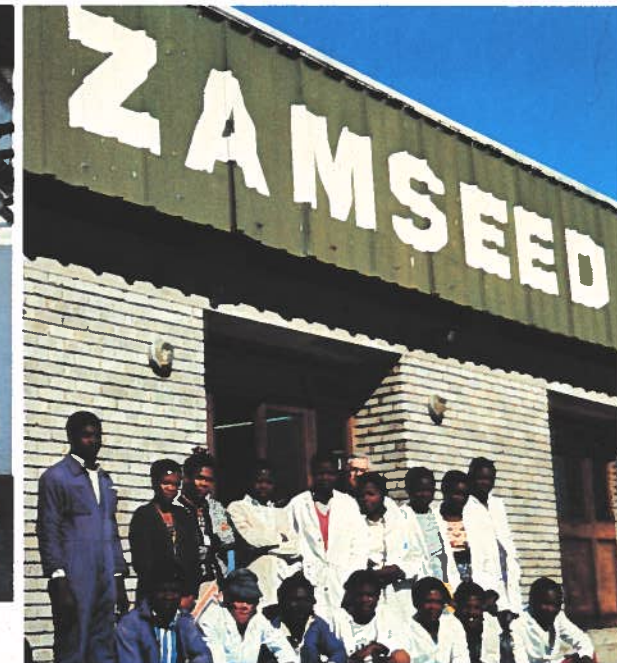
FOLBI, Buba, Guinea-Bissau



Société d'études de la cellulose du Congo (SECC), Pointe Noire, The People's Republic of the Congo



DAN QUIMICA, Manta, Ecuador



ZAMSEED, Lusaka, Zambia





REPORT OF THE AUDITORS

for

THE SWEDISH FUND FOR INDUSTRIAL COOPERATION WITH DEVELOPING COUNTRIES

We have examined the annual report, the accounting records and the administration by the board of directors and the managing director for the financial year July 1, 1981 - June 30, 1982.

In our examination we have been assisted by Bohlins Revisionsbyrå AB.

In our opinion the financial statements included in the annual report have been prepared in accordance with accounting standards generally accepted in Sweden.

We recommend that the members of the board of directors and the managing director be discharged from liability for the financial year 1981/82.

Stockholm, September 29, 1982

LARS ANDERLIND

BJÖRN W MARKLAND  
Auktoriserad revisor  
(Authorized Public Accountant)

**GUIDELINES**  
for industrial investments in developing  
countries in cooperation with Swedfund

# Swedfund

Swedish Fund for Industrial Cooperation with Developing Countries  
Fonden för industriellt samarbete med u-länder

## STATUS AND OWNERSHIP

SWEDFUND is an independent foundation with an authorized capital of Swedish Kronor 100 million. The Fund is empowered to borrow three times its paid-in capital against Government guarantee. The work of the Fund is directed by a board appointed by the Government and selected from

the public and private sectors as well as from organized labour. SWEDFUND shall operate in accordance with normal business principles and cover its own costs. The Fund shall work in close cooperation with Swedish partners and with partners in the developing countries.

## PURPOSE

The purpose of SWEDFUND is to encourage the formation and development of industries in de-

veloping countries. Its main activities will be:

- to act as a contact broker between interested parties in developing countries and in the Swedish business community
- to help finance feasibility studies and also contribute in other ways to such studies
- to contribute with equity and loans to Joint Ventures between partners in developing countries and Swedish enterprises
- to guarantee loans raised for the purpose or projects supported by SWEDFUND.

## COUNTRIES

SWEDFUND promotes projects mainly in countries where there already exists a long-term development cooperation with Sweden. It may also consider projects in other developing countries

which pursue development policies consistent with the aims and targets established for the official Swedish development cooperation programme.

## PARTNERS

SWEDFUND will cooperate with public as well as cooperative and private partners of any size both in Sweden and in the developing countries. SWEDFUND's participation will be of particular importance when small or medium-sized Swedish firms are involved. Although such firms may be willing to participate in projects in developing

countries, they often lack the necessary experience and financial resources to do so. Entrepreneurs in developing countries, on the other hand, rarely have sufficient knowledge about potential Swedish partners. SWEDFUND will try to help overcome such difficulties.

## PROJECT CRITERIA

SWEDFUND supports only those industrial projects which are considered to have favourable impact on the development of the host country and which have the approbation of the Government of that country.

Within this frame-work, many kinds of projects could be considered, ranging from the production of goods which satisfy basic human needs in the host country to purely export-oriented ventures. Special consideration is given to projects which generate employment in areas where labour resources are relatively abundant.

Priority is given to small and medium-sized projects, as SWEDFUND's financial resources are limited.

The participation of a Swedish industrial partner in the project is a condition for SWEDFUND support. The Swedish partner is expected to bring in expertise to assess the soundness of the project and its commercial viability.

SWEDFUND makes an independent judgement for its own purposes of the feasibility of the project and of its developmental effects in the host country.

## PROJECT CRITERIA

When assessing the economic impact of a project, SWEDFUND pays special attention to:

- the creation of new job opportunities
- the training and development of manpower
- the prospects for integration in local economy and society
- the technical adaption to local conditions
- the transfer of technology
- the utilization of domestic resources and raw materials
- the foreign exchange effects
- the environmental impact

Projects should preferably be new ventures, but the expansion of existing enterprises may also be considered. SWEDFUND will support trade activities only if they are integral part of an industrial project.

Projects for the exploitation of mineral and other natural resources are not eligible for SWEDFUND support unless they include an element of manufacturing.

Before SWEDFUND undertakes any substantial work or any financial commitments for a proposed project the Fund must receive confirmation from a competent authority in the host country that the project can be approved by the host Government and that it is in line with that Government's priorities, as expressed in an industrial development plan or similar statement of policy.

## THE ROLE OF Swedfund

SWEDFUND welcomes initiatives and requests from interested parties in developing countries for cooperation with the Fund and with Swedish industry.

SWEDFUND also receives proposals from Swedish parties who are interested in establishing manufacturing enterprises in developing countries.

SWEDFUND is active in bringing together potential project partners.

Information given to SWEDFUND is treated as confidential unless otherwise agreed. If needed, and in accordance with principles outlined in these Guidelines, SWEDFUND will share with the other project partners the necessary investments in the project. SWEDFUND's financial contributions are in the form of share capital, medium-term loans or guarantees.

SWEDFUND and the other project partners will enter into a shareholders' or similar agreement

in which the rights and obligations of the parties concerned are laid down and which also specifies a suitable procedure for the settlement of disputes between the parties.

SWEDFUND will cooperate in project financing with international, regional and national development banks and with other institutions promoting industrial development.

A contribution from SWEDFUND is not conditional upon Swedish equipment being purchased for the project. In the interest of economy and efficiency, the project company would be expected to explore the international market to find the commercially most advantageous source of supply.

The term "project company" is used in these Guidelines to denote a company formed or enlarged with the active involvement of SWEDFUND and other partners as described in the following paragraphs.

## THE ROLE OF OTHER SWEDISH PARTNER(S)

SWEDFUND normally participates only in projects to which one or more Swedish partners make long-term technical and financial commitments. The Swedish partners may consist of enterprises, institutions or individuals.

In order to associate itself with projects that have a positive development impact and offer reasonable projects of profitability, SWEDFUND seeks to enlist the support of Swedish partners which have a sound capital base and a sound position on the market. The Swedish partner will generally be expected to

- assume a sizeable interest in the share capital of the project company

- contribute his specific industrial experience and business know-how to the project company
- offer reliable technology with appropriate adjustments in manufacturing techniques
- if necessary, make available qualified technical and commercial management to the project company and ensure that an appropriate training programme is included in the project
- have adequate planning and supervision capacity to ensure the successful preparation, execution and operation of an industrial project in a developing country.

### THE ROLE OF OTHER SWEDISH PARTNER(S)

The terms and conditions on which these contributions are made will be agreed upon in a shareholder's agreement or partnership agreement or in an agreement between the Swedish partner and the project company.

In some cases, such as when the laws of the host country do not permit foreign ownership, the financial participation may have to take a form other than a shareholding, one suited to the particular situation.

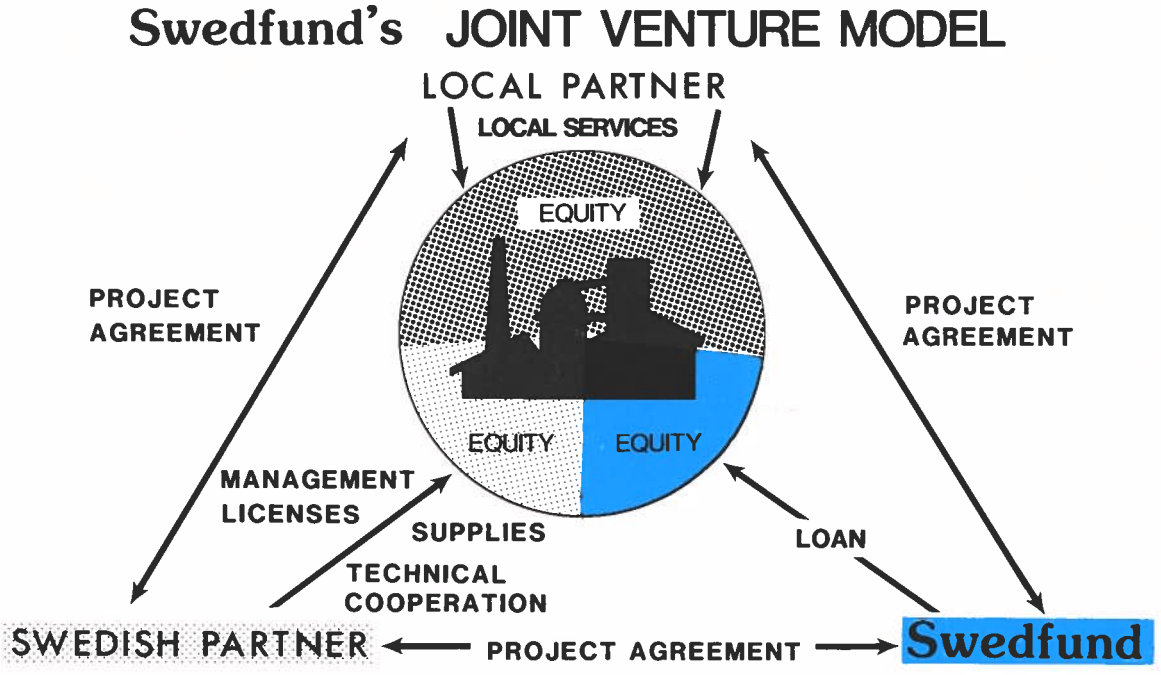
### THE ROLE OF THE LOCAL PARTNER(S)

Active local participation is desired by SWEDFUND as a means of integrating the new enterprise into the economy of the host country. It is usually a prerequisite for SWEDFUND participation that one or several eligible local partners take a substantial share in the project company.

ditions, distribution systems, capital and money markets, etc. The local partner will also be relied upon to help establish contacts with the local authorities and with local labour and its trade unions.

The local partner(s) will be expected to have experience of industrial projects and a good knowledge of such local conditions as are of importance for the project, including market con-

It should be pointed out that local partners need not necessarily be manufacturing companies but can equally well be investment banks, development corporations, private individuals, etc.



### RELATIONS WITH OTHER SWEDISH INSTITUTIONS

SWEDFUND is an independent body and will make its contributions to projects on the basis of its own analyses. The Fund works in close contact with the Swedish International Development Authority, SIDA, in such matters as studies of industrial development plans and individual projects.

gional Development Funds for advice and recommendations.

In its search for Swedish partners SWEDFUND may turn to organizations such as the Federation of Swedish Industries and to Sweden's Re-

In matters such as the application of appropriate technology, the Fund cooperates with the National Swedish Board for Technical Development.

Where appropriate, projects supported by SWEDFUND may also qualify for security under the Swedish investment guarantee scheme, administered by the Export Credits Guarantee Board.

### FINANCING OF FEASIBILITY STUDIES

SWEDFUND may draw on industrial plans and studies made by other interested agencies and enterprises, including development cooperation agencies such as SIDA. SWEDFUND will carry out further studies for its own use, as it deems appropriate.

Should SWEDFUND decide to help finance a project resulting from such a feasibility study, the cost of the study will be borne by the project. Should the study result in the abandonment of the project idea, SWEDFUND will consider sharing the expenses incurred with the partners concerned.

Furthermore, SWEDFUND is willing to contribute towards the cost feasibility studies carried out or solicited by potential project partners.

### Swedfund AS SHAREHOLDER

SWEDFUND considers that a sound equity base is vital to the success of an industrial project.

SWEDFUND will keep the implementation of the project under close review by site visits and scrutiny of regular progress reports. These reports are to cover items such as project completion in relation to schedule, reasons for deviations from the budget in respect of timetables and funds spent, etc.

When appraising projects the Fund therefore pays special attention to the relation between equity and borrowed funds to ensure that the project company has an appropriate debt/equity ratio from the outset. SWEDFUND does not, as a rule, participate in projects which show a debt/equity ratio of more than 65:35.

SWEDFUND will be willing to offer its shares for sale to other project partners, in first instance to partners from the host country, when SWEDFUND's equity participation is no longer required. Other interested parties from the host country may also be considered. The buyer(s) must be acceptable to the other project partners.

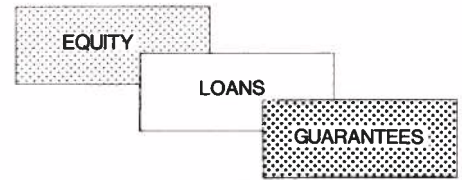
SWEDFUND is prepared to subscribe to a portion of the project company's share capital when the other project partners so request and when alternative sources are not available. However, the Fund aims at keeping its portion as small as possible and will normally not subscribe to more than 30 per cent of the project company's share capital. Swedish partners are expected to match SWEDFUND's contribution. Disbursement of equity contributions will be according to agreement between the shareholders.

The sales prices of the shares will be determined by the net assets value and earning capacity of the assets of the project company. The detailed terms and procedures for transfer will be laid down in the agreement between the shareholders.

In projects where SWEDFUND takes up a shareholding interest, the Fund expects to be offered a seat on the board of the project company. SWEDFUND then decides from case to case whether it will take up its directorship.

### Swedfund AS LENDER

SWEDFUND is prepared to lend money to the project company only if financing can not be obtained elsewhere on acceptable terms and conditions. A shareholding is not a condition for SWEDFUND loans.



SWEDFUND's total financial contributions - equity, loans and guarantees - to projects supported by it, i.e. its shares of total long-term project financing (debt plus equity), shall normally not exceed 30 per cent. In exceptional cases it may go up to 50 per cent. On the other hand, SWEDFUND can also opt not to participate financially in a project if alternative sources of funds are available, even if the Fund has actively promoted the project.

Loans from SWEDFUND normally have a grace period corresponding to the construction and start-up period of the project. Thereafter the loan should be repaid over a period which is related to the project's cash-flow projections and the depreciation plan for the fixed assets but such period shall not exceed ten years.

SWEDFUND's loans are normally in Swedish Kronor freely transferrable into a convertible currency and are granted for investments in foreign exchange. It is assumed that the share of the investment which is in local currency is financed by borrowing on the local capital market.

Loan funds made available by SWEDFUND are normally disbursed in proportion to an expenditure plan for the project and on such other terms and conditions as may be agreed upon in the loan agreement.

Interest rates on SWEDFUND loans are normally fixed for the tenure of the loan at a level which is related to SWEDFUND's costs for borrowing and administration.

SWEDFUND's loans are to be repaid in the currency or currencies specified in the loan agreement. Normally this is the same currency as that disbursed.

## FORMS AND CONDITIONS FOR Swedfund GUARANTEES

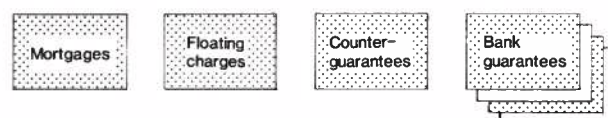
In some cases SWEDFUND will be in a position to supplement a loan and/or a shareholding with a guarantee. This would be possible, e.g. in the following cases:

- a project has a financial gap, which could be filled by low interest loans from outside financiers, who do not, however, consider the project company's assets to be sufficient security and who therefore require SWEDFUND's guarantee
- a project partner needs to borrow in order to put up funds for his participation in the share capital of the project company but can not offer the financiers acceptable security for a loan unless the lender is covered by a guarantee
- in order to ensure smooth procurement procedures for machinery and equipment during project implementation, SWEDFUND guarantees may be required in favour of suppliers or financial agents involved in the project.

The Fund charges a small fee for its guarantees. The above mentioned maximum limits for SWED-

FUND financing of a project also include guarantees.

## SECURITY FOR Swedfund LOANS AND GUARANTEES



SWEDFUND generally requires that all its loans and guarantees be covered by normal commercial securities. These may consist of mortgages on the project company's fixed assets, floating charges on movable assets, counter-guarantees

from shareholders, bank guarantees, etc. SWEDFUND's requirements in each particular case will be adjusted to suit those of possible co-lenders.

## FOREIGN EXCHANGE LICENCES

SWEDFUND is subject to the same laws and regulations as any other Swedish private or juridical person. Any foreign investment by SWEDFUND requires a foreign exchange license from Bank of Sweden.

Foreign exchange permits or licenses are also required from the competent authorities in the host country for the purpose of repatriating invested capital and paying dividends on share capital and for the repayment and payment of interests on the loan.

## HOW TO APPROACH Swedfund

A suitable first contact is a phone call or a letter outlining the principal ideas of the project. A party in a developing country may consider it convenient to make the approach through his Embassy in Sweden or through the Swedish Embassy in his own country. If SWEDFUND considers that the project might be eligible the Fund will request a short project description, based on available preparatory studies.

Such a description should include at least the following information:

- proposed partners, if identified
- proposed product range and manufacturing techniques
- proposed market(s) for production
- availability in host country of raw materials
- estimated manpower requirements
- estimated total investment costs in local and foreign currency
- economic considerations
- requested SWEDFUND participation

SWEDFUND realizes that information given at this stage of a project may be rather preliminary and subject to change as the project develops.

On the basis of information received, SWEDFUND decides if the project appears promising enough to warrant further investigations and finally a complete feasibility study. Such a study may be undertaken by the Fund in cooperation with the partner(s) to be, and if required, with external consultants. A report will be made from the study which shall include further details on the above-mentioned items, but also comprising such particulars as:

- location of the project
- description and cost of civil works
- description and cost of machinery
- necessary infrastructure, incl. energy supply and transport facilities
- employment of various categories of personnel
- pricing and competition
- complete financial projections
- rate of return calculations
- environmental aspects
- integration in local economy and society
- the project's role in the development of the host country
- the role of SWEDFUND and other proposed partners.

## PROJECT PREPARATION

The time required from the start of discussions between SWEDFUND and the prospective project partners to the signing of various agreements depends on many factors, such as:

- the stage of the project when it is first presented to SWEDFUND
- the complexity of the project
- the extent of external expertise required to develop the project

- the time required for government permits or licences.

It is therefore not practical to estimate the time required to prepare a specific project. However, the time can be reduced significantly if the partners provide necessary project information promptly.

## LEGAL DOCUMENTS

The rights and obligations of all partners will be prescribed in specific agreements. When SWEDFUND participates with both share capital and loans, the following documents are required:

- a shareholders' agreement between all shareholders specifying the rights and obligations of the different shareholders
- a loan agreement between SWEDFUND as lender and the project company as borrower specifying the terms and conditions for the SWEDFUND loan and the rights and obligations of the lender and the borrower.

In most projects there may be a number of other agreements between the project partners or between one or more of the project partners and third parties such as the project company and/or Government of the host country. SWEDFUND will normally wish to comment on these agreements even if the Fund is not contracting party to the agreement concerned.

# Swedfund

Swedish Fund for Industrial Cooperation with Developing Countries  
Fonden för industriellt samarbete med u-länder

## General Manager

Mr Sven Öhlund

## Regional Managers

Mr Per Blondell Northern and Western Africa,  
Latin America

Mr Ernst Chöler Eastern Africa and Asia

Mr Erik Åberg Southern Africa

## Project Manager

Mrs Gunilla von Arbin

## Administration

Mr Peter Hallberg

Miss Eva Dierks

## Assistants

Miss Madeleine Flodin

Mrs Margareta Leijd

Mrs UllaBritt Wallberg

POSTAL ADDRESS

**Swedfund**  
Box 16360  
S-103 27 STOCKHOLM  
Sweden

VISITORS ADDRESS

Jakobs Torg 3  
STOCKHOLM

TELEPHONE

National 08-23 17 40  
International +46 823 17 40

TELEX

141 35 swefund s

TELEGRAM ADDRESS

SWEDFUND

### Swedfund representative in India

Mr Ashok Nehru

POSTAL and VISITORS ADDRESS

First Floor  
A-32 Friends Colony East  
NEW DELHI - 110 014  
India

TELEPHONE

International +91-11633457



Mr Ernst Chöler and  
Mrs UllaBritt Wallberg



General Manager  
Mr Sven Öhlund

Chairman of the Board  
Mr Rutger Martin-Löf



Mrs Margareta Leijd and  
Mr Per Blondell



Mr Öhlund surrounded by  
Mrs Wallberg and Mrs Gunilla von Arbin



Mr Erik Åberg and  
Miss Madeleine Flodin



Miss Eva Dierks and  
Mr Peter Hallberg