



FINNFUND / FINLAND

IFU / DENMARK

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SWEDFUND / SWEDEN

Nordic financing for private sector in developing countries





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Foreword

Creating opportunities for better life

Development depends on economic growth and better jobs. More productive jobs bring better opportunities to workers, more affordable products to consumers and higher tax bases to support vital services.

Nine out of ten people in developing countries work in the private sector. Making the private sector more productive requires investments that bring know-how and improved technology, local or foreign. While governments play a key role in creating the enabling environment, private companies are the ones that either make the investments and create the jobs or fail to do so.

Most private projects can and will be financed from commercial sources, which are increasingly accessible, particularly in for shorter maturities, established companies and stable countries. Pioneering investments in challenging conditions are still severely constrained by poor access to finance.

Within Nordic development cooperation, it is the role of the development financiers to go where good private projects are struggling to get funding. Finland's Finnfund, Denmark's Investment fund for developing countries (IFU), Norway's Norfund and Sweden's Swedfund are all creating new opportunities by doing what commercial financiers would hesitate to do on their own. Working with Nor-

dic and local partners as well as other financiers we help environmentally and socially sound profitable projects get up and running.

The stories in this collection provide many good examples. They show how we are helping companies

- create more productive jobs in Vietnam, India and Nigeria,
- produce affordable drugs, electricity, and financial services for people at the "bottom of the pyramid" in Kenya, Uganda and South Africa, and
- expand the local tax base for public services in Tanzania, Uruguay and Ethiopia.

In a number of fast-growing countries, private companies and foreign direct investments have already helped millions of people to escape poverty. Having seen the results, most other developing countries are now improving business conditions and inviting local and foreign companies to invest in new sectors. Also Africa is now open for business better than it ever was. There is room for thousands of innovative projects that seize the new opportunities and mobilize local people to improve their lives.

The potential of private investments to contribute to development is greater than ever. Also the need for patient capital and risk-sharing from development financiers is well beyond what we have seen before. Our ability to respond is con-

strained only by the amount of capital we have to invest. With more resources, we can make an even greater difference.

As relatively small organizations, Nordic development financiers do not focus on megaprojects that cost billions. Instead, we specialize on small and medium-sized projects where we can add value. We aspire to be nimble, easy to work with and responsive to our partners. As Nordic entities, a special niche for us is working with projects that involve Nordic participants, or that capitalize on what we have learnt from our experience.

While we are part of Nordic development cooperation, our financing is not aid in the sense of grants or subsidies. We seek to be and in practice have been financially self-sustaining. We have maintained and increased our capital, and keep on recycling it to new projects. In this sense, the development benefits our projects have generated have not cost anything to Nordic taxpayers.

We wish you interesting moments with this collection of stories. If they inspire you to create or promote new win-win investments in developing countries, please get in touch to discuss how we can work together. ■



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Managing director, Swedfund

Finnfund

Company brief

Finnish Fund for Industrial Cooperation Ltd. (Finnfund) is a development finance company that provides long-term investment loans and risk capital for private projects in developing countries and Russia. Apart from a minority stake held by the Confederation of Finnish Industries EK, Finnfund is state-owned and operates under the auspices of the Ministry for Foreign Affairs.

Finnfund supports profitable projects in challenging markets where commercial financing is hard to obtain. Since its establishment in 1981, Finnfund has invested more than 1500 million euros in some 300 projects.

Finnfund's mandate is to promote economic and social development in developing countries through responsible and profitable private projects. Mitigation of or adaptation to climate change is a key objective for many of our projects. Countries, sectors and projects are prioritized to maximize development benefits. Most investments are targeted at low-income and lower-middle-income countries and nearly 40 per cent of the portfolio is in Africa. India is currently the single most important host country.

Finnfund invests mainly with Finnish companies and their local partners, such as long-term customers, suppliers, subcontractors and companies that license technology. In the poorest countries Finnfund generally co-invests with other development financiers, both in projects that use

Finnish technology and in other projects that generate significant environmental or social benefits.

Business sectors and focus

While funding is not tied to Finnish exports, Finnfund works mostly in sectors where the experience and competence of the Finnish business community can be harnessed to serve developing markets. Forestry, renewable energy, telecommunications and environmental technologies are priority sectors, along with manufacturing projects, many of which are linked to the above sectors. Through funds and financial institutions Finnfund also finances local small companies, mostly in the poorest countries.

Finnfund's role in its investments

Finnfund can make equity investments or provide clients with long-term investment loans, with subordinated loans or other mezzanine financing, or with guarantees needed to access financing in local currency. Finnfund is always a minority investor, typically relying on a sponsor that knows the business and invests at least as much as Finnfund. Most investments are in the range of EUR 1-10 million. Finnfund is a long-term investor that shares the country and political risks of the investment. In many developing countries, Finnfund either has long experience or can help its clients by tapping into a network of partners, including other development financiers. ■



Finnfund in numbers (year-end 2010)

- Capital: EUR 162 million
- Portfolio, including undisbursed investment decisions: EUR 470 million
- Number of investments in the portfolio: 142
- Number of new investments in 2010: 21

New Nigerian mill turns scrap into quality steel

Finnfund is financing a local mill that will raise the quality of steel production and reduce the country's dependence on imports.

Good economic development in Nigeria is reflected in growing demand for steel products. Now is a good time to invest in new production capacity, says chairman **Raj Gupta** of African Foundries Limited (AFL), a Nigerian company.

AFL's new steel mill is in Ikorodu, near Lagos. The mill concentrates on making hardened steel reinforcement bars (rebars) used in the construction industry. Its production capacity is 225,000 tonnes per year.

Growing Nigerian demand for quality steel

Raj Gupta calculates the size of the Nigerian market for steel products at about 2.5 million tonnes annually. Of this, 1.77 million are long steel products like rebars.

Domestic output in these product groups is estimated at 1.2 million tonnes. The rest, supplied from abroad, consists mainly of higher quality steel products.

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AFL manufactures harder, thermo-mechanically treated (TMT) rebars. The mill investment will have major knock-on effects for the national economy as the need for imported steel products, purchased with foreign currency, declines.

The steel mill offers employment to about 500 people. It will also provide extra income for about 1,000 families in ancillary mill services, in scrap metal collection, and so on.

Material supplies seem guaranteed. Scrap metal is readily available in Nigeria because the country imports used vehicles from Western Europe and Asia.

Power plant from Wärtsilä

Unreliable and insufficient availability of power from the national grid is a key bottleneck to industrial development in Nigeria. Process industries such as steel mills are particularly vulnerable to power cuts. To achieve high levels of productivity and energy efficiency, AFL had to invest in its own power plant.



Wärtsilä, the Finnish engine maker, is supplying the 40 MW gas power plant, which will be connected to a nearby natural gas pipeline. Gas is a by-product of oil production. Nigeria is trying to improve gas recovery instead of flaring it, which causes environmental damage.

Steel production contains many hazards for the environment and the health of employees. The dangers have been minimised by installing modern equipment in the mill.

Financiers look out for the environment

The financial institutions backing the steel mill project have set the condition that AFL observes recommendations on the environment and working conditions set by the IFC and the United Nations' ILO.

Finnfund is financing the project with a loan. The other financiers include the Emerging African Infrastructure Fund, the Dutch development finance company FMO and Citibank. ■

Affordable, high-quality drugs for Africans

Universal Corporation Ltd (UCL) of Kenya produces affordable, high-quality drugs for African countries. UCL is one of the largest drug producers on the continent and has been certified under the European PIC/S scheme.

Established by an experienced Finnish-Kenyan team of Pentti Keskitalo, Perviz Dhanani and Rajen Dhanani, UCL began operating at the turn of the millennium. Its products include generic drugs for treating AIDS, malaria, tuberculosis, parasites and inflammations, among others. More than 100 different pharmaceutical products are made in its production plant of 10,000 square metres in Kikuyu Town, near Nairobi.

Much of UCL's equipment is second-hand, acquired inexpensively from Europe, where many relatively modern but not fully automated production lines and factories have been closed down as the pharmaceutical industry has consolidated.

UCL is now one of the largest and most advanced drug producers in sub-Saharan Africa, and continues to grow rapidly. It now employs more than 300 people directly and

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has a capacity to produce well above 2.5 billion pills per year. UCL has been approved in inspections conducted by several African authorities as well as aid organizations operating in Europe and America and it is working towards the World Health Organization (WHO) certification that usually is a prerequisite for sales to multilateral aid organizations.

The role of Finnfund

After two rounds of financing since 2005, Finnfund is now the main outside investor in the company. At the same time, UCL has become Finnfund's largest equity investment. In addition to helping the company expand, Finnfund has financed UCL's environmental investments and its work towards WHO certification. Finnfund has also participated actively in company's strategic planning and corporate governance.

Quality drugs for quality life

In Kenya and many other African countries, many pharmaceutical products on sale do not contain the right amounts of proper active ingredients, while effective medications are often too expensive. UCL's mission is to produce quality pharmaceuticals accessible to all. UCL products have



already been used to treat millions of people and they have probably saved thousands of lives. UCL's focus on quality is also putting pressure on others, thereby raising overall standards in Kenya's pharmaceutical industry.

UCL's drugs are already exported to 15 African countries and much of the future growth is expected to come from exports. ■

Precast concrete element producer rides building boom to India

As life is getting better for millions of Indians, the country needs large numbers of schools, dormitories, industrial buildings, low-income housing projects and bridges. All these can be made safer and built faster, at lower cost, and with less energy and materials, if construction companies stop casting concrete structures on site and instead start using prefabricated concrete elements.

VME Precast Pvt. Ltd. is the first modern full-scale element production plant in India. Based in Oragadam, near Chennai, in the southern Indian state of Tamil Nadu, it is a joint venture of VME Group, an Indian construction company, Valkeakosken Betoni Oy, a Finnish producer of prefabricated concrete elements, and Asia Pragati CapFin Ltd, a venture capital company. The production of concrete columns and beams, hollow core slabs and wall panels started in 2010. The production equipment was purchased from Elematic Oy, a leading producer of production lines for prefabricated concrete elements.

Safer, faster and cheaper

"Element building methods create a greatly accelerated construction timetable, which lowers the cost, because



capital is not tied up for years in buildings that are not yet ready", explains **Markku Lehtinen**, chairman of the board of Valkeakosken Betoni.

Element technology also improves construction quality and extends the life cycle of buildings. Environmentally, too, it is superior to casting on-site. Production in a factory is not vulnerable to rains and can achieve more uniform quality, which saves energy and materials. Element-made structures also survive possible earthquakes better than buildings cast on site.

Investment loan from Finnfund

Finnfund provided a loan for the plant investment. The project is well-suited to Finnfund's objectives of cooperating more closely with SMEs. Both Valkeakosken Betoni and the equipment supplier Elematic are medium-sized companies, with which Finnfund can function cost-effectively.

The plant is designed to meet Finnish production standards and safety norms.

Markku Lehtinen regards the partnership with Finnfund as a very important matter.



“Without Finnfund’s participation, it would probably have been hard for us to arrange financing for the project. Moreover it gives us access to Finnfund’s expertise in the Indian market.”

Example to follow

Where cities are growing and rising incomes allow people to move from huts to houses, the benefits of prefabricated concrete elements are obvious. Increasing demand creates business opportunities and the example of VME Precast helps to demonstrate the potential.

After VME Precast started production, a number of companies interested in doing something similar elsewhere have visited the plant or approached its financiers or technology suppliers. What VME Precast has pioneered in Tamil Nadu, has already got followers in other parts of India, as well as in many other countries. ■

IFU – Investment fund for developing countries advises and invests with Danish companies in developing countries and emerging markets. IFU has more than 40 years of experience doing business and undertaking investments with Danish companies. In collaboration with Danish businesses, IFU has contracted investments of approximately DKK 100 billion, in more than 700 companies in Asia, Africa and Latin America.

IFU's head office is in Copenhagen, but it has offices and advisers covering most developing countries. IFU has regional offices in:

- Nairobi, Kenya
- Johannesburg, South Africa
- Accra, Ghana
- Beijing, China
- New Delhi, India

In addition, IFU has an extensive network of advisers, most of whom have considerable management experience from Danish and foreign enterprises in developing countries. This enables them to assess the commercial aspects of a proposed project, and also the legislation and business climate of the country in question. IFU's advisers can put the clients in touch with local authorities and relevant accountants, lawyers and trade organizations.

Business sectors and focus

Greenfield projects, expansion of existing projects and privatization of state-owned enterprises are all eligible for IFU financing. Manufacturing (60 per cent) continues to be the largest sector of business in the IFU portfolio, followed by trade and transport. Finance, insurance and agriculture also have their place.

Host countries of investments must be on the OECD's DAC list of development aid recipients.

IFU's role in its investments

IFU investments are made on commercial terms and are provided in the form of share capital and loans. IFU participates in risk sharing and has a long-term investment strategy. It offers professional advice, and participates from the first step of establishment of the business until the company is fully consolidated, when it exits.

The aim of IFU investments is to promote economic and social development. So far, its investments have contributed to the creation of approximately 140,000 direct jobs in developing countries. IFU also gives high priority to social and environmental standards and assists companies in establishing a good Corporate Social Responsibility (CSR) policy. ■



IFU in numbers (year-end 2010)

- Capital: EUR 309 million
- Portfolio, including undisbursed investment decisions: EUR 433 million
- Number of investments in the portfolio: 227
- Number of new investments in 2010: 32

Danish power plant fills Kenyan electricity gap

In Mombasa, Kenya, Burmeister & Wain Scandinavian Contractors has erected a 90 MW power plant, which provides power for up to 400,000 households and businesses. The power plant broke the Kenyan electricity backlog in 2009 and now contributes to higher economic growth in the country.

BWSC is a global power plant developer, sponsor, shareholder, provider of tailor-made turnkey power plant solutions and operator with experience from several projects in developing countries. In Mombasa, Kenya, it has been heavily involved in the entire value chain of establishing the Rabai Power Plant as an Independent Power Producer (IPP) company.

BWSC won the public tender for Rabai in cooperation with Aldwych International Ltd. Together they are operating the plant under a 20-year power purchase agreement with The Kenya Power & Lighting Company Ltd, which is the national Kenyan power distribution company.

The plant in Mombasa is an important part of the Kenyan government's strategic plan to increase the power sup-



ply and achieve lower prices. Through the introduction of a waste heat recovery system, BWSC has increased the overall efficiency of the Rabai Power Plant and thereby reduced the cost of thermal power substantially. Now almost two years of operation has resulted in the transfer of technology and knowledge to Kenya, not least to the 55 technicians operating and maintaining the plant.

Only one in four has access to power

Several international reports show that the lack of access to power is one of the major challenges to economic growth in developing countries. In Sub-Saharan Africa only around one in four has access to power. Around half of African companies say that lack of a stable power supply is a serious barrier to expanding their businesses.

"In Kenya only 25 percent of the population has access to power. This is a serious problem for development. A higher supply of power will serve as a catalyst for further economic growth and the creation of more jobs," says **Søren Barkholt**, director, project development of BWSC.



Private financing is essential

As public financing in developing countries is normally scarce, Build Own Operate Transfer (BOOT) projects are often used to attract investment in infrastructure projects. But construction companies and turnkey operators cannot finance the projects by themselves, and therefore need risk capital from private investors.

The total investment in Rabai Power Plant is just above EUR 110 million, and the equity and debt financing has been provided by BWSC and IFU in cooperation with Aldwych and other development finance institutions and development banks.

“IFU and other DFIs were essential partners in the financing of the Rabai Power Plant. Without their contribution it would not have been possible to finance the deal in the

autumn of 2008, when the global financial crisis peaked,” says **Sigurd Ø. Andersen**, CEO of BWSC.

Investment in infrastructure is fundamental

Investment in infrastructure in developing countries is fundamental for economic growth. Rabai Power Plant is one example, but IFU is also engaged in other infrastructure investments such as modernisation and expansion of ports with Maersk and cement plants with FLSmidth.

“The lack of modern and efficient infrastructure is stalling economic growth in developing countries. This is why IFU has focused on participating with risk capital in such investments, which also have a clear and positive impact on the daily life of poor people,” says **Finn Jønck**, managing director of IFU. ■

Solar energy is cheap and clean

Sunmark is a leader in solar energy both as a producer of solar panels and a provider of individual turnkey solutions. To enhance competitiveness and gain access to the Asian market, Sunmark has set up production in Vietnam. In recent years, it has tripled its production capacity and now employs around 150 workers.

Sunmark develops and produces advanced thermal solar energy panels and provides individual turnkey solutions, including project management and service, to both public and private clients in Europe and Asia.

Originally, Sunmark was a small plumbing company serving private households in Denmark. Led by entrepreneurial management, the company has developed into a leading company in solar energy and has taken advantage of globalisation.

Today, production of the solar panels is carried out in Vietnam, while the staff in Denmark is responsible for product development and sales.

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Close-to-zero CO₂ emission

The solar panels from Sunmark produce energy with almost zero CO₂ emissions and are therefore very climate friendly. The use of solar energy also eliminates costs and emissions from fuel transport.

An investment in a solar energy system can pay for itself in 2-3 years in Vietnam. In Denmark it takes 8-10 years.

"Once the costs of the system have been covered, it gives cheap and stable energy prices," says **Hans Grydehøj**, CEO in Sunmark. "Unlike fossil fuels the consumer does not face rising prices, which is especially important in developing countries."

Stronger competitiveness

The establishment of the production facility in Vietnam and the split of production, development and sales were carried out on strategic grounds. The company became more competitive and gained access to a new market in Asia.



Moving the production to Vietnam has been a success, and the growing demand for Sunmark's solar panels has led the company to build a new factory outside Ho Chi Minh City. Its production capacity has tripled and the workforce has almost doubled.

Business is beneficial

IFU participated with advice and financing in the original setup and in the expansion of Sunmark in Vietnam.

"It has been very interesting to contribute to the development of Sunmark. It shows that small Danish companies can also do business that, at the same time, is highly beneficial for the economic and the environmental development of poorer countries," says **Anders Paludan-Müller**, senior investment manager at IFU. ■

Fan Milk produces dairy products and jobs

From humble beginnings in the 1960s, Danish-owned Fan Milk has developed into one of the leading brands for dairy products in West Africa. Today it sells affordable frozen dairy and juice products in seven African countries and creates employment for more than 25,000 people.

Every day thousands of people in seven West African countries buy frozen dairy and juice products from the characteristic vendors in blue uniforms that set out every morning from Fan Milk's depots.

It was in the 1960s when a Danish businessman came to Ghana and realised that the country held the potential for a sustainable business in dairy products. But it took more than two decades to make it a success after several setbacks due to political, commercial and financial challenges.

Product development and distribution is key

Today Fan Milk is one of the leading brands within dairy products, known and appreciated by most West African consumers.

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One reason for its success is product development. Each product based on imported milk powder has been developed to meet the taste and need of local consumers. Equally important, the products are packed and sold in units that people in West Africa can afford.

In that sense Fan Milk has proved that the base-of-the-pyramid concept is viable as a commercial business model.

Another key element in its success is distribution. To reach the many consumers, Fan Milk has developed a unique distribution system, where individual vendors sell the products directly on the street. The vendors are independent agents, who use a bicycle or a push cart with an integrated cool box provided by Fan Milk.

"Fan Milk has faced many challenges doing business in Africa, but over time we have learned, and today we have a good sustainable business that creates income for the employees, the vendors and other stakeholders," says **Jens Jørgen Kolterup**, managing director of Fan Milk International.



Job creation has great impact

Fan Milk first invested in Ghana in 1960. Since then the company has expanded its business gradually and now has operations in Nigeria, Togo, Ivory Coast, Liberia, Benin and Burkina Faso. More than 25,000 people are employed either directly or as agents and vendors, so the company is playing a significant role in the development of West African countries.

"We are proud to say our business has a positive impact in the countries where we operate and that it contributes to a better life for our employees and their families," says Jens Jørgen Kollerup.

Financing from IFU helped the expansion

The first IFU investment was made in Togo in the mid-1980s. It subsequently participated with equity and loan financing in the expansion in the countries where Fan Milk operates today.

"Fan Milk is one of our favourite investments in Africa, because it is a profitable business and has a high development impact. In that sense it is a perfect match with IFU's core values," says **Morten Christiansen**, department director in IFU. ■

The Norwegian Investment Fund for Developing Countries

was established in 1997, as a hybrid state-owned company with limited liability regulated by a special act of the Storting. The fund reports to the Ministry for Foreign Affairs and the Minister for International Development, but Norfund is not tied to other national interests. Investment decisions are made solely by the investment committee and the board of the fund, and Norfund is free to invest in projects with no ties to Norwegian enterprises. Norfund is 100 per cent equity-financed and is being build up through annual capital increases via the state budget. Returns from earlier investments are now making a substantial contribution to the growing equity base.

Norfund has a strict mandate and strategy to invest only in the poorest countries, particularly focusing on Sub-Saharan Africa. All individual investments are evaluated separately: Firstly the capital must be additional; other financing opportunities should not be easily available for the project. Secondly, Norfund's participation in a project must be catalytic in bringing in other investors to new markets or industries.

Business sectors and focus

The main industry for Norfund is renewable energy, particularly drawing on the experience and competency of the Norwegian hydropower sector. Wind, solar and

other renewables such as bio- and geothermal-energy are of interest. Furthermore Norfund invests heavily in the financial sector to build up local banks and the SME-sector. Equity funds targeting SMEs are important. Norfund also invests directly in smaller companies in the agribusiness and tourism industries as these industries have particularly high development effects.

Norfund recognises the need for in-depth market knowledge to identify projects, invest and follow up local companies. To ensure closeness to the strategic regions, Norfund has four regional offices:

- Johannesburg, South Africa
- Nairobi, Kenya
- San José, Costa Rica
- Bangkok, Thailand

Norfund's role in its investments

Norfund prefers equity investments as the availability of risk capital is particularly low in the least developed countries. Equity promotes active ownership. Particularly in the financial sector Norfund also invests through loans and bonds, which are often required by local banks to grow and reach more people and businesses across their markets.

Norfund always invests with other partners, and does not normally hold more than 35 per cent of the equity. ■



Norfund in numbers (year-end 2010)

- Capital: EUR 843 million
- Portfolio, including undisbursed investment decisions: EUR 751 million
- Number of investments in the portfolio: 85
- Number of new investments in 2010: 18

Powering Uganda

Lack of an adequate and reliable electricity supply is a major constraint for economic development in most developing countries. This is particularly true for Sub-Saharan Africa, where electricity availability per capita has decreased over the last 20 years. Less than five per cent of technically exploitable hydropower capability is being utilized in the region. In Uganda, about 90 per cent of the population lack access to grid electricity; the main electricity source is small diesel generators.

A major contribution

Norfund and TrønderEnergi have jointly developed a power plant on a river in Bugoye in western Uganda, through the company TronderPower Ltd. Norfund owns 27.5 per cent and TrønderEnergi 72.5 per cent of the joint venture. TrønderEnergi's expertise in developing and running hydropower plants has been extensively utilized. Technology and competence transfer to the Ugandan organization has been the key to the success of the project.

In the construction phase of the project, 425 local jobs were created both directly and for local sub-contractors. In cur-



rent operations 10 locals have full time employment at the power plant.

Six per cent of Uganda's power

Norfund cooperated closely with TrønderEnergi throughout the development of the plant and the surrounding area. In total Norfund has invested NOK 69 million in the project. The power plant opened in October 2009, and has a capacity of 13 MW. It is expected to produce 82 GWh per year, equal to 6.4 per cent of total electricity sales in Uganda in 2008.

Large emission reductions

The project is registered in the green development mechanism and is expected to reduce annual CO₂ emissions in Uganda by approximately 54 kilotonnes. This means that the contributions to emission reductions can be monetized, contributing to the financial viability of the project. Ugandan authorities will receive 60 per cent of the revenues from the sale of these CO₂ quotas. ■



Supplying financial services in southern Africa

After the lack of stable and reliable electricity, poor access to financial services is ranked as the second most important factor hampering the development of small- and medium-sized enterprises in Sub-Saharan Africa. Microfinance has spread around the world to meet this demand, and many microfinance institutions have grown into fully fledged banks.

Credit to small enterprises and individuals

Real People is a South African financial institution that offers credit to small enterprises and individuals who otherwise have limited access to financial services. The company provides a range of personal finance, insurance, housing and cellular products.

Most of its operations are in South Africa, where it has 66 branch offices. In addition, Real People has reached out to bank customers in Lesotho, Swaziland, Botswana, Kenya, Tanzania and Malawi with another 50 local offices.



Equity and credit lines from Norfund

The institution's total assets amount to EUR 360 million, and the banks revenues totaled EUR 147 million in 2010. The reported return on equity for last year was 14.5 per cent. Norfund has invested equity (8.9 per cent) and given credit lines to the bank. Its investment totals EUR 21.2 million.

Old Mutual and Peregrino Group are the largest owners of the institution. Norfund has invested in the company as the fund's contribution will give it a stronger platform to grow further and supply financial services to more people in the low-income groups. ■



Scaling up agribusiness in Tanzania

Agriculture is a main sector for employment and income across the African continent. However, the potential for production of food and other agricultural products of the vast continent is not utilized fully. With the introduction of modern technology and farming methods, the yield from African land can be increased substantially. This would not only increase the local supply of vital food, but also allow for more trade, export, training and jobs for the local population.

Rice requires special conditions to grow

In September 2010, Norfund invested USD 10 million in a rice production farm in the Kilombero Valley of Tanzania. The Agrica farm lies approximately 450 km by road from Dar Es Salam, in an area believed to be one of the best rain-fed sites of Eastern Africa.

Rice is a staple food for over one third of the world's population but it requires certain conditions to grow well. Many of these conditions are provided by nature, but there are sectors where technology can make a vast difference.



Agrica offers distinctive facilities, such as a mini hydro-power plant generating 320 kW of electricity, with the potential to increase to 500 kW, around 150 kilometres of roads and drainage, staff housing, offices, workshops, a weigh-bridge, storage rooms, a primary and first aid room, and a 6,200 square metre rice processing plant and a warehouse with a first-class mill.

Investment in the future of agribusiness

Norfund's investment allows the Agrica farm to purchase much-needed vehicles, machinery, equipment, drying-bins, silo bags and machines, chemicals, seeds and fertilizers to improve yield and harvest quantity.

The investment is aligned with the Tanzanian government's initiative to promote agribusiness. Particularly the initiative to mentor local smallholder farmers and provide training for better quality and quantity of yields has been welcomed and will serve as a benchmark for future sector activity. ■



Swedfund International Ab was established in 1979. Its head office is in Stockholm, and it has had a regional office in Nairobi, Kenya since 2009. Swedfund is 100 per cent owned by the Swedish state and reports to the Ministry for Foreign Affairs.

Swedfund's mission is to promote the sustainable economic development of the countries in which it invests. By co-financing sound investments in the private sector, Swedfund encourages economically, environmentally and socially sustainable development and private sector development. Swedfund strives to promote Swedish interests, but is not restricted to investing with Swedish investors.

Business sectors and focus

Swedfund's vision is to establish long-term, sustainable and profitable businesses with good working environments and corporate cultures. Swedfund can provide finance for investments in countries that are eligible for Official Development Assistance finance (ODA). Within this group, Swedfund gives priority to the least developed countries and to investments where the development impact is considered to be high.

Swedfund may also invest in upper-middle-income countries with which Sweden engages in selective development cooperation through stakeholder cooperation. In Eastern Europe, Swedfund can invest in non-EU member states. Swedfund also gives priority to new investments in post-conflict environments and countries in democratic transition.

Swedfund's major focus sectors include manufacturing and infrastructure and the ambition is to increase its presence in Africa.

Swedfund's role in its investments

Swedfund is a minority investor. Its focus is on equity investments with a Swedish interest, in the order of 3-10 million euros. Its financing does not normally exceed 30 per cent of the total investment including operating capital. A strategic partner must take a financial risk equal to or exceeding Swedfund's risk exposure. ■



Swedfund in numbers (year-end 2010)

- Capital: EUR 296 million
- Portfolio, including undisbursed investment decisions: EUR 327 million
- Number of investments in the portfolio: 93
- Number of new investments: 17

Multipurpose terminal Ontur serves ocean-going vessels in Uruguay

Ontur International S.A. is a multipurpose terminal in the port of Nueva Palmira, situated on the Uruguay River. The port is a link to the Paraná-Paraguay-Uruguay Water Highway, one of the busiest in the world. The port consists of three terminals: privately-owned Ontur, Corporación Navíos SA and state-owned Administración Nacional de Puertos.

Good connections with neighbouring countries by international bridges, ferryboats and river transportation facilitate the transshipment and distribution of goods in transit. Nueva Palmira is the last port in the Rio de la Plata basin where both ocean-going vessels and riverboats can dock. This is one of the main reasons why Ontur decided to locate here.

New possibility to transport goods

In 2005, Botnia S.A, owned by the Finnish forestry company Metsä-Botnia and United Paper Mills (UPM) started planning the construction of a large pulp plant upstream on the Uruguay River at Fray Bentos. It was the largest private investment project ever undertaken in Uruguay, and required a secure logistics system along the river.

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Swedfund had previously invested in Frigofrut, which provided cold storage for citrus fruit aimed for export. This Uruguayan company was partly owned by NYK LauritzenCool, a Swedish shipper. The fruit came by truck to Nueva Palmira, where it was stored and later exported to Europe and Russia. At the same time as Botnia was planning its pulp mill, Frigofrut was trying to find a solution for shipping fruit.

Swedfund, Botnia, NYK LauritzenCool and several local and international partners decided to invest in a new company - Ontur International S.A. The aim was to build a new port terminal with a 180-meter pier that could accommodate both ocean-going vessels and river barges.

The construction of a new terminal was initiated in 2006 and the port activities started in 2007.

Largest local employer

The Ontur terminal is a multipurpose port. The Nueva Palmira port system is the second largest in Uruguay and employs a total of 500-600 people, making it the largest local employer by far.



More and more companies have found the port beneficial for their businesses and the portfolio of cargo has expanded. Today the port handles general cargo, citrus fruits, cellulose, fertilizers, bulk products and containers.

Ontur furnishes services for reception and unloading of goods, storage and inventory control, unitization and/or containerization, logistic services, and loading and unloading of oceanic vessels. It has a real-time data management system.

Swedfund currently owns 14 per cent of Ontur International A.S. Lenders to the project include Finnfund and IFU. ■

Addis Cardiac Hospital in Ethiopia

According to the WHO, cardiovascular diseases have reached almost epidemic proportions in Africa. Today they are almost as common a cause of death as HIV and AIDS.

Ethiopia has more than 88 million inhabitants. According to Dr. **Fikru Maru**, founder of Fikmar Medical AB, about 10 per cent of the population is in need of medical care for cardiovascular diseases.

Cardiovascular diseases often affect people between the ages of 40 and 60, productive members of society who can afford to pay for services and goods. The rising incidence of the diseases poses a serious threat to Ethiopia's development, since educated people are the primary victims.

Specialist cardiovascular hospital

In 2006 Ethiopian Fikru Maru, founder of Fikmar Medical AB, proposed to establish Addis Cardiac Hospital (ACH) as a specialist hospital for cardiovascular diseases in Ethiopia. The intention was also to combat the brain drain by offering qualified jobs for doctors and nurses in Ethiopia. At the same time an extensive programme for transferring skills from Sweden to Ethiopia was initiated.

SWEDFUND PROJECTS



The Swedfund investment was matched by a Swedish medical company, Octopus Medical, and a Swedish doctor, Patrik Hjalmarsson. Another USD 3 million came from local investors.

"Without Swedfund we had not been able to make the investment. In addition, Swedfund's guidelines for environmental and ethical issues have been important for the business," said Dr. Fikru Maru. "Such standards do not exist in Ethiopia."

Later Öhman Fondkommission invested SEK 1.5 million in ACH, and set up a training fund worth SEK 750,000 for doctors and nurses. Swedfund matched the Öhman investment in the education fund.

Better health services to Ethiopians

While continually focusing on staff training and skills development, ACH is considering expanding its business into other types of health care. The fact that the hospital has been profitable from the very beginning is not just a prerequisite for survival, but also sets the stage for expansion of services. To strengthen its skills, ACH included cooperation agreements with local hospitals and with doctors and hospitals in Sweden.



ACH is currently one of the leading hospitals for the treatment of cardiovascular diseases in the region. Patients from neighbouring countries such as Sudan, Somalia and Djibouti come to ACH for treatment.

ACH treats over 5,000 patients every year. It aims to expand the business and establish itself nationwide. In 2009 Tazma Alternative Higher Clinic was set up by the owners of ACH. Tazma serves 2,500 patients every year. ■

Tanzania Portland Cement Company

The Tanzania Portland Cement Company (TPCC), located outside Dar es Salaam, is a factory producing both cement and clinker. TPCC was founded by the government of Tanzania in 1959. The cement industry plays a vital role to most countries in a developing process, since it enables construction and development of the infrastructure.

Privatization of TPCC

Tanzania's three cement companies were owned and managed by the government during the 1980s. TPCC was poorly managed and unsuccessful. In 1984 renovation and consolidation of the company's equipment was needed in order to continue the production. In 1990 TPCC decided to outsource the non-core activities to suppliers. Sida supported this project and contracted Scancem International to do the job.

Sida's support to TPCC ended in 1991 and the government sought to privatize TPCC in line with Tanzania's transition to a market economy.

In 1992 TPCC became a joint venture between the government (74 per cent of the shares) and the Scandinavian part-

SWEDFUND PROJECTS



ners Scancem and Swedfund (13 per cent each). Scancem was to manage TPCC and Swedfund played an active role in the process to take the company from "aid to trade". Swedfund also supported Tanzania's ambitions to become a market economy, taking a financial risk by investing in one of the first companies being privatized. Later, Swedfund and Scancem increased their shareholdings to 19 per cent and 50.4 per cent respectively.

In 1999 Scancem was acquired by the German company Heidelberg Cement Group, which purchased Swedfund's shares in 2005. The government sold its shares to the general public and the company was listed on the stock market.

Biggest player in the domestic market

In 1992 Tanzania had to import cement because local factories could not meet demand. When Swedfund made its exit, TPCC controlled 41 per cent of the domestic market. Also the installed production capacity grew from 500,000 to 700,000 tons of cement per year. In 2006 the Heidelberg Cement Group built a new production line that increased the capacity to 1.4 million tons per year.



Over the years there has been extensive capacity building and training of personnel in production technology, maintenance, planning and management. Some of the employees have been educated abroad and given management positions. TPCC is currently one of the most efficient cement companies in Tanzania. TPCC offers a number of benefits to its workers, including free health care.

TPCC provides approximately 300 jobs. In addition, at least 1,000 indirect jobs have been created, primarily for transport and distribution of the cement to end-customers, but also for large-scale maintenance and modernization of the facility, and in services.

Measured by total corporation, income and value-added tax, TPCC is now one of Tanzania's largest taxpayers. ■

EDFI is an association of fifteen bilateral institutions operating in developing and reforming economies, mandated by their governments to

- foster growth in sustainable businesses
- help reduce poverty and improve people's lives
- contribute to achieving the Millennium Development Goals

by promoting economically, environmentally and socially sustainable development through financing and investing in profitable enterprises in the private sector.

The Association strives to strengthen information flow and cooperation between its members and other bilateral, multilateral and regional development finance institutions.

Especially in large-scale and high-risk projects it is advisable to share risks and the burden of project preparation and monitoring. The natural partners for this are other public development financiers that share similar objectives and business principles. Also information on co-financing opportunities, target markets and best practices are shared within the EDFI group.



EFP - European Financing Partners

European Financing Partners S.A. (EFP) is a sizable co-financing scheme provided by the European Investment Bank (EIB) and twelve EDFI members, including Finnfund, IFU, Norfund and Swedfund.

EFP offers co-financing for large projects in Africa, the Caribbean and the Pacific. EFP is a way for an EDFI member to arrange financing (loans, equity, mezzanine financing or guarantees) for its clients.

More information about EDFI and EFP at www.edfi.eu.

EDFI in numbers (year-end 2010)

- Consolidated portfolio including undisbursed commitments
EUR 21.7 billion in 4,088 projects
- Consolidated new projects
EUR 4.7 billion in 740 projects

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