
SECO Start-up Fund (SSF)

Project Financing in Developing and Transition Countries

managed by FINANCEcontact Ltd., Zurich



Characteristics of the SECO Start-up Fund

1. **Unsecured loans for commercially viable investment projects** in the private sector of supported countries (defined by SECO)
2. **Start-up projects** within the first three years
3. Targeted clients : Swiss **SME's** in need for project financing in the supported countries
4. Projects must contribute to the **development of the supported countries** by
 - **Creation of jobs**
 - Training of employees (**know how transfer**)
 - Ecological production, education and increase of awareness for ecological aspects
 - Positive impact on the trade balance by exports of the goods or import substitution
5. Favorable terms
6. Only for projects, for which no other commercial financing sources are available

Countries supported by the SECO Start-up Fund

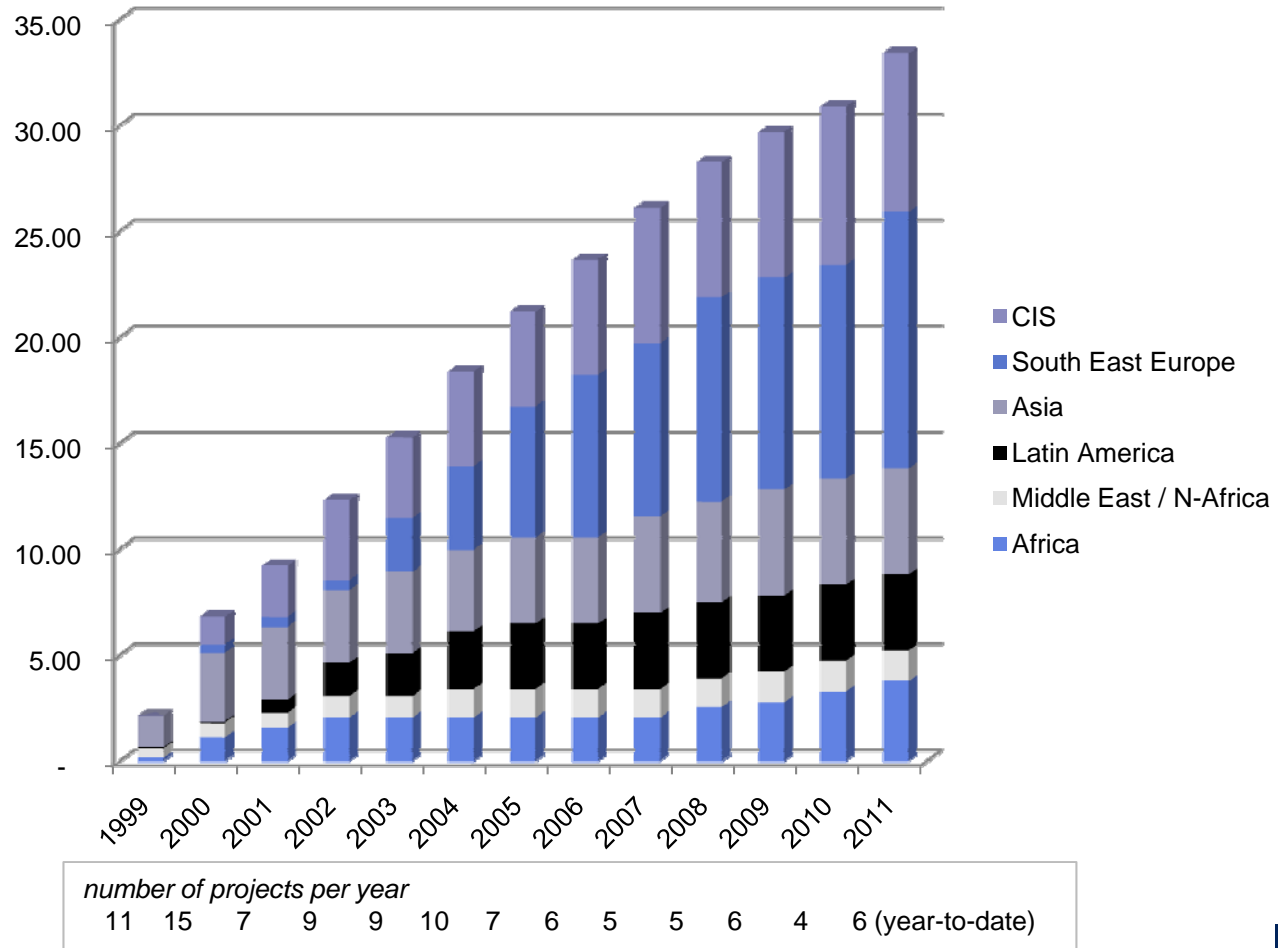


Since 13 years: 98 loans granted for CHF 33 million

CHF 166 million of investments mobilized for 11'000 new jobs

5 Fr investments
1 Fr of loan

3'000 Fr of loans
1 Job



Loan Portfolio of SECO Start-up Fund

1999 - 2011:

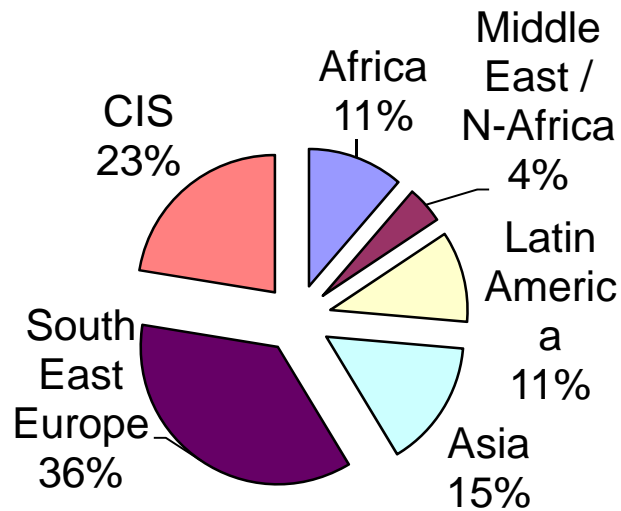
98 loans granted

– CHF 33.4 million

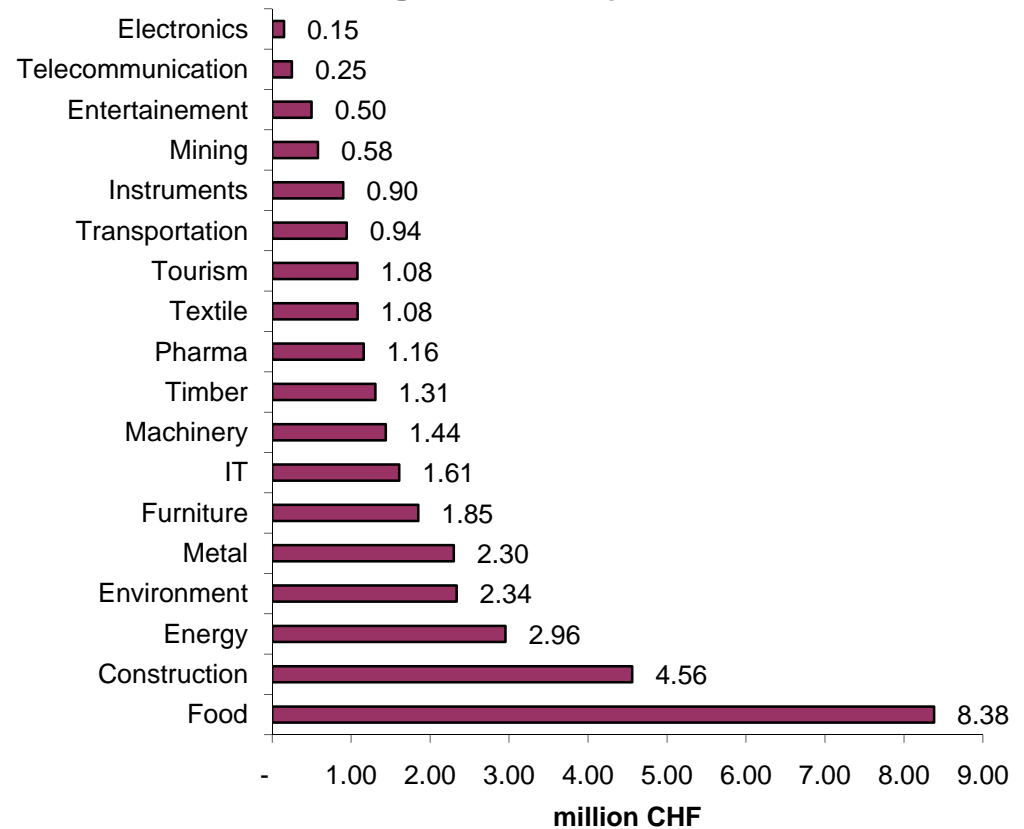
33 loans outstanding

– CHF 10.5 million

Loans granted by Regions



Loans granted by industries



SSF funded projects by country

CIS:		South - East Europe:	
Georgia	- Bottled mineral water - Canned vegetables & fruits - Wood processing	Bosnia-H.	- Garment factory (shirts) - Furniture factory - Wood processing
Kyrgyzstan	- Tourist hotel	Bulgaria	- Beech-wood processing - Metal fittings - Wood machines - Metal part manufacturer - Furniture factory
Russia	- Heating system - Fish processing - Window frame manufacturer - Wine - Potato chips production - Garage door assembly - Motion capture and 3D animation - Milk farming - Pig farming - Repair workshop - Farming (potatoes, cereals)	Kosovo	- Food distribution - Wood pellets
Turkmenistan	- Dyeing of socks	Macedonia	- Software development - Sanitary installation - Concrete parts - Windpower turbines
Ukraine	- Metal processing - Oil sludge treatment - Milk farming - Wood pellets	Moldova	- Trailer manufacturer
Uzbekistan	- Yarn spinning	Poland	- Wood furnaces production
		Romania	- Payment system - Cosmetics distribution - Electromechanical components - Diary - Spices for meat processing - Valvet
		Serbia	- Ultrasonic welding - Poultry production - Optical lenses - Wood pellets - Natural stone processing - Gastro-furniture - Furniture factory

SSF funded projects by country

Asia:

- China
 - Pen-ball production
 - 'Micro-tunneling' research
 - Wastewater treatment & processing
 - Precision turned parts
 - Measurement instruments
 - Sterilization of herbs
 - Powder for metal parts
- India
 - Pilot project on Yarn spinning
 - Container transport system
 - Boogies for Indian Railways
 - Clinical diagnostic reagents
 - Lignin production
- Indonesia
 - Waste recovery
- Nepal
 - Feasibility study hydropower plant
- Vietnam
 - Raspberry plantation
 - Feasibility study e-business
 - Meat processing, sausage prod.
 - IT hardware

Latin America:

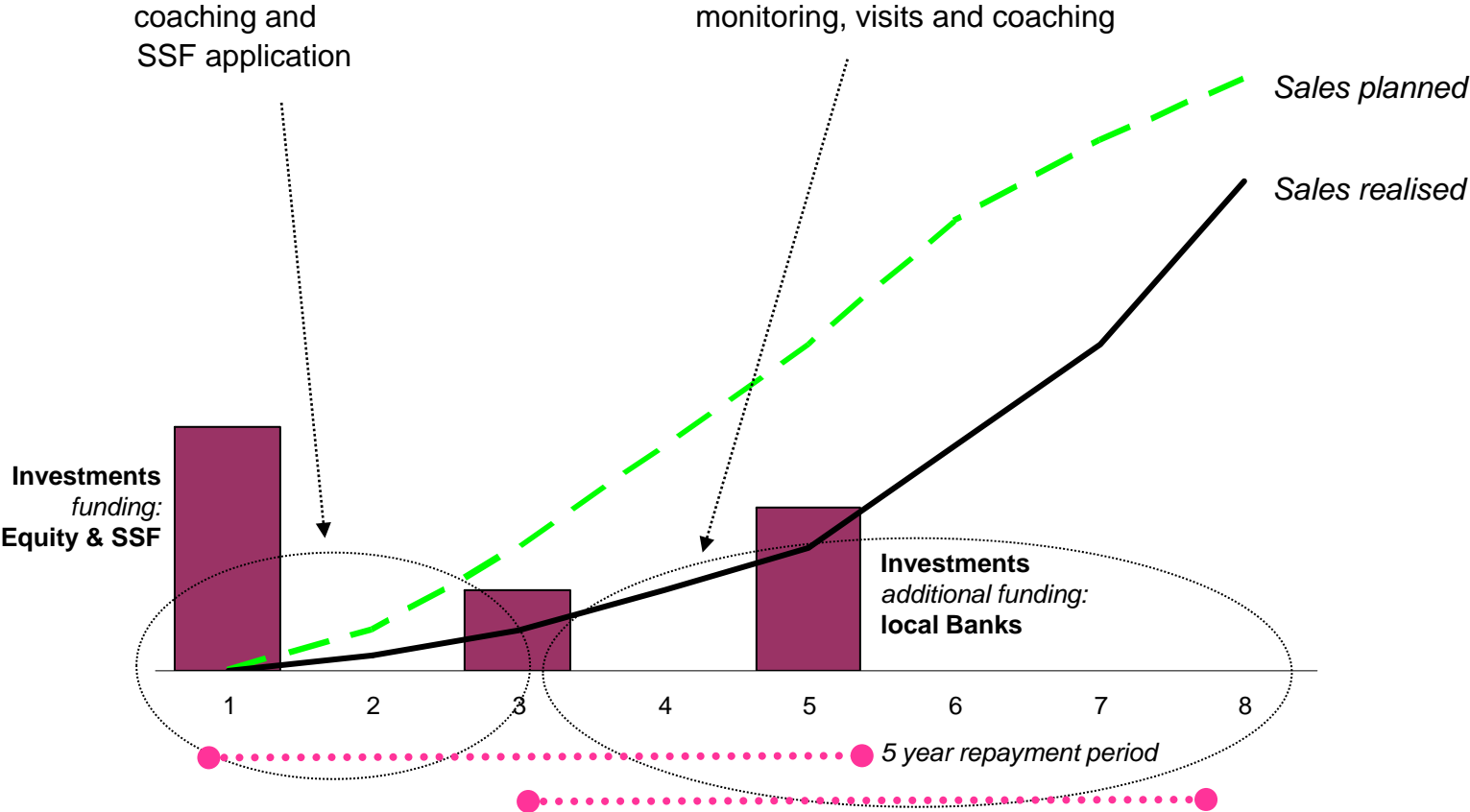
- Argentina
 - Preparation sustainable forestry
- Brazil
 - Production of shrimps
 - Remediation of soil contamination
- Peru
 - Photo-voltaic cells
 - Scallop processing
 - Wood products from sustainable forestry

Africa:

- Burkina Faso
 - Mango vinegar production
 - Dried fruit processing
- Cameroon
 - Wireless Internet access
- Egypt
 - Billing services for telecommunication
- Ghana
 - Mango production & processing
- Ivory Coast
 - Hors-sol tomatoes
 - Hydro-culture indoor plants
- Morocco
 - Waste Management
- Rwanda
 - Building material
- South Africa
 - Oil absorption technology
 - DNA-sequencing and DNA-synthesis
- Tanzania
 - Specialty coffee
- Tunisia
 - Photo-voltaic billboards

Typical SSF Project Development

FINANCEcontact involvement:





Loan conditions of SECO Start-up Fund

1. Meeting **Eligibility Criteria:**
 - Eligible country
 - Swiss residency of the borrower
 - Private sector investment
 - Loan amount up to CHF 500'000 with the borrower at least raising 50% of initial investment costs

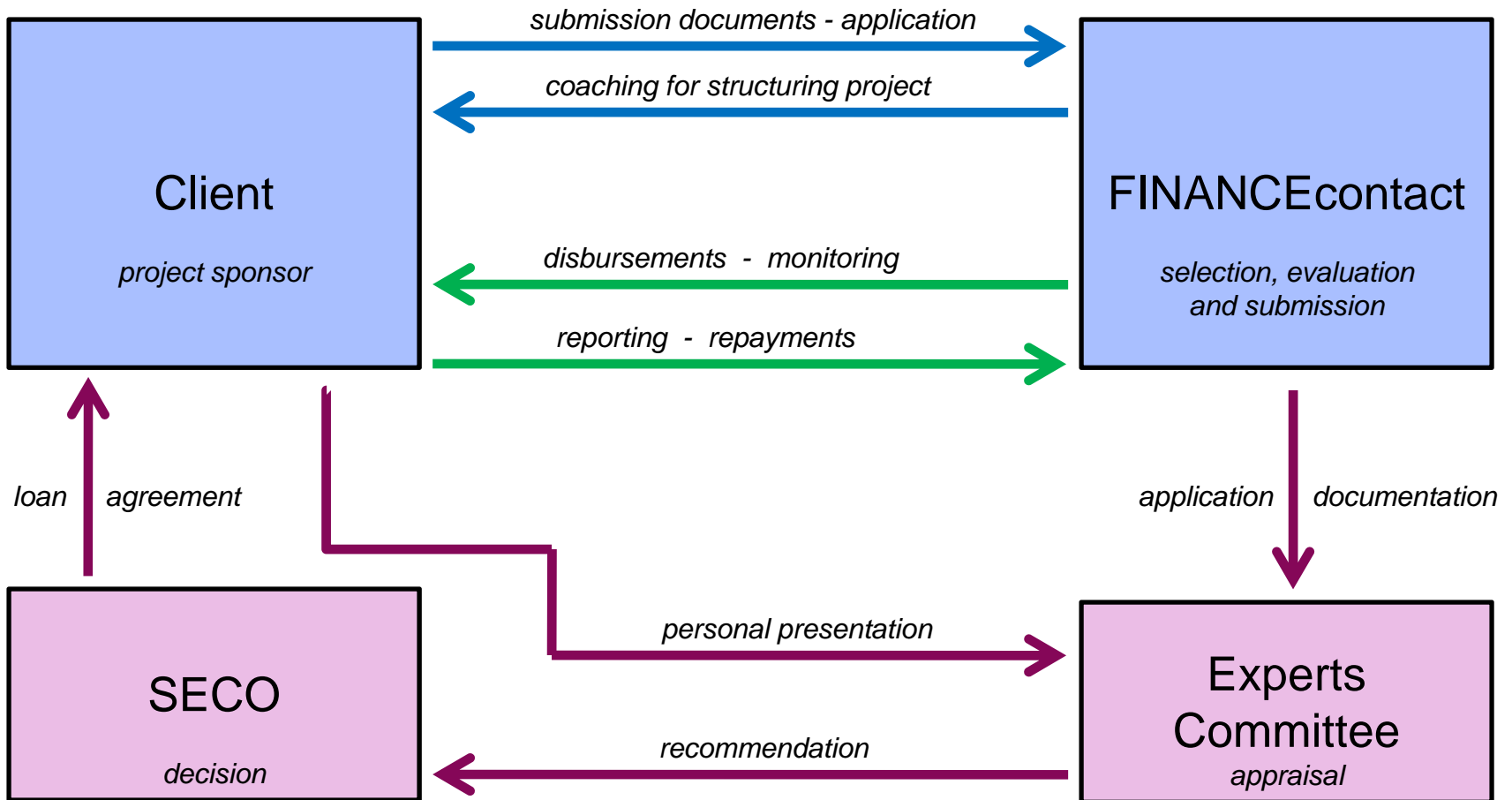
2. **Show business viability** of the project as well as financial and management capacity of the projects' promoter

3. **Loan Repayment** within 5 years

4. **Interest rate** based on the Swiss Export Base Rate ($1\frac{3}{8}\%$ as of April 2011) plus an increasing risk premium. Thus the current interest rates is $2\frac{3}{8}\%$ p.a. for the 1st year and will reach $6\frac{3}{8}\%$ p.a. in the 5th year.

5. **Development Impact** and social factors of the planned investment

Role of various Bodies involved in SSF





Loan granting procedure takes about 3 months

1. Review of submitted **documents**
 - Business and financial plan
 - Legal documents
 - Financial statements /status of borrowers

2. Review of **business environment**
 - Interview with project sponsors
 - Country, market, technical inquiries

3. **Application sheet and fee** (1% of requested loan, minimum CHF 1'000)

4. **Expert Committee** 6 independent experts – about 6 meetings per year
express opinion about credit-worthiness of project to SECO

5. **Loan agreement** with SECO followed by planned disbursements

6. Monitoring – communications – visits – all administrative work by FINANCEcontact



Benefit of funding through SECO Start-up Fund

Liquidity	Liquidity or bank facility of the Swiss borrower is not affected by the new operation in an emerging market country
Co-financing	May facilitate co-financing through a local bank
No risk premium	Loans in High Risk Countries without charging a specific country risk premium.
Network	Broad SSF / Swisscontact network may help to arrange contacts to other funding partners, embassies, chambers, business consultants and Investment Promotion Agencies
Underdeveloped	SECO, Swisscontact and SSF are particularly inclined to foster projects in underdeveloped regions and economies in transition.
Support	Each team member has more than 10 years of expertise in business development in emerging market countries and can offer valuable advice and support.



Obstacles during project implementation

Sales delayed	potential clients delayed orders or asked for different assortment
Skills of workers	more difficulties in recruiting the required skills of workers; more time to raise productivity to the expected level; expensive and time-consuming public transport to the factory
Customs clearance	takes 3-5 weeks until imported goods are released; complicated procedures (no routine work); uncooperative attitude
Authorities	when applying for SME support more restrictive than advertised; most of local general manager's time to find solutions for a multitude of administrative hurdles
Supplier quality	lower quality of locally supplied material not reflected in lower price; (now sourcing in whole EU instead - but at new payment conditions); quality equipment still to be sourced from Switzerland
Implementation	more time-consuming and more expensive than planned and expected requires sufficient financial reserves and management capacity.

Contact SECO Start-up Fund

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