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Appraisal of the National Industrial Development Corporation of Swaziland (NIDCS) and Its Subsidiary, the Small Enterprises Development Company (SEDCO)

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Eastern Africa Region
Industrial Development and Finance Division

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CURRENCY EQUIVALENT

Emalangeni (E) 1 = Rand (R) 1 = US$1.15

ABBREVIATIONS

KfW	Kreditanstalt fur Wiederaufbau
NIDCS	National Industrial Development Corporation of Swaziland
RSA	Republic of South Africa
SCB	Swaziland Commercial Board
SDSB	Swaziland Development and Savings Bank
SEDCO	Small Enterprises Development Company
SEPO	Small Enterprises Promotion Office
SSE	Small-scale Enterprise

FISCAL YEAR

NIDCS	April 1	-	March 31
SEDCO	April 1	-	March 31

APPRAISAL OF THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND AND ITS SUBSIDIARY THE SMALL ENTERPRISES DEVELOPMENT COMPANY

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This report is based on the findings of an appraisal mission consisting of Messrs. Tom Tsui, Tei Mante and Christopher Barham which visited Swaziland in August, 1976. The project was prepared by a mission consisting of Messrs. Philippe Nouvel and Peter Edmonds in August, 1975.

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APPRAISAL OF THE

NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

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SUMMARY

i. The National Industrial Development Corporation of Swaziland (NIDCS), a majority Government-owned Corporation, was established in 1971 to promote and assist investment in productive enterprises in Swaziland through loans, equity investments, guarantees and industrial infrastructure. As part of a Government program to consolidate institutions for promoting and financing industrial development, NIDCS, in 1976, acquired full ownership of the Small Enterprises Development Company (SEDCO) established by the Government in 1970 to promote small-scale enterprises. NIDCS and SEDCO are the principal institutions in Swaziland for the promotion and long term financing of industrial development.

ii. Swaziland, a small well-endowed country, is located between Mozambique and the RSA. The Swazi economy is characterized by severe dualism; a modern sector, influenced considerably by foreign controlled enterprises operating large mining and agroindustrial projects coexists with a traditional Swazi rural sector relying extensively on subsistence agriculture. The growth performance of the economy has been good (average annual growth of 7 percent of GDP between 1963-1973) and has been largely brought about by the thriving modern sector. The development challenge lies in sustaining this growth rate while reducing the dualism of the economy. Industry is the second most important sector of the economy, and accounts for about 25 percent of GDP. With a good resource base and generous incentives from the Government, it has good prospects for increasing its contribution to the economy. Tourism has also developed as an important new sector, depending largely on the vast South African market. Although Swaziland has its own cental bank and currency, it still permits the use of the South African rand as legal tender, and generally coordinates its monetary policies with those of the RSA. Financial institutions operating in Swaziland, in addition to NIDCS and SEDCO, include two commercial banks, a savings bank and a special Board for financing Swazi commercial enterprises.

iii. NIDCS has provided financial assistance to a well-diversified range of manufacturing and processing activities including textiles, milling, furniture manufacture and packaging. As of June 30, 1976 it had provided financial assistance totalling E6.6 million for 33 projects. Although staffing constraints prevented NIDCS from being more active in investment promotion, it has been able to establish the foundations on which its impact on future industrial development would depend. SEDCO has concentrated on developing industial estates on which it provides factory shells to small Swazi entrepreneurs. It has also provided business training and technical assistance and limited credit (about E0.1 million as of July 1976) to such small-scale entrepreneurs. SEDCO's operations have been effective in developing SSE's in Swaziland.

iv. As of March 31, 1976 NIDCS had a fairly profitable equity portfolio of E1.0 million and a comparatively less profitable loan portfolio of E2.8 million. It also had substantial investments in factory buildings (E1.8 million). Reflecting the relative qualities of the equity and loan portfolios, however, NIDCS has been deriving its operating income primarily from dividends. Overall, the corporation was profitable in 1974 and 1975. In 1976, as a result of substantial provisions (about E1.0 million) against the possible loss of its equity investment and loan in a textile project, it made a large loss. This loss did not however adversely affect NIDCS' financial situation because it was offset by equity contributions from the Government. SEDCO was not conceived as a profit making institution, since it provides free training and technical assistance, factory shells at subsidized rents, and subsidized credit. The Swaziland Government has therefore been willingly underwriting its operating losses and resulting cash deficits.

v. NIDCS has recently acquired a new and suitable management team, has recruited more professional staff and is improving its operating procedures. With these improvements in its institutional capacity, it expects to expand its operations, and has forecast investment approvals averaging E4.7 million per year over the five year period beginning FY1977. Its strategy is to promote new industrial activities in Swaziland, in particular medium size enterprises which are export oriented. The projected level of operations is well within the capability of NIDCS, and the strategy is appropriately focussed. SEDCO plans to invest about E1.9 million over the same five year period on programs of assistance to SSE's. In particular it will increase its SSE lending to about E200,000 per annum by 1980. Its investment program is also well conceived. Financial projections for NIDCS show that it will be profitable and creditworthy during the next 5 years. SEDCO is projected to continue running operating losses for which it will receive financing from the Government.

vi. NIDCS' planned commitments for FY1978 and FY1979 are E8.9 million of which an estimated E7.1 million would be in foreign currency and for which it will require new resources. SEDCO's planned investments for the same two year period amount to E1.1 million out of which E0.27 million would be for its SSE credit scheme. Since both institutions have important roles to play in the economic development of Swaziland, and since they have suitable investment programs for which they require financing, they are worthy of Bank support. To help meet their foreign resource needs from April 1977 through March 1979, a Bank loan of US$5.0 million to NIDCS is proposed, of which $4.7 million would be used directly by NIDCS while $0.3 million would be onlent by NIDCS to SEDCO, at the Bank's interest rate, for a period of 10 years including four years grace. Should SEDCO not require all $0.3 million, it could agree with NIDCS on the utilization of the remainder by NIDCS. NIDCS would use the proceeds of its portion of the loan for its investments and loans to industrial and tourism projects and SEDCO would use its portion for SSE loans. The Government would assume the foreign exchange risk on the loan, charging a fee of 1% for funds used by NIDCS and without a fee for funds onlent to SEDCO for SSE's. NIDCS's lending rate would be raised to 12% per annum plus the fee of 1% for foreign exchange risk coverage. SEDCO would increase its lending rate from 8% per annum to 10% per annum. NIDCS would have

an individual free limit of $100,000 and an aggregate free limit of $1.0 million. To permit the Bank to assess the improvements being made to SEDCO's appraisal of SSE projects, SEDCO will submit the first five such projects to be financed out of the loan, for prior approval by the Bank.

vii. Agreement having been reached on all issues, the project is suitable for a Bank loan of $5.0 million, to be utilized as outlined above.

I. INTRODUCTION

1.01 The National Industrial Development Corporation of Swaziland (NIDCS) was established in 1971 as a majority Government-owned statutory corporation to promote and assist private investment in medium scale productive enterprises in Swaziland through subscription of equity investments, granting of term loans or guarantees, and provision of scarce industrial facilities. To ensure better coordination of the country's industrialization efforts, the Government also entrusted to NIDCS in 1976 the responsibility for small-scale enterprise development by passing on to NIDCS full ownership of the Small Enterprises Development Company (SEDCO), a company established in 1970 for that purpose. The Bank Group has since 1973 been providing technical assistance to NIDCS through a number of short missions which made a number of recommendations concerning NIDCS policies, procedures, organization and staffing. Following a request by the Government for financial assistance to NIDCS and SEDCO, an appraisal mission visited these insitutions in August 1976.

1.02 A Bank loan of US$5.0 million to NIDCS is proposed. Of this US$4.7 million would be used by NIDCS for financing industrial and tourism projects whilst US$0.3 million would be used by SEDCO, for lending to SSE's. Should SEDCO not require all US$0.3 million during the projected commitment period, the remainder could be utilized by NIDCS upon the agreement of SEDCO. This report reviews the performance and prospects of NIDCS and SEDCO and specifies the conditions for the proposed loan.

II. THE ENVIRONMENT

The Economy 1/

2.01 The Kingdom of Swaziland is a small landlocked country (17,368 km^2) lying between Mozambique and the Republic of South Africa. Its population is estimated at 525,000 in 1976, with a growth rate of 3.2 percent per annum, and its per capita GNP (1975) at US$470. Swaziland is well endowed with natural resources; variations in soil types and climatic conditions make for a diversified agricultural base. It has significant deposits of coal and iron ore and lesser quantities of asbestos, and its pleasant temperate climate and other physical characteristics are favorable for the development of tourism. The Swazi economy is characterized by severe dualism. A modern sector, influenced considerably by foreign controlled enterprises, and consisting of a small number of enterprises engaged in large-scale production of asbestos, iron ore and coal; large sugar, citrus and pineapple plantations; and large-scale processing and manufacturing of sugar, wood pulp and canned fruit, account for over 80% of the domestic product and wage employment. Coexisting with this is the traditional Swazi rural sector, consisting principally of subsistence cultivation of maize, groundnuts and sorghum. This rural sector

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1/ For detailed information on the Economy of Swaziland refer to "Economic Memorandum of Swaziland" (Report No. 852a-SW, dated November 24, 1975).

provides the livelihood for about 50 percent of the population and accounts for about 14 percent of GDP.

2.02 Swaziland cooperates with the Republic of South Africa, Botswana and Lesotho in the Southern Africa Customs Union and, although it has its own currency, the emalangeni (E) which has the same par value as the rand, it belongs to the Rand Monetary Area and the rand is still used as legal tender in addition to the emalangeni. Under a special monetary agreement with the RSA, the emalangeni is backed by a special rand deposit with the South African Reserve Bank. Swaziland has developed other close economic links with the Republic of South Africa. About 90 percent of its imports originate in, or pass through the RSA, about 25 percent of its merchandise exports are absorbed by the RSA, and over 60 percent of total hotel visitors come from the RSA. About one half of the Swaziland Government's revenue is also derived from the Customs Union.

2.03 The performance of the Swazi economy has been satisfactory, with the modern sector propelling it to an average annual GDP growth rate of 7 percent between 1963-1973. Although projections to 1981 show that output growth, to be generated mainly from increased production by the large scale enterprises in agriculture and in related manufacturing, will be as satisfactory as in the past, dualism will continue to remain a challenge to the development of the economy. It is the Government's policy to eliminate this dualism; its development strategy, as elaborated in the second National Development Plan (1973-1977), therefore has as its main objectives: (a) the preservation of the conditions for sustained growth of the private modern sector while achieving a greater degree of Swazi involvement in this sector; (b) the acceleration of the transition from subsistence agriculture to cash crop production so as to increase the incomes of rural Swazis; (c) improvement of the relevance and usefulness of education; and (d) the provision of housing and health facilities for low income families in urban and rural areas.

2.04 Price movements in Swaziland are generally subject to the same influences that affect price changes in the RSA, because of the close economic ties between the two countries. As shown in Annex 1, the South African wholesale price index increased by 8% in 1972, 13% in 1973, 17.9% in 1974 and 17.2% in 1975, and retail prices in Swaziland climbed at roughly the same rates. The large price increases experienced in 1974 and 1975 were mainly due to the effects of the international increases in oil prices and the subsequent devaluation of the rand in 1975. Although future price movements are difficult to estimate, it is expected that the rate of inflation in Swaziland will decline below 12% in the next few years.

The Industrial Sector

2.05 After agriculture which accounts for an estimated 35 percent of GDP, industry is the most important sector of the Swazi economy, accounting for about 25 percent of GDP. It provides 17 percent of wage employment in the modern sector and 70 percent of merchandise exports. The sector consists mainly of large and modern mining enterprises and large manufacturing enterprises processing agricultural and forestry products.

2.06 Mining. This sector consists of enterprises producing asbestos, iron ore and coal, and was until 1969 the major contributor to the industrial product. In recent years, as a result of increased manufacturing, its contribution has declined to about 32 percent of value added in industry (8 percent of GDP), accounting for about 5 percent of modern sector wage employment and about 20 percent of merchandise exports. Current production of asbestos is estimated at 35 million tons per year, with good prospects for maintenance of this level through the 1980's. Iron ore has been mined at an average annual rate of 2.2 million tons and exported almost exclusively to Japan. Coal production is still on a small-scale since the market still needs to be developed.

2.07 Manufacturing. Manufacturing contributes the bulk of value added in the industrial sector, accounting for about 15 percent of GDP and about 12 percent of total wage employment in Swaziland. The development of manufacturing has been based mainly on large scale processing of the agricultural and forestry output of the country. The sector is thus dominated by a small number of agro-industries (sugar milling, manufacture of wood pulp and sawn timber, citrus canning, and meat processing) which together account for 90 percent of value added in total manufacturing. The latest survey 1/ (1973) of manufacturing enterprises, shows the following sectoral breakdown.

	Number of Establishments	Value Added	
		Amount (E mil.)	Percent
Food and Beverages	14	6.8	31.6
Wood and Wood Products	7	0.7	3.3
Paper and Paper Products	4	12.9	60.0
Clothing, Textiles	6	0.6	2.8
Other Manufacturing	8	0.5	2.3
	39	21.5	100.0

2.08 The main constraint to the balanced development of manufacturing is the shortage of Swazi entrepreneurs and managers. Although this has not seriously hindered the establishment and growth of enterprises, since Swaziland has been able to attract considerable foreign investment, it has led to the aggravation of the dualism of the economy as new enterprises have had to be established and operated largely by foreigners.

1/ Source: Economic Planning Office.

Industrial Policies

2.09 The objectives of the Government's industrial policy are to promote rapid industrial growth in order to raise domestic incomes and employment and to promote the development of local enterprise and management. Recognizing the role that direct foreign investment has played in providing the capital and technical knowledge on which past industrial development has depended, the Government continues to encourage foreign investment and rightly provides wide ranging incentives to attract new foreign investors and help existing enterprises expand. In keeping with its objective of developing local enterprise and management it also provides free training and technical assistance, industrial estates, and credit on concessionary terms to small Swazi-owned enterprises.

2.10 The Government's incentives package has been appropriately designed to sustain the free enterprise environment it considers suitable both for the attraction and development of foreign investment and for the development of Swazi enterprises. It permits, within some limitations set by national security considerations, enterprises to be established without licensing, and also permits free transfer of loans and share capital in and out of the country subject only to a small withholding tax on dividends and interest. Although the Government reserves the right to determine what could be imported into Swaziland, it has not restricted imports of machinery and raw materials, and even provides duty rebates on such imports, in cases where it considers the common external tariff in the customs area too high. Manufacturing enterprises in pioneer industries are taxed at a concessionary rate, and all industrial enterprises could claim capital and investment allowances up to 50 percent of the cost of buildings, plant and machinery, during their first year of operation. The effect of this allowance is to reduce the taxable profits of such enterprises, or to enable them to accumulate losses which could be carried forward indefinitely against future profits, for tax purposes. Another incentive which serves to reduce the tax liability of enterprises while encouraging them to train Swazis is the double deduction against income, permitted for expenses incurred for the training of Swazis. These incentives are appropriate and have contributed to the development of the industrial sector.

The Tourism Sector

2.11 Tourism has since 1970 become one of the most dynamic sectors of the Swazi economy, with the number of tourists increasing from an estimated 43,000 in 1969 to about 89,000 in 1973. It is estimated that in 1973 it provided direct employment of about 1,500 or 13 percent of employment in services. This significant development in tourism has been based largely on the South African market. To diversify tourist attractions and reduce the dependence of the sector on one market, the Government has established the Swaziland Tourism Development Board to formulate and implement a development policy for the sector.

The Financial Environment

2.12 There are a number of financial institutions in Swaziland. In addition to the central bank and two commercial banks, there are two specialized financial institutions other than NIDCS and SEDCO, an insurance company, a National Provident Fund and a special Swazi Nation Fund.

2.13 The Central Bank. Although still a member of the Rand Monetary Area, Swaziland has had its own Monetary Authority since 1974. However, because of the special monetary agreement (para 2.02) with the RSA, this Monetary Authority does not have full independence for credit management, and has to rely at times on policies set by the South African Reserve Bank. It has however managed to institute a relatively independent interest rate policy, setting recent interest rates at a lower level than that existing in South Africa to reflect the different credit and liquidity situation in Swaziland. It has also assumed responsibility for the issue of Government bonds and treasury bills, although it has no facilities yet for discounting commercial paper.

2.14 Commercial Banks. The two commercial banks operating in Swaziland are Barclays Bank and Standard Bank both of which were incorporated locally in 1974 each with 40 percent Government shareholding. These banks have been able to mobilize considerable local resources, the bulk of which have been lent on an overdraft basis to the agricultural and forestry sectors to finance the production and marketing of crops like sugar and cotton and the production of wood pulp and sawn timber. Because of the seasonality of these crops, the liquidity of these banks fluctuates, enabling them in periods of excess liquidity to invest large sums of money in the RSA. To date, these two banks have only provided short-term overdraft facilities to manufacturing enterprises for financing their working capital requirements. With their incorporation locally, the two banks are now subject to the local requirements for minimum capital and liquid assets and to Government supervision through the Monetary Authority. This supervision will enable the Government to more effectively control their lending activities and especially assist them in channelling more short term funds to industrial development.

2.15 Specialized Financial Insitutions. In addition to NIDCS and SEDCO, there are two specialized financial institutions in Swaziland. These are the Swaziland Development and Savings Bank (SDSB) and the Swaziland Commercial Board (SCB).

2.16 The Swaziland Development and Savings Bank is a statutory corporation which was established in 1965 to help meet the financial needs of Swazis in agriculture, housing and business (primarily commerce). SDSB has an authorized capital of E5 million of which E3 million had been paid in as of June 30, 1976. The Government is the majority shareholder, and the U.K. Government and USAID the minority shareholders. In addition to its share capital SDSB has raised its resources through substantial savings, term and call deposits from the public, and government borrowings. As of June 30, 1976,

its resources consisted of deposits amounting to E15.3 million, long term loans of E1.0 million from the U.K. Government and USAID, and short and medium term loans of E2.3 million from the Swaziland Government and the Monetary Authority. SDSB has used these resources mainly to provide loans. As of June 30, 1976, it had loans outstanding of E11.5 million, long term investments of E1.2 million, liquid assets of E8.3 million (mostly in money at call and short notice) and fixed assets of E1.2 million. SDSB has thus been effective in mobilizing local resources for lending. An analysis of the distribution of SDSB's lending shows that 37 percent has gone to agriculture, 30 percent to business (primarily commerce), 23 percent for housing and 10 percent for hire purchase and other miscellaneous activities. In agriculture SDSB has lent for up to 10 years for irrigation projects, five years for tractors and other mechanical equipment, and up to 20 years for purchase of farms by Swazis. It has also provided a good deal of small seasonal crop loans. Its limited lending to manufacturing has been concentrated on small Swazi manufacturers sponsored by SEDCO, and although SDSB is willing to consider some long term lending to large-scale manufacturing and tourism projects, it considers those sectors to be NIDCS' primary concern.

2.17 The Swaziland Commercial Board was established in 1975 as a statutory corporation with an authorized share capital of E3 million to help Swazis set up and expand commercial enterprises. E1 million of the authorized capital has so far been paid in. SCB assists Swazi wholesalers and retailers with loans and equity. Its loans to the commercial sector have ranged from E20,000 to E40,000 and the average maturity has been five years. SCB has not been in operation long enough for its role and effectiveness to be adequately assessed.

2.18 Other financial institutions are the Swaziland Royal Insurance Corporation which was established in 1974 with 51 percent Government ownership and was given a monopoly of the insurance business in Swaziland, and the Swazi Nation Fund, a national institution which accumulates substantial funds from sugar and other mineral royalties on behalf of Swazis and invests these in various projects (industrial, commercial, etc.) in the country in trust for the people. The Government has also recently set up a National Provident Fund, which will initially cover all salaried employees in Swaziland. This fund is yet to start operations.

2.19 Interest Rates. Because pronounced divergencies in monetary conditions between Swaziland and South Africa could stimulate undesirable flows of funds into or out of Swaziland, Swazi interest rate levels conform broadly to those prevailing in South Africa. Thus, although the Monetary Authority aims at maintaining rates at levels conducive to encouraging the growth of savings and investments within the Swazi economy, it takes account of the situation in the RSA in setting these rates which have recently been, on average, about 1.0% lower than in the RSA (see Annex 1). Deposit rates in Swaziland now range from 4 percent for savings deposits to 9 percent for 12 months deposits, with varying rates in between for call money, and deposits for different time periods up to 12 months. Lending rates in June 1976 ranged from a low of 6 percent charged by SDSB to small agricultural

borrowers to 13 percent charged by SCB for all its loans. SDSB charges 10 percent to big agricultural borrowers, 11 percent to small manufacturers and 12 percent to the transport sector. The commercial banks have been lending at an average rate of 11.5 percent. Given Swaziland's recent high level of inflation (paragraph 2.04), these interest rates have not been positive in real terms. As shown in Annex 1, however, they have been sufficiently competitive to discourage significant outflows of private sector funds to South Africa.

The Role of NIDCS and SEDCO

2.20 With the commercial banks lending mainly on a short term basis for agriculture, SDSB mainly on a long term basis to agriculture and SCB specifically assigned to lending to Swazi-owned commercial enterprises, there exists a gap in the long-term financing of industrial and tourism projects. It is to fill this gap that NIDCS and SEDCO were created by the Government. The role of NIDCS as a financial institution is mainly to promote and assist medium scale industrial and tourism projects through the provision of equity and long term funds. Because of the critical shortage of Swazi entrepreneurs capable of establishing medium and large manufacturing enterprises, NIDCS must play a major role in the preparation and establishment of projects in association with foreign investors whenever necessary and feasible. NIDCS may also take majority shareholding in enterprises and even manage enterprises during the crucial start-up period or where the projects concerned are of importance to the economy. SEDCO concentrates on providing financial and technical assistance to small Swazi manufacturers, and thus complements NIDCS in the development of the manufacturing sector, with particular emphasis on the promotion of local entrepreneurship.

2.21 The multiplicity of development financing institutions in Swaziland has not resulted in a duplication of roles and activities. Nevertheless, because of the scarcity of trained managers in Swaziland and the size and character of its economy, such multiplicity has led, at times, to inefficient allocation of manpower resources. On the recommendations of the Bank that the institutional framework could be streamlined to avoid such inefficiencies, the Government decided in January 1976 that NIDCS and SEDCO should be merged into one institution. Because of the non-profit and service orientation of SEDCO's activities, and to permit it to continue attracting aid funds on concessionary terms, however, it has been necessary for it to maintain a separate identity, and complete merger has not been possible. NIDCS has therefore acquired SEDCO as a wholly owned subsidiary, and shares common facilities with it whenever feasible, (e.g., for finance and accounting, legal and administration, and project appraisal) although the two institutions still retain their separate identities.

III. THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND (NIDCS)

Act

3.01 NIDCS was established as a statutory corporation in 1971 under the NIDCS Act to promote and assist private investment in industrial, commercial, agricultural and mining enterprises in Swaziland, through subscription to equity investments, granting of term loans or guarantees, and provision of scarce factory buildings. The Corporation commenced operations in August, 1971.

3.02 NIDCS has an authorized share capital of E10.0 million consisting of 100,000 ordinary A shares (100 votes each) issuable only to the Government and 9,900,000 ordinary B shares (one vote each) which have no issuance restrictions. As of March, 1976 the issued share capital was E2,052,883; the Government is the majority shareholder with 95% voting control having subscribed to and paid for 15,000 A shares and 1,937,883 B shares; Barclays Bank (Swaziland) and Standard Bank (Swaziland) the minority shareholders hold 50,000 B shares each.

3.03 In addition to the share voting control, a number of provisions of the Act enable the Government to hold substantial control over NIDCS in other ways. The Minister of Industry, Tourism, and Mines can appoint up to five Board Directors and, from among them, the Chairman; he also must approve the appointment of the Managing Director by the Board. The Act empowers the same Minister to override any Board approval he deems necessary. In practice, however, the Government is keen to have NIDCS operate independently, and has refrained from undue interference in its operations. The Act exempts NIDCS from payment of income and other transfer taxes on its profits and capital.

Policies

3.04 NIDCS' operations are governed by its Policy Statement (Annex 2) which covers, inter alia, the following areas:

(i) Area of Operation. The Policy Statement opens the area of tourism project financing for the Corporation, since the role of the Government-owned agency for tourism development, the Swaziland Tourism Development Board, is in practice limited to tourism promotion and consequently there is no institution to finance the sector. The policy statement also excludes the financing of commercial enterprises from NIDCS' areas of activity because funds for such activities are obtainable from other financial institutions.

(ii) Financing Criteria. NIDCS is restricted to financing projects which are financially viable, technically feasible, meet certain economic criteria, and have good management.

(iii) Limits on Financial Commitments. The statement sets prudent limits on NIDCS' financial commitments. For example, to ensure that others also join in sharing project risks, NIDCS' investment to any project is limited to 60% of the project's total capital cost, including buildings and permanent working capital. NIDCS would normally not provide more than 35% of its own net worth in the form of loans, equity, guarantees and buildings to any one project. Also, to delineate the financing roles between NIDCS and SEDCO, projects with total capital costs under E50,000 will normally be handled by SEDCO.

(iv) Foreign Exchange Risk. The policy precludes NIDCS from assuming foreign exchange risks on its foreign borrowings.

(v) Debt-equity Limitation. To prevent NIDCS from borrowing excessively, a prudent debt equity limit of three to one is included in the policy statement.

(vi) Staff Localization. While acknowledging the scarcity of qualified Swazis to staff the Corporation at this time, this part of the policy states NIDCS' intention to localize its staff as soon as possible by having expatriate officers assume training, as well as operating responsibilities.

Board and Management

3.05 NIDCS' Board may comprise up to nine members. It presently consists of seven members, five of whom were appointed by the Government (para 3.03) and the rest by the private shareholders. Annex 3 shows a list of the current Directors who include the Managing Director; the Permanent Secretary, Ministry of Finance and Planning; a Swazi businessman; representatives of Standard and Barclays Bank; and the former Managing Director of NIDCS, an expatriate seconded by UNIDO. The Board has been meeting monthly or bi-monthly depending on the requirements of the Corporation's activities. The Chairman, appointed recently to replace the Permanent Secretary of the Ministry of Industry, brings to the Board considerable knowledge and experience earned through many years as a private businessman. His appointment, coupled with a proposed appointment of another member with financial expertise, would greatly enhance the effectiveness of the Board.

3.06 Since January 1977, NIDCS has been managed, for the first time since its inception, by a Swazi Managing Director who was previously the undersecretary of the Ministry of Industry, Tourism and Mines, and had also been acting as the Chairman of NIDCS' Board. He thus brings extensive knowledge of the industrial, tourism and mining sectors, as well as direct

knowledge of NIDCS to the job. To facilitate a smooth transfer of responsibilities, however, his predecessor is staying on till May 1977 as an advisor. In addition, NIDCS has since February 1977, had an expatriate Chief of Operations, whose previous experience include working as the chief executive of a development finance company. He is responsible to the new Managing Director for the general management of the Corporation. This new management team is well balanced, and should provide the corporation with suitable leadership. Nevertheless, in the event of management changes, NIDCS has agreed to consult with the Bank on future appointments to the positions of Managing Director and Chief of Operations.

Organization and Staffing

3.07 NIDCS has a simple organization (Annex 4) which clearly assigns responsibilities for the three aspects of its project work - preparation, appraisal and supervision - to three divisions reporting to the Chief of Operations. There are four support departments for Administration, Legal work, Finance and Accounting, and Property and Buildings supervision, all reporting directly to the Managing Director. In keeping with the objectives which prompted the acquisition of SEDCO, the Administration, Legal, Financing and Accounting Departments, and the Project Appraisal division provide services in their respective fields to SEDCO. This organizational arrangement permits efficient use of scarce staff by both NIDCS and SEDCO.

3.08 Until early 1976, NIDCS' staff was small and almost all expatriates, due to the critical shortage of suitably trained Swazi professionals. Recently NIDCS has made special efforts to enlarge and strengthen its professional staff which has grown from six to sixteen (of which nine are Swazis). Expatriates still occupy the key positions of Chief of Operations, Financial Controller, and Legal Advisor. The Corporation, however, has a satisfactory training program, and its recent efforts to localize its staff have been successful.

Procedures

3.09 When it was a small understaffed institution, NIDCS operated with very informal internal procedures. Although it had a suitable project appraisal manual, the procedures and techniques set out in this manual were rarely followed; hence, the quality of its appraisals were generally low. Because the Legal Advisor had to act as Financial Controller for a time, legal documentation on some of NIDCS' investments were not completed before disbursements were made. There were no guidelines for supervision of approved projects, with the result that some projects developed problems which could have been prevented if their progress had been more systematically monitored. Its accounting system and disbursement procedures were also never clearly documented, leading to some inconsistencies in financial reporting from year to year.

3.10 With the growth in its staff size and increasing levels of operations, NIDCS has now introduced formal procedures in all facets of its

operations. The appraisal of projects will now include analysis of their financial, economic and technical aspects. A supervision manual has been prepared which should provide for close monitoring of project implementation and follow up. A new financial control manual, which sets out in detail the accounting system for NIDCS and SEDCO and details the disbursement arrangements has been prepared. All legal agreements on investments have been finalized, and in the future no disbursements will take place without finalization of legal agreements. It is expected that this formalization of procedures will minimize future operational problems.

Interest Rates and Other Charges

3.11 Loans approved to date have carried interest rates between 10.0% - 11.0%. Although these rates have not been positive in real terms since 1973, given Swaziland's experience with inflation between 1973-76, they have provided NIDCS with an adequate spread, given its cost of borrowing, and they are in line with the general structure of interest rates in Swaziland (para 2.19). For the future, NIDCS has agreed to charge a uniform rate of 12.0% p.a. on all loans. This should be positive in real terms, as the rate of inflation in Swaziland is expected to decline below 12 percent. It will also charge a fee of 1% on all loans to enable it to pay the Government's fee for coverage of the foreign exchange risk. NIDCS leases out factory buildings at rates of 13 percent per annum of the development costs. This rate generates enough income to cover the capital costs, insurance and maintenance of the buildings and provide NIDCS with a reasonable return on its investment. It is reviewed annually or biennially to take account of inflation and increases in maintenance costs.

Audit

3.12 As the NIDCS Act requires two auditors for NIDCS (one appointed by the Government and the other by the private shareholders), Coopers and Lybrand and another firm, Alex Aiken and Carter, cooperate in undertaking annual audits as well as in providing assistance to NIDCS' accounting staff. Past audits have been satisfactory, but have not included the supplementary data on operations (outstanding loans, equity investments and guarantees, and a schedule of arrears in excess of 3 months) that the Bank Group requires DFCs to include as part of their audited accounts. NIDCS has agreed that its future audited accounts will include these statements, which are now available separately.

IV. NIDCS' OPERATIONS AND FINANCE

Past Operations

4.01 Summarized below are NIDCS' investment approvals since its establishment through June 30, 1976.

	Number Approved	Amount (E millions)	% of Total Amount
Equity Investments	18	1.2	18
Loans	15	2.9	44
Factory Buildings	18	2.1	32
Guarantees	3	0.4	6
	54	6.6	100

The fifty-four operations approved by NIDCS relate to thirty-three projects only; as a result NIDCS' involvement in some projects has been very substantial. In the future, the agreed limitation of NIDCS' financial assistance to 60% of project costs (para 3.04) will prevent the recurrence of such cases. Considering the favorable investment climate in Swaziland and the fact that by June 30, 1976, NIDCS had been in operation for five years, this level of approvals is rather low. It is a direct consequence of the limitations which the problems of management instability (during its first two years of existence NIDCS had three managing directors, each staying for an average of 6 months) and shortage of professional staff imposed on NIDCS. These limitations prevented NIDCS from actively identifying and promoting new projects and reduced its impact on the development of the industrial sector, since NIDCS only financed proposals submitted by either the Government or private foreign investors.

4.02 The majority of the projects NIDCS has assisted are engaged in manufacturing or processing activities. These are well diversified and include projects for textile manufacturing, maize milling, manufacture of animal feed, and wooden furniture manufacture. NIDCS has not assisted any of the large sugar processing, fruit canning, or pulp and paper projects which contribute the bulk of value added in manufacturing, because the size of these projects exceeded those of NIDCS' normal range of clients and because other sources of financing have been available to these prosperous enterprises. Before SDSB was established, NIDCS also assisted some wholesaling, retailing and commercial real estate projects.

4.03 Equity Investments. Among the eighteen equity investments approved to date by NIDCS, the largest single investment (E500,000) was made in a maize milling and general trading enterprise. Excluding seven token investments of E20 or less, NIDCS' average equity investment has been about E50,000. Fifteen of the 18 companies assisted with equity investments were still in operation; two have ceased operations and one project was never implemented. NIDCS has a controlling interest and/or management responsibility in five out of these fifteen companies. In addition, NIDCS serves on the Boards of most of its minority owned companies, to protect its investments.

4.04 Loans. The 15 loans approved to date relate to 14 projects; NIDCS also has equity investments in nine of these projects. The largest loan (E1.0 million) was made to a textile project (para 4.06) and the smallest loan was for E7,000 to a commercial radio station. Because of the wide range between the largest and smallest loans approved, the mean loan size is E194,000 compared to a median of only E46,000. Nearly all loans were made to companies already in operation which needed funds for expansion or for revamping operations. In a number of cases NIDCS' loans have been used to refinance other loans, or to finance working capital requirements. NIDCS has agreed that in the future its assistance will be concentrated on new or expansion projects requiring capital expenditures and a clause preventing NIDCS from normally re-financing projects has been included in its policy statement. Repayment terms on NIDCS' loans have ranged from three to ten years.

4.05 Factory Buildings. To attract foreign investors who might otherwise be deterred by the difficulties the land tenure laws in Swaziland pose for foreign ownership of land, NIDCS which has easier access to land, builds factories for lease to companies. The 18 existing factories it had built by June 30, 1976 are rented to companies operating in fields ranging from plastics and furniture manufacture to production of cattle feed. This type of operation is consistent with NIDCS' role as a promoter of industrial development in Swaziland, and it does not necessarily increase NIDCS' total financial exposure in projects since the funds utilized for buildings might otherwise be provided to the same projects as loans or equity. NIDCS has agreed that applications for factory buildings will be appraised as thoroughly as applications for loans and equity investments.

Portfolio

4.06 Annex 5 shows NIDCS' outstanding equity and loan portfolio as at 31st March 1976. The equity portfolio consisted of outstanding investments of E1.0 million in fifteen companies, eleven of which were in commercial operation. The overall quality of the portfolio is good, with nine out of the eleven operating companies (equal to 85 percent of the equity portfolio) operating profitability. Three of the four projects not in operation were new projects under construction, but the fourth project has gone into liquidation. NIDCS has an equity investment of E50,000 in this project, which consisted of regrouping in Swaziland several departments of a textile enterprise operating in the Republic of South Africa. NIDCS did make full provisions against this investment in its 1976 accounts and has now written it off. The loan portfolio of E2.8 million consisted of loans to twelve companies, seven of which were in operation. Compared to the equity portfolio, the loan portfolio is of a poorer quality with four of the operating companies, accounting for only 38 percent of the outstanding amount, operating profitably. Three of the non-operating companies were new projects under construction, and the remaining two which accounted for 38 percent of the outstanding portfolio were in liquidation. One of them is the above mentioned textile company in which NIDCS has an equity investment of E50,000 and a loan outstanding of about E1.0 million. NIDCS did make full provisions against this loan, and has written it off together with the equity investment. The

second company in liquidation was involved in the manufacture of chemicals; although NIDCS has provided fully against this loan (E67,000), it hopes to recover the loan from litigation which is still in progress. In addition to these two companies, one company in which NIDCS had a loan of E256,250 outstanding was defaulting on interest payments. None of the loans had reached maturity on principal payments and as such there were no arrears on such payments. NIDCS has assumed management of the three companies making losses, and is making every effort to turn them around. NIDCS' portfolio of 18 factory buildings valued at E1.8 million as of March, 1976 is of generally good quality; the buildings are located at convenient and well-serviced sites.

Profitability

4.07 NIDCS' income statements for 1973 to 1976 are summarized in Annex 6. Reflecting the relative qualities of its equity and loan portfolios, dividends from equity investments have been the major item of income, accounting for an average of 52 percent of total income over 1974-1976. These dividends have been paid largely by two companies - a milling company in which NIDCS has an investment of E500,000 and earned dividends of E200,000 in 1976, and its trading subsidiary in which NIDCS has a token investment but from which it received a dividend of E45,000 in 1976. These companies which belong to a well-known Swazi group of companies called Kirsh Industries Ltd., were partly sold to NIDCS with the approval of the Government. Since 1974, NIDCS has generated enough income from financial operations to cover interest charges which are its principal expense item, and its administrative expenses. In 1974 and 1975 it made net profits of 12.7 percent and 6.8 percent respectively on its average equity, but in 1976, as a result of a substantial provision of E1.3 million most of which was for the potential loss of its investment in the textile project now under liquidation, it made a net loss of E1.1 million.

Resources and Financial Situation

4.08 Through March 31, 1976, NIDCS had raised resources of E6.0 million consisting of E2.1 million in share capital (of which 95% from Government); E0.3 million in grants from the Government; and E3.6 million in long term loans. The long term loans consisted of E2.3 million of unsecured loans from the Swaziland Government 1/, bills payable of E0.9 million from Kirsh Holdings, Ltd., and E0.4 million from the Standard Bank of Swaziland Ltd. The Government has thus provided 77% of the resources of NIDCS.

4.09 NIDCS' summarized balance sheets for FY 1973-1976 are shown in Annex 7. As at March 31, 1976, NIDCS had a net worth (including Government

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1/ Terms of up to 24 years (with 2-5 years grace) at 7.5-10.0% p.a.

grants) of E1.1 million and term debts of E2.9 million, giving it an acceptable long term debt to equity ratio of 2.6:1. The paid-in share capital of E2.1 million had been reduced to E0.8 million by accumulated losses resulting mainly from the loss of E1.1 million in the textile project (para 4.06). NIDCS was temporarily in a tight liquidity situation with current liabilities exceeding its current assets by R0.2 million; its gross loan and equity portfolio of E3.8 million had been written down to E2.4 million by setting provisions conservatively at E1.4 million. It also had fixed assets (mainly factory buildings) of E1.8 million. Since March 31, 1976, NIDCS has received about E1.0 million in cash from the Government as equity contributions. This has offset the loss incurred in the textile project and has improved NIDCS' liquidity. In addition, the Government has converted about E2.0 million of its loans to NIDCS into equity. Consequently, NIDCS' equity is now about E4.0 million and its debt equity ratio has been reduced to below 2:1.

V. THE SMALL ENTERPRISES DEVELOPMENT COMPANY (SEDCO)

Establishment and Articles of Association

5.01 SEDCO was established in 1970 to promote the development of small-scale enterprises through: (a) provision of working premises for entrepreneurs; (b) provision of machinery and equipment to such entrepreneurs under lease or purchase arrangements; (c) procurement of raw materials in bulk for small enterprises and marketing of the products of such enterprises; and (d) provision of short- and long-term credit to small entrepreneurs. However, SEDCO did not start operating before 1972 when UNDP agreed with the Government on a small scale enterprise development project. SEDCO thus started operations as a component of the UNDP project which, in addition to SEDCO, also involved the creation of a Small Enterprises Promotion Office (SEPO) under the Ministry of Industry, to provide managerial, technical, extension and training services for small entrepreneurs. Since their activities were highly complementary, SEDCO and SEPO operated in practice as one institution and had the same Chief Executive. Before NIDCS acquired SEDCO in November 1976, the Government dissolved SEPO and transferred its activities to SEDCO.

5.02 SEDCO's Articles of Association set its authorized share capital at only E 5,000 of which nearly half has been issued to NIDCS. SEDCO does not need a large equity base since it is a non profit-oriented institution, to be financed mainly with grants. It enjoys the same tax exemption privileges as NIDCS.

Past Operations

5.03 Industrial Estates. SEDCO has established eight small industrial estates, geographically spread across the country, on which a total of 65 Swazi entrepreneurs are now leasing factory shells. It has also provided

equipment and tools on each estate for rental to the entrepreneurs, and has purchased raw materials in bulk for resale to the entrepreneurs on these estates. The original concept in establishing these estates was to centralize entrepreneurs in the same fields of activity in one location so that training and technical assistance to them can be easily concentrated and coordinated. As a result, the older estates are specialized on the basis of the raw materials used by the entrepreneurs, and house enterprises specialized in such activities as wood-working, leather products, and light metal working. Rentals are regularly paid by the entrepreneurs. The newer estates have been aimed at accomodating a mixture of different types of enterprises. It is SEDCO's intention to progressively graduate entrepreneurs from the estates once their businesses get bigger. Since land on which to build larger premises is difficult to obtain, SEDCO assists graduated entrepreneurs in the transition process whenever possible.

5.04 SSE Credit Scheme. SEDCO's lending volume to SSEs has been constrained by limited resources. Through July, 1976 SEDCO had approved loans totalling about E 0.2 million to small Swazi enterprises. Loans approved have ranged in size from a small of E 30 to a high of E 6,000 with an average size of about E 1,200. Loans approved in recent months have however been bigger, averaging about E 2,200. SEDCO's lending has been to enterprises in a wide variety of sectors; however, manufacturing enterprises have accounted for a large part of its lending, with furniture manufacturers and garment manufacturers accounting respectively for 27 and 21 per cent of total approvals. The maturities of its loans have ranged from three months to five years, and the funds have been used mainly to finance working capital requirements. SEDCO's emphasis on the SSE credit scheme has been on the promotion and development of entrepreneurs, with less stress on the loan repayment capability of the SSEs - particularly since SEDCO's funds were formerly all grants. SEDCO expects to double its SSE loan portfolio over the next 2-3 years. To accomplish this, SEDCO will tap non-grant funds for the first time and stress the financial aspects of its credit scheme. In the interim, SEDCO has set aside substantial provisions against its past SSE loans (Annex 23) in recognition of the high risks associated with its SSE lending.

5.05 Equity Investments. Although legally empowered to undertake equity investments, SEDCO has only made two equity investments totalling E 246,000. It took a 60% participation (E 10,000) in a small Swazi garment manufacturing company to which it also provided a loan, and a 50% participation (E 236,000) in a company recently formed to take over the assets and liabilities of SEDCO's tall oil division. This division, which is unrelated to SEDCO's small enterprise development activities, is engaged in the processing of tall oil and has been under SEDCO's management since it was transferred to it by the Government in 1972 to generate revenues for financing SEDCO's SSE development programs. SEDCO's participation in this new company was paid for with the existing assets of the division, and its partner, a pulp company, has assumed management of the new company. SEDCO does not intend to divert any additional resources to this tall oil company.

5.06 Training and Technical Assistance Scheme. SEDCO has organized 24 courses on subjects like basic marketing and light metal engineering mainly for the benefit of its clients on the industrial estates, and has also recruited and trained 10 new entrepreneurs in an experimental program for entrepreneurial development. In addition, it has set up a ceramics workshop and a foundry which serve as training centers for Swazis. It also provides extension services to its clients in the technical, managerial, marketing and financial fields.

5.07 Impact. Within the four years it has been in existence, SEDCO has been effective in promoting and assisting small manufacturing enterprises in Swaziland. For the 12 months ending in July, 1975 the 65 enterprises on its industrial estates generated sales of about E 800,000 and employed about 400 persons at an investment cost per job of about E 900 ($1,050). SEDCO's plan to bolster the financial evaluation of its SSE clients will be a welcome and necessary input; with its increased levels of financial and technical assistance, the Company's impact on the SSE sector is expected to grow significantly. SEDCO's link up with NIDCS should also accelerate the rise of medium-sized Swazi enterprises which can be financed by NIDCS.

Policies, Procedures and Accounts

5.08 In October 1976, SEDCO's Board adopted a policy statement which sets specific guidelines on its financial operations and supplements the comprehensive guidelines on its general operations established under its memorandum of association and the UNDP project document. This statement (Annex 15) clearly delineates NIDCS and SEDCO's respective financing roles by setting a maximum capital cost of E 50,000 on the projects to be normally financed by SEDCO. It restricts SEDCO's normal total financial involvement in any project to 80% of its capital cost or E 20,000, whichever is less. It also precludes SEDCO from taking the foreign exchange risk on its foreign currency denominated borrowings.

5.09 In the past SEDCO charged an interest rate of 8% per annum on its SSE loans. This rate was below the general level of interest rates prevailing in Swaziland (para. 2.19) and SEDCO was able to maintain it because its funds for lending were cost free grant funds. To bring this lending rate more in line with the general level of interest rates in Swaziland, and to give it a suitable spread on its lending activities for which it will now be blending interest bearing loan funds with grant funds, SEDCO has agreed to raise its lending rate to 10% per annum. SEDCO's rental charges on its industrial estates are based on the replacement costs of the fixed assets and the costs of operating and maintaining these estates. These charges yield adequate revenues to cover the operational costs and to provide SEDCO with a reasonable return on its investment.

5.10 SEDCO's procedures for selecting clients for its industrial estates and for determining their training and technical assistance needs are adequate. Its appraisal framework for screening loan applicants has also been improved considerably to include a more comprehensive financial analysis of the projects being financed, and an assessment of the potential training and technical

assistance needs of borrowers. SEDCO has agreed to adopt a new mechanism for disbursing its SSE loans by June 1, 1977. The new mechanism will involve the use of SDSB as a disbursing agency, and will permit SEDCO to directly disburse its loans from its funds, instead of the existing system under which it uses its funds as a cash guarantee against disbursements made by SDSB.

5.11 SEDCO's accounting system is generally satisfactory. In addition to individual income statements for each estate, SEDCO prepares annually, a consolidated income statement for all operations (excluding the tall oil division) and balance sheets (unconsolidated and consolidated with the tall oil division). These accounts have been adequately audited by Taylor, Sacco and Company, a Swaziland based South African firm of Chartered Accountants. SEDCO has agreed that in the future it will present its accounts in a way which will permit an assessment of the financial costs and benefits of its various operations.

Organization, Management and Staff

5.12 SEDCO's organization structure before and after dissolution of SEPO are shown in Annex 17. As mentioned earlier (para 3.07), SEDCO will obtain support from NIDCS for general administrative, legal and financial control services. Also, two projects officers from NIDCS will help SEDCO for the appraisal of the SSE credits. This proposed structure and arrangements with NIDCS appear adequate.

5.13 SEDCO is managed by a Swazi Managing Director, assisted by a small enterprises development expert under secondment from ILO and financed by UNDP. This able management team reports to SEDCO's Board of Directors (membership shown in Annex 16) for all of SEDCO's operations. SEDCO is adequately staffed with expatriate experts financed by UNDP and bilateral donors, and Swazi counterparts. In addition to the Project Manager, there are six expatriate experts for entrepreneurship training, management accounting, marketing management, woodworking, building contracting, and ceramics. SEDCO has 12 Swazi professionals including the Managing Director and the Chief of Operations. Cooperation between the expatriates and Swazis is good, and the latter are well motivated and competent, having received substantial on the job training from the expatriates.

Financial Performance and Situation

5.14 SEDCO's summarized income statements for 1973-1976 are shown as Annex 18. As a result of high administrative costs, not fully covered by the small income from its credit and rental operations, SEDCO has shown operating losses, even though 10 of its 12 Swazi professionals were directly paid by the Government. Therefore, SEDCO has relied on annual government grants to cover its losses. SEDCO was however not conceived as a profit making institution and in the foreseeable future, it will continue to rely on the Government to cover its operating deficits.

5.15 SEDCO's summarized balance sheets for 1973 to 1976 are shown in Annex 18. Again because of SEDCO's special nature, attempts to assess the

soundness of its financial situation, using traditional leverage and liquidity analysis would not yield any meaningful results. As of March 31, 1976, SEDCO had a paid in capital of E 2,400, and grants of E 515,000 and E 46,000 respectively from the Swaziland and Swedish governments, in addition to a British aid loan of E 459,000. The Swaziland Government grants have been used to finance operating deficits and SSE credits, most of which have large provisions set against them (para 5.04), and the Swedish Government grant has been used to finance the special foundry project. The British aid loan (interest free) has been used to build industrial estates and for equipment. Because of its free technical assistance services and the high but necessary risk of capital loss it incurs to support the SSE sector, SEDCO's creditworthiness does not depend on its own ability to generate income, but on the willingness of the various supporting governments - especially that of Swaziland - to continue financing the company's operating cash flow deficits. Agreement has been reached with the Swazi Government on its continued financing of these deficits.

VI. PROSPECTS

Industry and Tourism

6.01 There are good prospects for further development of the industrial sector in Swaziland, given the resource base and the Government's supportive industrial policy. Such development will occur mainly in manufacturing if the favorable environment created by the membership in the Rand Monetary area and the Southern African Customs Union, generous investment incentives, and the country's political stability remains. Because of the small size of the Swazi market, this expected growth in manufacturing will be largely export based, and will derive mainly from large agro-industries like sugar and canned fruit production, production of other food and beverages, and expansion in wood pulp production. Opportunities will also exist in other subsectors like textiles and chemicals, but these will require considerable identification and promotion activities. The contribution of mining may temporarily decline, as the asbestos and iron ore deposits are depleted; however, should overseas demand for coal rise significantly the mining sector could sustain its contribution to the economy. The future of tourism is less predictable since it will depend on a successful diversification of tourist attractions so as to strengthen the base of the industry. If such diversification does not take place, further growth will be hampered.

NIDCS' Strategy and Operations

6.02 NIDCS' short term strategy is to concentrate on developing a well staffed organization and procedures for effective mobilization and channeling of resources into manufacturing enterprises and enhancing its impact on future projects. In the medium and long term, its strategy will involve intensive promotion of new projects through the preparation of feasibility studies for presentation to potential investment partners. Through this the corporation

expects to be able to control the quality and developmental impact of projects it promotes and assists. The Corporation will also seek to diversify its sources of local funds and expects to borrow from or sell participations in its equity to such new institutions as the National Insurance Corporation and the National Provident Fund. This strategy is appropriate.

6.03 Annex 8 shows NIDCS' recent pipeline of identified projects. The majority of the proposed projects are export-oriented and represent a diversification from the agroindustries on which past manufacturing growth has depended. NIDCS' operations will thus properly focus on the non-traditional and newer areas of manufacturing in Swaziland where promotion activities are required and for which long term financing is not as easily available as it is for traditional activities like sugar processing and fruit canning. NIDCS expects its investment approvals to amount to E 3.2 million in FY1977, increasing gradually to E 5.9 million in FY1981 (Annexes 9 and 10). As in the past, its financing will be mainly through long term loans and factory buildings, with a few minority equity holdings. This forecast level of operations seems reasonable in view of NIDCS' pipeline, the favorable prospects for manufacturing activities in Swaziland, and the expected strengthening of NIDCS as an institution.

SEDCO's Operations

6.04 SEDCO will continue assisting small Swazi manufacturers through provision of factory shells on its industrial estates, provision of training and technical assistance, and provision of credit. In providing such assistance it plans to place emphasis on the SSEs' ability to service their financial obligations. Its projected investments (Annex 21) include E 420,000 to be spent between 1977 and 1979 for improvement of facilities on its existing industrial estates and for the construction of a new estate with 24 workshop shells. This investment in new facilities is highly desirable considering the great demand for such factory shells by small manufacturers, and the past success of SEDCO in improving the operations of clients on its industrial estates. SEDCO expects to commit E 75,000 in SSE credits in 1977 and to gradually increase its annual loan commitments to E 200,000 by 1980. Although the potential demand for SSE credit is higher than SEDCO's projected lending, these conservative targets are reasonable, and reflect the necessary caution that is required in expanding SSE lending, given the high risks of capital loss involved. SEDCO also plans to introduce a bookkeeping service for small manufacturers and to increase its marketing assistance to clients.

Resource Requirements

6.05 The table below details NIDCS and SEDCO's estimated resource requirements for FY 1978 and FY1979 (the two years during which the proposed IBRD loan is expected to be committed), their forecast sources of financing, and the level of support needed from the Government of Swaziland to cover the estimated financing gap:

Projected Commitments (E million)

NIDCS		SEDCO	
Equity	1.46	SSE credit scheme	0.27
Loans	4.72	Industrial Estates	0.30
Buildings	2.75	Others /1	0.57
	8.93		1.14

of which:	F.C. /2	L.C. /2	F.C. /2	L.C. /2
	7.14	1.79	0.91	0.23
Financing				
Funds from Operations	-	0.59	-	-
IBRD	4.09	-	0.26	-
U.K. Government	-	-	0.30	-
SIDA	-	-	0.10	-
	4.09	0.59	0.66	-
Swazi Government	(3.05)	(1.20)	(0.25)	(0.23)

/1 Includes administrative costs of credit, training and technical assistance schemes.

/2 F.C.: Foreign component; L.C.: Local component.

6.06 The proposed Bank loan to NIDCS of US$4.7 million (E 4.09 million) will thus fill about 57% of the foreign exchange requirements of NIDCS' commitments, leaving the rest to be financed by other potential foreign lenders or the Swazi Government. Such foreign lenders may include the European Investment Bank (EIB), which may finance E 1.0 million or more of the foreign exchange requirement. On local currency funding, E 0.5 million in loan (at commercial terms) may be forthcoming from the Swazi Nation Fund in addition to the E 0.59 million to be generated from NIDCS' operations. However, given the uncertainty of fund availability from this source, the Government may have to finance approximately E. 1.2 million in local currency for NIDCS. SEDCO expects to continue receiving funds to finance the estimated foreign costs of its operations mainly from the Governments of Swaziland, U.K. and Sweden. Because of the estimated increase in its SSE lending, however, it will need an IBRD loan of US$300,000 (E 260,000) to finance part of the anticipated commitments of SSE credits over the two year period. Government would be prepared to provide approximately E 0.48 million to meet SEDCO's other resource requirements over the two year period.

NIDCS' Financial Prospects

6.07 Annexes 11 to 14 show NIDCS' projected financial statements and ratios. NIDCS expects to make a modest return on net worth of 2.2 percent in 1977, increasing gradually to 7.8 per cent in 1981. Its administrative expenses as a percentage of average total assets would decrease gradually from the 5.4 per cent experienced in 1976 to 3.4 per cent in 1981, as operations expand and efficiencies are derived from scale. Although the expected level of profitability is modest, it is sufficient to permit NIDCS to maintain an adequate equity base.

6.08 NIDCS' outstanding portfolio is expected to increase from E 5.6 million at the end fo FY 1976 to E 22.9 million at the end of FY 1981. Provisions have been estimated to amount to 4 per cent of the outstanding loan and equity portfolio in FY 1981. Mainly because of expected annual contributions of E 1.0 million by Government to the share capital of NIDCS, its debt/equity ratio will drop from 2.6/1 in 1976 to 1.3/1 in 1977 and rise gradually to 1.8/1 in 1981. For the purpose of calculating NIDCS' debt/equity ratio, it was agreed to exclude consideration of SEDCO as it is a specialized, non-profit institution involved in the promotion of small-scale enterprises and, for this purpose, carries a debt level (from Government and bilateral sources) which greatly exceeds its small equity base. However, NIDCS will limit SEDCO's outstanding long-term debt to E 1.5 million and will review this limit with the Bank from time to time. NIDCS' debt service coverage will improve from the minimum acceptable of 1/1 in 1977 to 2.0/1 by 1981.

SEDCO's Financial Prospects

6.09 Annexes 22 through 24 show SEDCO's projected income and expenditure statements, balance sheets and cash flow statements. SEDCO is expected to generate a small net income on its lending operations, after allowing for provisions on losses, (conservatively estimated at 10% of loan disbursements) but before general administrative expenses. Regarding SEDCO's rental and bulk purchasing activities on the estates, it is expected that with improved control on administrative expenses and billing procedures, the estate operations will become self sufficient and generate profits. Overall, however, because the income from its small lending operation will not be sufficient to cover the necessarily high provisions and administrative expenses involved, it will continue to show annual operating losses. In addition, because its training and technical assistance services are free, it will not generate any income to cover the operating costs involved. The Government has agreed to directly finance these costs.

6.10 SEDCO's SSE credits outstanding (before provisions) are projected to increase from E 111,000 at the end of FY 1976 to E 492,000 at the end of FY 1981. Provisions which amounted to 80 per cent of the outstanding credits at the end of FY 1976 are expected to be reduced gradually to 33 per cent by the end of FY 1981, as a result of (i) expected reductions in capital losses resulting from the expected improvements in the credit screening

capabilities of SEDCO, and (ii) SEDCO's increased technical assistance to its borrowers. A projected cash flow statement for the credit scheme shows that SEDCO will generate enough cash from collections of outstanding loans and interest, to meet the debt service requirements of the proposed IBRD loan. However, recognizing the risks associated with this operation in the SSE sector even considering SEDCO's new emphasis on the debt repayment capability of its SSE clients, the Government has agreed that it will guarantee the repayment to NIDCS of SEDCO's portion of the loan. In addition, for purposes of financial prudency, SEDCO has agreed not to incur more than E 1.5 million in long term debts without prior consultation with the Bank.

VII. THE LOAN - ITS JUSTIFICATION, RISKS AND FEATURES

7.01 NIDCS and SEDCO are national institutions with important roles in the development of the industrial sector in Swaziland; NIDCS as the prime promoter and long term financier of manufacturing enterprises and SEDCO as the specialist in developing and assisting Swazi entrepreneurs. These institutions have investment programs which, if well implemented and supervised, will assist considerably in the development of the industrial sector, and to a lesser extent tourism, and will thereby contribute to the overall development of the economy. The proposed loan would provide part of the foreign exchange requirements for the financing of these investments. In addition, by lending to NIDCS and SEDCO, the Bank will make significant contributions to their further development as effective development institutions and financial intermediaries. In particular, the Bank will through its review of some of NIDCS' projects, and other supervisory relationships, assist in the improvement of NIDCS' procedures for evaluation and supervision of projects and thereby strengthen its capacity to select and implement financially and technically viable and economically justified projects. On the SEDCO side, the Bank will contribute to improved management of the credit scheme through its assistance for improving the procedures for loan evaluation, disbursement and collection.

7.02 There is an important risk, however, in lending to SEDCO since SSE's normally have a high rate of failure, and the potential for capital loss to SEDCO is great. This risk is worth taking in the context of Swaziland because of: (1) the critical importance of small scale Swazi entrepreneurs in the efforts to resolve the severely dualistic structure of the economy; and (2) the technical assistance that the Bank can provide SEDCO, through its association, in improving its financial discipline. In addition, the extensive training and technical assistance which will be provided by SEDCO to its SSE borrowers will help alleviate this risk.

7.03 NIDCS would use $4.7 million of the proposed loan directly, to finance the c.i.f. cost (i.e. the price at Swaziland's border) of imported goods, the foreign exchange cost of ancillary services, and the foreign component of imported goods purchased locally through normal trade channels and of civil works. NIDCS would repay this portion according to a flexible amortization schedule conforming to the aggregate amortization schedules

of NIDCS' subloans which now have a maximum maturity of 12 years, including grace periods of up to 3 years. The foreign exchange risk on this portion of the loan would be borne by the Government, which will charge NIDCS a fee of 1% for this service. NIDCS will pass on this fee to the subborrowers. NIDCS would need the Bank's prior approval for all projects using $100,000 or more of the proposed loan, and would not be able to use more than $1 million in total without the Bank's approval.

7.04 The remaining $0.3 million of the proposed loan would be onlent by NIDCS to SEDCO for its SSE lending at the rate at which the Bank loan is lent to NIDCS, but without a commitment fee. Should SEDCO not require all $0.3 million during the projected financing period, the remainder could be used by NIDCS upon the agreement of SEDCO. This loan would also finance the c.i.f. cost (i.e. the price at Swaziland border) of imported goods, the foreign exchange cost of ancillary services, the foreign component of imported goods purchased locally through normal trade channels and of civil works. SEDCO would repay this loan to NIDCS over 10 years including 4 years grace. Because of the high risks involved in SEDCO's lending, the Government will guarantee the repayment of this loan to NIDCS. The Government will also bear the foreign exchange risk on subloans made by SEDCO, but without a fee. To enable the Bank to assess the improvements in SEDCO's appraisal of SSE projects, the first five such projects to be financed by SEDCO out of the loan would require prior approval by the Bank. Thereafter, SEDCO would only submit, on a quarterly basis, a summary list of projects it has approved.

VIII. RECOMMENDATION

8.01 The project is suitable for a Bank loan of $5.0 million, to be utilized as outlined in paragraphs 7.03 and 7.04.

NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

Comparative Price Indices and Interest Rates: Swaziland and South Africa.

1. Price Indices 1972 = 100

Period	Swaziland Retail Prices		South Africa	
	Index "A"1/	Index "B"2/	Consumer Prices	Wholesale Prices
1971	98.5	97.7	93.9	92.5
1972	100.0	100.0	100.0	100.0
1973	109.2	111.6	109.5	113.2
1974	122.3	133.1	122.2	133.5
1975	142.9	149.2	138.7	156.5
1976 (Jan)	151.8	153.9	146.9	169.1

2. Interest Rates Per Annum (%) (May 1976)

	Swaziland	South Africa
Bank Deposits		
31 days	7.25	8.00
12 months	9.00	9.50
Other		
Treasury Bills	6.00	7.19
Prime Lending	10.50	12.00

1/ Measures changes in cost of living for middle to high income groups in the capital town of Mbabane.
2/ Measures changes in cost of living for low wage earners in the two main towns of Mbabane and Manzini.

Source: The Monetary Authority of Swaziland; Quarterly Bulletin.

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

Policy Statement

1. In accordance with the Act establishing NIDCS, the Corporation shall guide, promote and assist undertakings in industry, tourism, mining and agro-industries.

2. NIDCS shall finance only economically sound, financially viable, and technically feasible projects, and those which have or will have competent management.

3. In stressing the importance of economic return to Swaziland, NIDCS is adhering to government policy that programmes and projects should contribute to achieving the aims set forth in the Second National Development Plan. Thus NIDCS recognizes a responsibility to influence all projects with which it becomes involved so that, consonant with adequate profitability:

(a) The project's employment effect is the largest possible;

(b) as extensive training as possible is provided for local citizens of all levels;

(c) as many of the employees of the undertaking as is consistent with the maintenance of efficiency, are citizens of Swaziland;

(d) whenever possible the project is located outside the Manzini - Mbabane area;

(e) local raw materials are used to the largest extent possible;

(f) as much contact with other local enterprises as possible is created in order to generate linkage effects with the rest of the economy.

4. NIDCS may provide investors with assistance in the following categories:

(a) Financial assistance in the form of medium or long-term loans, equity capital or guarantees;

(b) Factory buildings for lease and/or sale;

(c) Local liaison and coordination with government and other agencies; and

(d) Feasibility studies to establish new enterprises.

5. In entering into a commitment, NIDCS will generally be guided by the following principles in addition to those provided by law:

(a) The Corporation should not invest more than 15% of its net worth (viz., paid-in share capital plus retained profits less accrued losses) in share capital of any one project;

(b) NIDCS' total equity holding in all supported projects shall not exceed the Corporation's own net worth;

(c) NIDCS will normally not provide more than 35% of its own net worth in the form of loans, equity, guarantees and buildings to any one project;

(d) NIDCS will normally not take more than 40% of the equity of any company and will normally not manage enterprises;

(e) The Corporation's total financial commitment (viz., equity, loans, guarantees and buildings) to any single project should not normally exceed 60% of the project's total capital cost, including buildings and permanent working capital;

(f) In recognition of SEDCO's financing role, NIDCS will not normally invest in any project with a total capital cost (including buildings and permanent working capital) of less than E50,000.

6. NIDCS will normally charge such rates for its assistance in loans, guarantees, factory shells and feasibility studies as will recover the costs to the Corporation and provide it with a reasonable return. As far as is possible rates charged will reflect prevailing market conditions in Swaziland.

7. As NIDCS is a development agency, its funds should be spent on new undertakings or on the expansion of existing ones. The Corporation will normally not therefore undertake re-financing.

8. In projects where NIDCS is involved with loans and/or equity, the Corporation will normally maintain the right to be represented by one or more Directors on the Board of the operating company.

9. The Corporation will always require adequate security and/or guarantees for its loans.

10. NIDCS shall not incur exchange risks with respect to those of its borrowings that are repayable in foreign currencies.

11. With regard to its investments NIDCS has the long-term intention to revolve its funds as much as possible by a) giving tenants of factory shells the option to take the shells over and b) by passing on shares in assisted companies to the Swazi public.

12. Local Swazi officers shall be given as much responsibility in running the affairs of the Corporation as is deemed prudent by the Board of NIDCS. During the transitional period, therefore, when a large proportion of NIDCS' staff consists of expatriate officers, such officers shall be responsible for training local employees.

13. The Corporation's total debts including guarantees shall not at any time exceed three times the amount of its paid-in share capital plus surplus and reserves.

14. The Corporation shall recruit qualified personnel for its operation.

15. The Corporation shall supervise its investments to protect its interests and to enable it to assist its projects to the extent necessary.

16. NIDCS' management shall be responsible for preparing and submitting to the Board an annual programme of action which will include a budget. Such a programme shall, inter alia, show the resources available to the Corporation, a project by project review of activities and proposed investments/loans by the Corporation, the resource gap, if any, and proposals regarding ways and means to close such a gap. The Board shall be informed on a regular basis of progress and/or proposed changes with respect to the annual programme.

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

BOARD OF DIRECTORS

(as of January 1, 1977)

Chairman :	Mr. O'Hagan Ward	Retired Businessman
Directors :	Mr. L. Sithebe	Managing Director, NIDCS
	Mr. J. Nxumalo	Permanent Secretary, Ministry of Finance and Planning
	Mr. H. Nathan	Technical Advisor and Former Managing Director, NIDCS
	Prince Makhungu	Swazi Businessman
	Mr. J. Philips	Managing Director, Barclays Bank Swaziland Ltd.
	Mr. A. C. Donato	Managing Director, Standard Bank, Swaziland Ltd.

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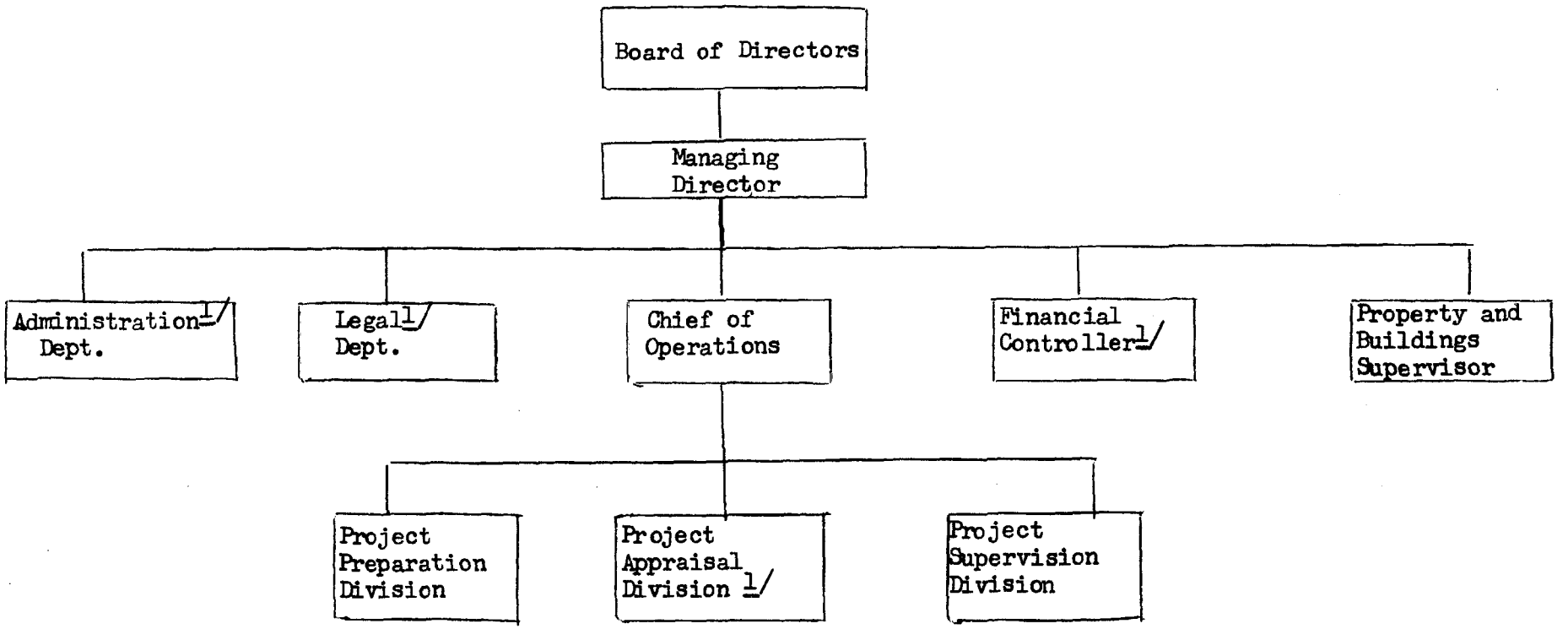
NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION

ORGANIZATIONAL CHART



Professional Staff

Expatriate	:	7
Swazi	:	9
Total	:	16

1/ These Departments/Divisions will also service SEDCO

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

EQUITY AND LOAN PORTFOLIO (in Emalangeni)
As of March 31, 1976

		Activity	NIDCS' Equity		NIDCS' Loan		Remarks
			Outstanding	Holding %	Outstanding	Interest	
1.	Swaziland Commercial Radio (Pty) Ltd.	Broadcasting	7	1.2%	-	-	Profitable Company
2.	Swaziland Laboratories	Chemicals	-	-	67,000	-	Company defunct. Litigation in progress to recover amount.
3.	Swazi Furjoin	Wooden Furniture Manufacturing	20	90%	46,320	10%	Company under NIDCS management. Profit expected in 1977.
4.	Trademark Swaziland (Pty) Ltd.	Wholesalers	1	50%	228,000	10%	Profitable Company.
5.	Swaziland Milling Co. Ltd.	Maize Milling	-	-	619,007	10%	Profitable Company.
6.	Swaki (Pty) Ltd.	Holding Company for Trademark Swaziland & Swaziland Milling Co.	500,000	50%	-	-	Profitable Company
7.	Swaziland National Lottery	Lottery	2,500	50%	-	-	Shares held on behalf of Government. Profitable company.
8.	Mbabane Development Corporation	Commercial Real Estate	70,000	50%	-	-	Profitable Company.
9.	Music Radio (Pty) Ltd.	Broadcasting	7	1.2%	-	-	Profitable Company.
10.	Swazi Feeds (Pty) Ltd.	Animal Feed	15	5%	16,884	11%	Initial Mechanical Problems being resolved.

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EQUITY AND LOAN PORTFOLIO (in Emalangeni)
As of March 31, 1976
(Continued)

		Activity	NIDCS' Equity Outstanding	NIDCS' Equity Holding %	NIDCS' Loan Outstanding	NIDCS' Loan Interest	Remarks
11.	Polyplas (Pty) Ltd.	Plastic Products	1	90%	260,997	10%	Company has history of losses. Management recently assumed by NIDCS
12.	Afritex Swaziland (Pty) Ltd.	Textiles	50,000	33 1/3%	1,035,493	-	Company in liquidation. Amounts may be written off.
13.	Neopac Ltd.	Packaging Materials	20,000	10%	-	-	Profitable company.
14.	NBC Ltd.	Soft Drinks	5,000	40%	68,222	10%	Start-up phase. Company under NIDCS Management.
15.	Swaziland Tractor Project	Agricultural Engineering	-	-	20,000	10%	Company not yet in commercial production. Loan to be coverted to equity.
16.	Knitwear Holdings Ltd.	Textiles	1	33 1/3%	211,277	11%	Profitable Company.
17.	Trio Garment Manufacturers Ltd.	Textiles	-	-	42,581	11%	Profitable Company.
18.	Salora Swaziland Ltd.	TV Assembly	100,000	20%	-	-	Start-up phase.
19.	Pioneer Textiles Manufacturing Ltd.	Textiles	-	-	256,250	10%	Defaulting on interest payments
20.	Swaziland Printing, Publishing Co.	Printing	300,142	100%	-	-	Profitable. Under NIDCS' Management
			1,047,694		2,872,031 1/	-	

1/ This includes the amount of E 87,000 outstanding in Swaziland laboratories and Swaziland Tractor Project which were reported in the FY-1976 balance sheet as debtors.

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

AUDITED INCOME STATEMENTS
(E'000)

	1973 1/	1974 2/	1975 3/	1976 3/
Income				
Interest on Loans	34	63	84	130
Dividend Income	160	120	176	249
Rental Income	24	30	61	133
Other Income	8	1	8	17
Total	226	214	329	529
Expenses				
Interest Charges	169	92	109	178
Administrative Expenses	84	47	85	87
Depreciation	14	21	35	71
Losses on Investments and Guarantees	46	-	-	5
Other	-	-	7	40
Total	313	160	236	381
Profit (loss) before Provisions	(87)	54	93	148
Provisions for doubtful debts	50	-	20	(40)
Other Provisions	65	14	26	1,293 4/
Net Profit (losses)	(202)	40	47	(1,105)

1/ For 16 1/2 months period February 16, 1971 to June 30, 1973

2/ For nine months July 1, 1973 to March 31, 1974

3/ For year ending 31st March.

4/ Includes E1,085,000 provided for against possible losses in Afritex Ltd.

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

SUMMARIZED AUDITED BALANCE SHEETS (as at March 31)
(E'000)

	1973 1/	1974	1975	1976
ASSETS				
Current Assets				
Cash	68	44	53	129
Other	87	89	135	115
	155	133	188	244
Portfolio				
Loans	875	831	1,052	2,785
Equity Investments	502	572	572	1,048
	1,377	1,403	1,624	3,833
Less Provisions	65	79	104	1,434 2/
Net Portfolio	1,312	1,324	1,520	2,399
Land, Buildings and Administrative Assets (Net)	532	653	1,200	1,774
Total Assets	1,999	2,110	2,908	4,417
LIABILITIES & EQUITY				
Current Liabilities	83	140	126	437
L.T. Liabilities				
Kirsh Holdings Ltd.	808	701	603	371
Standard Bank Ltd.	482	373	280	187
Government of Swaziland	468	424	996	2,304
	1,758	1,498	1,879	2,862
Share Capital	230	429	783	2,053
Reserves	(202)	(162)	(115)	(1,220)
	28	267	668	833
Government Grants	130	205	235	285
	158	472	903	1,118
Total Liabilities and Equity	1,999	2,110	2,908	4,417

1/ As of June 30, 1973
2/ Includes E1.08 million provision for Afritex Ltd.

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

PROJECT POSSIBILITIES
(As of August 1976)

Project	Area of Activity	New or Expansion	Ownership	Estimated Project Cost E 000's	Potential NIDCS Financing (E 000's) Equity	Loan	Building	Total	Remarks
Ceramics Project	Table-ware Manufacture	New	Jt Venture	2,400	400	1,000	-	1,400	Final negotations with Israeli partners in progress.
YKK Zip Fasteners	Zip manufacture	New	Foreign	950	-	-	250	250	Project under study.
Fertilizer Project	Nitrogenous Fertilizers	Expansion	Foreign	n.a.	-	1,000	-	1,000	Convertible loan for granulating plant. Highly probable
Swazi Furjoin	Wooden Furniture	Expansion	Swazi	n.a.	25	40	150	215	Company owned by NIDCS. Expansion highly probable.
Tinkabi Tractor Project	Tractor Manufacture	Expansion	Jt Venture	n.a.	200	450	-	650	Commercial production of Tinkabi tractor. Probable.
Pioneer Textiles	*Textiles*	*Expansion*	*Jt Venture*	*n.a.*	-	-	*500*	*500*	*Buildings for 2nd and 3rd stages* of project. Highly probable.
Bakery	Bakery	Expansion	Jt Venture	n.a.	-	-	200	200	Project will acquire & expand three backeries. Highly probable.
Vehicle Assembly Plant	Vehicle Assembly	New	Foreign	n.a.	-	-	500	500	Feasibility Studies underway.
Printing Company	Printing	Expansion	Swazi	n.a.	-	400	-	400	Additional plant for printing. Probable.
Formaldehyde Plant	Formaldehyde & moulding powders	New	Jt Venture	2,300	-	1,000	-	1,000	Project under study. Probable.
Moulding Plant	Melamine Products	New	Jt Venture	n.a.	100	200	-	300	Depends on decision on formaldehyde plant.
Bush Baby Project	Vehicle Assembly	New	Jt Venture	n.a.	250	250	500	1,000	Studies under way. Possible.
Plastic sack project	Plastic sacks	New	Jt Venture	1,000	100	100	300	500	Project being appraised. Possible.
Sawmill Project	Sawmill	New	Jt Venture	1,300	250	400	-	650	Project identified & prepared by NIDCS. Technical and managerial partner being sought.
					1,325	4,840	2,400	8,565	

n.a.=Not Available

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

Assumptions for Financial Projections

1. Investment Approvals

FY1977 and 1978: Based on pipeline of projects
FY1979 - 1981: Investments increase by approximately 10% per annum

2. Investment Commitments

Equity: 90% in year approved; 10% in following year
Loans : 80% in year approved; 20% in following year
Building: 80% in year approved;20% in following year

3. Investment Disbursements

Equity : 100% in year committed
Loans : 70% in year committed; 30% in following year
Buildings: 60% in year committed; 40% in following year

4. Income

Dividends: E 000's	1977	1978	1979	1980	1981
Old Portfolio:	236	278	295	312	373

New Portfolio: 5% in fourth year after commitment and thereafter.
10% in fifth year after commitment and thereafter.

Interest on Loans: 1977: E175,000 on existing portfolio;
E 54,000 on new disbursements
1978-1979: 11.0% on average portfolio
1980-1981: 12.0% on average portfolio

Rentals: E144,000 per annum on existing buildings.
On new factory buildings 13% per annum on costs, commencing a year after disbursements.

Interest on Short-term Investments: E12,000 in 1977; E27,000 in 1978 and 6% on net current assets thereafter.

5. Expenses

Interest charges:	On existing loans based on loan agreements. On new loans average 9% from Government and IBRD and 10% on others.
Administrative Expenses:	E175,000 for 1977; E200,000 for 1978 and increasing by 15% thereafter.
Depreciation:	5% per annum on book value of buildings.
Provisions:	2% on annual disbursements of loans and equity.

6. Resources

Equity: New share capital will be paid-in as follows:
1977: E1,947,117
1978-1981: E1.0 million per year

Loans: **New borrowings will be undertaken as follows:**

IBRD:	FY1978	E4.1 million	9%	Repayment as for sub-loans
KfW	FY1977	E1.0 million	10%	13 years including 3 years grace
Swaziland Government: 1/				
	FY1977	E1,050,000	9%	12 years including 2 years grace
	FY1978	E2,000,000	9%	15 years including 5 years grace
	FY1979	E1,200,000	9%	15 years including 5 years grace
	FY1980	E2,000,000	9%	15 years including 5 years grace
	FY1981	E2,500,000	9%	15 years including 5 years grace

7. Loan Collection

Existing Loans:	E'000	1977	1978	1979	1980	1981
		30	90	235	224	234
New Loans:	10 equal yearly installments with 2 years grace period.					

8. Sale of Investments and Buildings:

None during the period 1977 - 1981

9. Administrative Assets:

To increase by E10,000 in 1978 and E15,000 in 1981

1/ These amounts may be reduced in proportion to new overseas or domestic sources of loans as they are identified.

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

Projected Operations
(In E'000's)

Year ending March 31	1977	1978	1979	1980	1981
Approvals					
Equity	625	700	770	850	930
Loans	1,490	2,350	2,585	2,845	3,120
Buildings	1,050	1,350	1,485	1,635	1,800
Total	3,165	4,400	4,840	5,330	5,850
Foreign Component	2,532	3,520	3,872	4,264	4,680
Commitments					
Equity	563	693	763	842	922
Loans	1,192	2,178	2,538	2,793	3,065
Buildings	840	1,290	1,458	1,605	1,767
Total	2,595	4,161	4,759	5,240	5,754
Foreign Component	2,076	3,329	3,807	4,192	4,603
Disbursements					
Equity	563	693	763	842	922
Loans	864 1/	1,883	2,430	2,716	2,984
Buildings	884 2/	1,110	1,391	1,546	1,702
Total	2,311	3,686	4,584	5,104	5,608
Foreign Component	1,849	2,949	3,667	4,083	4,486

1/ Includes E 30,000 carried over from 1976

2/ Includes E380,000 carried over from 1976

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

Projected Income Statements
(In E 000's)

Year ending March 31	1976 (Actual)	1977	1978	1979	1980	1981
Income						
Interest on Loans	130	229	383	597	911	1,178
Dividend Income	249	236	278	295	312	401
Rental Income	133	144	259	403	584	785
Other Income	17	12	27	23	16	18
Total	529	621	947	1,318	1,823	2,382
Expenses						
Interest Charges	178	244	349	607	831	1,060
Administrative Expenses	87	175	200	230	266	304
Depreciation	71	132	181	242	307	377
Other	45	-	31 2/	-	-	-
Total	381	551	761	1,079	1,404	1,741
Profit (Loss) before Provisions	148	70	186	239	419	641
Provisions	1,253 1/	29	52	64	71	78
Net Profit (Losses)	(1,105)	41	134	175	348	563

1/ Includes E1,085,000 provided for against losses in Afritex Ltd.

2/ Commitment charge on IBRD Loan

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION FOR SWAZILAND

PROJECTED BALANCE SHEETS
In E 000's

As of March 31	1976 (Actual)	1977	1978	1979	1980	1981
ASSETS						
Net Current Assets	(193)	91	379	262	245	101
Portfolio						
Equity Investments	1,048	1,561 1/	2,254	3,017	3,859	4,781
Loans	2,785	2,584 1/	4,377	6,486	8,704	10,937
Buildings (Net)	1,765	2,517	3,446	4,595	5,834	7,159
	5,598	6,662	10,077	14,098	18,397	22,877
Less Provisions	1,434	378 1/	430	494	565	643
Net Portfolio	4,164	6,284	9,647	13,604	17,832	22,234
Administrative Assets (Net)	9	9	9	19	19	34
Total Assets	3,980	6,384	10,035	13,885	18,096	22,369
LIABILITIES & EQUITY						
L.T. Liabilities						
Kirsh Holdings Ltd.	371	236	101	101	-	-
Standard Bank Ltd.	187	100	-	-	-	-
Government of Swaziland	2,304	2,442	4,346	5,282	7,004	9,249
I.B.R.D.	-	-	348	2,087	3,429	3,994
KfW	-	500	1,000	1,000	900	800
	2,862	3,278	5,795	8,470	11,333	14,043
Share Capital	2,053	4,000	5,000	6,000	7,000	8,000
Reserves	(1,220)	(1,179)	(1,045)	(870)	(522)	41
	833	2,821	3,955	5,130	6,478	8,041
Government Grants	285	285	285	285	285	285
	1,118	3,106	4,240	5,415	6,763	8,326
Total Liabilities and Equity	3,980	6,384	10,035	13,885	18,096	22,369

1/ E 50,000 of equity investment and E 1,035,000 of loans in Afritex have been written off from the portfolio. Provisions have been written down by an equivalent amount.

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

PROJECTED CASH FLOW STATEMENT
(in E 000's)

For Year Ending 31st March	1977	1978	1979	1980	1981
SOURCES					
Funds from Operations	202	367	481	726	1,018
Drawdown on Borrowings					
Government	1,050	2,000	1,200	2,000	2,500
IBRD	-	348	1,739	1,342	565
KfW	500	500	-	-	-
	1,752	3,215	3,420	4,068	4,083
Additional Share Capital	1,035 1/	1,000	1,000	1,000	1,000
Collection of Loans	30	90	321	498	751
Total Sources	2,817	4,305	4,741	5,566	5,834
USES					
Investments					
Equity	563	693	763	842	922
Loans	864	1,883	2,430	2,716	2,984
Buildings	884	1,110	1,391	1,546	1,702
	2,311	3,686	4,584	5,104	5,608
Repayment of Loans	222	331	264	479	355
Administrative Assets	-	-	10	-	15
Total Uses	2,533	4,017	4,858	5,583	5,978
Net Cash Flow	284	288	(117)	(17)	(144)
	2,817	4,305	4,741	5,566	5,834

1/ Additional share capital will amount to E 1,947,000 out of which E 912,000 will represent conversion of Swazi Government loans and accrued interest into equity, leaving E 1,035,000 to be paid in cash.

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

ACTUAL AND PROJECTED FINANCIAL RATIOS

	Actual				Projected				
	1973	1974	1975	1976	1977	1978	1979	1980	1981
1. Income Statement Items as % of Average Total Assets									
Gross Income	22.6	13.8	13.1	14.4	11.1	11.2	11.0	11.4	11.7
Less: Financial Expenses	21.5	5.9	4.3	5.0	4.4	4.5	5.1	5.2	5.2
Administrative Expenses 1/	9.8	4.4	5.1	5.4	5.5	4.5	3.9	3.6	3.4
Gross Profit	(8.7)	3.5	3.7	4.0	1.2	2.2	2.0	2.6	3.2
Less: Provisions for loans and investments	11.5	0.9	1.8	34.2	0.5	0.6	0.5	0.4	0.4
Net Profit	(20.2)	2.6	1.9	(30.2)	0.7	1.6	1.5	2.2	2.8
2. Selected Income and Cost Items									
Dividend Income as % of Average equity portfolio	63.7	22.3	30.8	30.7	18.1	14.6	11.2	9.1	9.3
Income from loans as % of average loan portfolio	7.8	7.4	8.9	6.8	8.5	11.0	11.0	12.0	12.0
Cost of debt as % of average total debt	18.3	5.3	6.0	6.7	7.0	7.9	8.5	7.3	8.3
3. Net Profit									
Net profit as % of year end equity	(127.8)	8.5	5.2	(98.8)	1.5	3.4	3.4	5.4	7.0
Net profit as % of average equity	(255.7)	12.7	6.8	(109.3)	2.2	4.0	3.9	6.0	7.8
4. Debt									
Long term debt/equity	11.1/1	3.2/1	2.1/1	2.6/1	1.3/1	1.5/1	1.7/1	1.8/1	1.8/1
Interest and Principal Coverage	-	-	-	-	1.0/1	1.2/1	1.6/1	1.6/1	2.0/1

1/ Including depreciation but excluding loss on investments

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SEDCO: Statement of Policy

OBJECTIVES OF SEDCO

1. The objectives of the company shall be to provide financial and technical assistance to qualified Swazi entrepreneurs to enable them to establish viable manufacturing and, in rural areas, commercial enterprises to allow them to contribute to the economic development of Swaziland. To achieve this end, the company shall be guided by its Board of Directors and policy statement and will:

(i) provide short- and medium-to-long term loans to qualified Swazi enterprises;

(ii) establish and administer industrial estates for use by suitable Swazi entrepreneurs;

(iii) establish and operate a limited number of new manufacturing projects for the purpose of training Swazi citizens in new technical skills and the operation of new businesses with the ultimate objective of selling such projects to Swazi citizens for their ownership and management as enterprises;

(iv) to participate for a pre-determined period in the provision of equity capital (up to 50%) in those commercially viable enterprises with similar objectives as stated in (iii) above;

(v) provide training and extension services to Swazi entrepreneurs.

In addition, SEDCO's operations shall be guided by the following:

2. SEDCO shall finance only financially sound and technically viable projects which also have immediate or potential economic benefits to Swaziland.

3. SEDCO shall not normally invest in any project with total capital cost including buildings and working capital of more than E50,000 and will not invest an amount of more than E20,000 in any project.

4. SEDCO shall normally not finance more than 80% of the project's total capital costs (including buildings and working capital), or E20,000 whichever is less.

5. (a) SEDCO will normally not invest an amount exceeding 25% of SEDCO's net worth (defined as paid in share capital, grants, and accumulated reserve) in the form of equity in any one enterprise;

(b) SEDCO's total equity holdings shall not exceed its own total net worth;

(c) SEDCO shall not normally take more than 50% of the equity of any company or manage enterprises.

6. SEDCO shall normally not undertake refinancing.

7. SEDCO will seek to protect itself against the exchange risks of foreign borrowings.

8. Whenever possible, SEDCO will charge economic rates for its assistance with loans, industrial estate facilities, extension services and training so as to recover as much of its costs as is practicable and generate a reasonable return on its operations.

9. The company shall recruit qualified personnel for its operations. It will give special attention to the training of its Swazi staff so that over time, qualified Swazis may be able to replace expatriate staff.

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THE SMALL ENTERPRISES DEVELOPMENT COMPANY (SEDCO)

BOARD OF DIRECTORS
(As of January 1977)

Chairman	:	Mr. A.R. Shabangu	Undersecretary, Ministry of Industry, Mines and Tourism
Deputy Chairman	:	Mr. L. Sithebe	Ministry of Industry, Mines and Tourism
Directors	:	Mr. A. McGuire	Acting General Manager, Swaziland Savings and Development Bank
		Mr. G.F. Dhlamini	Managing Director, SEDCO
		Mr. E.E. Mamba	Swazi businessman
		Mr. R. Flaye	Representative, Ministry of Finance and Planning

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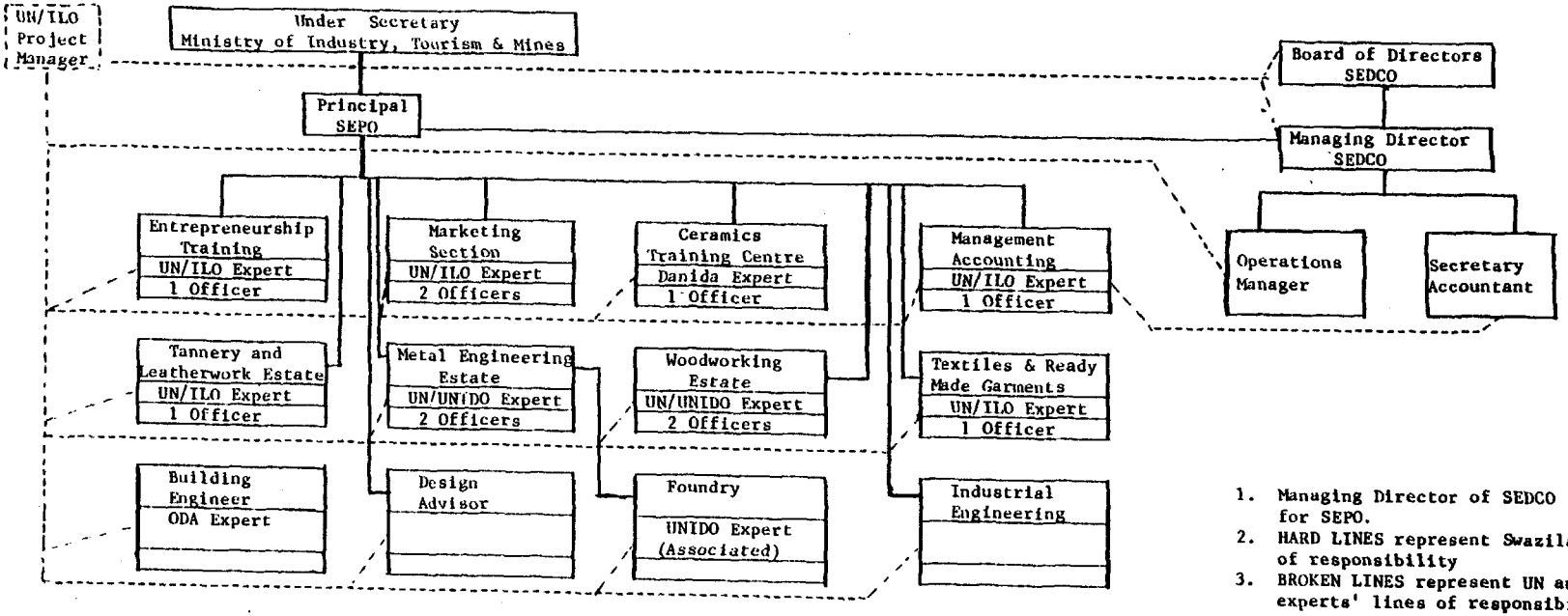
THE SMALL ENTERPRISES DEVELOPMENT COMPANY

PRE-ACQUISITION ORGANIZATION STRUCTURE: SEDCO/SEPO



1. Managing Director of SEDCO also serves as Principal for SEPO.
2. HARD LINES represent Swaziland Government lines of responsibility
3. BROKEN LINES represent UN and other bilateral and experts' lines of responsibility.

UN Experts	7
SEPO Counterparts	10
SEDCO Staff	2
TOTAL	19

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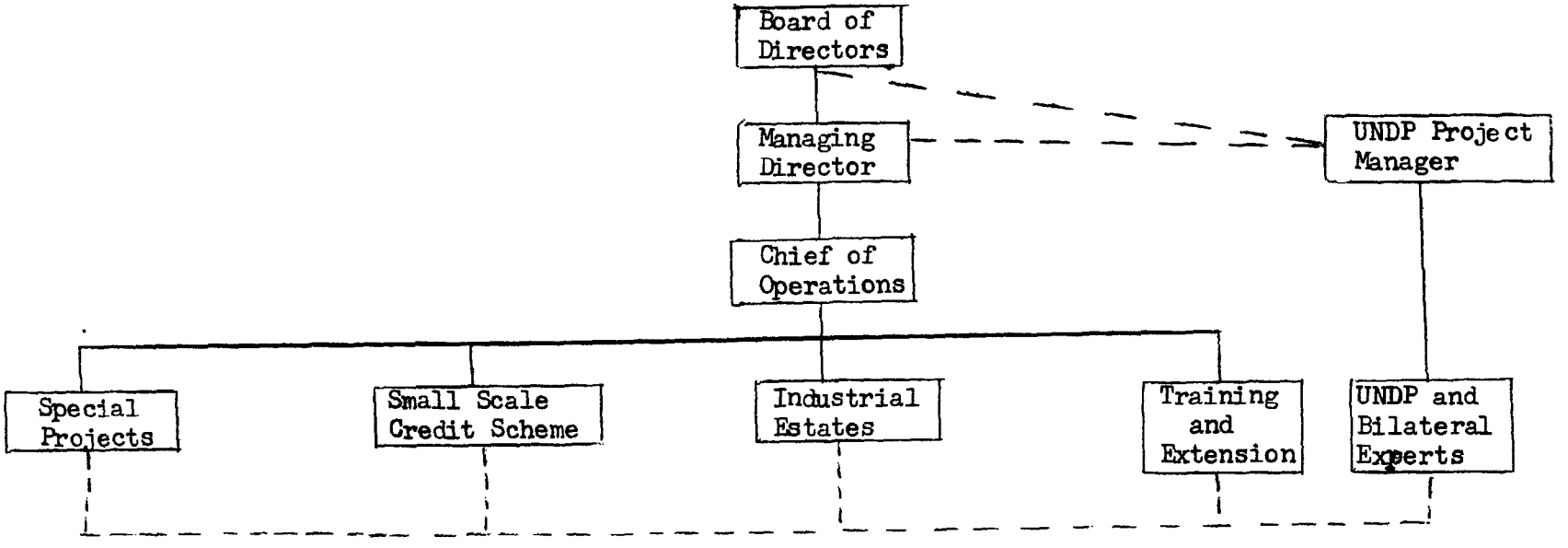
THE SMALL ENTERPRISES DEVELOPMENT COMPANY

POST-ACQUISITION ORGANIZATIONAL STRUCTURE



Notes: 1. Broken lines refer to UNDP/Bilateral experts' line of responsibility

2. Administration Legal, Financial control and credit appraisal services will be provided by NIDCS.

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THE SMALL ENTERPRISES DEVELOPMENT COMPANY

SUMMARIZED INCOME STATEMENTS (AUDITED)
(E 000's)

INCOME	1973 1/	1974 2/	1975 2/	1976 2/
Interest Income	12	-	15	25
Rental & Other Income (Estates)	22	21	23	33
Other	8	1	2	-
	42	22	40	58
EXPENSES				
Administrative Expenses on Estates (including depreciation)	24	25	30	37
Other Administrative Expenses	57	27	34	38
Interest & Bank Charges	5	5	3	-
Bad debts written off	3	3	32	10
	89	60	99	85
Gross Operating Profit (loss)	(47)	(38)	(59)	(27)
Provision for Bad Debts	(139)	(59)	-	10
Net Profit (loss)	(186)	(97)	(59)	(37)
Government Grants	22	39	229	65
Surplus (deficit) Carried forward	(164)	(58)	170	28

1/ For the 21 months July 1, 1971 to March 31, 1973

2/ For the 12 months ending March 31st.

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THE SMALL ENTERPRISES DEVELOPMENT COMPANY

SUMMARIZED BALANCE SHEETS (AUDITED)
(E 000's)

As at March 31	1973	1974	1975	1976
ASSETS				
Current Assets				
Debtors (less Provisions)	135	108	44	22
Others	1	12	224	214
	136	120	268	236
Loans to Associated Companies	-	50	24	32
Investment in Tall oil division	106	-	36	105
Other unquoted investments	21	21	6	6
	127	71	66	143
Fixed Assets (net)				
Land and Buildings	167	173	195	253
Others	2	1	2	24
	169	174	197	277
Total Assets	432	365	531	656
LIABILITIES AND EQUITY				
Current Liabilities				
Creditors	105	17	21	17
Others	113	32	13	-
	218	49	34	17
British Aid Loan	380	380	391	459
Total Liabilities	598	429	425	476
Equity, Grants and Special Funds				
Share Capital	2	2	2	2
Grants from Government	22	61	290	355
Commercial loan fund (Government)	-	160	160	160
SIDA Foundry Fund	-	-	-	46
Total Equity & Quasi-equity	24	223	452	563
Accumulated (losses) profits	(190)	(287)	(346)	(383)
	(166)	(64)	106	100
Total Liabilities & Equity	432	365	531	656

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THE SMALL ENTERPRISES DEVELOPMENT COMPANY

SUMMARIZED CONSOLIDATED 1/ BALANCE SHEETS
(E 000's)

As at March 31	1973	1974	1975	1976
ASSETS				
Current Assets	173	162	293	249
Unquoted Investments	21	21	6	6
Fixed Assets (net)	392	406	471	518
Loans to Associated Companies	-	50	24	32
Total Assets	586	639	794	805
LIABILITIES AND EQUITY				
Current Liabilities	219	43	43	19
L.T. Liabilities	551	726	719	761
	770	769	762	780
Share Capital	2	2	2	2
Grants and Special Funds	-	160	160	206
	2	162	162	208
Accumulated (losses) profits	(186)	(292)	(130)	(183)
	(184)	(130)	32	25
	586	639	794	805

1/ Consolidated with the accounts of the Tall oil division

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THE SMALL ENTERPRISES DEVELOPMENT COMPANY

PROJECTED INVESTMENTS AND ASSUMPTIONS FOR FINANCIAL PROJECTIONS

1. Projected Investments (E 000's)

	1977	1978	1979	1980	1981
Fixed Assets					
Industrial Estates	120	150	150	-	-
Joint Venture Projects	154	100	-	-	-
Equipment and Tools	50	30	-	-	-
Sub-total	324	280	150	-	-
SSE Credit Scheme	75	120	150	200	200
	399	400	300	200	200
Others					
Overseas Training	20	30	30	30	30
Marketing Assistance	30	30	30	30	30
Bookkeeping Service	-	20	20	-	-
Research Section	-	40	40	-	-
Building Section	5	5	5	-	-
Sub-total	55	125	125	60	60
Total	454	525	425	260	260

Details

(i) Industrial Estates: the projected investments are for expansion of SEDCO's existing nine industrial estates and for the construction of a new estate at Mutjane, 15 kilometers north of Mbabane.

(ii) Joint venture projects: these are projects to be financed by the Swedish Government for the training of Swazi entrepreneurs. The projects under consideration are ruler manufacturing and glass manufacturing.

(iii) Equipment and Tools: Proposed investment would add to the equipment and loose tools pool available for rental to Swazi entrepreneurs.

(iv) SSE Credit Scheme: the amounts represent projected commitments of loans to small enterprises.

(v) Overseas Training for SEDCO Staff: to supplement on-the-job training for SEDCO's local counterpart professional staff, it is intended to send them to fellowships overseas entailing programs designed to meet their specific needs.

(vi) Marketing Assistance Section: the budgeted investments will be used by members of the marketing section to exhibit products of SEDCO-assisted entrepreneurs at one major international trade fair each year.

(vii) Bookkeeping Service: the projected investment will be used to establish a special section within SEDCO's Management Accounting advisory unit, to provide bookkeeping services to SEDCO assisted entrepreneurs.

(viii) Research Section: SEDCO plans to establish a unit to conduct research into development of new and improved products for small enterprises to manufacture. The amount projected here will be used for equipment, materials and salaries.

(ix) Building Section: the projected investments will be used for equipment and training materials for the building section.

2. Income

Interest	:	8% p.a. on loans granted in 1977 10% p.a. on loans granted from 1978-1981
Rent	:	10% p.a. on original cost of development of infrastructure and buildings.
Purchasing Service	:	Income increases by E2,000 p.a. on 1976 base of E10,000
Other	:	5% of interest rental and purchasing service incomes

3. Expenses

Interest Charges : 9% p.a. on average outstanding balance of IBRD loan.

Estates Expenses :
(a) Depreciation is 2 1/2% p.a. on buildings
(b) Salaries and Wages increase by 10% p.a. on 1976 base of E 13,000
(c) Repairs and maintenance are 2 1/2% p.a. on original cost of buildings
(d) Other expenses increase by 10% p.a.on 1976 base of E 14,000.

Administration of SSE Credit Scheme
(a) Salaries and wages are E 25,000 in 1977; E 30,000 in 1978 and increase by 5% p.a. thereafter.
(b) Other expenses increase by 10% p.a. on 1976 base of E 6,000.

Provisions : 10% of annual disbursements under SSE credit scheme.

4. Resources

Loans : E260,000 from IBRD to be committed for SSE Credit Scheme for 1978 and 1979. Repayment over 10 years with 4 years grace.

E420,000 from British Government. Interest free and repayable over 25 years with 7 years moratorium. To be used for building and expansion of industrial estates.

E 80,000 from the Danish Government (DANIDA) to be used for purchasing of equipment and tools for rental. Interest free with repayment over 35 years with 10 year moratorium.

Grants : E254,000 from the Swedish Government (SIDA) for special joint venture projects.

E142,000 from the Swaziland Government for onlending under the SSE credit scheme (1977-1981)

E675,000 from the Swaziland Government to finance training and technical assistance activities (1977-1981)

5. Other Assumptions

Disbursement of SSE Loans : 80% in year approved, 20% in following year.

Repayment of SSE Loans : loans outstanding as at 31st March 1976: over three years.

New Loans: average of five years with a one year moratorium.

Loans to Associated Companies : Balance outstanding at 31st March, 1976 will be repaid over 4 years.

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THE SMALL ENTERPRISES DEVELOPMENT COMPANY

PROJECTED INCOME & EXPENDITURE STATEMENTS
(E 000's)

Year ending March 31	1977	1978	1979	1980	1981
A. Income (loss) on Credit Scheme					
1. Interest Income	10	17	23	33	44
2. Less: Interest Charges	-	2	7	13	19
3. Provisions	8	10	14	19	20
4. Net Income (loss)	2	5	2	1	5
B. Income (loss) on Industrial Estates					
1. Rental Income	39	54	69	69	69
2. Purchasing Service Income	10	12	14	16	18
	49	66	83	85	87
3. Less Depreciation	10	14	17	17	17
4. Administrative Expenses	40	46	53	53	53
5. Net Income (loss)	(1)	6	13	15	17
C. Other Income	3	4	5	6	7
D. Total Income (loss) on Commercial Operations A4 + B5 + C	4	15	20	22	29
E. Administrative Expenses of Credit Scheme	31	37	39	42	45
F. Net income (loss) D + E	(27)	(22)	(19)	(20)	(16)

NOTE:

The Government of Swaziland will pay directly for the annual operating expenditures of the training and technical assistance schemes. The expenditures are expected to average about E50,000 per annum over the 5 year period, and are not reflected in these financial projections.

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THE SMALL ENTERPRISES DEVELOPMENT COMPANY

PROJECTED BALANCE SHEETS
(E 000's)

As at March 31	Actual 1976	Projected 1977	1978	1979	1980	1981
ASSETS						
Net Current Assets	197	158	220	266	266	266
Portfolio						
SSE Credits Outstanding	111	149	193	266	393	492
Less: Provisions	(89)	(97)	(107)	(121)	(140)	(160)
	22	52	86	145	253	332
Loans to Associated Companies	32	24	16	8	-	-
Unquoted Investments	111	111	111	111	111	111
	165	187	213	264	364	443
Fixed Assets						
Land & Buildings (Net)	253	363	499	632	615	598
Others	24	74	104	104	104	104
	277	437	603	736	719	702
Total Assets	639	782	1,036	1,266	1,349	1,411
LIABILITIES & EQUITY						
L.T. Liabilities						
U.K. Government	459	579	729	879	879	879
NIDCS/IBRD	-	-	48	117	179	244
DANIDA	-	50	80	80	80	80
	459	629	857	1,076	1,138	1,203
EQUITY, GRANTS & SPECIAL FUNDS						
Share Capital	2	2	2	2	2	2
Government Grants	515	515	563	593	634	647
SIDA Grants	46	46	46	46	46	46
	563	563	611	641	682	695
Accumulated Surplus(Deficits)	(383)	(410)	(432)	(451)	(471)	(487)
	180	153	179	190	211	208
	639	782	1,036	1,266	1,349	1,411

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THE SMALL ENTERPRISES DEVELOPMENT COMPANY

PROJECTED CASH FLOW STATEMENT
(E 000's)

Year Ending March 31	1977	1978	1979	1980	1981
SOURCES					
Cash from Operations	-	2	12	16	21
Drawdown on IBRD Loan	-	48	69	62	65
UK Government Loan	120	150	150	-	-
Swazi Government Grants	-	48	30	41	13
DANIDA Loan	50	30	-	-	-
Collection of SSE Loans	37	52	71	63	101
Loans to Associated Companies	8	8	8	8	
	215	338	340	190	200
USES					
Operating Cash Deficits	9	-	-	-	-
Disbursements of SSE Loans	75	96	144	190	200
Investment in Industrial Estates and Tools	170	180	150	-	-
	254	276	294	190	200
Net Cash Flow	(39)	62	46	-	-

NOTE:

This statement excludes cash inflows from SIDA grants and special Swazi Government grants which are used for special joint venture projects and for development of new training and technical assistance schemes.

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THE SMALL ENTERPRISES DEVELOPMENT COMPANY

PROJECTED CASH FLOW STATEMENT FOR CREDIT SCHEME
(E 000's)

Year ending March 31	1977	1978	1979	1980	1981
INFLOWS					
Drawdown on IBRD Loan	-	48	69	62	65
Drawdown on Government Grants	-	48	30	41	23
Collection of Loans	37	52	71	63	101
Interest Income	10	17	23	33	44
	47	165	193	199	233
OUTFLOWS					
Loan Disbursements	75	96	144	190	200
Interest Charges on IBRD Loan	-	2	7	13	19
	75	98	151	203	219
Net Cash Flow	(28)	67	42	(4)	14
Cumulative Cash Flow	(28)	39	81	77	91

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NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND

ESTIMATED SCHEDULE OF DISBURSEMENTS

IBRD Fiscal Year and Quarter	Cumulative Disbursements at at End of Quarter (US$ '000)		
1978	NIDCS	SEDCO	TOTAL
March 31, 1978	400	55	455
June 30, 1978	900	75	975
1979			
September 30, 1978	1,400	95	1,495
December 31, 1978	1,900	115	2,015
March 31, 1979	2,400	135	2,535
June 30, 1979	2,800	150	2,950
1980			
September 30, 1979	3,181	169	3,350
December 31, 1979	3,562	188	3,750
March 31, 1980	3,944	206	4,150
June 30, 1980	4,225	225	4,450
1981			
September 30, 1980	4,356	244	4,600
December 31, 1980	4,487	263	4,750
March 31, 1981	4,594	281	4,875
June 30, 1981	4,700	300	5,000

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