Financing and Investing in Mitigation Actions in West Africa

June 5th, Accra
SOVEC Ambitions & Philosophy

SOVEC- Venture Capital Fund investing in Small & Medium Enterprises (SMEs) in Africa

- to alleviate poverty
  - by creating employment opportunities in SMEs

- to stimulate local entrepreneurship
  - entrepreneurs for entrepreneurs / SMEs
  - capital/expertise/network

- to mobilize capital to invest in development
  - investment instead of charity (trade not aid)

- to combine good social and financial returns

“A better world is our bottom line”
SOVEC Approach: 2 pillars

1. Local partnership
   - Crucial for local knowledge and day to day support
   - Fidelity and Oasis

2. Entrepreneurs for entrepreneurs (E4E)
   - Not only money, also expertise/experience/network
   - In specific industry or field of expertise
   - Ad hoc, pragmatic approach

- Pillars prove key success factor
  - Young economy needs experience
  - New technologies provide opportunities for quantum leap
    - Mobile communication
    - Internet
    - Sustainable energy

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Why Africa?

- From “lost continent” to new “emerging market”
- Huge demand for new systems, products, services
- Telecommunication and other hi-techs provide opportunities for quantum leap
- New generation of young entrepreneurs developing rapidly
- Significant need for inflow of capital and experience

That mobile phone use is growing faster in Africa than anywhere else shouldn't come as much of a surprise, given a moment's thought. Only 6 per cent of African citizens owned a mobile phone in 2004, so as prices drop (and low-cost phones made for the developing world come to market), there's a huge potential market available. In Asia, North America and Europe, conversely, mobile phone use approaches saturation, so any remaining growth will be far slower.

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Why Ghana?

The Last Emerging Markets: From Asian Tigers to African Lions?

- Political stability: 4th consecutive fair election
- Good economic development: 6-7%
- Business climate open for investments
- Cultural fit
- Good Partners

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Why SMEs?

- SMEs engine of local economy and society
  - create employment opportunities
  - drive innovation
  - pay tax
  - provide stability

- Strong need for capital to fund business activities
  - significant and growing demand
  - limited financial resources
  - modest investment sums
  - great impact

- “young” economy
  - modest experience with growth model
  - dynamic & entrepreneurial spirit
  - practical support adds value
    - experience
    - network

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Why Venture Capital?

- Fills gap between micro-credit (MFI) and traditional banking
  - significant demand for “missing middle” financing
  - credit crisis further restricts banking capabilities

- Effective tool to stimulate economic development
  - business vs. charity
  - Partnerships

- Relatively new phenomenon in developing countries
  - attractive opportunities available
  - little competition (yet)

- Managed by professionals with VC or related background
  - local partnership

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SOVEC Status May 2012

- Total Fund size €6 million
  - Pilot Fund to test the Venture Capital model for SMEs
  - Private Investors with Entrepreneurial Background
  - Total capital committed 90%

- Investments
  - 1 Fund Management Company
  - 2 Investment Funds
  - Direct Investments in sectors Health, Education, Housing and Hospitality

- Next steps
  - Expand with the same business model.
  - Include focus on clean energy projects and companies
  - Roll out into neighbouring countries

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Why does clean energy investing fit from here

- It is a priority sector as of 2013 for Ghana and other W-African countries:
  - Ghana feed-in tariff is turning point
  - Basic institutional reforms are taking place
  - Other W-African countries to be tested

- Focus on low hanging fruit to build a market place
  - Preference for existing companies for the delivery
  - Many existing technologiers can be scaled up
  - Several successful business models are emerging

- Financing of growth now becomes relevant:
  - Introducing Venture Capital for growth of SMEs.
  - Introducing Project Financing for commercial Renewable Energy / Energy Efficiency Applications

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How does clean energy fit in

- Indicative pipeline focus
  - Real Estate in urban areas (solar electricity, solar water heating, biogas)
  - Industrial use (biomass, biogas, solar electricity)
  - Institutional users, i.e. hotels, boarding schools (biogas, solar electricity and water heating)
  - Cooking-solutions: efficient cookstoves and LPG
  - Exploring hydropower and wind energy

- Now building pipeline:
  - Educating and training real estate developers in current portfolio to include RE/EE in their projects.
  - Engaging SOVEC network of real estate and clean energy investors to support current portfolio.
  - Initial screening of investments opportunities.
What is needed to fit clean energy in

Nationally Appropriate Mitigation Actions:

1. Implementation of robust financial mechanisms e.g. feed-in tariffs
2. Long lasting supporting policy measures, such as in
   – Independent energy regulation
   – Supportive policy for clean energy for rural and urban applications
   – Clean Energy policy that supports electricity, cooking, transport and productive use
   – Private sector development
3. Smart subsidies to defray the development costs of projects and new business models up to operational start

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Thank you for your interest

For further enquiries please contact us

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