



SOVEC

Social Venture Capital

"A better world is our bottom line"

Financing and Investing in Mitigation Actions in West Africa

June 5th, Accra

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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

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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
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- 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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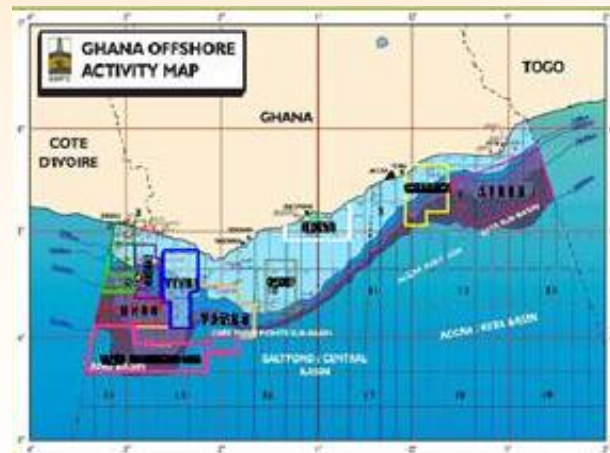




Why Ghana ?

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 technologists 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 windenergy
- 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.

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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



Thank you for your interest

***For further enquiries
please contact us***

SOVEC Management BV

Amsterdam (NL)

+31 20 6732818

www.ovec.nl

Paul van Aalst

paul@ovec.nl

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