VentureBuilder:
A New Approach to Building Off-Grid Electrification Businesses in Africa

Presentation for UNF’s EAPN webinar:
‘Support required for locally-owned small and medium energy access enterprises’

December 2018
The problem: >120 mn African households without electricity today; achieving SDG 7 by 2030 will require a vast departure from usual

Source: Catalyst Off-Grid Advisors / Shell Foundation; Achieving SDG 7 – The Need to Disrupt Off-Grid Electricity Financing in Africa
Advances in off-grid solar technology have presented a remarkable opportunity to break away from business as usual.

Dramatically lower costs and ‘pay-as-you-go’ financing models have made solar systems affordable for many rural African households.

And funders have reacted strongly, with hundreds of millions now being invested annually into off-grid solar businesses.

...But there remains a big problem: a striking lack of greenfield distribution activity outside of East Africa

Only a few off-grid energy distributors operating at scale (serving over 20K customers) in a few markets; all foreign owned

Market concentration in Uganda, Kenya, and Tanzania → rest of Africa relatively untapped

Incumbent vertically-integrated PAYG businesses have struggled to scale into new markets, underscoring the importance of local-customer and market expertise

Our solution: VentureBuilder – patient capital and tailored Enterprise Development Services for high-potential local distributors

1. **Focus on local entrepreneurs with deep market knowledge & experience**
   - **Market failure:** large funders focus on vertically-integrated firms that lack the local expertise required to succeed in new markets
   - **VentureBuilder solution:**
     - Partner with locally-owned and -managed distributors
     - Invest in strong management teams that understand their customers and market
     - Support local talent with EDS focused on systems, processes, and capital

2. **Best-in-class PAYG & BoP distribution expertise, combined with deep industry networks**
   - **Market failure:** typical funders lack capacity to offer non-financial support
   - **VentureBuilder solution:**
     - Assemble team of leading experts with strong industry connections
     - Provide advisory support and strategic intros for PAYG & BoP distribution
     - Partner best-in-class HW & SW players with high-potential local distributors to accelerate growth

3. **Long-term, business building approach with focus on EDS investment**
   - **Market failure:** investor goals often mismatched with those of early-stage firms
   - **VentureBuilder solution:**
     - Offer a patient, long-term investment horizon, with additional support from PAYG & SME development experts
     - EDS, provided both pre and post-investment to build OpCo capacity in strategy, technical, and operations areas, enhancing returns to VB

4. **Flexible financing grows with business needs**
   - **Market failure:** early-stage firms too small to attract serious investors
   - **VentureBuilder solution:**
     - Blended finance approach provides distributors with access to affordable human & financial capital
     - VB partners with distributors when financing needs are small and can follow-on with larger investments
**Growth plan:** Starting with 3 initial markets, but targeting entry into new countries with the some of the highest access deficits in Africa

- **Demonstrate the model**
  - Initial focus: Nigeria, Benin & Burkina Faso
  - 9 months of DD → evaluating 3 finalists for investments

- **Finalize first investments**

- **Scope big new market**

- **Further expansion into high access-deficit markets**

- **Goal of 7-10 OpCo investments by 2022**
**Projected impact:** VentureBuilder will demonstrate an approach to scaling energy access across Africa, putting SDG 7 within reach

**Our mission:** VentureBuilder (VB) will unlock the off-grid solar market across Africa using a bottom-up approach to building a portfolio of new solar pay-as-you-go (PAYG) businesses targeting off-grid households.

By 2022, VB aims to build a portfolio of OpCos that:

- Operate at scale in **ten** countries across Sub-Saharan Africa
- Deliver **>1 million** connections
- Reduce GHG emissions by **0.5 mn** tons annually
- Directly impact the lives of **> 5 million** Africans
Learn more about VentureBuilder:

- [www.catalystoffgrid.com/venturebuilder/](http://www.catalystoffgrid.com/venturebuilder/)
- [https://nextbillion.net/african-owned-off-grid-energy/](https://nextbillion.net/african-owned-off-grid-energy/)