



SOUTHERN AFRICA PRIVATE EQUITY ROUNDTABLE

20th October 2010

Agenda

- Private Equity in Africa
- Genesis of Private Equity in Botswana
- Objectives of CEDA
- Overview of CVCF
- Introduction of CEDA's captive fund
- Why PE in Botswana
- Economic indicators
- Attracting PE to Botswana

PE in Africa

- Africa represents 23% of the world's landmass
- Combined population of 1 billion people
- Combined, African GDP is 6th in the world
- Africa's average growth rate is between 5-6%
- Today, 40% of investment is concentrated in RSA, where 10% of the African population resides.

Genesis of PE in Botswana

- Business in Botswana previously relied on Commercial banks to fund their operations
- Start up relied on 3F's (Family, Friends and Fool) for finance.
- Resulted in funding gap
- Government realized the gap and introduced the CEDA scheme

Objectives of CEDA

- CEDA is state owned enterprise set up in 2001
 - Set up to stimulate development and investments in the SME Sector
 - Primary through provision of subsidized loans, monitoring and mentoring
 - Loans resulted in highly geared businesses
 - In 2003 introduced CEDA Venture Capital Fund CVCF

Objectives of CEDA

- Government's objective in establishing CVCF
 - to provide for risk capital/equity finance which was lacking on the local
 - Stimulate participation of private sector and institutional investors in the asset class
 - Act as a base case for private equity in Botswana

Overview of CVCF

- Government provided seed capital of P200million (USD33million)
- Structure of CVCF
 - Seed provide through a vanilla type instrument to a MANCO. (Private Equity Firm)
- Single country, general fund
- CVCF invested in expansions, acquisitions, turnarounds with the majority of its portfolio comprised of start-ups
- By the end of 2009 the Fund had created over 1000 jobs

Introduction - CEDA's Captive Fund

- By 2007 CVCF was fully invested
- Funding gap still existed
- CEDA introduced a captive venture capital/private equity fund to bridge
- Evergreen fund
- Non sector specific
- 3-7 year horizon to exit

Why PE in Botswana

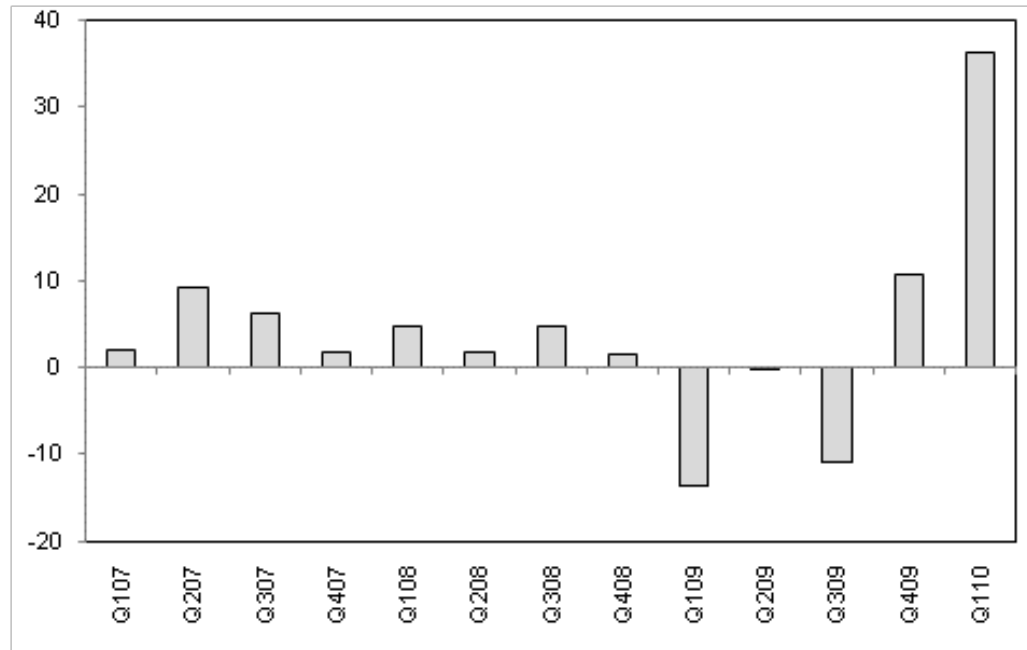
- Available funds locally
 - Insurance Institutions
 - Pension Funds
 - Asset Managers etc
- Low Country risk
- No exchange controls
- Gateway to SADC and the rest of Africa
- Investment Incentives
- PE will stimulate the growth of local capital markets and a home for liquidity in the market.

Broad economic indicators

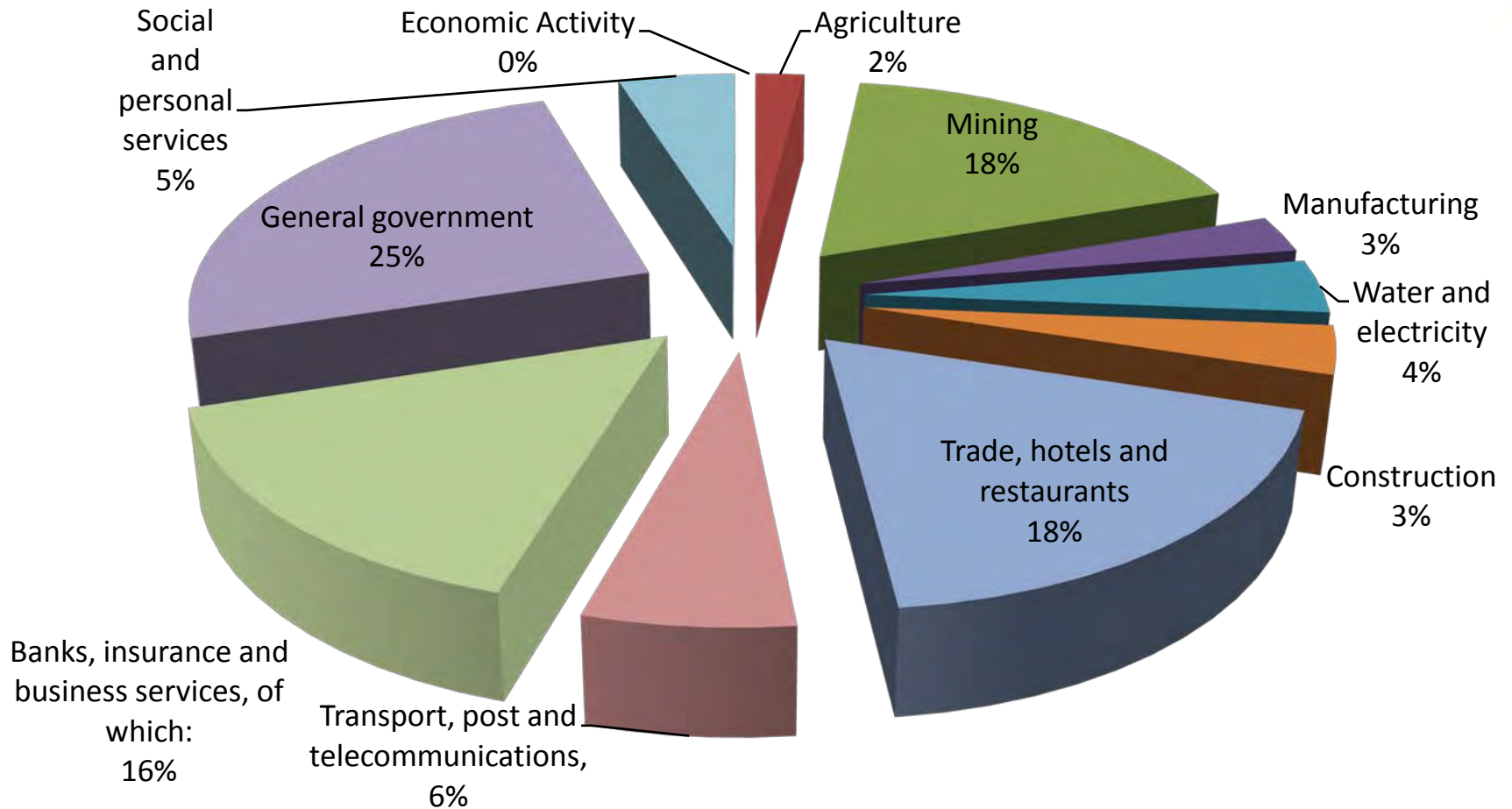
- Botswana economy is forecast to expand by approximately 5% in real terms in 2010 driven predominantly by a recovery in diamond exports.
- Botswana's recovery continues at a pace with data from the central statistics office showing that the economy expanded by 36.4% in real terms in Q110 compared with Q109 performance.

Economic indicators

Botswana - Quarterly Real GDP Growth,
% change quarterly



Botswana GDP



Attracting PE to Botswana

- Promulgation of a sound regulatory environment
- Appropriate Institutional framework
- Attractive Incentives
 - Tax breaks
 - Bilateral tax treaties
- Infrastructural development
- Corporate Governance



Thank You!

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