



## Finance Feature: Grupo ECOS



- **Regional focus:** Latin America
- **Sector focus:** Sustainable Development, including sustainable forestry, renewable energies, waste management, environmental services.
- **Investment size/type:** USD\$0.5 – 3 million, private equity
- **Web:** <http://grupoecos.com/>

### Four Questions for CEO Andreas Eggenberg:

*At a time when it seems the conventional wisdom is that larger companies offer the possibility of more attractive returns, why make SMEs the focal point of your investment strategy?*

SMEs are the backbone of development in each economy, even more so in the Latin American region. Whereas investments in SMEs can be riskier in some ways, the potential rewards are also higher if the investment is accompanied closely by the investor, who acts not only as a financial partner, but also as a coach and door opener. In addition to the expectation of economic returns we have like any other investor, obviously a responsible investor such as Grupo ECOS is also aiming to contribute to the development of the societies we are operating in.

*Similarly, what competitive advantage do you see in selecting environmental sectors as investment criteria?*

The climate change debate has escalated to a point where the world cannot ignore these alarming facts any longer. We need to develop and market solutions that bring economic development in alignment with the concern for the natural resources we have at our disposal. It is the classical sustainable development objective which has existed for at least 20 years, but unfortunately has been gaining momentum only recently.

*In what ways has being on the business side of the finance equation influenced your approach to investment?*

Obviously, an investor needs to have some financial and analytical skills. However, an investment cycle does not end with the cash transfer. On the contrary: that is the starting point, and from then on, business, entrepreneurial and executive experience are key in order to successfully coach an investment in its pursuit of growth and returns.

*What overall trends do you see in sustainable SME finance, and where would you envision this space being in twenty years? What role will Grupo ECOS have played in this vision?*

Tough question. Twenty years is a long horizon. As mentioned before, the concept of sustainable development existed for twenty years, before it gained some broader momentum within traditional business circles. But now we have aroused the interest of such larger circles, and we have to start learning to play by the rules these circles are used to. The more professional our SME investments and the more focused the growth plans that are implemented, the more attractive SMEs will become to traditional investors. But in the end it won't be the individual investment, which will set the trend, but macro figures, such as: How many SMEs of a certain portfolio are still in operation after a certain period of time? How many of them have grown according to their business plans? How many of them have implemented a successful exit strategy? If Grupo ECOS can contribute with individual investments at the micro level that can make the macro statistics look convincing enough to attract additional investors, then we have contributed to the positioning of SMEs as driver of development of any given economy.

*Written by Derek Newberry, World Resources Institute ©2007 – The Rising Ventures Series features articles, announcements and profiles of investors and entrepreneurs related to the theme of innovative small and medium businesses (SMEs) in emerging markets that deliver social and/or environmental benefits. These business models have been identified through the New Ventures project ([www.new-ventures.org](http://www.new-ventures.org) / [www.nextbillion.net](http://www.nextbillion.net)). To view other Features in the Series, visit <http://www.new-ventures.org/risingventures>.*