

CROWD POWER

Success & Failure:
The Key to a
Winning
Campaign



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EXECUTIVE SUMMARY



This report is intended to offer campaign-makers and potential campaign-makers, working in the off-grid energy space, with the tools and knowledge to develop a successful crowdfunding campaign. We identify trends common to successful energy access related campaigns (measured as reaching the campaign target) across donation, reward, debt and equity crowdfunding. The report explores success across three broad stages; choosing the right platform and passing platform due diligence, managing a successful campaign period and implementing campaign goals, as well as long run success of the entity raising funds from the crowd. Our research has found that successful campaign makers explore and plan across all three areas, and do not simply focus on the 'campaign-live' period. While the report is intended for campaign-makers, those working with early-stage companies via incubators or other facilities will likely find this informative, as well as those wanting to learn about energy access related crowdfunding in general.

Our analysis of energy access campaigns identified a number of archetypes across donation, reward, debt and equity campaigns. Donation crowdfunding campaigns generally fall within one of three categories:

- the partnership model, for recurring fundraisers, where the platform helps bring the crowd,
- a one-off fundraiser, which tends to be a larger campaign for a specific purpose, or
- a personal or community fundraiser, where individuals or communities raise funds for a particular cause.

The partnership model is the most commonly used to raise donations from the crowd for energy access related projects for non-profits via platforms such as GlobalGiving. We have seen the one-off fundraiser model utilized successfully by social enterprises in Kenya via the M-Changa platform. One-off fundraisers are often used to raise 'donation seed capital' or 'quasi-equity' from the founders' network – this is donation capital, however it is utilized in much the same way as seed capital.

Successful energy access reward campaigns tend to fit one of two models and either:

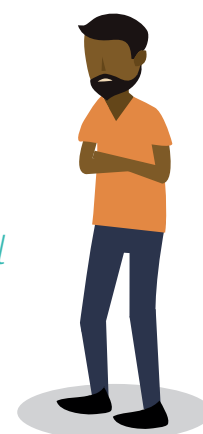
- bring together network contributions, from family and friends, and the founders' broader network, or
- raise funds through a high profile 'mega-campaign' targeting a broader audience.

Evidence indicates that the aggregation of contributions from the founders' network is a successful way of raising small amounts of seed capital (of up to around \$50,000) for start-ups with a well-developed international network. Successful mega-campaigns are much more difficult to emulate and few examples exist. These campaigns are generally high profile and well promoted, and have led founders and other industry stakeholders to mistakenly believe the success can be replicated with ease. In reality, few companies have a novel enough product that appeals to Western backers, as well as high-profile international social and/or donor networks, to garner success.

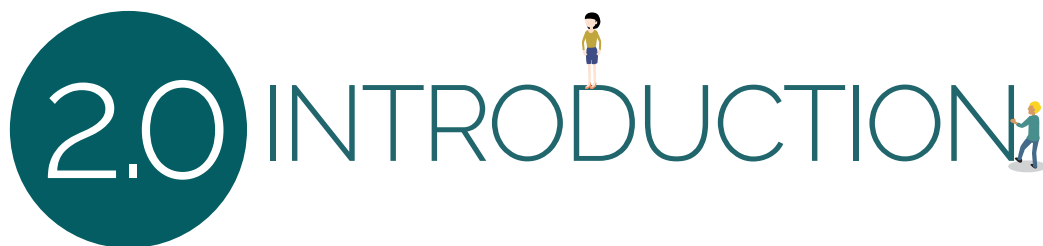
Debt campaigns have the highest success rates, in terms of percentage of loans posted that are funded, of all campaign types. Microloan debt, via the Kiva platform, has traditionally dominated energy access debt crowdfunding, although SME loans are now a quickly growing component of energy access crowdfunding. The four debt platforms we surveyed, offering SME loans, funded 100% of the energy access loans that were posted on the platform.¹ However, it is important to consider the rigorous and onerous due diligence process completed by these platforms, which likely weeds out potentially unsuccessful campaigns. Most microloan platforms operate on a partnership basis, and while partners (such as micro-finance institutions) are responsible for vetting all loans posted to the platform, platforms are responsible for conducting due diligence on their partners.

There have been seven energy access related equity crowdfunding campaigns from 2012 to 2017, which makes it difficult to identify trends across the space. All campaigns we identified have successfully reached their targets, although we expect the number of companies that were rejected by platforms upon application is high. The leading equity crowdfunding platform globally, Crowdcube, accepts around 10% of entrepreneurs onto their platform.² Bespoke regulatory frameworks which address equity crowdfunding are only just emerging in many advanced economies, and there is currently no bespoke regulation of equity crowdfunding in Africa, hampering growth.

Debt campaigns have the highest success rates, in terms of percentage of loans posted that are funded, of all campaign types.



2.0 INTRODUCTION



Crowd Power: Success & Failure – The Key to a Winning Campaign is the third report in a series of five research papers on crowdfunding for energy access in Sub-Saharan Africa and Asia. This report explores the key processes and considerations involved in creating a successful crowdfunding campaign.

The report examines the various layers of success – from choosing the right platform, managing the campaign, and implementing campaign goals – and is designed to guide campaign makers, and potential campaign makers, through the crowdfunding process.³ The report begins by examining the different components of success – beyond simply reaching a campaign target – to provide a holistic picture of the various components that contribute to a successful campaign.

The following sections examine each campaign type – donation, reward, debt and equity crowdfunding – in more detail. We identify fundraising trends across the four campaign types, examine the onboarding and due diligence process for various platforms, provide tips for formulating and managing a successful campaign, and consider longer-term success and sustainability. Each of the sections on donation, reward, debt and equity crowdfunding includes an interview with a venture that successfully raised funds via that specific campaign type.

The report includes a brief section on failure, to identify the main reasons that campaigns do not meet their targets. We also provide an update on the status and progress made during the Crowd Power programme, and the campaigns we have supported along the way. The report is designed to guide entrepreneurs, non profits and social enterprises working in the energy access space, that are considering crowdfunding, on the best approach to engaging with crowdfunding. We also hope to provide clarity on what is required to launch a successful campaign, so those considering crowdfunding can clearly identify their strengths and weaknesses – and whether they are in fact ready to begin a campaign.

As we have pointed out previously, data on energy access crowdfunding is limited and that there is no single data source. This report was formulated with survey data from our platform partners – GlobalGiving, M-Changa, Pozible, Kiva, Lendahand, TRINE, bettervest and Crowdcube – that was compiled and analysed by Energy 4 Impact. We also aggregate available industry data from the Cambridge Centre for Alternative Finance, Crowdsurfer and Energy 4 Impact. We also examined relevant academic literature in the context of each crowdfunding type. Other data was obtained through interviews with various social enterprises and non-profits launching campaigns, and through our work supporting off-grid energy businesses on the ground in Kenya, Tanzania, Rwanda, Uganda, and Senegal. It is important to note that while the data captured here does include relevant projects in Asia, our understanding of energy crowdfunding in Asia is not as comprehensive as our understanding of the African market.



WHAT IS CROWD POWER?

Crowd Power is a programme funded by UK aid and run by Energy 4 Impact. It was set-up with the intention to fund and research energy access related crowdfunding. We have a research and innovation budget of \$1 million to support various donation, reward, debt and equity campaigns. We have supported 100 campaigns in 28 countries in Sub-Saharan Africa and Asia, across nine platform partners – GlobalGiving, M-Changa, Indiegogo, Pozible, Kiva, TRINE, Lendahand, bettervest and Crowdcube.



WHO IS ENERGY 4 IMPACT?



Energy 4 Impact is a non-profit organisation working with local businesses to extend access to energy in Africa, impacting the quality of life for millions of people. We believe that businesses can offer the best solutions to lack of access to energy – one of the most pervasively debilitating aspects of poverty that holds back sub-Saharan Africa's development.

For businesses to grow and markets to expand, certain resources need to be in place, and in much of the developing world they are hard to come by: technology, skills, delivery networks and capital. Our activities are designed to help businesses overcome these gaps, and so to flourish, build markets and expand energy access in the form of energy-efficient cookstoves, briquettes, solar lighting and home systems, biogas and mini-grid electrification.

We work in East and West Africa and operate from regional offices as well as our head office in London. Energy 4 Impact, formerly known as GVEP International, was registered as a UK charity in 2007. It evolved from a partnership between the World Bank, UNDP and other bi-lateral donors, launched at the World Summit for Sustainable Development in Johannesburg, South Africa in 2002.

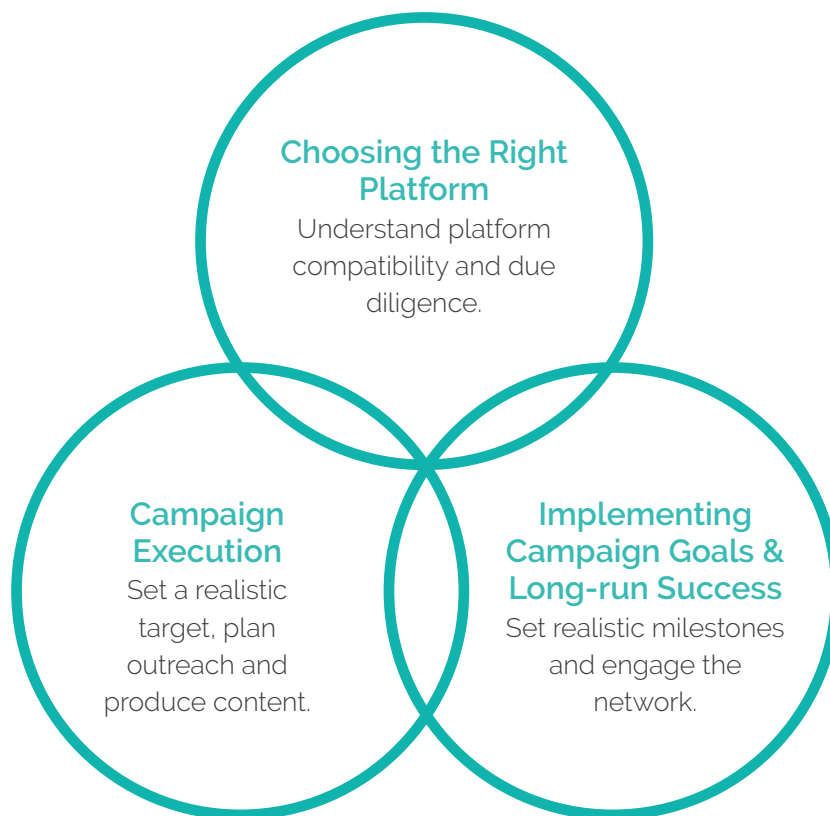


THE LAYERS OF SUCCESS



Successful crowdfunding is not simply about uploading a campaign, reaching the target, and cashing the proceeds. There are several layers to success including making it through the platform due diligence process, planning the launch of a campaign, executing the live campaign, and implementing the campaign goals. Campaign-makers should also consider the impact of crowdfunding in their overall vision and goals for the organization or project, while keeping in mind that the long-run success or failure of the venture will be all the more public for those that utilise crowdfunding.

The Layers of Success for Crowdfunded Ventures and Projects



These 'layers' are in fact interconnected, playing out concurrently – this is not a linear box ticking process, campaign-makers need to fully explore the big picture before launching a crowdfunding campaign. For example, a campaign-maker looking to launch

a reward campaign⁴ should consider how they can deliver the reward from a financial, logistical and human resources perspective; and be sure not to over-promise and under-deliver in their quest for capital. The cost of the reward, its delivery, and timing

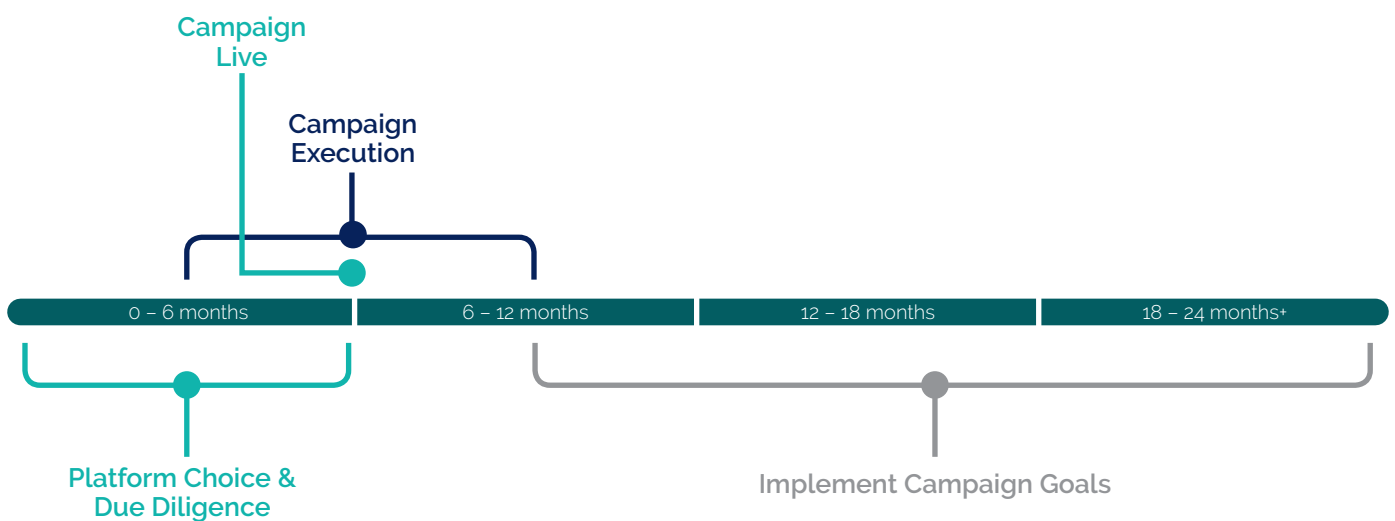


of production and shipping, should be considered. Almost all crowdfunding platforms give disgruntled backers a voice, so managing expectations and ensuring long-term viability is important from a brand and reputation perspective.

Often campaign-makers focus exclusively on the Campaign Execution phase, without considering that a crowdfunding campaign will likely require resources for 3 – 6 months prior to launch: to identify the right

platform, to pass due diligence or meet best practice recommendations, and to prepare for the campaign period. The campaign itself will usually be live for 1 to 3 months. However, implementing campaign goals, contacting backers, reporting milestones, and repaying loans (where applicable) can continue for several years. Thus, crowdfunding success should be considered over the long run rather than simply satisfying a short-term funding need.

The Process of Creating a Successful Campaign – Plan, Raise, Implement



The following section is intended to provide campaign-makers with tools to thoroughly consider the process of crowdfunding from idea inception, through to implementation of campaign goals. Many campaign-makers already have a clear idea of the type of funds they want to raise. Early stage companies wanting to raise seed capital of \$10,000 – \$50,000 will often opt for a reward campaign to formalise fundraising from family and friends, whereas companies with a proven track-record, existing investors, and their own intellectual property may turn to equity crowdfunding.

For those in the early stages of exploring crowdfunding, and for those who would like a better understanding of the decision making process, the interviews and case studies in this report should be useful. This report is intended to provide guidance to campaign-makers on the most appropriate form of crowdfunding for their project or venture. Once the platform type has been narrowed down and potential platforms have been identified, you can begin to work through the layers of success – Platform Due Diligence, Campaign Execution, Implement Campaign Goals, and Long-term Viability and Success – to best prepare for a successful crowdfunding experience.

Dominant Crowdfunding Models

Model		Description	Who brings the crowd?	Relevant platforms
Donation				
1	Partnership model	For non-profits wanting to supplement income through recurring campaigns; detailed onboarding and due diligence process	Platform / campaign-maker	GlobalGiving
2	One-off fundraiser	For non-profits/social enterprises raising funds for a specific goal or initiative	Campaign-maker	StartSomeGood Chuffed
3	Personal fundraiser	For individuals/communities raising funds on behalf of a charity or for a personal cause	Campaign-maker	mycause GoFundMe
Reward				
1	Aggregate network contributions	Formalise contributions from family and friends/network	Campaign-maker	Indiegogo, Pozible, Kickstarter, Generosity (non-profits)
2	Mega-campaign	Rare, high profile campaigns, raising funds for development of new technology	Campaign-maker / platform (via trending page)	Indiegogo, Pozible, Kickstarter
Debt				
1	Microloan debt	Loans to entrepreneurs, typically originated via MFIs – usually around \$500 per campaign	Platform	Kiva, Zidisha, Milaap
2	SME loans	SME loans, typically working capital debt to companies pre-vetted by platform – usually upwards of \$50,000 per campaign	Platform	TRINE, bettervest, Lendahand, Kiva DSE
Equity				
1	Equity	Raises investment capital from a range of platform members, as well as the company's network	Platform / campaign-maker	Crowdcube, FundedByMe, Oneplanetcrowd

Top 10 Platforms for Energy Access Campaigns

Platform	Number of Campaigns	Amount Raised (\$)	Platform HQ	Platform Type
Kiva	4,000	2,500,000	USA	Debt (Microloan debt)
bettervest	5	1,100,000	Germany	Debt (SME loans)
Lendahand	16	650,000	The Netherlands	Debt (SME loans)
TRINE	8	490,000	Sweden	Debt (SME loans)
Kickstarter	2	85,600	USA	Reward
Indiegogo	12	84,200	USA	Reward
Catapooolt	2	61,500	USA	Reward
The Footprints Network	7	37,200	Australia	Donation
Benfeitoria	2	36,900	Brazil	Reward
kitabisa	2	32,000	Indonesia	Donation

Source: Aggregated data from TAB and Energy 4 Impact, 2016

3.1 DONATION CROWDFUNDING

Donation crowdfunding is where the campaign-maker asks a large number of contributors to contribute small amounts of money to fund a particular project, initiative or venture. Contributors do not get their money back or receive a reward in return, and may be driven by altruistic motives or a personal connection. It is widely used by the non-profit sector to raise

funds, and is regularly used as a fundraising tool for individuals and institutions. There are also a number of platforms that support social enterprises to raise seed capital, or funds for a specific project. There are several donation crowdfunding platform models to be aware of.

Dominant Donation Crowdfunding Models

	Model	Description	Relevant platforms
1	Partnership model	For non-profits wanting to supplement income through recurring campaigns	GlobalGiving
2	One-off fundraiser	For non-profits/social enterprises raising funds for a specific goal or initiative	StartSomeGood Chuffed
3	Personal fundraiser	For individuals/communities raising funds on behalf of a charity or for a personal cause	mycause GoFundMe

The **partnership model** is well suited to charities and grassroots organisations operating in developed or developing countries, to raise funds on an ongoing basis in order to supplement income, or to raise funds for a number of specific initiatives. TAHUDE Foundation, a grassroots organisation operating in rural Tanzania, joined GlobalGiving in 2015, and raises around 35% of its annual budget (~\$40,000) on the platform – with the remaining funds raised via grants and other donations. Their work includes purchasing solar lanterns and water filters for school children. Donation crowdfunding allows grassroots organizations to attract capital from contributors they would not be able to access without the connection afforded by the platform partnership.

One-off fundraisers are, in many ways, comparable to reward campaigns, minus the reward. For a social enterprise, this may be a campaign of \$40,000 to raise seed capital from family and friends, and their extended network. Funds are usually for a specific purpose such as building a prototype, conducting a technical trial, hiring staff, and/or market testing. Contributors are usually driven by a personal connection to the founders. M-Changa, a Kenyan platform, appears to be one of the only donation platforms engaged in raising donation seed capital of this type for social enterprises; although we see this as an area of potential growth. For charities, one-off fundraisers are an important fundraising tool to raise money in response to natural disasters or for a specific initiative.

Personal fundraisers are usually for an individual cause, such as medical bills, or personal fundraisers on behalf of a charity, such as running a marathon to raise funds for a charity. There are currently few examples of energy access related charities or ventures utilizing this type of fundraising, however it could potentially be used to mobilise individuals to raise funds for a charity focused on the energy access space.

3.1.1 Choosing the Right Platform

Crowdfunding platforms that operate on a partnership basis, and those that are suitable for one-off fundraisers, are most likely to fit the needs of those raising funds for energy access related projects. Partnership platforms operate in a similar way to partnership based debt platforms like Kiva. Grassroots organisations and charities become affiliated with a platform, typically through a comprehensive due diligence process, and can then raise funds from the crowd. These partner organisations can then raise funds for a number of years. On GlobalGiving, the most active donation platform in the energy access space, the average time from the first and last campaign by a partner is two years. Platforms suitable for one-off fundraising campaigns by projects and social enterprises often operate in a similar way to reward platforms. They usually have lower levels of due diligence because they rely less on their members to fund projects – campaigns are typically funded by the campaign-makers network.

Partnership-based platforms rely on their supporters to fund projects through micro-donations, in addition to leads generated by the grassroots organisation. The platform really 'brings the crowd' to the campaign, so they need to ensure the integrity of the organisations and projects they endorse. These platforms typically support charities so one of the essential prerequisites for partners is official charity status and relevant registration in the country/ies of operation. Due diligence conducted on charities is not dissimilar to that conducted by investors; platforms and donors will want to view the charity's financials, legal documentation and status, long-term strategy and sustainability, as well as the management team and referees. The following section gives an example of the due diligence process conducted by GlobalGiving in the process of onboarding.

Partnership-based platforms rely on their supporters to fund projects through micro-donations, in addition to leads generated by the grassroots organisation. The platform really 'brings the crowd' to the campaign, so they need to ensure the integrity of the organisations and projects they endorse.



SAMPLE DUE DILIGENCE PROCESS GLOBALGIVING



Non-profits apply via GlobalGiving online application form.



Documentation requirements for non-profits outside of the US/UK include:

1. Programme Materials

To demonstrate the organisation's work, such as annual reports, brochures or news reports.

2. Certificate of government registration

Showing the organization is registered as a charity in the country of operation.

3. Two years of financial statements and a current year budget

Showing sources of income as well as expenses.

4. Founding document (with dissolution clause)

Such as a Constitution, Articles of Association, Memorandum of Understanding (MOU), signed by a government agency and/or Board Members.

5. Letter of reference

From a supporter of the organization such as a funder, partner organisation or community leader.

6. Names of senior staff and board members



GlobalGiving also evaluates the organization's capacity to implement activities and communicate regarding their work. They also research the organization's relationship with previous funders and ensure the organisation is compliant with anti-money laundering guidelines and international guidelines for philanthropy.



GlobalGiving also looks to the crowd during their vetting process – they ask organisations to partake in an Open Challenge during which they must raise around \$5,000 from 40 donors in a specific time period. They also look to the crowd to review and nominate non-profits, and by collecting community stories.



Once the organization becomes a member of the GlobalGiving community they must submit quarterly project reports, which include activities, accomplishments and results of the project to-date. These reports are shared with donors so supporters can see how their donation is utilized.



GlobalGiving conducts full due diligence on partner organisations every two years, including a personal visit to the organization by a GlobalGiving representative.

Donation platforms that do not operate on a partnership basis typically have a more fluid due diligence process. Campaign-makers can upload their campaign materials, which are checked by platform staff and an algorithm to recommend improvements and identify irregularities. Depending on the platform and quality of the campaign, this process can take anywhere from a few minutes to a number of reviews over several months. Unsurprisingly the better the quality of the campaign – the story and the people behind the project, the outreach strategy, and the campaign video – the faster the due diligence process. Some platforms, like StartSomeGood, refuse to launch 'incomplete or poorly constructed projects'.⁵ Most platforms require some kind of identity verification process, either through a credit card or payment facility and/or by providing identification. Some platforms may also require legal documentation demonstrating charity status and have the functionality to badge campaigns that have been verified, which could increase chances of success. In the following section we will outline the key components of creating a quality campaign and materials to ensure a smooth campaign vetting process and to increase the likelihood of reaching the campaign target.

3.1.2 Reaching Campaign Target

It is difficult to obtain data on success rates – measured by reaching the campaign target – as some donation platforms allow campaign makers to withdraw funds even when the target is not reached, while others operate on an all-or-nothing basis and if the target is not reached the campaign-maker does not receive any of the funding raised. While some platforms may count a 'successful' campaign as one that has raised anywhere between 1% to over 100% of

the target (or 'stretch goal', if the target is increased over the course of the campaign), others will only count campaigns that have raised 100% or more of their target. For this reason it is difficult to compare funding 'success rates' across platforms. It is important for campaign-makers to consider if the platform takes a flexible or all-or-nothing approach when choosing the platform. In each case, setting a realistic target will be crucial to reaching the campaign goal, which will be particularly important for all-or-nothing platforms.

On partnership platforms the platform usually guides partners through the fundraising process and will encourage partners to set a goal in line with the organisation's network, while also considering contributions from new donors via the platform. Campaigns on GlobalGiving, a flexible platform, raised an average of \$9,000 per project. StartSomeGood on the other hand, an all-or-nothing platform, has an average campaign size of \$10,000. Kenya-based M-Changa, another flexible platform, has an average campaign size of \$269. What does this tell us? The target should be in line with the crowd's capacity to donate. Several studies,⁶ using data from reward platforms, show us that the size of the target is inversely related to success so that campaigns with higher targets have a lower chance of success. During the Crowd Power programme we have seen first hand that the majority of campaign donors are affiliated with the organization raising funds; this was particularly noticeable for start-ups raising seed capital. The following section provides a breakdown of our learnings on the various aspects of a successful campaign. Projects and ventures raising funds through a one-off campaign may also find the Reward section useful.



Students at Gongali Primary School, Tanzania. TAHUDE Foundation has raised \$34,854 on GlobalGiving, including a Crowd Power supported campaign providing 1,000 solar lanterns to school children

It is important to keep donors engaged and to demonstrate progress – you never know when you may need to call on their support again and preliminary data suggests that lack of communication is one of the main sources of complaints from donors.



HOW TO DEVELOP A STRONG DONATION CAMPAIGN

As we mention in the introduction to this section, raising capital from the crowd can be a long process. The process of identifying an appropriate platform, passing due diligence, and finally launching and closing a campaign, can often take 6 months. Below are some tips on formulating a donation campaign, devising the campaign strategy, and preparing campaign materials. While this section is relevant to charities working with platforms on a partnership basis, this is most helpful for organisations and ventures looking to raise funds for a one-off project.



The Story

Begin by articulating the campaign storyline. Start by identifying the problem that will be addressed through your intervention, work, product or project. Give specific details of the problem, including the country you will work in and the population you will be targeting. Showcase the people behind the project – who they are, how they will ensure the project is successfully implemented. Once you have mapped the story – through discussions with colleagues, staff or partners – and have clearly articulated the vision in a presentation or document, it is time to refine the financing need.



The Target

Reaching the campaign target will be largely dependent on your network and their capacity to donate. The campaign target should also keep in mind two things, firstly that lower campaign targets are correlated with higher success rates, and secondly the real financing need. The financing ask may need to be revised so that it is in line with the size of the network and the capacity of donors. The financing ask for campaign-makers with a well-established global network may be \$10,000 to \$30,000, but it is important to do a thorough projection of donors and expected donation to set a realistic target. We have generally found that 'known' donors make up at least 50% of all donations, and quite often 90% to 100% of donations will come from family and friends, and the campaign-makers network. For this reason, campaign-makers need to drive the success of the campaign by mobilizing donors through their outreach strategy. The 'crowd' does not magically appear; it must be steered to your campaign through outreach and quality campaign materials, although partnership-based platforms support campaign-makers to find backers.



The Video

The video will be the most integral component of campaign materials, and should be shaped by The Story and reflect The Target (above). Campaign videos often follow a similar sequence to that in the first bullet – they describe the problem, the solution proposed, the team behind the project or idea, and show clearly how funds will be spent and the results that will be achieved. The solution and results should be tangible so that donors have a clear idea of where their money is going. For example, if the campaign is raising money to build a community minigrid you should include information on the number of households and/or businesses that will benefit from the project, as well as the exact location of the minigrid and footage of the community. The narrative in the video should provide a really clear picture to the donor of exactly how the funds will be utilised and who is behind the project – both the implementers and the beneficiaries. You should also consider including planned milestones and when they will be completed. Crowdfunding videos are typically 2 to 3 minutes in length and should provide a cohesive and holistic view of the project; it is also a good idea to include a shorter "teaser" video of 30 to 45 seconds that can be shared on social media.



Outreach Strategy

Once the campaign vision is articulated and the videos (full length and teaser) have been prepared it is time to start formulating the campaign outreach strategy. This is the plan to engage with your supporters in the lead-up to and during the campaign period. Successful campaign makers often tell us that they had formulated all their social media posts prior to launching the campaign, and had begun reaching out to donors – personally rather than via group emails – in the month preceding the campaign. They had lined up a number of big donations around the launch of the campaign to build momentum early, which could be leveraged to reach out (via 'status updates') with their network. Outreach planning should also include reaching out to media outlets, alumni networks, relevant publications and organisations, as well as family and friends, and your broader network. Keep in mind that communication should be personalized and responses to questions on the campaign should be fast.



TOP 3 TIPS FOR SUCCESS FROM DONATION PLATFORMS

We asked Crowd Power platform partners what are the top 3 things that successful campaigns on their platforms have in common?



M-CHANGA

KYAI MULLEI, CO-FOUNDER

- 1. Use multiple channels to reach out to donors including social media, personal phone calls and WhatsApp**
- 2. Ask many people to support their campaign including family and friends, colleagues, and their broader network**
- 3. Delegate the role of spreading the fundraiser to many people including friends and others in their network**



GLOBALGIVING

ELEANOR HARRISON OBE, UK CEO

- 1. Clear charity status in the country of registration, under the law of that country**
- 2. Clear financial documents showing the past two financial years plus a clear budget for the financial year ahead**
- 3. Clarity of purpose, evidence of programmes and references**

3.1.3 Implementing Campaign Goals & Success into the Future

Many campaign-makers are focused on short-term financing needs and do not properly consider implementation of campaign goals nor that 'failure' becomes very public once you utilise crowdfunding – both campaign success, implementation success, and long-term success. One of the benefits of donation crowdfunding compared to reward crowdfunding is that campaign-makers can focus on the implementation of the project and will not be distracted by the process of manufacturing, acquiring or shipping rewards – nor do they have to incur the expense. Nonetheless, those running a donation campaign should have a clear understanding of the timeline and cost of implementation so that milestones can be reached in line with the commitment on the campaign page. It is important to keep donors engaged and to demonstrate progress – you never know when you may need to call on their support again and preliminary data suggests that lack of communication is one of the main sources of complaints from donors.⁷ Donors can usually be

updated via the campaign page, and will receive automated updates via the platform. You may also be able to access and utilize donor emails (check the platform's Terms and Conditions) to reach out to them with quarterly updates, including images and progress updates.

Potential campaign-makers should consider the short, medium and long-term viability of the organization or project before launching a campaign. While a crowdfunding campaign may successfully reach its target, if the capital raised is used to prop up a waning organization that fails in the short to medium term donors may be resentful, and particularly so if the project funds have not been utilized in accordance with the campaign milestones. While the campaign may be for a particular organization or project, an individual usually creates a campaign on the platform (for identification purposes). The individual/s launching the campaign should be mindful of the potential reputational risk that could eventuate from failure to deliver or failure of the project over the short to long term.



KEY POINTS – DONATION CROWDFUNDING

- There are three main donation crowdfunding models: platforms that operate a partnership model, those that are suitable for one-off fundraisers, and those that support personal fundraisers.
- The most relevant models to energy access are the partnership model, suitable for non-profits wanting to supplement their income through various campaigns across the year, and the one-off fundraiser, suitable for raising funds for early stage start-ups and one-off projects.
- Due diligence varies platform by platform; partnership platforms tend to have a more rigorous vetting process than platforms that are more suitable for one-off fundraisers.
- Partnership platforms typically 'bring the crowd' whereas platforms suitable for one-off fundraisers act as a host and the onus is on the campaign-maker to attract donors.
- The probability of reaching the campaign target decreases as the campaign target increases so campaigns with higher targets are less likely to reach their target.
- Successful campaigns depend on strong campaign materials, including a video, and thorough outreach planning is essential to the attracting funding to the campaign.

DONATION CROWDFUNDING Q&A – KENYA GREEN SUPPLY



Kenya Green Supply (KGS) has developed a solar powered device that allows direct access to Internet providers and digital television subscription services. They provide individuals, families and businesses living in rural Africa with access to information and entertainment. KGS is focused on hardware, software, distribution and financial innovation to serve off-grid customers with the latest technologies in a way that is affordable and sustainable. KGS was founded by Marielle Fillet from the US and Kevin Musila from Kenya in 2013, after they met at a youth leadership conference in Johannesburg, and is based in Nairobi.

KGS launched their first crowdfunding campaign in 2016 on the Nairobi based M-Changa platform and raised over \$30,000.

Q Give us an idea of where the business was at when you decided to launch the campaign on M-Changa.

At the time we had received feedback from our chosen factory in China that the prototype design would not work as a mass-manufactured product. We needed to hire an industrial designer to create factory blueprints for the final product. We were able to secure an industrial designer in the United States, and were quoted \$25,000 to complete the project – so we knew we needed to fundraise!

Q Why did you decide to launch a crowdfunding campaign?

After speaking to E4I about some options, our Advisor came up with the M-Changa crowdfunding platform as a way of securing the money we needed to move forward. Given the amount we required, we decided to seek \$15,000 from the crowd, which would be matched by UK aid to provide the \$30,000 we needed to get our product to market.

Q Why did you choose the M-Changa platform?

M-Changa actually worked well as a platform versus some of the other, more widely known platforms like Kickstarter and Indiegogo as a lot of our donors ended up being in the United States and Europe. We were pitching the idea of selling a product in Africa to Africans so when potential donors could see the idea on an African platform the donors knew that they were directing their money into the continent and boosting another African homegrown business – M-Changa makes money from transactions and traffic on the site.

Q How did the campaign go? What did you learn from the experience?

Our campaign overall went well. We had a strong push towards the end from friends and family in the United States, without whom we would not have been able to achieve our goal. What we learned ultimately was that many people that we were reaching out to locally, in Kenya, did not have the funds to make the larger donations that we needed. So gaining outside reach was critical. You can now see so many other platforms popping up which operate along the same lines – like TRINE – raising money in Europe and the United States for projects and businesses in Africa, where those dollars and euros go so much further towards making an impact.

Q What were you able to achieve with the funds raised?

We ended up spending about \$20,000 on industrial design, \$5,000 on prototyping in China, and about \$5,000 on administrative costs associated with all of our activities. We have now refined the design of our product and are ready to begin production so we can start commercial sales.

Q What's next for Kenya Green Supply? How would you go about raising funds next time?

It's now about building the company from the ground up and fundraising for our seed round. We hope to raise money from private investors and donors who want a stake in our business and are ready for the challenges ahead. Markets are highly competitive and customers want a value proposition that makes sense.

3.2 REWARD CROWDFUNDING

Reward crowdfunding is, in many ways, similar to the one-off fundraiser described in the donation crowdfunding section. Reward campaigns are generally used to raise funds for a specific project or objective, such as establishing a community minigrid or manufacturing a new technology. Start-ups may use reward crowdfunding to raise funds for R&D, prototyping or manufacturing; it is often used to raise funds for proof of concept. Reward crowdfunding can be a way of raising early stage seed finance for start-ups, where few commercial or grant capital opportunities are available. Non-profits and other community organisations typically use reward crowdfunding to fundraise for a particular project or initiative. The crowd offers a contribution and receives a non-monetary reward in exchange. Rewards range from a physical product, such as the technology being developed (e.g. solar phone charger) to goodwill gestures, such as a company t-shirt, or printing donor names on the organisation's website or a plaque at a project site.

There appear to be two distinct reward campaign types, which are often reflected in the type of reward offered. The first type is campaigns that are used to formalise and aggregate contributions from family and friends, and their broader network. The campaign-maker 'brings the crowd' to their campaign through outreach and personal relationships. These campaigns tend to raise \$10,000 to \$50,000, and are used by start-ups to raise seed capital and by non-profits to raise funds for a specific community project. Rewards tend to be symbolic, such as a t-shirt with a logo or printing the backer's name on a plaque. The second campaign type, the one that attracts the most hype and publicity, is often based around the development of a new and novel technology. These tend to be high profile campaigns that raise \$100,000 to \$400,000, and offer backers the new technology (or new products and services utilizing that technology) as a reward. While outreach and quality campaign materials are integral to the success of these campaigns, funders are often far removed from the campaign-makers direct network. Energy-access related campaigns of this type have reached their targets through intensely managed outreach and publicity via social media, bloggers and media outlets.

Dominant Reward Crowdfunding Models

	Model	Description	Relevant Platforms
1	Aggregate network contributions	Formalise contributions from family and friends/network	Indiegogo, Pozible, Kickstarter, Generosity (non-profits)
2	Mega-campaign	Rare, high profile campaigns, raising funds for development of new technology	Indiegogo, Pozible, Kickstarter

3.2.1 Choosing the Right Platform

Many reward platforms operate on a host basis, acting as an open platform or marketplace for campaigns, and make few interventions beyond general advice on effective campaign materials and outreach strategy. This advice is often standardised and available via the platform website. Reward platforms tend to provide little in the way of bespoke advice, although some platforms have teams that review campaigns pre-launch to provide guidance. Platforms like Indiegogo also employ algorithms to identify irregularities and detect fraudulent campaigns. Reward platforms are

often light touch, with little formal due diligence, leaving campaign creation and execution up to the campaign-maker. For most reward platforms, the vetting process is focused on the identity of the individual campaign-maker. Platforms use government-issued identification, bank accounts, credit cards, and financial accounts (e.g. Stripe, PayPal) to verify the identity of campaign-makers. Many platforms also limit the jurisdiction of campaign-makers to ensure they can verify the campaign-maker's identity to reduce risk to funders.

While some tout crowdfunding as a force in the democratization of fundraising, in reality fundraising on crowdfunding platforms is limited to individuals, start-ups and non-profits with a specific profile. Many reward platforms limit the countries from which campaigns can originate and require a physical address and/or a bank account from specific countries – usually in North America or Europe. Platforms also request credit card verification and PayPal or Stripe (online payment processor) account verification. The very fact that fundraising occurs

online and that the campaign is self-crafted – which implies literacy, education, and knowhow – means that crowdfunding is still largely the domain of the world's privileged. This trend is most prominent in the reward and equity crowdfunding markets. Some reward platforms, like Pozible, have tried to remove some of these barriers by opening up the platform to campaign-makers globally and providing more bespoke advice during the campaign construction and review phases, as well as providing the functionality for over twenty currencies.

The very fact that fundraising occurs online and that the campaign is self-crafted – which implies literacy, education, and knowhow – means that crowdfunding is still largely the domain of the world's privileged.



WHAT DO YOU NEED TO LAUNCH A REWARD CAMPAIGN?

1. Nationality and Residential Address

Requirements

Kickstarter is the only platform that restricts the nationality of campaign-makers, although many platforms require a residential address and/or bank account from a set of specific countries – mostly in North America and Europe. Ulule, Pozible and KissKissBankBank are open to individuals from around the world; although fundraisers on Ulule do require a EU domiciled bank account.

2. Project Country Restrictions

Most platforms are country agnostic with the exception of Kickstarter which only accepts projects from their eligible countries.⁹ Indiegogo has a shortlist of embargoed countries, but is otherwise agnostic. Pozible, Ulule and KissKissBankBank accept projects from all over the world.

3. Bank Account Requirements

Indiegogo, Kickstarter and Ulule all require campaign-makers to have bank accounts domiciled in North America or Europe. Pozible provides jurisdictional flexibility, but campaign-makers must have a bank account. KissKissBankBank allows for transactions outside Europe via PayPal.

4. Government ID

All platforms require identification to verify the funds recipient and as part of anti-money laundering and counter-terrorist financing (AML/CTF) compliance. Kickstarter requires a government ID issued in the country that the project is based in. Indiegogo requires a government ID issued by one of their eligible countries.⁹

5. Credit Card or Stripe/PayPal account

Project creators on Kickstarter require a major credit or debit card. Indiegogo requires all fund recipients to be verified through their payment processor Stripe. Interestingly, Indiegogo allows campaign-makers to complete various optional verification processes – via ID, email, Facebook, and LinkedIn. Nonprofits must complete additional verification information to display 'Nonprofit' status on their campaign page, including tax ID and legal registration.

Reward Platform Requirements

	Indiegogo	Kickstarter	Pozible	Ulule	KissKiss BankBank
1. Restricts nationality	✓	✓	✗	✗	✗
2. Restricts project country	✓	✓	✗	✗	✗
3. Restricts bank account	✓	✓	✗	✓	✗
4. Government ID required	✓	✓	✓	✓	✓
5. Credit card/Stripe/PayPal account verification	✗	✓	✗	✗	✗

Start-ups and non-profits considering reward crowdfunding should consider the jurisdiction of their potential backers as some platforms are not as agnostic as others. While many platforms have the flexibility to fundraise in various currencies, brand recognition does differ from country to country so although a platform may be able to list the campaign in your local currency the platform may not be well recognized in the market. For example, French crowdfunding platform Ulule has a team based in various European cities and has functionality for various currencies including the Australian dollar and New Zealand dollar, although the Ulule platform

brand may not be as well known as Australia based platforms such as Pozible. Therefore potential campaign-makers should look beyond currency functionality and understand brand penetration in their fundraising market. We have found that even ubiquitous platforms like Indiegogo and Kickstarter can be less effective for non-English language crowds. Several energy access projects have fundraised using local platforms like Ulule and KissKissBankBank in France and Oneplanetcrowd in the Netherlands, which largely reflects the home country of the founders.

Platform Currency Functionality

Reward Platform	Fundraising Currencies	Countries/Regions Also see payment restrictions
Indiegogo	USD, CAD, GBP, EUR, AUD	Over 200 countries and territories; excluding embargoed nations of Iran, Syria, Cuba, North Korea, Sudan
Kickstarter	USD, CAD, GBP, EUR, AUD, NZD, MXN, JPY, SEK, DKK, NOK, CHF, HKD, SGD	USA, Canada, UK, the Netherlands, Denmark, Ireland, Norway, Sweden, Germany, France, Spain, Italy, Austria, Belgium, Switzerland, Luxembourg, Australia, New Zealand, Mexico, Japan, Hong Kong, Singapore
Pozible	USD, GBP, EUR, AUD, NZD, MXN, JPY, SEK, DKK, NOK, CHF, HKD, SGD, Bitcoin, Alipay, WeChat	Australia, China, Hong Kong, Singapore, New Zealand, UK, USA
Ulule	GBP, EUR, USD, CAD, AUD, NZD, DKK, CHF, NOK, SEK	Europe, UK, USA, Canada, New Zealand, Australia
KissKiss BankBank	EUR	France

Campaign-makers should also consider the type of platform – if they have an all or nothing or flexible funding model – and the fee structure of the platform. Most platforms have brought their fees in-line with one another over the past few years so there is little fee differentiation among platforms. Most reward platforms also operate an all or nothing platform model, whereby the campaign-maker receives funds

only if the target is reached. Indiegogo is one of the only platforms to offer a flexible funding option so that campaign-makers can withdraw funds even when they don't meet their target. For all or nothing platforms, backers are either reimbursed if the campaign does not reach the target or are not debited until the campaign reaches the target.

Reward Platform Fees

Reward Platform	Platform Fees % of funds raised	Transaction Fees % per pledge
Indiegogo	5%	3% + \$0.30
Kickstarter	5%	3% to 5% + \$0.30
Pozible	3% to 5%	2.4% to 7% + \$0.20
Ulule	1.67% to 6.67%	
KissKiss BankBank	5%	3%

3.2.2 Reaching Campaign Target

Reward platforms largely operate as campaign hosts; so essentially the campaign-maker is responsible for bringing the crowd to the platform and ensuring the crowd contributes to their campaign. Unlike other crowdfunding platform models – including the donation partnership model, microfinance and working capital debt models and most equity platform models – reward platforms do not do the legwork for campaign-makers. Although some reward platforms may feature certain campaigns on their homepage or trending page, which can boost the campaign's performance significantly; and platform features such as social media integration and communication channel plug-ins are important aspects of success.

Due to the more 'hands-off' approach, due diligence can be kept to a minimum and most reward platforms operate in a lean fashion with little in the way of bespoke service offerings. The platform acts as a marketplace and the campaign-maker must ensure the campaign's success through thorough planning and active outreach. Pozible co-founder, Rick Chen, says 'Campaign promotion is probably the bulk of the work you'll do. You need to be prepared so you can spend your time working "in" your strategy, not "on" your strategy. Try to have something to do every day.'¹⁰



'Campaign promotion is probably the bulk of the work you'll do. You need to be prepared so you can spend your time working "in" your strategy, not "on" your strategy. Try to have something to do every day.'

RICK CHEN, POZIBLE CO-FOUNDER



HIT THAT TARGET!

The below tips have been adapted from Pozible's Crowdfunding Tips.¹¹

Before you start the campaign

1. Build a community

- Figure out who your audience is and start connecting
- Be active and consistent on social media and think about starting a blog or newsletter
- Make sure you are engaging with relevant communities and groups – don't wait until campaign launch to connect
- Bring value to the community before you expect anyone to reciprocate

2. Mission Statement

- Come up with one or two sentences that define the campaign and capture what you are planning to achieve
- Be succinct and use the statement as a guiding beacon as you prepare campaign materials

3. Craft your story and set target

- Research past campaigns on relevant platforms and look at the amount raised, the number of supporters and the rewards offered
- Be clear about your story and think about a budget – clearly state how proceeds will be spent through pie chart or other visual stimulus
- A campaign with a smaller budget is more likely to reach its target – there is an inverse correlation between the target amount and the success rate
- Create a video

Plan your promotional strategy

1. Generate leads

- Before you begin the campaign make sure you have supporters lined up, ready to contribute
- Corporate and institutional endorsements are important signals of quality and match funding from these types of donors (or high-net worth individuals) can help to build momentum during the campaign period
- Group your audience into three groups categorized by likelihood of them contributing to the campaign – those that will definitely contribute, those that are likely to contribute and those that you're not sure will contribute

- Identify supporters that can make large, lump-sum contributions during the campaign and speak to them about timing these at particular intervals to build campaign momentum – taking campaign to 50% milestone for example
- Establish partnerships and organize events to engage with your potential supporters – provide them with the link so they can contribute

2. Timeline

- Campaigns generally receive a high number of contributions in the first few days and last few days of a campaign, and growth generally plateaus through the middle period – so a longer campaign does not necessarily mean more funding
- Think about keeping the campaign period to around 30 days and plan events and activities for the beginning and end of the campaign
- Ensure the campaign period and beginning/end dates do not coincide with holidays or other occurrences that may steal the crowd's attention

3. Content, social media and PR

- Plan and curate your content prior to going live and ensure you have enough material to spread across the campaign period so that you don't run out of things to say
- Make regular updates on the campaign page, as well as on social media pages – have your content ready and a strategy in place
- Tag donors and thank them using social media to show momentum and interact with the audience
- Reach out to media once you have traction (at least 50% raised) – contact journalists that have covered similar topics and make their job easy by putting together a press release including images

Launching the campaign

1. Campaign video

- Use the mission statement as the primary guide when developing the video to ensure a clear and concise story
- The video is your chance to connect with the audience – chose one person (e.g. founder or CEO) to act as the face of the campaign

- Campaigns with videos are typically more successful – think about developing one of 2 – 3 minutes in length, and a shorter one of around 30 seconds to share on social media
- Include a blueprint or image of a physical product so that the audience understands the solution being proposed

2. Target networks

- Once you have grouped your leads (see 1. Generate leads in section above) you can begin targeting each group – beginning with those most likely to contribute, so that they can catalyse contributions from the other two groups
- If you have secured corporate or institutional support, try to leverage their networks and ensure you share this endorsement when reaching out to other potential donors
- Keep your network in mind when setting your campaign target; as a general rule you should be able to raise 30 – 50% of your target from your primary supporter group

- The final rush of contributions is important so concentrate on reaching out to your networks in the final days – most reward platforms operate on an 'all or nothing' basis, which you should make clear to the crowd
- Remember that neediness is not likely to attract funders so concentrate on your achievements, campaign momentum and what you will achieve

3. Campaign follow-up and rewards

- Maximise the value of your supporter base by collecting all emails and keep in regular contact with them on the progress of the project
- If there is a delay in delivery of rewards ensure you are transparent and manage expectations
- Your supporters are invaluable – remember they will be your first point of call for future fundraisers and support so look after them!

3.2.3 Implementing Campaign Goals & Success into the Future

Running a reward campaign requires a significant investment of resources. Start-ups and non-profits need to invest a significant amount of time into planning the campaign and absorb the cost of producing a video and other outreach activities. They must also consider that resources from core functions will likely be reallocated during the planning and campaign period, and in some cases additional staff may be required. Once the intensity of the campaign period is over, the work has only really begun. There are rewards to deliver and milestones to achieve

and it's important to manage backers' expectations. Campaign-makers often underestimate the cost and time involved in distributing rewards. Many campaign-makers experience delays delivering rewards – particularly those that have been successful. GravityLight co-founder Caroline Angus shared their experience after raising \$800,000 through two reward campaigns on Indiegogo and managing the crowd's expectations as they experienced delays in production; she advises 'you should not enter into crowdfunding lightly if you want to be successful at it'.



'Think about lowering the target so you can demonstrate momentum and progress in the first few days – if you can raise say 20% on day one, you can attract attention and publicity, and thus more funders.'

Carolyn Angus, Co-Founder & Managing Director, Gravitylight Foundation



TOP 5 REWARD CROWDFUNDING TIPS GRAVITYLIGHT FOUNDATION



CAROLINE ANGUS, CO-FOUNDER/MD
GRAVITYLIGHT FOUNDATION

1. Do not enter into crowdfunding lightly if you want to be successful at it and you should not underestimate the amount of preparation required.
2. Factor a budget for fulfilling your campaign obligation, including time to produce rewards and cost of shipping.
3. Consider the time and manpower required to run the campaign – she estimated 2 – 3 full time people during the 40 day campaign and 3 – 4 months preparation.
4. Think about lowering the target so you can demonstrate momentum and progress in the first few days – if you can raise say 20% on day one, you can attract attention and publicity, and thus more funders.
5. Some outreach channels work better than others – social media and high profile news articles worked best – and make it easy for backers to click and donate in a short period of time.

CROWDFUNDING PROS & CONS

- + You can raise funding at a really early stage – before you actually have a product – which is a great choice for a product manufacturer that needs investment into their business well before they have anything to sell or show for it, unlike a service based business.
- It's a challenging process, it's not quick and insignificant, and financial returns are not substantial considering the cost of the rewards. There is also the 'cost' of managing a frustrated crowd base if progress is not as fast as promised, and that additional money may be required to take care of the core business while crowdfunding is going on.

For campaign-makers, the work doesn't stop once the campaign period is over and many campaign-makers find their work has only just begun, once they have the financial resources to implement their objectives. Campaign-makers should consider that production and distribution of rewards continues to take time away from core operations, and ensure that the cost of fulfillment is well thought out and included in the campaign budget. Even for campaign-makers that offer non-tangible rewards (such as recognition on a website or a plaque) there will be a number of milestones to reach, and campaign backers will be waiting to hear about the use of their funds. Campaign-makers should see their backers as early stage investors and consider regular communication

via monthly or quarterly email updates. Keeping backers satisfied may mean that you can call on them further on down the line, when raising more capital, testing new products or even seeking pro-bono services (such as rebranding or legal guidance).

An important point to consider for both reward campaign-makers and backers is that a successful campaign does not necessarily equate to success in the marketplace. This is particularly the case for off-grid energy products. Generally crowdfunding is used to gauge market response, however off-grid companies raising funds on reward platforms raise funds from Western backers rather than their future customers – and in this context crowdfunding does not provide a litmus test for success.



KEY POINTS – REWARD CROWDFUNDING

- ▶ There are two broad models of reward campaigns – the first model aggregates contributions from the campaign-maker's network and raises seed capital (usually <\$50,000); the second model is the larger, high profile campaign type ('mega-campaign') and is less common
- ▶ Most reward platforms operate on an all-or-nothing basis and campaign-makers must raise their target before they can access funds; for this reason – and because data shows that campaigns with lower targets are more likely to reach their target than campaigns with larger targets – it often makes sense to set a lower target
- ▶ Most platforms offer the functionality for various currencies, however it is more important to consider market penetration and brand recognition of the platform in the country where most funders are based
- ▶ Preparation for a campaign usually begins months prior to going live with the campaign and for reward campaigns in particular, the post-campaign period can be administratively and financially intensive because of manufacturing and distributing rewards, and meeting other milestones

REWARD CROWDFUNDING Q&A OKRA SOLAR



Okra was founded in 2016 by Afnan Hannan and Damian Veling – two Australian engineers with an addiction to technology and a desire to solve the global energy poverty problem. In less than one year, and funded solely by their reward crowdfunding on Pozible, Okra has tripled the size of their team and expanded their operations in Cambodia. Okra is currently piloting their plug & play smart controller device, which allows solar installers anywhere in the world to create modular microgrids. Once installed, Okra controllers automatically connect to the local mobile network to become a mesh and turn solar panels and batteries into a smart connected network of energy for off-grid households.

Okra Solar launched their reward crowdfunding campaign in 2016 on Australian reward platform Pozible and raised over \$45,000.

Q Give us an idea of where the business was at when you decided to launch the campaign on Pozible.

When we decided to launch the campaign on Pozible it was just the two of us (co-founders Afnan Hannan and Damian Veling). We had just completed a demo of what we call our 'backyard experiment' prototype to a bunch of solar distributors in Cambodia. They were pretty impressed and we basically showed that a single solar panel and battery on a house could be used to power other houses when there was excess power. We had no idea how to build a proper working prototype, but we knew there was an opportunity to do something cool here!

Q Why did you decide to launch a crowdfunding campaign?

We knew we had stumbled upon a great opportunity, but it was so early, there was no way we could afford to buy all the equipment necessary to turn our 'backyard experiment' into a 'smart microgrid' that we could show to investors. So we decided to launch a crowdfunding campaign to see if other people were as excited about the idea as us – and to see if we could get some support to turn this into the real deal.

Q Why did you choose the Pozible platform?

The Australian start-up scene is pretty small and Pozible co-founder, Alan Crabbe, had provided some advice on my last attempt at a start-up. I'd reached out to him again to provide an update and he let me know that Pozible had a partnership going on with Energy 4 Impact. I checked it out and it seemed like a perfect opportunity – we wanted to raise money through crowdfunding anyway and UK aid was matching it through the Crowd Power programme – more encouragement for us to hit our target!

Q How did the campaign go? What did you learn from the experience?

The campaign was good – we hit our target! The main things we learned were: expect the majority of the money to come at the start and during the last few days of the campaign. Good content helps, but don't underestimate the work required to hit your target. The majority of funds will come from people you already know, so your network and goodwill is going to be the most valuable asset you have. You will have to bug your friends, family and any acquaintance you have through emails, social media campaigns, and even sms messages. It makes it much easier to do so if you've got some cool content to show them!

Q What were you able to achieve with the funds raised?

The funds from Crowd Power helped bridge the gap from idea to first prototype – interestingly the campaign helped both financially and also in terms of reputation. Part of our core team now consists of people who started working with us on a pro bono basis because they saw our successful campaign and wanted to jump on board. We now have a working product that has been designed by some of the leading engineers in their respective fields of computer vision, power systems engineering and embedded systems. We also have leveraged the funds to match part of another grant we've received from the Innovations Against Poverty program (funded by the Swedish government).

Q What's next for Okra Solar?

We want to prove our business model and technology by electrifying 1,000 households over the next 18 months in Cambodia. And we want those who install the microgrids to make a fair bit of money out of it, so we can show that electrifying off-grid communities in this way can actually be a profitable business. In parallel we want to start piloting in global markets, we're thinking about Tanzania and Nigeria because there are a lot of people who don't have electricity there.

Q Do you have plans to raise capital in the near future? How will you go about raising those funds?

We are aiming to raise about \$750,000 in 2018. We are looking to raise through equity mainly, and debt if it's available to us. We have explored equity crowdfunding but it is unlikely to work for us and it's only just starting in Australia – unlike the UK. We've spent a large chunk of the last 3 months getting us ready for this process, tweaking the business plan, forming partnerships for financing our customers and pitching at various events to start getting a feel for the appetite from different investors. Should be a bunch of fun!

3.3 DEBT CROWDFUNDING

Debt crowdfunding accounts for over half of all energy access related crowdfunding activity, and includes microloans and larger scale SME lending. There has been a shift in dominant debt crowdfunding models over the past two years as platforms continue to innovate and new platforms emerge. The two main debt crowdfunding models are microloans, which are mostly via partnerships, and SME loans to companies

that have been vetted by the platform. Most platforms funding microloans do so via partnerships with micro-finance institutions, social enterprises and non-profits. Some platforms, like Zidisha, allow entrepreneurs to upload campaigns directly onto their platform – starting with a small test loan to build credit worthiness, up to a maximum of \$10,000. The average micro-loan size is between \$300 and \$400.¹²

Dominant Debt Crowdfunding Models

	Model	Description	Relevant Platforms
1	Microloan debt	Loans to entrepreneurs, typically originated via MFIs – usually around \$500 per campaign	Kiva, Zidisha, Milaap
2	SME loans	SME loans, typically working capital debt to companies pre-vetted by platform – usually upwards of \$50,000 per campaign	TRINE, bettervest, Lendahand, Kiva DSE

Crowdfunded SME loans have grown rapidly over the past two years, and now account for around half of energy access related debt crowdfunding. Our previous report, *Crowd Power: Can the Crowd Close the Financing Gap?*, explores these trends in depth. The growth of energy access SME lending is driven by new market entrants, like TRINE, as well as existing platforms, like Kiva, moving into direct to social enterprise lending, together with SME lending platforms, like Lendahand, Lendahand-Ethex, and bettervest in Germany moving into the energy access lending space. There are now a number of crowdfunding options for energy access SMEs looking to raise debt of \$10,000 to upwards of \$200,000. Platforms have their own due diligence processes and operate in much the same way as investors. Most platforms charge interest – with the exception of Kiva – and all platforms lend in hard currency only – although several platforms are looking at local currency loans.

3.3.1 Choosing the Right Platform

Debt crowdfunding platforms are fundamentally different to most donation and reward platforms in that the platform undertakes a thorough due diligence process – including legal compliance, credit checks

and loan underwriting – before a loan makes it onto the platform. Platforms lending to SMEs vet, curate and post the campaigns directly. Platform partners have their own credit assessment processes in place, which are conducted before a microloan is posted on the platform. Platforms conduct annual or bi-annual due diligence on their platform partners to ensure their credit assessment and loan administration processes are robust. While many donation and reward platforms act as a marketplace or 'host', both debt and equity platforms have a much more hands on role in bringing campaigns to the crowd.

Each platform has their own due diligence process, and most are quite rigorous given that their own reputation is on the line and that capital is at risk. The due diligence for microloan platforms is focused on vetting partners (e.g. MFIs) to understand their risk assessment and loan approval processes, and individual loan approvals are usually conducted by the partner rather than the platform. For platforms that lend directly to businesses (i.e. the SME loan model), due diligence is conducted on each potential loan recipient. Debt platforms we surveyed estimated they spend between 8 hours and 140 hours vetting individual campaigns.

Potential campaign makers looking to debt crowdfunding should ensure they are in a position to service debt. Repayment periods are typically 12 – 36 months and loans are usually denominated in USD or EUR. Most platforms offer irregular (and early) repayment options and can match repayments to expected income from assets purchased with the loan. Unlike debt and reward platforms where campaign-makers essentially need to bring the

crowd to the campaign themselves, debt platforms generally have a well established, participating lender base i.e. the crowd. For this reason the jurisdiction of the platform, in relation to the borrower's network, is less of a concern for debt crowdfunding than for other types of crowdfunding. The following pages give a brief summary of the due diligence processes of various platforms in the energy access debt crowdfunding space.



WHAT DOES THE DUE DILIGENCE PROCESS INVOLVE?

Information provided below is a summary of the due diligence process of respective platforms lending to SMEs at the time of publishing. This outline is for illustrative purposes and is in no way exhaustive. Due diligence processes are continuously reviewed and subject to changes.

Kiva Direct to Social Enterprise (DSE) pilot

Currency	USD
Loan Amount	\$10,000 – \$50,000
Cost of Funding	0% p.a.
Loan Duration	6 – 12 months; 18 months in exceptional cases

1. Kiva DSE loans are designed to address short-term working capital needs.
2. Social enterprise must be post-revenue and be able to legally accept and repay USD denominated debt capital.
3. Social enterprise must be legally registered in its country of operation, have a corporate bank account and have financials (audited are preferred, but not essential).
4. Kiva DSE requirements are flexible – there is no minimum number of years of operation – but social enterprises must demonstrate an ability to payback the loan and the maximum grace period
5. Kiva DSE loans are available in the following countries in Africa, Asia and the Americas:
 - Africa: Burundi, Cameroon, Ghana, Mozambique, Rwanda, South Africa, Uganda, Zambia
 - Asia: Indonesia, Philippines
 - Americas: Chile, Colombia, Costa Rica, Dominican Republic, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, United States

Lendahand Ethex

Currency	GBP
Cost of Funding	8% – 12% p.a.
Loan Duration	6 – 48 months

1. Eligible Investees are off-grid solar companies operating in Sub-Saharan Africa.
2. Investees must be past the proof of concept phase, post revenue, have a decent track record (preferably >3 years), strong management, and key personnel and systems in place.
3. Investees must have the capacity and intention to take on minimum of GBP 450,000 of debt in the first year upon entering into an agreement with the platform.
4. At least 3 years of audited annual reports are required as well as financial model and projections for at least 3 years going forward, as well as the business plan, ownership/organizational structures, and legal documentation.
5. The due diligence process consists of two stages. First, the Lendahand Ethex Investment Team conducts a comprehensive analysis of the data provided and discusses any findings with the credit committee. Second, if there is sufficient potential, a boutique consultant specialized in credit assessments will perform a thorough credit analysis of the company of which their findings will be made available for the crowd to download. If nothing out of the ordinary is discovered during the credit analysis, the credit committee approves the loan, and the borrower can work out the contractual terms and covenants with the platform. The due diligence can be concluded, which may also include a visit in-country.

TRINE

Currency	EUR
Cost of Funding	10% – 15% p.a.
Loan Duration	12 – 60 months

1. The initial due diligence phase is generally conducted via email and Skype conversation.
2. Potential borrowers must satisfy minimum criteria – they must be an off-grid solar company operating in Sub-Saharan Africa.
3. If the minimum criteria are satisfied the platform will request a loan application, full financials (audited; min. 1 year), interim YTD unaudited financials, company cash flow forecast (3 years; preferred), and legal, business and management documentation.
4. The platform also reviews operational data and records including recent invoices, recent sales receipts or similar, technology information, and financing needs.
5. Details of previous grants, grant providers, and use of funds.

Lendahand

Currency	EUR
Interest Rate	8% – 13% p.a.
Loan Duration	6 – 48 months

1. Eligible campaigns must have a positive measurable impact in an emerging country in one or more of the UN Sustainable Development Goals.
2. Borrowers must be past the proof of concept phase, have a decent track record, strong management, and key personnel and systems in place.
3. Borrowers must have the capacity and intention to take on minimum of €500,000 of debt in the first year upon entering into an agreement with Lendahand.
4. Lendahand requires 2 – 3 years of audited annual reports and financial models and projections for at least 3 years going forward.
5. Lendahand conducts a comprehensive analysis of data including quarterly management reports, business plan, KPIs, Board meeting minutes and impact metrics.

bettervest

Currency	EUR
Interest Rate	
Upfront platform fee	5% – 10.75% of principal as one-off payment
Annual fee	1% p.a.
Loan Duration	12 – 60 months

1. bettervest initiates their due diligence process through background and reputational checks to assess whether the project owner meets their standards for cooperation.
2. A letter of intent is then signed and formal due diligence begins.
3. bettervest's team of engineers and in-house experts carries out economic and technical feasibility assessments.
4. Financial due diligence is a two-fold process; the first part involves international credit checks through public and private resources.
5. The second part involves financial ratio analysis and an in-depth analysis of management, currency risk and country risk.

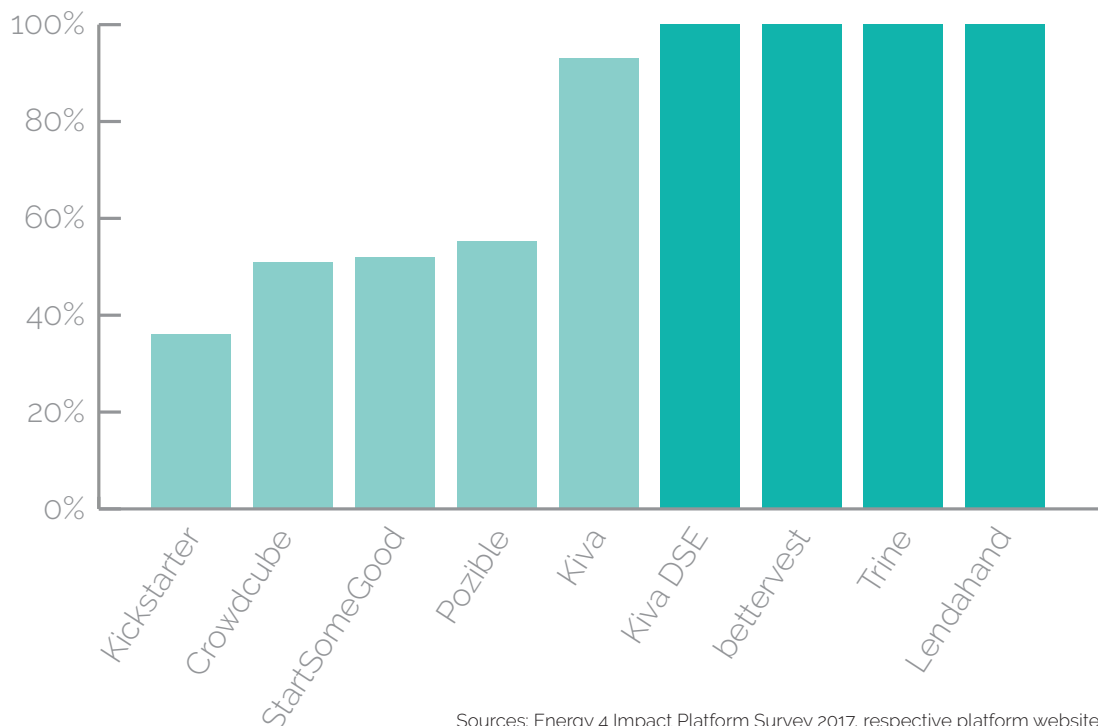
3.3.2 Reaching the Campaign Target

Debt crowdfunding platforms have the highest funding success rates of all platforms. Once the company or entrepreneur has passed platform (or platform partner) due diligence, the likelihood of successfully raising all funds is high. Platforms lending to SMEs (bettervest, TRINE, Lendahand, Kiva DSE) had a funding success rate of 100% – meaning the crowd funded every loan posted to the platform. The

only microloan platform we have data for – Kiva – had a success rate of 93% across the platform. The high funding rates for SME loans are because campaigns that ultimately make it on the platform have been thoroughly vetted, credit checked and underwritten. Platforms are unlikely to invest their time and resources (up to 140 hours of staff time) on campaigns that will not succeed.

Debt Platform Success Rate

The percentage of loans posted on the platform that were funded by the crowd.



Sources: Energy 4 Impact Platform Survey 2017, respective platform websites

For entrepreneurs and companies that have received loan approval, the likelihood of funding success is high. While for reward campaigns, the campaign period is critical, for debt campaigns most of the legwork is already done so the campaign period is really about taking advantage of the promotional aspect rather than being too concerned with the funding rate. While there's limited research on the non-financial benefits of debt crowdfunding,¹³ anecdotal evidence suggests running and promoting the crowdfunding campaign is a great

opportunity to increase awareness of the company. Research suggests that the non-financial benefits of crowdfunding include business partnerships, greater publicity, a stronger customer base, and improved chances of finding employees.¹⁴ So while platforms will generally have a strong lender base that will fund the campaign, it is still a good idea to have a promotional strategy in place over the campaign period to showcase campaign milestones and success.

DEBT PLATFORM DEEP DIVE Q&A LENDAHAND



Lendahand is a debt crowdfunding platform based in the Netherlands and lends to SMEs in emerging markets. Energy 4 Impact sat down with Lendahand's Tobias Grinwis (Investment Manager) and Danny den Hartog (International Expansion Manager) to find out more about their platform's journey into energy access lending, a little over a year ago.

Q Tell us about Lendahand's history – when was it founded?

Lendahand was founded in 2012, in an attic in Amsterdam, and the platform went live in 2014 as the first online impact investing platform focused on emerging markets. Back then, we celebrated each €50 investment and we were amazed when €10,000 was raised in a single month – we now raise €1 million a month! Since then, we've grown in to Europe's leading online impact investing platform, and raised over €25 million from our investors.

Q Where do you work and where are your investors from?

We have raised funding from more than 3,000 investors, and 34 nationalities – although most are Dutch or British. We lend funds in emerging markets, and have borrowers in over 10 countries – mostly in Africa and Asia.

Q Lendahand has historically been focused on SME lending in emerging markets; why did the platform begin to focus on energy access related lending?

SME lending worked very well for us to prove the concept and it's scalability, but we wanted to broaden our offering of impact investments, particularly as we came to the realization that poverty comes in many forms. Not having a job is one thing, not having access to electricity, clean drinking water and health care is quite another. Moving to renewable energy access was a logical first move as there is a huge financing gap in the sector, and we are focused on the 'missing middle'. As we're very ambitious in our growth targets, we need a lot of potential investment opportunities, which this industry offers. It was also an interesting strategy in terms of diversification – providing other risk profiles, other market segments, with other variables at play. And it provided us the opportunity to become a bit more peer-to-peer by working directly with companies rather than via financial intermediaries. And the crowd truly likes it – the associated impact is very tangible, the returns attractive, and the peer-to-peer feeling works very well for our investors.

Q Does it surprise you that debt crowdfunding, and particularly SME debt, is the fastest growing area of energy access related crowdfunding?

That doesn't surprise us at all. Our energy campaigns are often funded very quickly. Our record was a €150,000 campaign by SolarWorks! Their CEO went to the gym when the first campaign was uploaded, and when he came back it was at 100%! From a borrower's viewpoint, our model is very appealing and attractive as it provides valuable flexibility to match assets and liabilities on a monthly basis so you can raise funding as you need them. And so far, our investors have fully funded every campaign, so our platform offers quite a reliable source of funding. Our investors seek the combination of social impact and financial return, albeit we expect the latter is the driver once they make their first investment. After the first investment, they trust us our due diligence, but also in the impact created. We're also a small team leveraging technology to keep our overheads low, so we can provide competitive pricing.

Q Most of your borrowers operate in Africa and/or Asia; how do you ensure you have adequate due diligence on these companies before proceeding with a loan?

We believe it's absolutely essential that investment platforms such as Lendahand are thorough and strict in their due diligence. We need to protect our crowd and ensure that the industry will mature. Platforms should aim to have limited defaults to earn investor trust. Part of this is to be a regulated entity – we hold an investment firm license from the Dutch financial regulator. Our team has a background in investment banking, financial institutions, credit analysis and green energy investments – with a focus on emerging markets. We also use an external consultant to perform an independent credit analysis on our energy deals and undertake standard due diligence. We often complete a local on-site visit too. Usually, this entire process takes between 3 and 6 months, and as it's quite a lengthy and intensive process borrowers must be able to take on at least €500,000 of debt per year. Post investment, we monitor our partners on a quarterly basis, so we can monitor the financial health of the company and help them where needed. This too is key to maintaining a healthy portfolio!

Q Tell us about the performance of your energy access related borrowers so far – are loans paying back on time?

So far, the companies have been an absolute pleasure to work with, very dynamic and inspiring. They see a lot of value in the exposure that an online platform can offer. So far, 100% of funds due have been repaid on time, but we've only ventured into energy access loans a little over 1 year ago, so that's relatively short. But we're confident we can continue to select quality partners that create loads of impact! Most projects are between €100,000 – €200,000 each, but are part of larger credit facilities of up to €2.5 million. We've raised over €6 million in energy access loans so far, including our UK platform [Lendahand Ethex Ltd.].

Q What impact have you seen in the businesses that have been funded on Lendahand? Do you think crowdfunding can solve the working capital gap for early and growth stage companies in the energy access space?

For some companies, we've been quite instrumental in helping them get to scale, which has a positive effect on their future debt and equity raises. Especially for earlier staged companies, it might be difficult to attract funding from traditional investors, so there is a valuable role for us to play – assuming risks can be assessed and well managed. Our credit facilities are especially well suited for working capital requirements, and not just for early stage businesses – we've also partnered with more mature companies like Azuri Technologies and BBOX. They too see a lot of value in the flexible funding – up to €2.5 million per year – so a fair amount!

Q What kind of impact has Lendahand had on energy access?

Our conservative estimate is, through our funding, our partners were able to provide over 120,000 people with access to clean electricity. That's huge and it goes without saying we're very proud, but we have a long way to go to meet the 1.2 billion people who lack access to reliable access to electricity!



What are your thoughts on other investors in this space?

In the end, it's not up to one single type of investor to fill the gap, but rather we need multiple equity and debt providers – from DFIs, to family offices, to impact funds, crowdfunding platforms and more traditional VCs and PE firms – and for them to work together with different structures, terms, and deal sizes to help these companies grow. We have many discussions with fellow investors to explore co-financing opportunities and pipeline sharing. Since the ocean is big enough, with plenty of fish, most investors are very transparent and supportive as we all have common goals.

'Our credit facilities are especially well suited for working capital requirements, and not just for early stage businesses – we've also partnered with more mature companies like Azuri Technologies and BBOXX.'





PASSING THE PLATFORM TEST

We asked the following debt platforms for the top 3 factors that companies, which successfully make it onto their platforms have in common.

Kiva Direct to Social Enterprise (DSE)

1. Clear social impact story: how they will impact lives.
2. Clear loan use: how they will use it to make more money.
3. Short-term viable business: while we cannot ensure company will exist in 3 – 5 years, odds are in their favor for the short term.

TRINE

1. Off-grid solar companies operating in East Africa.
2. They have difficulties to access reliable finance.
3. The operations have a strong impact on communities.

bettervest

1. Economic feasibility.
2. Professional planning by experienced project partners.
3. CO2 reductions.

Lendahand

1. Strong management and key personnel with relevant experience and track record.
2. Decent financial management with an adequate balance sheet where we have high levels of confidence for future equity injections and other debt investors, decent cash flow management and potential for becoming break even within a 2-3 year.
3. Growth potential, both in terms of sales as in impact and the capacity to absorb (and repay) debt.

3.3.3 Implementing the Campaign Goals & Success into the Future

Loan repayments are the most obvious indication of success in energy access debt crowdfunding. While there is little available research on the motivations of the crowd (this will be covered in our next research paper) anecdotal evidence suggests lenders are driven by the social impact of, as well as the financial return on, their investment. Capital preservation is therefore key. Interestingly, we have found no incidents of default across the 66 debt campaigns supported through the Crowd Power programme. Most of these loans have not yet reached maturity and it may be too early to gauge performance, however the signals are positive.

Although we are cautious to draw conclusions at this point in time, we note that debt crowdfunding appears to have a lower risk profile than other forms of crowdfunding. This is due to a number of factors; firstly, most debt platforms (or platform partners) complete thorough due diligence, credit check modeling and underwriting on prospective borrowers so that the ventures and entrepreneurs that ultimately make it on to the platform have been properly vetted to ensure they can meet debt obligations. Secondly,

the nature of debt – as a form of capital itself – selects for ventures that are more likely to 'make it' as borrowers are likely to be mature and have sufficient revenue to service debt. Early-stage companies will usually raise equity before they are in a position to take on debt obligations. Energy access debt crowdfunding is likely to be appealing to the crowd as it offers many of the social benefits of philanthropic crowdfunding (via donation or reward campaigns) but allows participants to preserve capital or earn interest – although capital is still at risk.

So far, there has been little academic research on the impact of debt crowdfunding borrowers (individuals or SMEs), although there is a growing body of research on the impact of microloans, which could be applied in the context of microloan debt crowdfunding. A number of studies have found that microfinance – while no silver bullet – does have a positive impact on food security, job security and levels of poverty.¹⁵ Much of the available research on crowdfunding uses data sourced from reward platforms (Kickstarter and/or Indiegogo), with a growing body of research using data from equity platforms (Seedrs and/or Crowdcube) – however, few studies have examined the long-term success of ventures that raise funds

via crowdfunding. Given the typical SME using debt crowdfunding is unlikely to qualify for traditional debt finance (via banks) there are few proxies for performance. We can only speculate on energy access related debt crowdfunding – from the high repayment rates on microloan debt platforms and available research on microfinance, along with the

low default rate on platforms financing SME loans – that entrepreneurs can increase prosperity through microloans and that ventures continue to operate sustainably for the duration of the loan (typically 24 – 36 months). Long-term viability and growth is not well understood.



KEY POINTS – DEBT CROWDFUNDING

- There are two categories of debt crowdfunding: microloans, which are loans to micro-entrepreneurs, typically less than \$500, and SME loans, which are loans to businesses, typically over \$50,000.
- Microloans previously dominated the debt crowdfunding market for energy access, however SME loans have grown considerably and now account for close to half of all energy access related debt crowdfunding activity.
- For SME loans, due diligence is completed by the platform and is generally a lengthy process involving extensive review of financials, projections, strategy, management and documentation. Borrowing rates range from 0% – 15% p.a. on hard currency loans.
- Preliminary data indicates the motivations of the crowd differ between platforms, although social impact or philanthropy appear to be the main motivations of lenders. We will explore the crowd's motivations in more detail in our next paper *Crowd Power: Mapping the Crowd*, to be released in the first quarter of 2018.
- For microloans, due diligence is conducted on the platform partner, which is responsible for vetting borrowers. The platform then acts as a host and only accredited partners can upload loans. There are also 'open platform' models that allow entrepreneurs to upload campaigns directly onto the website – these loans scale over time. Interest rates range from 0% to upwards of 30%; the applicable rate is set, and absorbed, by the partner.
- Little is understood about the long-term viability of debt crowdfunded ventures, although repayment rates (so far; it may be too early to tell) indicate that most ventures that make it on to a platform are meeting their debt obligations – however capital is at risk, and as we know, past performance is no indicator of future performance.

DEBT CROWDFUNDING Q&A ZONFUL ENERGY



Zonful Energy was founded in Zimbabwe, in 2013, by local entrepreneur William Ponela – building on William's experience growing up in remote areas of Southern Zimbabwe. The company supports access to energy for low income Africans in rural areas of sub-Saharan Africa. Zonful Energy's primary activity is selling and distributing quality modular solar photovoltaic home systems in combination with an end user credit facility.

Q Give us an idea of where the business was at when you decided to take out a loan through Kiva's Direct to Social Enterprise (DSE) pilot?

Zonful Energy had grown steadily since 2013. We had sold over 1,000 solar home systems and had generated revenues of over \$1.8 million in 2016. Around 20% of our business was via PAYG units and 80% of units sold were from cash sales. We were looking for a loan to pilot PAYG in more remote areas of Zimbabwe.

Q How did you hear about the Kiva DSE pilot?

We heard about the Kiva DSE pilot through Lumeter and GOGLA. Lumeter is formally a software company providing a back end for PAYG and our account manager told us about the Kiva DSE pilot. On the other end GOGLA, the association for off-grid lighting, also sent us a message and encouraged us to apply.

Q What other options were you exploring to raise financing? Did you look at other crowdfunding options?

We were looking at SunFunder and SIMA Funds for debt finance. SunFunder wanted us to reach a certain threshold before they could provide any form of debt finance. SIMA Funds were interested at looking at our company upon a successful pilot or proof of concept of PAYG solar. We had also talked unsuccessfully to Energy Access Ventures [EAV].

Q Why did you ultimately decide to go ahead with Kiva and how did you find their loan approval process?

The conditions and application requirements for Kiva made us to go ahead with the loan application. The requirements matched our company stage. The Kiva loan application turn around period is fast although they demand a lot of information during their diligence. The loan approval process is reasonably fast and very applicable to startup companies like Zonful.

Q How did the campaign go? What did you learn from the experience?

The Kiva DSE loan funded very quickly – within a few days – and was also helped along by match funding from the Crowd Power programme. We learnt about crowdfunding as a source of capital for a startup like Zonful. Also we discovered that the crowdfunding process becomes very easy with matching funding, like in our case.

Q What were you able to achieve with the funds raised?

We used the loan specifically to pilot PAYG in the more remote, rural areas of Zimbabwe. We spend 80% of the loan on inventory, shipping and insurance. The remaining funds were used on community training, and deployment of systems to these remote areas.

Q What's next for the business? How will you go about raising funds next time?

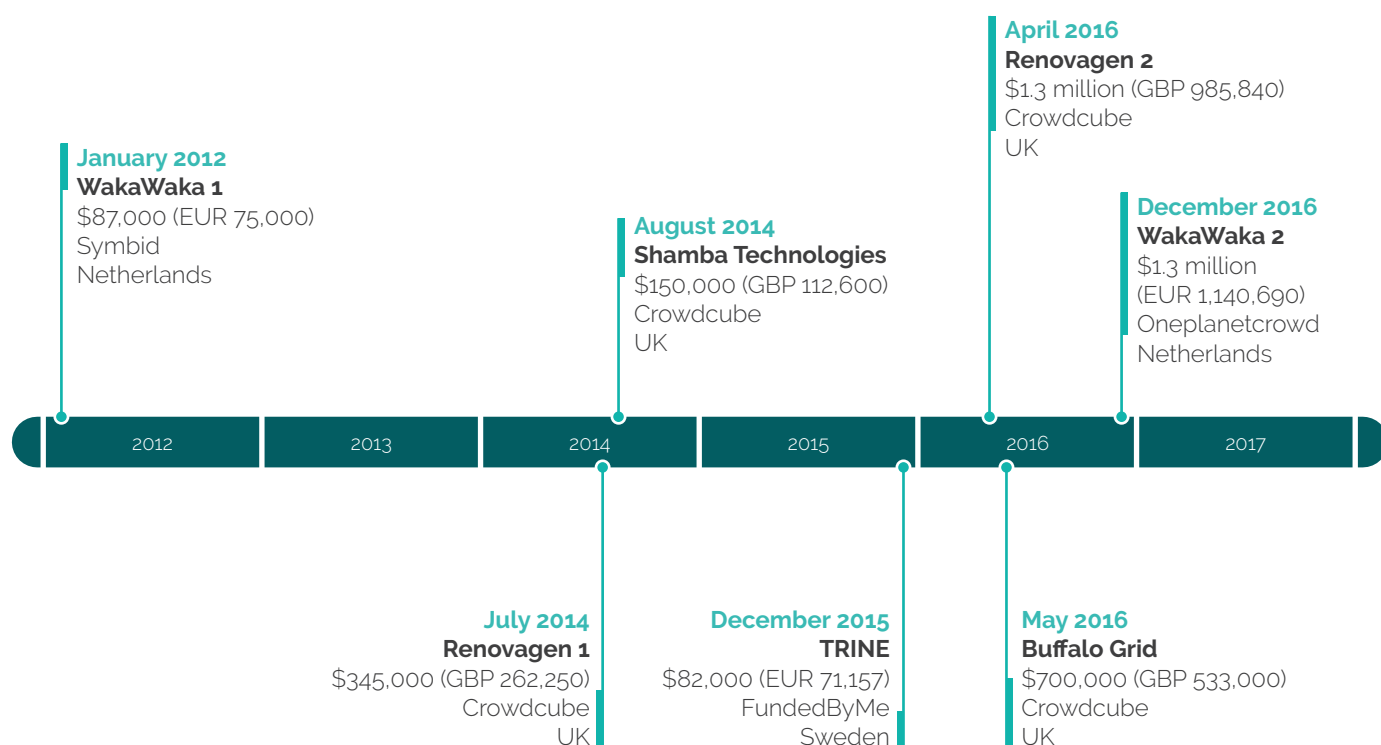
Zonful energy has applied for further funding from different financial institutions such as AECF [Africa Enterprise Challenge Fund], Crowd Credit [Japan-based debt crowdfunding platform], SIMA Funds and PEC [Persistent Energy Capital]. We managed to raise \$1 million from AECF after the Kiva DSE pilot, which has been matched by Crowd Credit. We are currently talking with PEC, Perennial Capital and EAV for equity investment.

3.4 EQUITY CROWDFUNDING

Equity crowdfunding makes up 5% of all crowdfunding activity in both Africa and the Asia Pacific region, although this data does not capture campaigns by businesses registered outside of Africa or Asia that operate in these regions. Energy access related equity crowdfunding is still nascent with only seven campaigns launching in three years. All companies that raised funds via equity crowdfunding were domiciled in the UK, the Netherlands or Sweden –

but operate in over 60 countries combined. Equity campaigns are infrequent which can distort energy access crowdfunding data; particularly given the large size of deals and that the deals are often clustered. The timeline below provides a summary of energy access related equity crowdfunding campaigns that have launched, all of which were successfully funded, since 2012.

Energy Access Equity Crowdfunding Campaigns 2014 – 2017



Energy access related equity crowdfunding grew significantly in 2016, swelling to over \$3.4 million from the \$80,000 raised during the previous year. Although this growth was encouraging – along with the shifting equity crowdfunding regulatory landscape globally – we have seen little energy access related equity crowdfunding activity in 2017. With few data points and sparse deal flow historically it's difficult to explain this trend. With an average of two equity campaigns each year over the 2014 – 2016 period, the lack of deals may simply reflect that this is still a very nascent market and equity crowdfunding fits a very narrow company profile.

The UK has the most evolved equity crowdfunding market globally and companies that raise on UK platforms must have a registered entity in the country – restricting the participation of companies registered in other jurisdictions. This largely limits the pipeline of potential investees working in the energy access space to those with a tie to the UK via the management team and/or investors that can feasibly, and reasonably, establish an entity in the UK. There are other relevant equity platforms in Europe, and we have seen energy access equity campaigns raise successfully on the Dutch social impact crowdfunding platform, Oneplanetcrowd, as well as Swedish equity platform, FundedByMe.



UK AND USA EQUITY CROWDFUNDING REGULATION A COMPARISON

Information provided below is a summary of our understanding of aspects of the regulatory frameworks in respective jurisdictions at the time of publishing. This outline is for illustrative purposes and does not constitute legal advice. Regulatory frameworks are continuously reviewed and evolved.



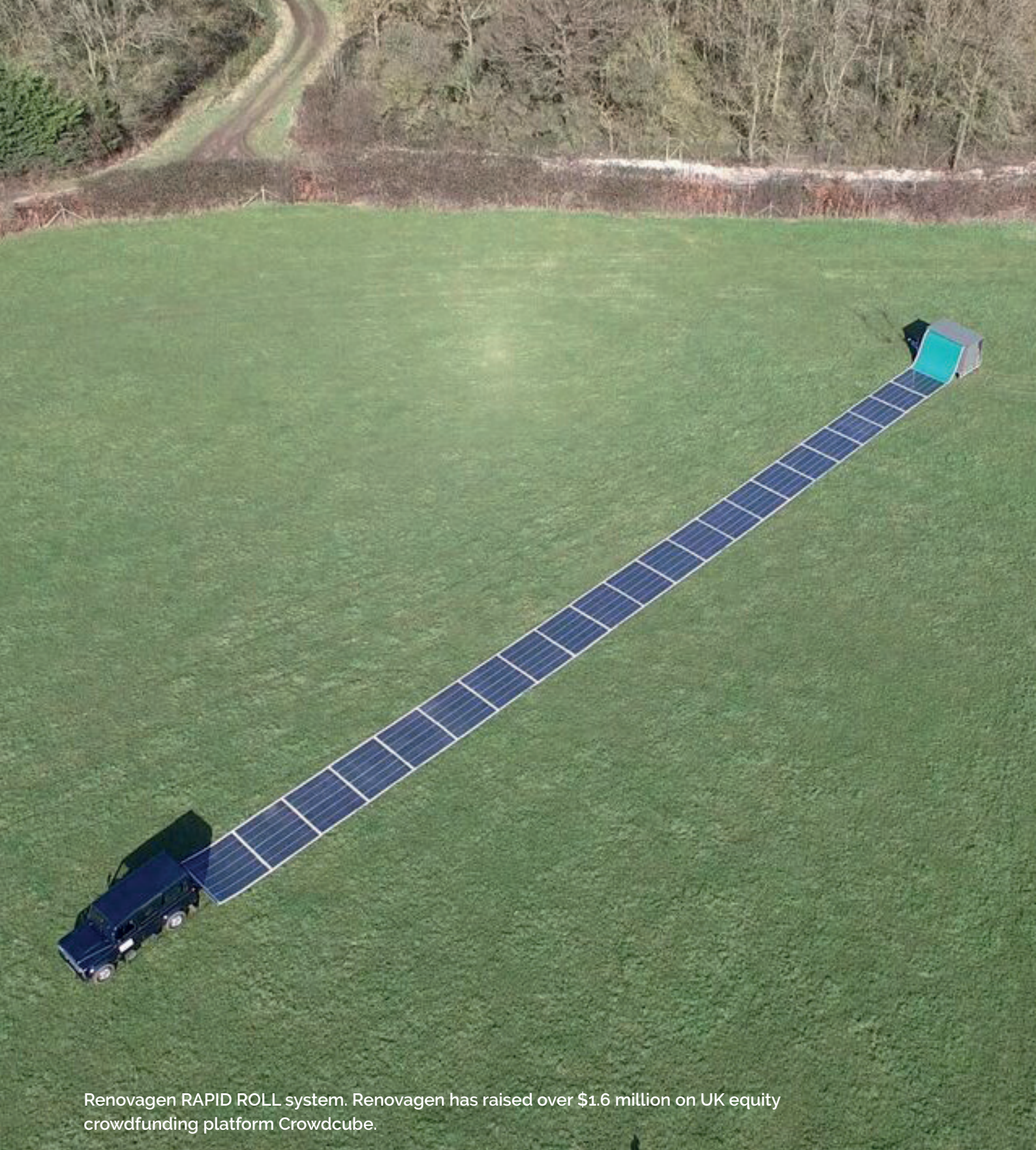
UK

- In the UK, equity crowdfunding is regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000 ("FSMA").
- Crowdcube was the first equity platform to launch in the UK in 2011; Seedrs launched in 2012 as the first platform regulated by the FCA (Crowdcube became FCA-regulated the following year).
- The FCA has taken a flexible regulatory approach and equity crowdfunding has always been open to 'everyday investors'.
- The FCA stipulates that 'everyday investors' should not invest more than 10% of their net investable assets (which does not include property or pension assets).
- There is no limit on the amount companies can raise per year, although raises above £5 million (\$6.6 million) require an investment prospectus.
- Most UK companies engaging in equity crowdfunding are eligible for tax incentives via the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS), which gives investors tax relief of 30% and 50% respectively.



USA

- Title III of the Jumpstart Our Business Startups Act (JOBS) Act came into effect in May 2016 and allows 'everyday investors' to participate in equity crowdfunding.
- Equity crowdfunding was only open to accredited investors prior to May 2016.
- For individuals with either an annual income or net worth below \$107,000, investment is capped at the greater of \$2,200 per year or 5% of the lesser your annual income or net worth (max. \$5,350 per year).
- For individuals with both an annual income and net worth above \$107,000, investment is capped at 10% of annual income or net worth, whichever is less, but cannot exceed \$107,000.
- Companies can raise a maximum of \$1 million via equity crowdfunding over a 12-month period.



Renovagen RAPID ROLL system. Renovagen has raised over \$1.6 million on UK equity crowdfunding platform Crowdcube.

The UK has the most evolved equity crowdfunding market globally and companies that raise on UK platforms must have a registered entity in the country – restricting the participation of companies registered in other jurisdictions.

Equity crowdfunding regulation is evolving globally and many governments in more economically developed countries have adopted bespoke equity (and debt) crowdfunding regulations. No governments in Sub-Saharan Africa have implemented bespoke crowdfunding regulations and "most crowdfunding platforms [on the continent] are currently operating out of any crowdfunding regulation",¹⁶ although there appears to be interest in crowdfunding from investors and regulators. Some platforms operate under a financial services or credit provider license, the lack of bespoke regulation means that the requirements are often too onerous and incompatible with the reality of equity crowdfunding. A recent report by Afrikstart, a pan-African crowdfunding platform, stated "the absence of regulation limits the expansion of equity-based or debt-based crowdfunding platforms in Africa, as it deters potential investors to pool their money in platforms in which they have no basic investors' protection rights and clear exit strategies."¹⁷

3.4.1 Choosing the Right Platform

Equity crowdfunding is suitable for a particularly narrow company profile, and given the nascent nature of equity crowdfunding, as well as jurisdictional limitations, there are a limited number of platforms to 'choose' from. The pipeline of investees is thin as few companies have a business profile that is suitable for equity crowdfunding. Successful energy access related equity campaigns we observed have a few things in common: 6 out of 7 of the energy access campaigns that were funded since

2014 had developed and owned their IP, 4 out of 7 of the campaigns were by companies domiciled in the UK, and all entities had international management teams. Given most equity platforms are based in the UK, Europe and the USA and so few are based in Africa, where there is limited protection for investors due to the regulatory landscape, entrepreneurs in sub-Saharan Africa are largely excluded from equity crowdfunding.

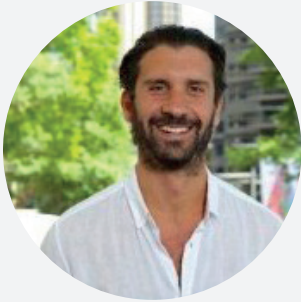
For energy access companies considering equity crowdfunding, they should ensure their company profile is in line with other companies that have raised equity via crowdfunding. This means the company will likely have a novel and innovative product, own their IP and have an international management team. Much like during reward crowdfunding, the pitch video is an integral component of winning investment. For more information on formulating a winning pitch video, see pages 15, 23 and 24. Most platforms offer a similar interface to investors and draw on the platform's network to fund the campaign. While there is limited platform choice, it's important for campaign-makers to be aware of the various equity crowdfunding platform models that do exist. Several platforms operate on a co-investment basis – and some strictly so – whereby crowdfunding investors participate alongside investment funds and venture capital firms. In the last year, some equity platforms have also started to facilitate a secondary market for shares acquired via the platform.

Equity Crowdfunding Platform Comparison

Platform	Country	Co-investment Model	Secondary Market
Crowdcube	UK	✓	✓
Oneplanetcrowd	The Netherlands	✗	✗
FundedByMe	Sweden	✗	✓
Syndicate Room	UK	✓	✗
Seedrs	UK	✓	✓
OurCrowd	Australia/Israel	✓	✗



CHOOSING THE RIGHT EQUITY PLATFORM



"It's worth understanding who is behind the platform, what is their background, are they financially savvy and competent, are they undertaking due diligence on your behalf? It's also important to look at the way they remunerate themselves. Do they participate in the upside with investors, or is it a fee front-end brokered model"

DAN BENNETT, MANAGING DIRECTOR, OURCROWD AUSTRALIA & ASIA

While these are interesting developments for the future of equity crowdfunding, in reality there is still limited choice for energy access companies. For UK registered companies working in the energy access space, the obvious partner – with a good track record among relevant pitches – is Crowdcube, which also has a 48% market share.¹⁸ Seedrs and Syndicate Room, which also operate in the UK market, are yet to fund an energy access related campaign. Oneplanetcrowd, based in the Netherlands, offers donation, reward, debt

and equity campaigns across their platform and has successfully funded a number of reward, debt and equity campaigns for Dutch solar company, WakaWaka. Swedish platform, FundedByMe, is the only other equity platform we know of that has facilitated a successful energy access related crowdfunding campaign – which was run by debt platform TRINE as their proof of concept before launching their own platform.



EQUITY PLATFORMS ONES TO WATCH

Uprise.Africa

Uprise.Africa is South Africa's first equity platform and launched in October 2017. The platform was created to help innovative local SMEs raise capital from multiple investors on the platform. Companies raising on the platform will need to issue a prospectus to investors, and cover the cost of video, marketing and any financial audit that may need to be carried out.



EQUITY CROWDFUNDING DUE DILIGENCE EXAMPLE

CROWDCUBE

The following guidance is adapted from the due diligence outline on Crowdcube's website. Crowdcube's due diligence process consists of three stages: Pre-launch Due Diligence, Live Pitch Monitoring and Post-funding Due Diligence. It's important to consider that around 10% of entrepreneurs are approved to launch campaigns and make it onto the platform.¹⁹

1. Pre-launch Due Diligence

The following due diligence is carried out on each company before the pitch is approved and open to investment:

- background checks on the company and its directors including personal credit and bankruptcy checks, director's disqualification checks, previous company checks and accreditation checks (via Creditsafe);
- fact check all statements and claims made in the pitch text to ensure it is fair, clear and not misleading by obtaining, where possible, independent evidence. Certain statements may rely on the company's own systems – for example, stock or customer management systems;
- obtain any commercial contracts mentioned in a pitch, and
- verify any material professional accreditations.
- if applicable, check whether the company has received SEIS or EIS Advance Assurance and make clear to potential investors the availability of such tax relief.

In addition, every company that raises capital on Crowdcube's platform provides warranties to Crowdcube in Crowdcube's terms and conditions that include:

- that the share capital table accurately reflects the fully diluted position; and
- that the company is not party to any current litigation and that it is not aware of any threatened litigation.

2. Live Pitch Monitoring

During the time the pitch is live on Crowdcube's platform, the compliance team will also review any investment patterns notified by Crowdcube's pitch manipulation tool to ensure investments are genuine and not made to unduly enhance the performance of a pitch.

3. Post-funding Due Diligence

Once a pitch has reached its funding target Crowdcube conducts due diligence on the business before

investments are completed and prior to any funds being captured:

- check the company's share structure against Companies House filings and seek clarification of any discrepancies;
- review the Articles of Association to ascertain the share classes and their rights;
- review any existing Shareholder Agreements, Subscription Agreements or Investment Agreements to check whether the shareholder rights and company obligations are compatible with a crowdfunding round. Based on this review we may, if we consider necessary, recommend amendments to the documents or make appropriate disclosures to investors to outline investor rights or risks;
- review any known commercial loan agreements, convertible loan instruments and any director and/or shareholder loan agreements, and require any undocumented loans to be documented;
- require the company to warrant that the share price payable by investors has been calculated on a fully-diluted basis, taking into account all issued shares, options and convertible loans;
- a full search and review of intellectual property rights are not carried out but claims of trademark, patent, or URL ownership in pitch text are checked by seeking verification from the company and searching public registers. We also require the transfer of ownership to the company if Crowdcube becomes aware that any material intellectual property rights are not wholly owned by the company.

Any necessary disclosures from the post-funding legal due diligence process are set out in the Legal Review document, which will be emailed to investors at the beginning of the seven days cooling off period. Whilst we do provide guidance on valuations, it is the company's decision to price their investment offer and ultimately the crowd then decides if they are willing to invest at that price. Under Crowdcube's Terms and Conditions, every applicant company, acting by its directors, must ensure that all information which is provided to Crowdcube is true and accurate.

Source: Crowdcube 2017

3.4.2 Reaching the Campaign Target

For equity campaigns, the due diligence and campaign preparation stages can be particularly onerous. This is due to the fact equity crowdfunding campaigns tend to be larger campaigns on average, investors are contributing funds at risk and because the average investment is higher for equity crowdfunding platforms than other platform types. Equity platform members also tend to be experienced investors and will expect comprehensive investment materials, including the pitch deck and full financials. Each platform has a standardised due diligence process, which includes information on the founders, company history and the business concept. In addition, the founders must produce a pitch video. It's vital to consider that only about 10% of the entrepreneurs seeking to make

itches are allowed to do so on the Crowdcube platform²⁰ – a pass rate that is likely similar across equity platforms.

While equity platforms tend to have a strong membership base and most investors will likely come through platform leads, it is important to build campaign momentum early on, in much the same way as one would approach a reward crowdfunding campaign. Campaigns that fail tend to struggle to raise more than one-third of their campaign target.²¹ Campaign outreach and promotion from the start (and even before going live) of the campaign is therefore important both to encourage early investments from the company's network but also as a promotional tool to build brand awareness and support.



BUILDING A SUCCESSFUL EQUITY CAMPAIGN 3 POINTS TO CONSIDER

1. Target

The general rule for reward crowdfunding is to keep the target low and aim to overfund. Data on equity crowdfunding paints a more ambiguous relationship between success and the target so it's important to consider the different indicators of success when considering the campaign target. The likelihood of success increases with the target; there is a positive correlation between the target amount and the success rate. An analysis by CrowdRating found that companies that tried to raise over £750,000 (\$990,000) had an 80% chance of hitting their funding target, while those raising less than £750,000 (\$990,000) had a 50% chance of being successful. It is also important to consider that over 50% of companies that overfunded had a valuation of £2 million (\$2.6 million) or less. In reality though, most pitches (58%) were seeking to raise less than £250,000 (\$330,000). The average campaign size (successful pitches only) was £450,000 on Crowdcube and £535,000 on Seedrs.

2. Valuation

It's important to consider the point above – that over 50% of companies that overfunded had a valuation of £2 million (\$2.6 million) or less. Researchers have found that investors view the valuation as the most important signal on the campaign page, measured

by the number of discussion board posts on the subject. Their analysis finds that on average investors think these are too high. Given the trends highlighted by the data in the previous point, investors are likely to be drawn to pitches where a higher ownership stake is up for grabs, which may explain why there is a higher success rate for companies with a valuation below £2 million (\$2.6 million).

3. Quality of Pitch

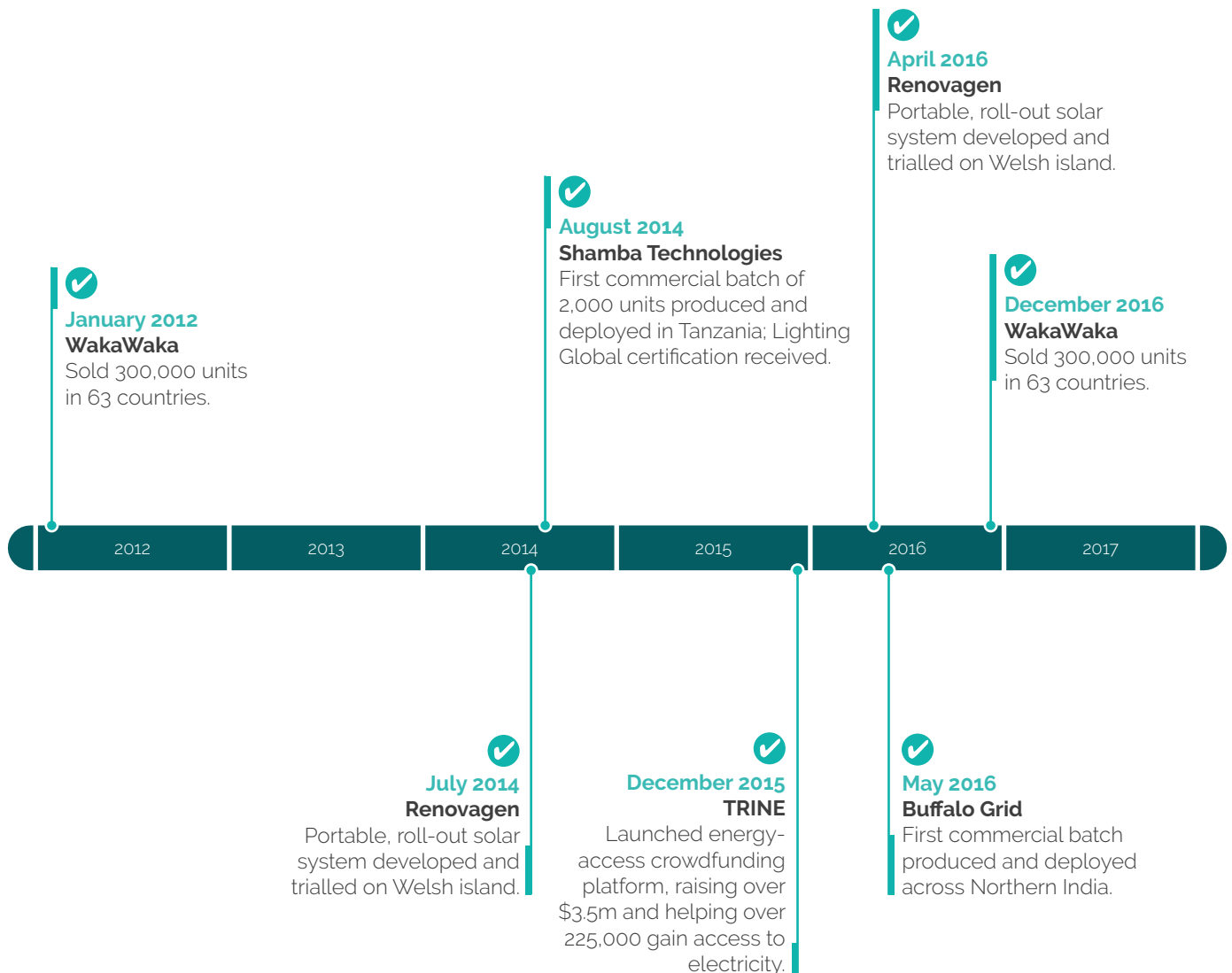
A number of academic studies have shown crowdfunding investors respond to the quality of the pitch and underlying company, in much the same way that venture capitalists do, and that poor quality pitches will gather only a 'negligible amount of money'.²² Researchers have shown that the quality and amount of information accumulated throughout a pitch influences investor behavior and found that 'more information' and 'better information' leads to greater likelihood of pitch success.²³ Other researchers have pointed out a trend of herding among equity crowdfunding investors,²⁴ which assumes investor irrationality, although academics remain divided on this. Platform discussion boards provide a forum for potential investors to discuss the pitch and request information or clarification from the founders.

3.4.3 Implementing Campaign Goals & Success into the Future

Although companies may successfully raise equity from the crowd, it doesn't guarantee long-run success. Equity crowdfunding, like some reward crowdfunding campaigns ("mega-campaigns"), is sometimes used as a proxy for market testing. However in the case of the majority of energy access related campaigns, the company is usually raising capital from a demographic that is completely different to their customer base. For this reason, the performance of the equity crowdfunding campaign is unlikely to be an accurate proxy of the company's market penetration in Sub-Saharan Africa and Asia.

Equity crowdfunding is high risk. Not only are the underlying investments risky, the lack of a secondary market means investment is not liquid. Shikhar Ghosh, a senior lecturer at Harvard Business School, estimates the start-up failure rate is 30 to 40 percent if failure means investors losing most or all of the money they put into the company²⁵. UK equity crowdfunding platform, Seedrs published research in 2016 that tracked companies that had raised funds on the platform since 2012 and found that 18.6% had fallen in value since raising their funds²⁶ and "most of these are worthless"²⁷. That said, it's interesting to observe that all five companies that have engaged in energy-access related equity crowdfunding since 2012 still exist today. Two companies have raised subsequent funding rounds via crowdfunding, two and four years after the initial campaigns.

Where Are They Now?



Even for equity crowdfunding as a whole, it is difficult to ascertain the medium and long-run success rates of companies that raise funds successfully via equity crowdfunding platforms – and given the small data set of energy access related deals, this is much more difficult to determine. Further, there is no data available on the overall start-up failure rates within the energy access sector or for equity-backed energy access

focused start-ups. Analysis by Bloomberg New Energy Finance shows that equity investment in PAYG solar companies in 'emerging or remote markets' only began to swell in 2016 (following modest growth from 2013 – 2015)²⁸ and it is thus too early to judge the success or failure of these companies, even for those that have not engaged in equity crowdfunding.



KEY POINTS – EQUITY CROWDFUNDING

- There have been seven energy access related equity crowdfunding deals from 2012 – 2017 across four platforms – Crowdcube (4) in the UK, Oneplanetcrowd (1) and Symbid (1) in the Netherlands, and Symbid (1) in Sweden.
- Energy access crowdfunding grew in 2016, however 2017 has been a slow year for energy access equity crowdfunding; both scattered and clustered deal flow can distort equity crowdfunding data creating fluctuations in year-on-year data.
- Many governments in more economically developed countries have adopted bespoke regulatory frameworks, although the level of flexibility varies from country to country.
- No government in Africa has adopted bespoke regulations on equity crowdfunding and many platforms operate outside of any regulations, while some platforms operate under existing securities or credit laws.
- Successful energy access crowdfunding campaigns tend to have a novel and innovative product, own their IP and have an international management team.

EQUITY CROWDFUNDING Q&A – RENOVAGEN



Renovagen Ltd was founded in 2012 to develop a unique portable solar power system called the RAPID ROLL, which includes a solar field which “unrolls like a carpet” in 2 minutes. This system is much faster to deploy, much easier to use and packs up to 10 times the power capacity, compared with glass-panel alternatives. In disaster relief, military or remote industrial applications it provides more affordable, more sustainable and more secure power – which can save lives after a disaster or by eliminating fuel convoys which may come under attack in a conflict zone.

Renovagen has raised over \$1.6 million on UK equity crowdfunding platform Crowdcube. They launched their first campaign in 2014, and another campaign in 2016 that raised \$1.3 million in equity.

Q Give us an idea of where Renovagen was at when you decided to launch your first equity campaign on Crowdcube?

Prior to our first equity campaign on Crowdcube, we were at a relatively early stage of R&D. We had proven the feasibility of our product and had our first patent granted, but so far had only been self-funded in combination with a grant from Innovate UK. Raising money at this early seed stage is very challenging, but being able to present video of our first prototype captured the imagination of enough Crowdcube investors to complete our raise.

Q How did you hear about equity crowdfunding and why did you decide to launch the campaign on Crowdcube?

At the early seed stage, it was very challenging to raise money via other traditional channels such as VCs and angel groups. I had heard of other clean tech businesses raising money via crowdfunding before. We had a product, which was conceptually easy to describe and had positive impact applications, so we thought it would appeal to investors on crowdfunding platforms, to spread the risk amongst a larger number of investors. We chose Crowdcube because we preferred a direct ownership structure and the ability to offer a combination of voting and non-voting shares.

Q What progress had you made between launching the first campaign and the second campaign, two years later?

We achieved a huge amount in terms of product development and field-testing – including completing an exercise with NATO which lent some credibility to our cause. We also won the £50,000 (\$66,000) Diamond award from the MassChallenge accelerator, a grant from the EU and soon after launching our campaign we secured a £400,000 (\$530,000) development contract. Reaching these success points and putting revenue on our books gave investors the confidence to support us with a larger raise.

Q What other options were you exploring to raise financing (grants, debt, equity) and why did you ultimately decide to go back to Crowdcube?

Ultimately crowdfunding still provided the best way to spread risk amongst a large number of investors, leverage EIS²⁹ tax relief and justify a good valuation. We explored other options but being still at the early revenue stage is a challenge, particularly when raising money in the UK.

Q What did you learn from the experience? Do you have any advice for start-ups looking to raise crowdfunded equity?

Dealing with a large number of investors is a huge amount of work. The 2016 raise consumed about 80% to 90% of my time for 3 months. That's nearly a quarter of the Founder's year spent just on the raise. Don't underestimate the commitment required to be successful. Also, even though it's online crowdfunding, take any opportunity to get face-to-face with investors that you can. The larger crowd investors (£10k+ per investment) are key to making your target, and they will do more due diligence – so spend the time with them to give them confidence. Some investors just invest in people, even when they don't have a detailed technical or market background.

Q What's next for Renovagen? How will you go about raising funds next time?

We have since completed some very successful projects and deployments and secured our first commercial orders. We are now embarking on another raise to scale up – ideally we will move on from crowdfunding and find a larger investor who can contribute market and technology synergy in addition to just the money. However, we will never rule out crowdfunding as it has been valuable for us in the past. We really appreciate the investments and support our crowdfunders have made and the publicity that has resulted.



WHEN CROWDFUNDING 'FAILS'

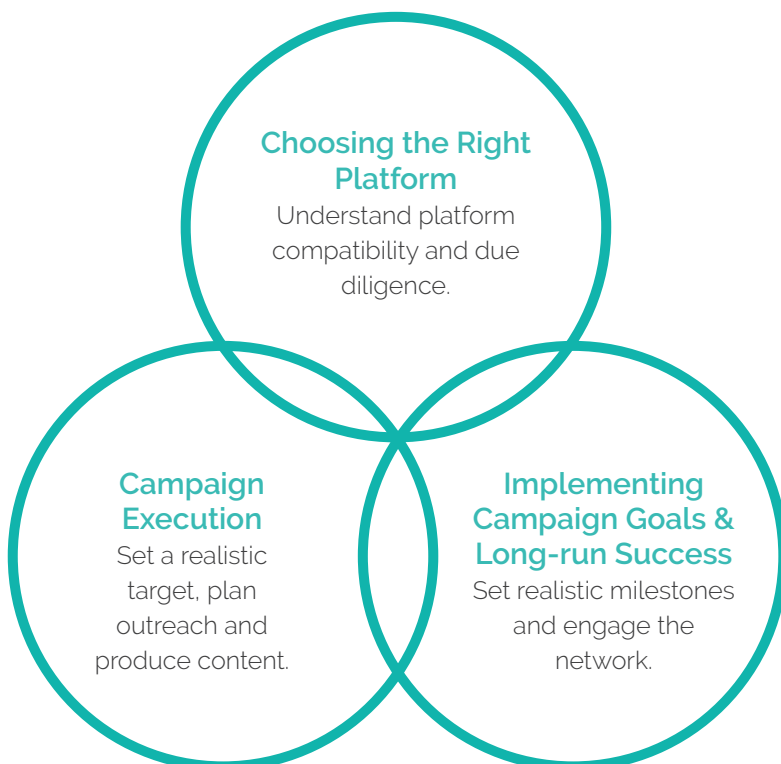
Crowdfunding success is more than simply reaching the campaign target, although this is an important component of success. Choosing a platform that is compatible with the needs of the company or non-profit raising funds, along with planning and executing a successful campaign period, as well as implementing campaign goals, are all components of the broader concept of 'crowdfunding success'. The following section will examine various case studies across the three interrelating layers of success identified earlier in 3.0 Layers of Success to share learnings from campaigns that were unsuccessful in terms of either choosing the right platform, raising their target or executing the campaign goals. We provide the following case studies:

Case Study 1: Choosing the Right Platform
Skynotch Energy's campaign on Indiegogo

Case Study 2: Campaign Execution
Eco Charcoal's campaign on M-Changa

Case Study 3: Implementing Campaign Goals
INTASAVE's campaign on TRINE

What Leads to Crowdfunding Success?



A Note on Campaign Analysis

We assess the quality of the campaign across 5 core areas – Platform Compatibility, Realistic Campaign Target, Campaign Page Content, Clarity of Narrative, and Use of Funds Description. We provide a ranking of the campaign, based on the campaign page, from "Poor" to "Good".

POOR

OK

GREAT

Case Study 1

Lesson – Choosing the Right Platform

Skynotch Energy, Kenya

[Link to campaign](#)

Platform	Indiegogo
Campaign type	Reward / Flexible
Target	\$50,000
Raised	\$330
Supporters	9
Av contribution	\$37
Date	December 2014

5 Core Areas	Rank
Platform Compatibility	Poor
Realistic Campaign Target	Poor
Campaign Page Content	OK
Clarity of Narrative	OK
Use of Funds Description	OK

Background to the campaign

Skynotch Energy is a Nairobi based small business, run by entrepreneur Patrick Kimathi, which distributes solar lanterns. The company was incubated by the Kenya Climate Innovation Centre (KCIC) in Nairobi and received training from Crowdfunding Capital Advisors (CCA) as part of an experimental programme to test how reward crowdfunding could work for Kenyan entrepreneurs. Skynotch Energy received training and support from CCA and infoDev to prepare for the campaign, before launching on Indiegogo.

Why didn't it work?

Skynotch Energy failed to reach its target for a number of reasons. First, the campaign target was unrealistic. One of the first steps in deciding how much to raise on a reward platform is to analyse the network of contributors and how much they are likely to contribute to the campaign. Reward platform Pozible, advises campaign-makers to rank their network, in terms of the likelihood of making a contribution to the campaign, and to calculate the

amount that will be contributed by multiplying the number of 'definite' contributors by AU\$50 (\$38).³⁰ This amount obviously depends on the network and their contribution power; an Australia-based crowd is likely to have a greater contribution capacity than a Kenya-based crowd.

Secondly, the chosen platform did not suit Skynotch Energy's network. While Skynotch Energy received contributions from people outside of Kenya, the majority of the founder's network was based in Kenya, where mobile money is the predominant mode of transacting. Indiegogo does not have the functionality to support mobile money transactions, and only allows contributions via debit or credit card. Given credit card usage is estimated at less than 5% on the continent,³¹ Indiegogo was not a compatible platform choice. A platform like M-Changa, based in Kenya, which facilitates payments via three mobile money networks, credit card, PayPal and SimbaPay, may have been a better choice.

So what did we learn?

Even with resources and training it is difficult for local entrepreneurs to raise funding from outside of their network. Before starting a campaign, the campaign-maker must know their network and their capacity to contribute. For all donation and reward campaign types, campaign-makers must engage their network for contributions and outreach, and cannot rely of platforms to 'bring the crowd'. Some platforms advise having 30% to 50% of the target pre-committed before going live with a reward campaign. During Crowd Power, we found that very few reward campaigns had contributions from outside of their network – so understanding who your potential backers are is essential. Many reward platforms advise keeping the target low, in a bid to overfund and demonstrate momentum. It is also important for campaign-makers to understand the platform's functionality and to choose a platform that is compatible with the campaign-maker's network – in terms of target market, currency and payment methods.

Case Study 2

Lesson – Campaign Execution

Eco-Charcoal (Kasigua Tree Farm), Kenya

[Link to campaign](#)

Platform	M-Changa
Donation	Reward / Flexible
Target	\$30,000
Raised	\$5,224
Supporters	38
Av contribution	\$137
Date	January 2017

5 Core Areas	Rank
Platform Compatibility	Good
Realistic Campaign Target	Poor
Campaign Page Content	OK
Clarity of Narrative	OK
Use of Funds Description	OK

Background to the campaign

Eco-charcoal works to protect and conserve Kenya's largest national park, Tsavo National Parks, by producing biomass briquettes. Eco-charcoal produces briquettes with pruned branches – from quickly regenerating pruned trees – that are dried, carbonized and mixed with a natural binder. Eco-charcoal began as a small project in 2011, called Kasigua Tree Farm and was funded by US based company, Wildlife Works, along with contributions from the Founder. Eco-charcoal launched the campaign to raise funds to scale-up our production through the purchase of equipment, hiring of staff and investing in marketing. Eco-charcoal received one-to-one match funding through the Crowd Power programme.

Why didn't it work?

Eco-charcoal was not unsuccessful – they raised over \$5,000, inclusive of dollar-for-dollar match funding from Crowd Power – however the high target of \$30,000 indicates that the campaign-makers did not understand their network and potential contributors well. Eco-charcoal was unable to capitalise on the momentum that could have been gained if they set their target lower, at say \$5,000 or \$10,000 – as they could have demonstrated their success to the crowd earlier. Reward campaigns typically receive most of their funding within the first week or so of the campaign and demonstrating milestones, such as funding 50% of the target, is crucial to success. The Eco-charcoal campaign ended with just 18% of the target raised so they were unable to leverage the progress of the campaign to build momentum and further support, although the company had a solid network of supporters.

So what did we learn?

As in the previous case study (Skynotch Energy) we see that it is important to consider the size and contribution capacity of the network when deciding on the campaign target. This is to maximize the promotional opportunity of running a campaign, and to increase the chance of success through building momentum and promoting funding milestones. Eco-charcoal also had a lot of success. We can see from the previous case study, and other similar companies in Kenya that have run campaigns on Indiegogo, that Eco-charcoal chose a compatible platform for their network – Nairobi-based M-Changa. Although the platform was suitable for The chosen platform had the functionality to display the target in United States Dollars and Kenyan Shillings, and facilitate transactions via mobile money, credit cards, as well as PayPal and SimbaPay.



Eco-charcoal was not unsuccessful – they raised over \$5,000, inclusive of dollar-for-dollar match funding from Crowd Power – however the high target of \$30,000 indicates that the campaign-makers did not understand their network and potential contributors well.

Case Study 3

Lesson – Implement Campaign Goals

INTASAVE, Kenya

[Link to campaign](#)

Platform	TRINE
Campaign type	All-or-nothing
Target	€80,000
Raised	€80,000
Supporters	136
Av contribution	€588
Date	June 2016

5 Core Areas	Rank
Platform Compatibility	Good
Realistic Campaign Target	OK
Campaign Page Content	Good
Clarity of Narrative	Good
Use of Funds Description	Good

Background to the campaign

INTASAVE-CARIBSAVE Group (INTASAVE) was an international non-profit working on climate change and sustainable development. INTASAVE was founded in 2007 through a partnership between the University of Oxford and regional (Africa, Asia-Pacific, the Caribbean) climate change organisations. Prior to being approved for a loan via the TRINE platform, INTASAVE had raised funds via a reward campaign on Indiegogo as a 'Verified Nonprofit' organization in December 2015 – and successfully raised \$101,378, including a \$20,000 contribution from Crowd Power. INTASAVE's debt campaign on TRINE, six months later, raised €80,000 (\$93,000).

Why didn't it work?

In some ways INTASAVE had a successful experience – they chose a compatible platform, passed platform due diligence and raised their target from the crowd – they were however unsuccessful in their implementation of the campaign goals. INTASAVE announced they were liquidating the global company within 2 months of raising funds on TRINE due to 'substantial financial problems' – and was unable to meet outstanding debt obligations.

So what did we learn?

Even fairly well executed campaigns by seemingly reputable organisations can fail if the venture raising funds is not financially viable. TRINE was able to post information on INTASAVE's status via the campaign discussion board, which is publically available, and informed the investors in the campaign via email. Within a week, TRINE announced they would transfer 100% of the investments made into another campaign on the platform so that their investors didn't lose out – and presumably so TRINE could retain their investor base and protect their reputation. The platform also revised the due diligence process in response, and no longer provides project finance. TRINE has a team in London pursuing the platform's credit claims against INTASAVE's assets.



TOP 3 REASONS FOR FAILURE

We asked platforms to identify the top 3 things that unsuccessful campaigns have in common – either that failed to reach their target or that did not make it onto the platform.



M-Changa **Donation**

1. Failure to ask for donations
2. Weak networks
3. Lack of effort



Pozible **Reward**

1. No pre-existing community to get the ball rolling
2. Vague or broad mission and goals
3. No promotional strategy



TRINE **Debt**

1. The company is in pilot phase
2. The company requires equity to sustain OPEX
3. The company has not made enough sales



bettervest **Debt**

1. Not economically viable
2. Project partners have too much debt or weak balance sheets
3. Inexperienced project partners or very young companies



Lendahand **Debt**

1. Weak financial model and management
2. Little confidence in key management and the company's ability to scale up
3. Too early stage and perceived high credit risk



Kiva Direct to Social Enterprise (DSE) pilot **Debt**

1. Unclear social impact story
2. Loan request is much larger than their ability to pay it back (their loan is greater than the 30% of asset or sales guideline)
3. Kiva concludes it is unclear if the business will be a going concern for the duration of the loan



CROWD POWER UPDATE



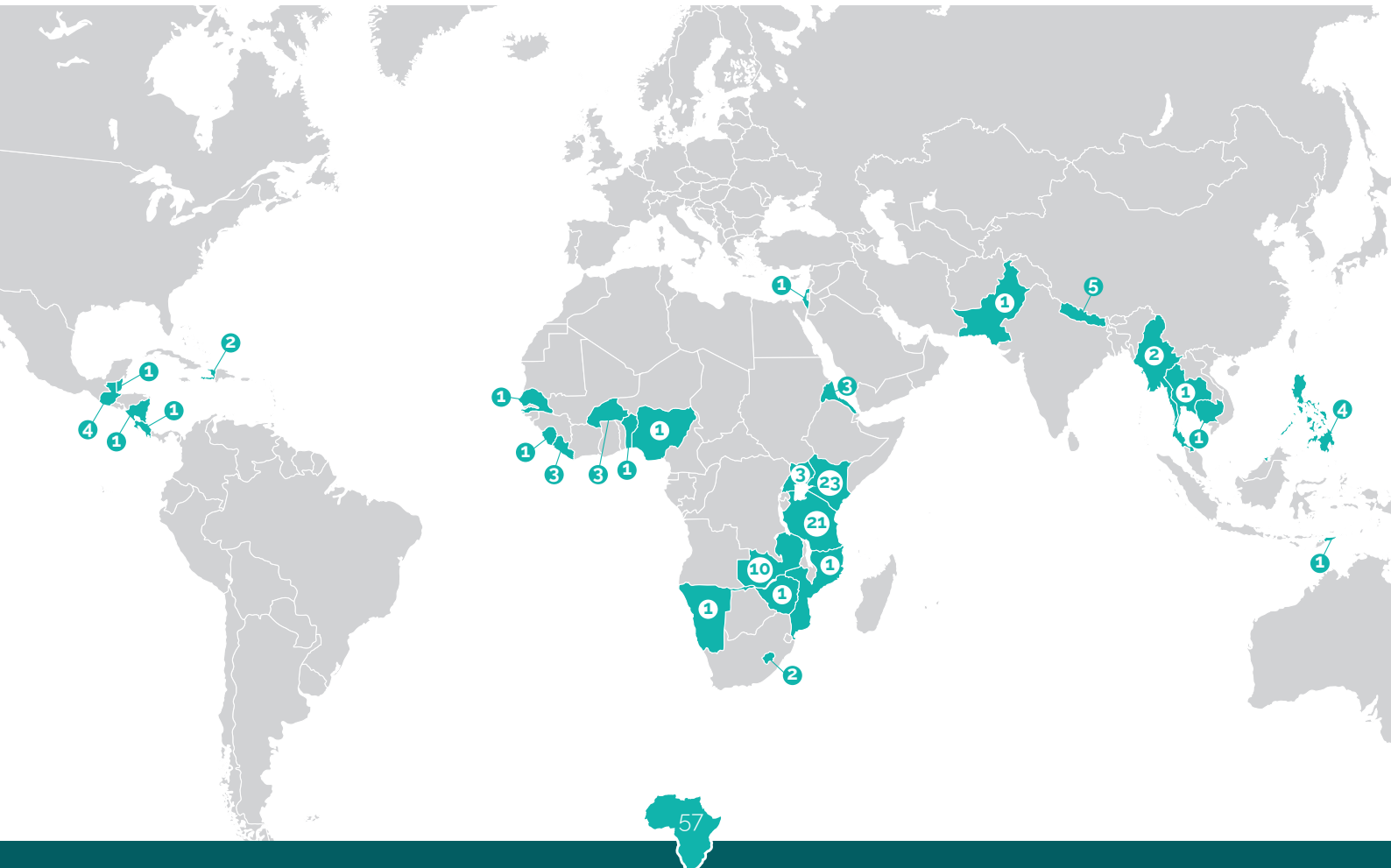
What is Crowd Power?

Crowd Power is a programme run by Energy 4 Impact and was set-up with the intention to fund and research energy access related crowdfunding. We have a research and innovation budget of \$1.35 million (£850,000), funded by UK aid, to support various donation, reward, debt and equity campaigns. Direct support to campaigns has been via various incentives – match funding, lump-sum contributions, gift vouchers and first-loss protection (guarantees and co-guarantees). We are also researching market trends and the growth of crowdfunding within the off-grid energy space. This is the third paper in a series of five papers that will be published over the course of the programme, which ends in March 2018.

What has happened so far?

At the time of publication we had supported 100 campaigns, deploying over \$600,000 into donation, reward, debt and equity campaigns targeting energy access. We have worked with nine platform partners – GlobalGiving, M-Changa, Indiegogo, Pozible, Kiva, TRINE, Lendahand, bettervest and Crowdcube. Crowd Power supported campaigns have raised over \$4 million. We have supported campaigns in 24 countries, including pioneering ventures in relatively new energy access markets – such as Mozambique, Sierra Leone and Namibia – and some innovative models, such as Okra Solar, which allows energy sharing between neighbours in Cambodia.

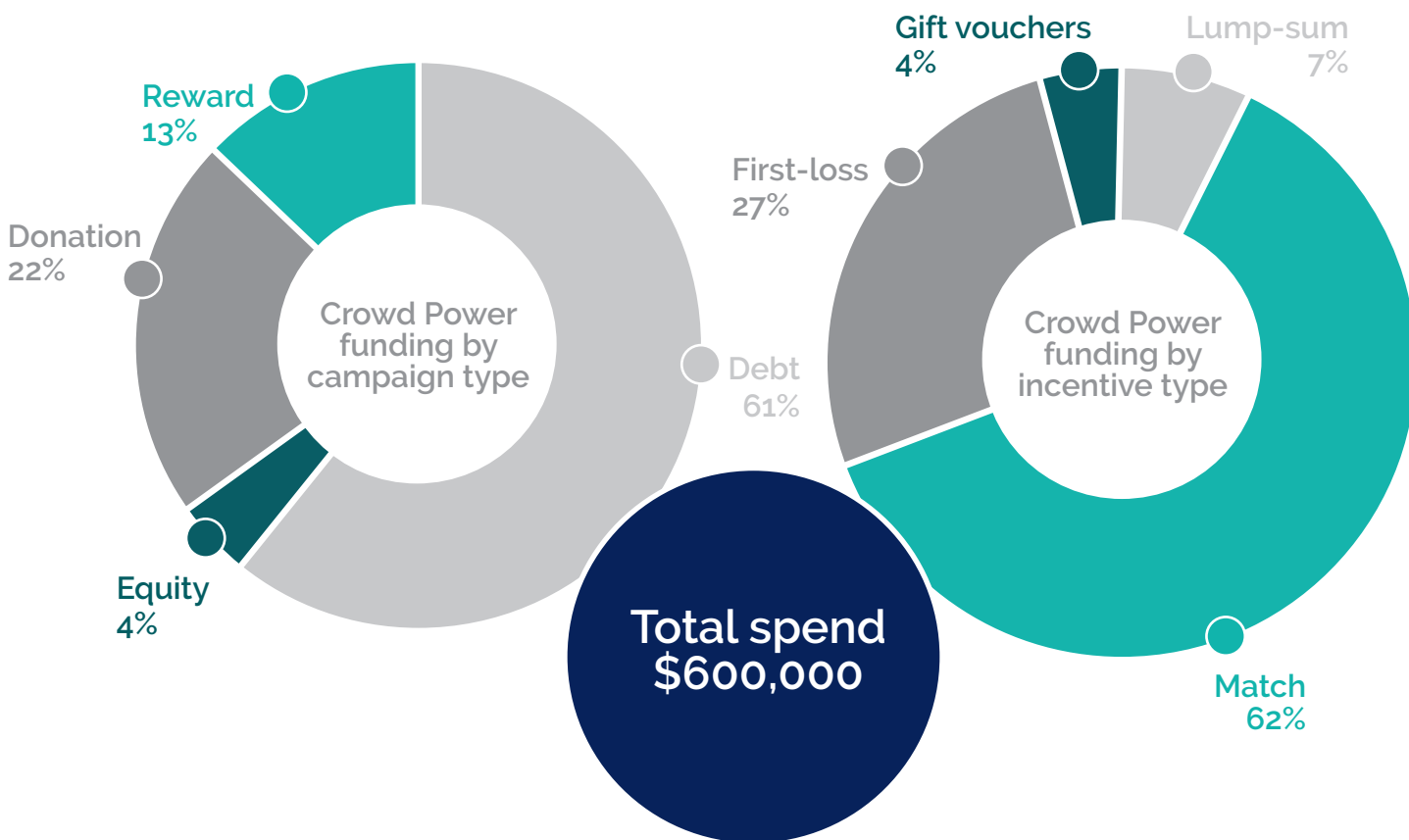
Crowd Power Map Number of Campaigns by Country



Over 60% of funding has been deployed via debt campaigns, reflecting the growth of debt crowdfunding for energy access across the energy access crowdfunding space. Over 60% of funding was deployed as match funding across our platform partners. First-loss funds, which provide a partial guarantee on investors' funds in the case of default, accounted for 27% of funds deployed, and were

utilised exclusively for debt campaigns. First-loss funding that is not drawn down will be recycled through new energy access loans or fund community energy access initiatives managed by our platform partners (and associated foundations) once the programme has ended. All remaining funds intended to directly support campaigns have been allotted to live and pipeline campaigns.

Crowd Power Funding





CROWD POWER CAMPAIGN SNAPSHOT PAWAME

“Lighting Homes, Kenya”

Pawame's mission is to make electricity accessible to off-grid communities with small daily energy budgets and little or no opportunities for credit. By supplying modern day devices and services, they aim to improve the quality of life of millions of African communities – starting with Kenya. Pawame offers Smart Solar Kits and accessory devices such as lights, radio and TV. The company spreads the cost to the consumer across an affordable monthly subscription plan, paid via existing mobile money platforms.

Pawame raised €150,000 (\$175,000) of debt on TRINE, which was de-risked by the 50% first-loss co-guarantee provided by Crowd Power and German solar manufacturer, Fosera. They had previously raised \$50,000 in debt on Kiva, through the Direct to Social Enterprise (DSE) loan pilot. Establishing a track record with Kiva allowed Pawame to progress to a larger loan facility with TRINE – a trend evident among another of companies that ‘graduate’ from one platform (or loan level) to another.

Platform TRINE

Launch August 25, 2017

Close October 1, 2017

Target	€150,000 (\$175,000)
Number of funders	535
Average investment	€280 (\$325)
Crowd Power contribution	50% first-loss protection, declining balance, as a co-guarantee with German solar manufacturer Fosera

The Company

Founded 2016

Country of Operation Kenya

Capital raised since founded \$1,014,000

Revenue

2015 NA

2016 \$158,277

Q&A



Tell us about Pawame's operations prior to the campaign

Pawame's method of operations have remained quite consistent since our inception. Our connectivity between our head-office in Nairobi, and our shops across active counties, is the basis for our success in operating efficiently, especially in frontier markets. Our head-office in Nairobi oversees logistics and holds our inventory. We then distribute to regional shops, which have their own store of Solar Home Systems. With outposts in 9 counties, our dedicated sales teams are always within close proximity to our kits, enabling our solution to be sold in over 12 counties. Our kits are sold with lamps, a radio, a torch and USB charging ports. They also support TVs and are designed to be compatible with further products down the line.



What were your options for raising capital and why did you decide to go to use TRINE?

Being a young startup, debt is harder to acquire than equity. Due to this, we have predominantly used straight equity as well as convertible notes to raise funds. Growing amounts of funding, combined with growing confidence in the business, has led to more opportunities to gain debt funding. This is beneficial to Pawame as we wish to minimise dilution where we can afford debt. It is in this vain that we decided to apply to TRINE. We have also secured grants through the GIZ Endev programme and a 0% loan through KIVA of \$50,000. Pawame has raised \$1,014,000 in our seed round to date.



How did you spend the funds raised during the campaign?

Funds were spent solely on kit purchases for deployment in December 2017 and January 2018, dovetailed with existing purchases made with our equity funding in July 2017. With a patient marketing campaign over the Kenyan election period, combined with our great product and affordable PayGo model, we hope to ensure strong sales figures from late 2017 onwards. These sales will use kits specifically purchased with TRINE funding. Since Pawame's inception in 2016, we have sold over 3,000 units, improving the lives of over 15,000 people.



How do you plan to raise growth capital over the next few years?

For the remainder of 2017, our focus is on funding through convertible notes. In 2018, Pawame will begin Series A funding. We are in talks with potential investors willing to use either equity or debt. For a young startup, we have been able to raise a considerable amount of debt funding, both locally from Kopo Kopo [Kenyan payments platform offering micro-loans to businesses]

and from international lenders: TRINE and KIVA. Pawame has also secured a debt guarantee from the African Guarantee Fund covering 50% of up to \$4m in equity and \$2.5m in debt. We have also been successful more recently with grant funding, with support from SNV and Global LEAP. We continue to utilise previous grant funding from sources including 2020 Expo in Dubai and the GIZ EnDev programme.



'Growing amounts of funding, combined with growing confidence in the business, has led to more opportunities to gain debt funding. This is beneficial to Pawame as we wish to minimise dilution where we can afford debt. It is in this vain that we decided to apply to Trine'

Nick Sparks, COO, Pawame

6.0 CONCLUSION



Crowdfunding success is multi-faceted and involves careful planning months prior to the campaign, and follow-through up to several years after the campaign. A successful crowdfunding campaign is rarely a 'quick-win' and requires a significant investment in resources – human, financial and logistical – to plan and execute the campaign, and accomplish campaign goals. We find that crowdfunding success, in a holistic sense, is dependent on choosing a compatible platform, having a well-planned outreach strategy, a quality campaign pitch and realistic target, in addition to executing the campaign goals thoroughly and on time.

Choosing a compatible platform comes down to determining the appropriate crowdfunding type (donation, reward, debt or equity) for the project and potential campaign-backers, as well as considering the platform's target geography, currency functionality and payment methods of the platform. For debt and equity campaigns in particular, the company will also need to pass platform due diligence before they can raise funding from the crowd.

We find that a successful campaign period is dependent on, not only the platform choice but, setting a realistic campaign target, formulating a thorough outreach strategy and developing high-quality campaign materials. For donation and reward campaigns, campaign-makers must carefully consider their network of potential contributors,

and their capacity to contribute, along with the probability of them contributing, as the campaign-makers network is the main source of funding for most of these campaigns. Our analysis found that debt campaigns have the highest 'success rates' (in terms of percentage of campaigns that meet the campaign target) of any other platform type, and that 100% of energy-access SME loans have been funded by the crowd³². The debt platforms we analysed had an average success rate of over 95% across all loan types. The leading equity crowdfunding platform Crowdcube, on the other hand, had a 52% success rate across all campaigns³³.

Furthermore, crowdfunding makes medium and long run success all the more visible and public, so meeting campaign goals and continuing to operate over the medium and long-term is integral to the perception of crowdfunding success. Reward campaign-makers in particular should ensure they have adequate human and financial resources in place to deliver rewards, as well as realistic milestones and timelines in place. The nature of crowdfunding means disgruntled campaign-backers are given a voice; and most campaigns remain publically available years after the campaign period has ended. This makes it all the more important to consider the various, and interconnecting, layers of crowdfunding success before embarking on the campaign journey, as the successes – and failures – will be freely available online.

Notes on Data Sources

1. Debt platforms we examined (bettervest, Lendahand, TRINE, Kiva) all had success rates above 95%.
2. Estrin, S., & Khavul, S., 'Equity crowdfunding: a new model for financing entrepreneurship?', *LSE: Centre for Economic Performance*, 2016.
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