Crowd Power
Crowdfunding
Energy Access
QUICK READ

$59M
RAISED FOR ENERGY ACCESS VIA CROWDFUNDING IN 2019

ENERGY ACCESS CROWDFUNDING 2015-2020

$60M
$40M
$20M

94%
OF FUNDS WERE RAISED ON DEBT PLATFORMS

DEBT CROWDFUNDING BY PLATFORM 2019

- Trine $20,358,240
- Energise Africa $8,492,103
- Lendahand $8,339,912
- Crowdcredit $7,000,000
- Kiva $5,720,700
- Ecoligo $2,732,240
- bettervest $2,082,258
- Other debt platforms $140,524

TOTAL $54,865,977

63%
OF CROWD POWER SUPPORTED COMPANIES HAVE WOMEN IN SENIOR LEADERSHIP POSITIONS (C-LEVELS, DIRECTORS OR FOUNDERS)

2X
BETWEEN 2015-2019, ENERGY ACCESS RELATED CROWDFUNDING HAS DOUBLED EACH YEAR, ON AVERAGE

CROWD POWER HAS SUPPORTED COVID-19 RELATED ENERGY ACCESS CAMPAIGNS TO RAISE $1.7M

THE IMPACT OF COVID-19 ON PLATFORMS IS LIKELY TO RESULT IN A C. 20% DECREASE IN FUNDING VOLUMES IN 2020

Note: 2020 figures are projections only based on available data as of June 30, 2020
From 2015 to 2019, energy access related crowdfunding volumes doubled every year on average. COVID-19 disrupted this trajectory, affecting both platform income and investee liquidity. Many questions remain: when will investing get back to pre-crisis levels, for example, and how V-shaped will the recovery be?

At the start of the crisis, investment-based platforms took a serious hit. But by the beginning of Q3 2020, we started to see promising signs of recovery. Volatility in daily investment volumes reduced and, while volumes are still down overall, investor sentiment has improved. Debt platforms are taking a more cautious approach to lending, which will reduce fundraising in 2020, but we expect energy access crowdfunding to be relatively resilient due to the impact-first nature of retail investments.

Our research shows investment decisions are motivated by environmental and social impact. Investors also hold their energy access investments as part of a diversified portfolio. Many of our platform partners have reported enquiries from investors asking how they can support borrowers through the crisis. For these reasons, we expect energy access crowdfunding volumes to reduce by approximately 20% in 2020 - a relatively mild contraction in the context of the COVID-19 crisis.

COVID-19 IMPACT AND RESPONSE

We are an impact-first lender, and many of our investors came to us asking what they could do in support.

Tobias Grinwis
Head of Investments, Lendahand

Note: 2020 figures are projections only based on available data as of January 30, 2020 and June 30, 2020, respectively. E4I will publish actual 2020 data in Q2 2021.

One Acre Fund

COVID-19 IMPACT RESPONSE

EXPECTED GROWTH BEFORE COVID-19

25M 50M 75M 100M 125M

EXPECTED GROWTH AFTER COVID-19

25M 50M 75M 100M 125M

YOY GROWTH (%)

132 44 175 89 102 -20
PLATFOR RESPONSES

In March 2020, several debt platforms paused the launch of new campaigns. Investment platforms experienced high volatility in daily investment, reporting 30%-70% reductions in investment volumes. As a result, many borrowers have been unable to meet their fundraising targets on time.

Kiva, Trine and bettervest continued to lend during Q2 2020, albeit at a slower pace. Kiva developed a bespoke crisis support loan product to support existing borrowers, which was launched in June 2020. Lendahand and Energise Africa refinanced loans to existing borrowers during Q2 2020, but did not take on any additional exposure from existing borrowers or offer loans to new borrowers. They are now considering taking on new exposure again, with a focus on existing performing borrowers and new borrowers vetted before the crisis. Charm Impact resumed lending in Q3 2020 and has launched campaigns with two new borrowers.

Equity platforms also experienced a drop in daily investment volumes, across all sectors, but not at the same level. Their resilience is likely due to the diversity of the investments that they offer. In fact, 2020 is shaping up as the most dynamic year for equity crowdfunding that the energy access sector has ever seen. Successful campaigns by M-Power and Open Energy Labs closed in March and July. Two further campaigns are expected to launch in Q3 2020 with co-funding from Crowd Power.

Our next step was to innovate our current loan product to respond quickly and inject liquidity.

Luke Seidl
Senior Investment Manager of Small and Growing Businesses, Kiva
The Kiva Labs: Social Enterprise programme provides short-term working capital loans directly to mission-driven companies. Their loans are targeted at borrowers in the ‘missing middle’ that are trying to raise loans between $50,000 and $200,000, or even as high as $500,000. The loans are used to finance everyday operations and, in doing so, enhance productivity, remove bottlenecks to growth and develop a track record for institutional investors. In the four years since the programme’s inception, Kiva has provided almost $6,500,000 to 86 social enterprises operating in 33 countries. The average loan size is $55,000.

Tell us about Kiva’s decision to scale-up lending during the COVID-19 crisis.

As an impact-first lender, Kiva’s Social Enterprise Team, in concert with our leadership, decided to prioritise our partners and $200,000 for social enterprises. We’ve also engaged with our partners to provide flexible terms to accommodate the repayment challenges that borrowers and partners face due to COVID-19.

Kiva was one of the only crowd-lenders to continue lending as the crisis emerged. Why do you think that is?

Kiva is in the unique position of providing relatively risk-tolerant capital pooled from thousands of retail lenders to fund each loan, spreading the risk among many impact-first investors that understand the importance of early-stage business, social enterprises and SMEs as a driver of economic empowerment and financial inclusion. We have received a significant increase in requests for capital starting in March, and we are working tirelessly to expedite our processes. Of course, the challenge of balancing risk and impact is currently heightened, but we are committed to providing as much support as our risk parameters will allow.

How has Kiva innovated the loan product?

Kiva has continued lending throughout COVID-19. We developed a new product called the Crisis Support Loan (CSL) to bridge liquidity gaps arising from the pandemic and restrictions on economic activity. CSLs are direct loans to fund operating expenditures, make payroll and retain staff, upgrade communication technology for remote work, supply PPE to field staff, and more. We’ve provided CSLs to ten social enterprises (at 31 July, 2020) and hope to finance close to 30 more before the end of 2020. For example, we provided Deevabits Green Energy with a $38,000 loan so it could continue to meet its customers’ critical lighting needs. CSLs have more flexible terms, longer durations, and amounts of up to $500,000 for lending partners and $200,000 for social enterprises. We’ve also engaged with our partners to provide flexible terms to accommodate the repayment challenges that borrowers and partners face due to COVID-19.

How did Kiva borrowers from the direct lending programme respond to the news?

We are always cautious to avoid over-indebtedness, recognising that many early-stage businesses need debt to grow but that overleverage can be dangerous. In some circumstances, we have reached out to grantmaking organisations in Kiva’s network or nominated enterprises for grants where we see that type of capital as the most appropriate. Our borrowing partners have expressed gratitude for our response and for our lenders’ flexibility on repayments and willingness to take on more risk.

Many debt platforms have seen a drop in lending since COVID-19. How have Kiva’s lenders responded?

The supply of loans from our partners went down by half ($5,000,000) during the peak of the crisis, as financial service providers had to shut down operations during countrywide shelter-in-place mandates. We have seen lenders hold steadfast and continue to lend during the crisis, especially stepping up to support minority-led small businesses in the US, and also quickly funding loans to social enterprises and lending partners globally.

What has been the impact of COVID-19 on Kiva as a platform? How do you see the crisis impacting Kiva in the long term?

The economic impacts of COVID have affected our entire portfolio. In countries where lockdowns are in effect, many of our financial services provider partners [e.g. microfinance institutions] are unable to lend or collect repayments, though some are able to provide financial services through digital platforms. Many have offered repayment moratoriums or rescheduling to borrowers whose businesses have been impacted by COVID. The repayment delays in turn impact new lending activity, since many lenders quickly relend repayments that they receive on their Kiva loans.

An economic slowdown impacts Kiva’s marketplace because it impacts how much our lenders can lend if they’re experiencing cash constraints. In spite of these challenges, we’ve been proud and encouraged to see our lenders rise to the challenge of supporting our borrowers during the pandemic. We’re also actively working to attract new lenders to our platform in order to support borrowers around the world as they persevere through and recover from the pandemic.
IMPACT ON PLATFORMS & INVESTEES
Several platforms paused fundraising activities in March 2020, however resumed later in the year. This table outlines the responses and timing of each platform's response.

<table>
<thead>
<tr>
<th>Platform</th>
<th>Additional Exposure</th>
<th>Platform Impact</th>
<th>CP2 Support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charm Impact</td>
<td>Yes, from June</td>
<td>Medium</td>
<td>Yes, opex payments</td>
</tr>
<tr>
<td>Kiva</td>
<td>Yes</td>
<td>Medium</td>
<td>Yes, match funding &amp; due diligence</td>
</tr>
<tr>
<td>bettervest</td>
<td>Yes</td>
<td>High</td>
<td>Yes, match funding</td>
</tr>
<tr>
<td>Energise Africa</td>
<td>Yes, from September</td>
<td>Medium</td>
<td>Yes, origination</td>
</tr>
<tr>
<td>Lendahand</td>
<td>Yes, from August</td>
<td>Medium</td>
<td>Yes, origination</td>
</tr>
<tr>
<td>Trine</td>
<td>Yes</td>
<td>Medium</td>
<td>Yes, origination</td>
</tr>
<tr>
<td>Crowdcube</td>
<td>Yes</td>
<td>Low</td>
<td>No</td>
</tr>
</tbody>
</table>

*Includes campaigns outside the energy access sector

CROWD POWER’S RESPONSE
Crowdfunding is dynamic and fast moving at the best of times. For this reason, Crowd Power has always maintained a high level of programme flexibility. But the crisis called for unprecedented agility to ensure both platform and investee needs could be met, during a constant state of flux. In Q2 2020, Crowd Power was redesigned to provide greater flexibility and simplicity.

CROWD POWER’S RESPONSE
Crowd Power is a research-led programme designed to explore the role of innovative technology driven financing solutions, such as peer-to-peer lending and crowdfunding, in the energy access sector. Crowd Power is funded by UK aid and managed by Energy 4 Impact (E4I), a UK-based charity, which supports market driven solutions to clean energy access in off-grid communities in sub-Saharan Africa.

ABOUT CROWD POWER

IMPACT ON PLATFORMS & INVESTEES

CROWD POWER’S RESPONSE

<table>
<thead>
<tr>
<th>Platform</th>
<th>Additional Exposure</th>
<th>Platform Impact</th>
<th>CP2 Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charm Impact</td>
<td>Yes, from June</td>
<td>Medium</td>
<td>Yes, opex payments</td>
</tr>
<tr>
<td>Kiva</td>
<td>Yes</td>
<td>Medium</td>
<td>Yes, match funding &amp; due diligence</td>
</tr>
<tr>
<td>bettervest</td>
<td>Yes</td>
<td>High</td>
<td>Yes, match funding</td>
</tr>
<tr>
<td>Energise Africa</td>
<td>Yes, from September</td>
<td>Medium</td>
<td>Yes, origination</td>
</tr>
<tr>
<td>Lendahand</td>
<td>Yes, from August</td>
<td>Medium</td>
<td>Yes, origination</td>
</tr>
<tr>
<td>Trine</td>
<td>Yes</td>
<td>Medium</td>
<td>Yes, origination</td>
</tr>
<tr>
<td>Crowdcube</td>
<td>Yes</td>
<td>Low</td>
<td>No</td>
</tr>
</tbody>
</table>

*Includes campaigns outside the energy access sector

CROWD POWER’S RESPONSE
Crowdfunding is dynamic and fast moving at the best of times. For this reason, Crowd Power has always maintained a high level of programme flexibility. But the crisis called for unprecedented agility to ensure both platform and investee needs could be met, during a constant state of flux. In Q2 2020, Crowd Power was redesigned to provide greater flexibility and simplicity.

CROWD POWER’S RESPONSE

<table>
<thead>
<tr>
<th>Original Design</th>
<th>COVID-19 Design</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crowdfunding Campaigns</strong></td>
<td><strong>Crowdfunding Campaigns</strong></td>
</tr>
<tr>
<td>• Provide co-funding to 13 companies</td>
<td>• Co-funding is now available for all platform and business models (including nonprofits)</td>
</tr>
<tr>
<td>on donation, reward and equity</td>
<td>• Platform costs associated with pipeline generation (e.g. due diligence, origination) can now be funded</td>
</tr>
<tr>
<td>platforms</td>
<td></td>
</tr>
<tr>
<td>• Fund set-up costs associated with</td>
<td></td>
</tr>
<tr>
<td>guarantees and one local currency</td>
<td></td>
</tr>
<tr>
<td>lending facility on debt platforms</td>
<td></td>
</tr>
<tr>
<td><strong>Investor Outreach</strong></td>
<td></td>
</tr>
<tr>
<td>• Fund outreach to attract 500 new</td>
<td>• Budget can be used to retain existing investors and to attract new ones</td>
</tr>
<tr>
<td>millennial and/or diaspora investors</td>
<td></td>
</tr>
<tr>
<td><strong>Research</strong></td>
<td></td>
</tr>
<tr>
<td>• Publish five research papers on</td>
<td>• Inclusion of COVID-19 issues in relevant reports</td>
</tr>
<tr>
<td>energy access crowdfunding</td>
<td></td>
</tr>
</tbody>
</table>

OUR PARTNERS
Our relationships with Crowd Power platform partners informed our response to the crisis.
# CROWD POWER SUPPORTED COVID-19 CAMPAIGNS

<table>
<thead>
<tr>
<th>Company</th>
<th>Platform</th>
<th>Countries</th>
<th>Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bidhaa Sasa</td>
<td>Kiva</td>
<td>Kenya</td>
<td>$200,000</td>
</tr>
<tr>
<td>Biolite</td>
<td>Kiva</td>
<td>Kenya</td>
<td>$200,000</td>
</tr>
<tr>
<td>Burn Manufacturing</td>
<td>Kiva</td>
<td>Kenya</td>
<td>$200,000</td>
</tr>
<tr>
<td>Burn Manufacturing</td>
<td>bettervest</td>
<td>Kenya</td>
<td>$100,000</td>
</tr>
<tr>
<td>Deevabits</td>
<td>Kiva</td>
<td>Kenya</td>
<td>$38,000</td>
</tr>
<tr>
<td>ElleSolaire</td>
<td>GoFundMe</td>
<td>Senegal</td>
<td>$26,000</td>
</tr>
<tr>
<td>Greenway Appliances</td>
<td>bettervest</td>
<td>Zambia</td>
<td>$120,000</td>
</tr>
<tr>
<td>Simusolar</td>
<td>Kiva</td>
<td>Tanzania</td>
<td>$100,000</td>
</tr>
<tr>
<td>Solar Aid</td>
<td>N/A, Solar Aid website</td>
<td>Malawi, Zambia</td>
<td>$350,000</td>
</tr>
<tr>
<td>Solar Sister</td>
<td>Kiva</td>
<td>Uganda</td>
<td>$50,000</td>
</tr>
<tr>
<td>Pawame</td>
<td>Kiva</td>
<td>Kenya</td>
<td>$165,000</td>
</tr>
<tr>
<td>Pirano Energy</td>
<td>bettervest</td>
<td>Nigeria</td>
<td>$26,000</td>
</tr>
<tr>
<td>Pollinate</td>
<td>N/A, Pollinate website</td>
<td>India, Nepal</td>
<td>$96,000</td>
</tr>
</tbody>
</table>

**Note** accurate as of 30, November 2020

---

The Kiva loan has been a life saver for Bidhaa Sasa, without it I doubt we would have been able to recover after the first COVID lockdowns. We really appreciate how quickly they were able to act. **It took just 3 months from application to disbursement. This is remarkable!**

Rocio Pérez Ochoa  
Co-founder, Bidhaa Sasa
**Q&A LENDAHAND & ENERGISE AFRICA**

**TOBIAS GRINWIS**

**Head of Investments**

Lendahand is an online impact investing platform based in the Netherlands with a mission to end poverty by investing in people and businesses. The platform launched in 2013, funding microfinance partners in emerging markets and in 2016 Lendahand began lending directly to energy access companies. In 2017, they launched the Energise Africa platform in the UK, in partnership with Ethex. Lendahand is responsible for origination and due diligence for both Lendahand and Energise Africa.

How did Lendahand respond during the first few weeks of the COVID-19 crisis?

Our initial response was to pause and take a step back to establish the best way forward. But with repayments scheduled each month, campaigns live on the platform, and with other campaigns in the pipeline, we had a very short timeframe to work out a solution. Our first decision was to continue running live campaigns and to put new campaigns on hold - there were so many uncertainties at that time.

Then we considered how restructuring and refinancing could work, and if we could provide additional liquidity to borrowers. Ultimately, we decided to offer a refinancing option to existing borrowers impacted by the crisis. We offered a grace period of up to 12 months for energy borrowers who chose to refinance in order to alleviate their short term liquidity constraints, with a 1% per annum interest rate increase that goes to our investors due to the increased risk in the market - though the 1% is a more symbolic increase that doesn't reflect the true risk. We have halted all new lending for the time being until we have more clarity on the actual impact on the ground. We remain committed to potential partners in the later stage of due diligence, and we have launched loans from new partners in Q3.

How did borrowers take that news?

We had many calls with our borrowers to share and explain our thinking. With 40 portfolio companies active in 30-plus markets and an investment team of four full-time employees, we were not in a position to assess each company individually, especially considering the time squeeze we found ourselves in. Ultimately, we had to choose an option that was sustainable for borrowers, investors, and us, as a platform - one that could be applied across the board. This has been the go-to solution since mid-March. But for companies that were not doing well before the COVID-19 crisis, we had to take more stringent measures.

We don't want to be the only lender offering refinancing; we need other investors to be aligned. Some borrowers were understanding, while others were truly unhappy as they rely on us for flexible financing. Many borrowers chose not to take up refinancing, particularly those that have not yet seen the impact of COVID-19 on revenues.

Refinancing, communicating with investors is quite complex. We need to make sure they are aware of the associated risks.

We also have a standard condition that we can't offer further lending to a borrower if we need to restructure a loan (e.g. implement a payment holiday). Ultimately, we felt that refinancing was the best option as investors can either opt-in or opt-out, and we clearly signpost the campaigns as such, allowing them to make their own decisions about whether or not to invest. This is ideal for those looking to support borrowers, but also for investors who would rather wait for a better time to invest.

How has the reduction in lending impacted Lendahand as a platform?

Of course it's too bad that we couldn't grow as much as we'd planned or offer our investors plenty of investment opportunities. However, we did provide our investors with the reassurance that we take care of our portfolio and do not take excessive risks.

When we don't raise funding for our borrowers, it affects our revenues, whilst our costs are largely fixed. The refinancing meant we could still generate a small amount of revenue, but it was much less than we had projected. Before all of this, we planned to raise equity in the second half of this year, but with reduced volumes on the platform, we decided to bring forward our equity raise and cut costs where we could.

Lendahand raised €1,200,000 ($1,370,400) on equity crowdfunding platform Seedrs in May 2020, the middle of the lockdown period. Were you surprised by your success?

The key to our success was absolutely the engagement and support of our own crowd. They believe in Lendahand and appreciate what we do. Our crowd stepping up to become equity shareholders is probably the biggest sign of support they could ever show. I wouldn't say we were surprised by the success, though, because our crowd has always been supportive in every possible way...

Lendahand investors are everyday retail investors. How did you think about their needs during this time?

We are an impact-first lender and many of our investors came to us asking what they could do to support borrowers. We had already begun refinancing discussions with many of our portfolio companies. But apart from the administrative and legal implications of refinancing, communicating with investors is quite complex. We need to make sure they are aware of the associated risks.

We also have a standard condition that we can't offer further lending to a borrower if we need to restructure a loan (e.g. implement a payment holiday). Ultimately, we felt that refinancing was the best option as investors can either opt-in or opt-out, and we clearly signpost the campaigns as such, allowing them to make their own decisions about whether or not to invest. This is ideal for those looking to support borrowers, but also for investors who would rather wait for a better time to invest.

How has the reduction in lending impacted Lendahand as a platform?

Of course it’s too bad that we couldn’t grow as much as we’d planned or offer our investors plenty of investment opportunities. However, we did provide our investors with the reassurance that we take care of our portfolio and do not take excessive risks.

When we don’t raise funding for our borrowers, it affects our revenues, whilst our costs are largely fixed. The refinancing meant we could still generate a small amount of revenue, but it was much less than we had projected. Before all of this, we planned to raise equity in the second half of this year, but with reduced volumes on the platform, we decided to bring forward our equity raise and cut costs where we could.

Lendahand raised €1,200,000 ($1,370,400) on equity crowdfunding platform Seedrs in May 2020, the middle of the lockdown period. Were you surprised by your success?

The key to our success was absolutely the engagement and support of our own crowd. They believe in Lendahand and appreciate what we do. Our crowd stepping up to become equity shareholders is probably the biggest sign of support they could ever show. I wouldn’t say we were surprised by the success, though, because our crowd has always been supportive in every possible way...
Debt crowdfunding accounted for 94% of energy access related crowdfunding in 2019. Debt crowdfunding is a broad term used to describe various online debt capital raising models; there is no single orthodox model for debt crowdfunding.

Platform models vary from country to country, reflecting regulation on securities issuance in the platform’s jurisdiction. Many platforms are based in high-income countries, which have bespoke legal frameworks for alternative fundraising. Frameworks are designed to protect investors, which are mostly individual retail investors, and usually specify an investment ceiling for retail investors, based on net wealth or income. Regulators may also restrict the types of borrowers that can access funding through this channel, based on jurisdiction or years of operation, for example.

Peer-to-peer (P2P) business lending is the main driver of growth, making up 90% of debt crowdfunding activity. P2P business lending is dominated by platforms based in Europe, Japan, and the USA. Retail investors are drawn to the promise of triple-bottom-line returns and an opportunity to align their investments with their personal values. Platforms charge borrowers an interest rate, typically 8%-12% per annum on EUR-, GBP- or USD-denominated debt, and generate income from the spread between the interest rate and the investor's rate of return, typically 5%-10% per annum.

With travel restrictions in place for the foreseeable future and the Lendahand team based in the Netherlands, will the due diligence process change? We usually spend a few days with borrowers on the ground, but it’s not mandatory. However, negotiations tend to go a lot quicker when done face-to-face and it’s valuable in building a relationship. Most of our borrowers have other institutional funders so if they recently performed extensive (and local) due diligence that we can leverage on, we can be comfortable in closing the transaction without a local visit. In such instances, we typically visit them a few months later if we can combine it with other opportunities. We’re also an impact investor working in the energy space, so it doesn’t make sense to travel a lot - it is costly, time-consuming and has a high carbon footprint. Travel has its merits, but it’s not always essential.

How will Lendahand adjust to the 'new normal'? When will you begin lending to existing and new borrowers? The impact of COVID-19 is becoming a bit clearer, which allows us to plan. We’re taking steps to identify partners that have the best credit profiles and will be more resilient over time so we can offer more than refinancing. We are taking a more cautious approach with fundraising though, by keeping the campaign size smaller than usual so we can observe how the crowd picks it up. We are in advanced stages with a number of potential partners; Lendahand will launch new campaigns, from a borrower in a new country and new sector soon. We’re also still taking new enquiries to continue developing the pipeline, but our eligibility criteria are upheld more strictly than before the crisis. Lastly, we’ve hired two rock-star investment analysts who joined us in July. We’re very excited that even during the crisis, we’re still able to attract talent!

An Energy 4 Impact survey of about 900 investors on energy access platforms found that ‘alignment with personal values’ was the number one motivator for investing, out of twelve options.
P2P BUSINESS LENDING

Peer-to-peer (P2P) business lending is where a group of individuals lend money to a business. The lender usually receives a financial return on their investment. Individual investors own ‘loan-parts’, which may be securitised, and receive loan repayments from the borrower over the duration of the loan. Energy access lenders are motivated by social and environmental impact, as well as financial return. Loan proceeds may be used for inventory financing and other short-term operational needs.

Most P2P business loans are denominated in hard currency, which can result in mismatches between receivables (generally in local currency) and repayments (generally in hard currency). This exposes both the borrower and investor to elevated risk. The Japan-based platform Crowdcredit was the first P2P business lender to offer local currency denominated debt in 2019. Other platforms planned to launch local currency lending in 2019, although the impact of COVID-19 on platforms, borrowers and currency volatility has caused delays. The cost of hedging, which may be absorbed by the borrower, remains a deterrent to scaling local currency lending.

P2P BUSINESS LENDING MOTIVATIONS TO INVEST

<table>
<thead>
<tr>
<th>Source</th>
<th>Energy 4 Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT IS ALIGNED WITH MY PERSONAL VALUES</td>
<td>73%</td>
</tr>
<tr>
<td>SOCIAL IMPACT</td>
<td>72%</td>
</tr>
<tr>
<td>ENVIRONMENTAL IMPACT</td>
<td>71%</td>
</tr>
<tr>
<td>TO HELP OTHERS</td>
<td>33%</td>
</tr>
<tr>
<td>I CAN SEE EXACTLY WHERE MY MONEY GOES</td>
<td>27%</td>
</tr>
</tbody>
</table>

DEBT CROWDFUNDING 2019

<table>
<thead>
<tr>
<th>P2P Business Lending</th>
<th>$49,524,155</th>
</tr>
</thead>
<tbody>
<tr>
<td>P2P Microlending</td>
<td>$5,341,823</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$54,865,977</td>
</tr>
</tbody>
</table>

DEBT RAISED FOR ENERGY ACCESS

$55M

TOP 3 PLATFORMS

- TRINE Sweden $20.4M
- ENERGISE AFRICA UK $8.5M
- LENDAHAND Netherlands $8.3M

TOP 3 COUNTRIES

- $11.2M Kenya
- $8.5M Myanmar
- $5.2M Nigeria

DEBT CROWDFUNDING

Azuri Luminosa
**P2P MICROLENDING**

P2P microlending is where a group of individuals lend money to an individual entrepreneur or group. The lender effectively holds a ‘loan-part’ and expects to be repaid by the borrower over the agreed loan term. P2P microloans are typically established by financial institutions and social enterprises.

Energy access related P2P microlending has remained steady since 2015, raising an average of $4,000,000 each year. Kiva accounts for 98% of P2P microlending activity. Kenya-based microlending partners, such as microfinance institutions and social enterprises offering loans, account for 52% of lending. One Acre Fund is the most active originator in energy access P2P microlending. Lenders do not earn interest on Kiva so tend to be motivated by social impact instead. In the eyes of lenders, microlending is often viewed as more effective than straight donations because capital is preserved and can be recycled to create more impact.

**DEBT CROWDFUNDING**

2015-2019 BY MODEL

- **P2P Business Lending**
  - 2015: $20M
  - 2016: $40M
  - 2017: $60M

- **P2P Microlending**
  - 2015: $20M
  - 2016: $40M
  - 2017: $60M
  - 2018: $20M
  - 2019: $40M

**KIVA**

**TOP 3 ENERGY ACCESS ORIGINATORS**

- **ONE ACRE FUND**
  - Kenya
  - $2,409,325

- **SISTEMA.BIO**
  - Kenya
  - $357,875

  - Lesotho
  - $263,425

**P2P MICROLENDING MOTIVATIONS TO INVEST**

- **83%** TO HELP OTHERS
- **81%** IT IS ALIGNED WITH MY PERSONAL VALUES
- **78%** SOCIAL IMPACT
- **75%** ENVIRONMENTAL IMPACT
- **42%** I CAN SEE EXACTLY WHERE MY MONEY GOES
- **25%** TO SUPPORT A SPECIFIC COUNTRY

Source: Energy 4 Impact
Winock combines ethical finance, market insight and solar technology to deliver clean, affordable and reliable electricity to micro-businesses in Nigeria for productive use. Winock envisages a Nigeria where micro-businesses are significantly productive as a result of access to clean, affordable, and reliable solar electricity. Winock raised £72,650 ($93,261) on Charm Impact in 2019 and 2020.

Tell us about your journey to raising debt through crowdfunding.
We began operations at the beginning of 2017, and raised equity seed funding in April 2017 to expand our pilot. Although we needed debt, it was difficult to raise because we were yet to develop a track record, which is needed to demonstrate viability to investors. Our first loan was through Charm Impact’s crowdfunding platform. We intentionally did not apply for grants because we wanted to validate the commercial sustainability of our business model. Therefore, Charm Impact’s crowdfunding loan was a perfect fit for our strategic roadmap.

Why did you decide to go with Charm Impact?
I first heard about Charm Impact when I met one of their team members at a networking event in London. We were in serious discussions with a number of investors at the time. We chose Charm Impact because they showed us that they were committed to a long-term partnership. They came to Nigeria to physically meet us, and patiently got to know our customers and team.

How has COVID-19 affected Winock and your customers?
It started off poorly because the majority of our customers were unable to pay. Our customers are market stall owners, so their sales were affected by the lockdown. We were not able to make new sales, but thanks to the goodwill of our investors, we were able to recover quickly. We are now in a better place strategically and operationally than we were before the lockdown.

Charm Impact has given Winock a zero-interest repayment holiday in response to COVID-19. How has this helped the company and your customers?
The loan repayment holiday meant our customers did not need to make repayments from April to June 2020. We have now resumed repayments to investors, but for our worst hit customers, we extended the repayment holiday to November 2020. This really helped to ease Winock’s cash flow, so that we were able to continue supporting customers. It helped our customers by providing financial and emotional relief from the burden of repayments during these trying times. Thankfully, both Winock and most of our customers have been able to recover quicker than expected.
EQUITY CROWDFUNDING

Energy access related equity crowdfunding activity has been slow to evolve. From 2017 to 2018, there were no equity campaigns in the sector. Renovagen, Sun Harvester and Rural Spark raised a total of $1,300,000 in 2019. Surprisingly, 2020 is shaping up as the most dynamic year for equity crowdfunding so far. Despite the impact of COVID-19 on investing activities, three energy access companies have raised $2,500,000, in aggregate, through equity platforms in H1 2020.

As is the case with debt crowdfunding, equity crowdfunding appeals to retail investors who want to align their investment decisions with their personal values. In most cases, shares are fairly illiquid. Most energy access equity crowdfunding occurs on UK-based platforms, where the government actively encourages alternative investments through the provision of tax incentives for investors. Increasingly, low- and middle-income countries (e.g. Nigeria, Kenya) are exploring bespoke legal frameworks to encourage the growth of equity crowdfunding locally.

1 An Energy 4 Impact survey of 23 Crowdcube investors that had invested in energy access campaigns found that ‘financial return’ and ‘alignment with personal values’ were the two highest ranked motivators, out of nine options.

Q&A: OPEN ENERGY LABS

Open Energy Labs was founded in 2017 with a mission to inspire, educate and support the next generation of energy innovators in Zambia. They offer in-person and remote training on creating electricity from local resources. They are currently developing the first phone application with a connected hardware kit that can be used to teach users in Zambia how to design, build and repair household electricity supplies.

This is the second time you’ve turned to crowdfunding, following your 2019 campaign on StartSomeGood. What drew you to crowdfunding in the first place?

We’d had a pretty brutal nine months looking for funding in the lead up to our first campaign. I wrote 30-plus unsuccessful funding applications, which was a demoralising process. At the time I was talking to another company that was working in energy and education, Mee Panyar, which had run a successful crowdfunding campaign. We began exploring the potential of running our own. Mee Panyar also introduced us to E4I, which provided financial support and helped get our campaign ready. Having the support of E4I made the process of crowdfunding a much less daunting task and enabled us to raise over £47,000 ($60,028).

What other capital raising have you done, apart from crowdfunding?

The first investment we received was £20,000 ($25,544) from Bethnal Green Ventures when we took part in their accelerator programme. This allowed us to run our first pilot programmes in Tanzania and Zambia. After the first campaign, we had funds to bring on a grant-writer, which resulted in a product development grant from Innovate UK. The COVID-19 crisis hit us pretty hard, but luckily, we have now accessed the British Bounce Back Loan Scheme to carry us through the toughest months.

You decided to launch your equity campaign during a period of great uncertainty. Why did you decide to push ahead with the campaign in July 2020 despite the COVID-19 uncertainty? We actually had to delay our campaign by three months due to COVID-19, as our lead investor was facing serious uncertainty. Of course, this hit our finances and delayed technical development work that we had hoped to kick off after our campaign, but it also gave us more time to prepare. We made tweaks to our pitch page, went through a rebrand and significantly improved our campaign video. In the end, I think these tweaks significantly contributed to the success of our campaign. When life gives you lemons...

What was involved in preparing for the campaign?

A lot! We had fantastic support from Virgin Startup through their Crowdboost programme, which helped us think through the design of the campaign. We spent a lot of time thinking about the emotional, as well as the rational, reasons why people invest. You only have 800 words and a three minute video on your pitch page. It’s a process of distilling all the years of work you have already done and the years of work that are still to come - and to be honest that is the easy part.

Q&A: OPEN ENERGY LABS

Co-founder

Open Energy Labs

UK

ZAMBIA

SAMSON SAHMLAND-BOWLING

SAHMLAND-BOWLING

Co-founder

Page 26

EQUITY CROWDFUNDING

Equity crowdfunding is where individual investors provide funding to a company in exchange for shares in that company. Equity crowdfunding platforms facilitate the transaction and may also operate a secondary market. Start-ups typically raise equity capital for product development and growth. Open Energy Labs has raised funding on StartSomeGood and Crowdcube.

M-Power

80% FINANCIAL RETURN

50% IT IS ALIGNED WITH MY PERSONAL VALUES

48% THE INNOVATION

48% ENVIRONMENTAL IMPACT

Source: Energy 4 Impact
What is the more challenging side of running a campaign? The hard part is actually going out to people and asking them to believe in you, to such an extent that they are willing to hand over their money. The thing no one really talks about with equity crowdfunding is that you already have to have at least 30% of your raise committed before going live. Finding a lead investor is one of the hardest things to do. For those lucky enough, it can come from friends or family, but it has to be someone who believes in you enough to invest a significant amount of money. This is probably crowdfunding’s dirty secret: it makes it into an exclusive club that is difficult to access for those who don’t have access to that initial capital.

In May-June 2020, Open Energy Labs raised £119,700 ($152,881) on the UK-based platform Crowdcube. Co-founder, Samson Sahmland-Bowling, shares his top tips for running a successful campaign.

1 Get that lead investor. Don’t even think about the campaign content until you have this secured. It’s a slog and it’s all about trust, so your focus should be on building trust as much as possible.

2 Get expert advice if you can. There are a few programmes out there that can really help you get ready for the campaign. The insights we got from our programme were invaluable.

3 Pay attention to detail where it matters. Try to keep in mind what your core business is and show that this is your strength. If your core business is about selling through agents, for example, make sure that people can see how this works and that you are good at it.

4 Have a plan for updates before you go live. If I were to do one thing better, it would be to make sure that we had a strong plan for updates before the campaign. Things like partnership or sales announcements should all be saved up for when you are running your campaign so that you have something to shout about.

Donation crowdfunding is where individuals, non-profits or businesses raise donations from a group of individuals via a crowdfunding platform. Reward crowdfunding is similar to donation crowdfunding, except that funders receive a reward in exchange for their contribution.

Donation and reward crowdfunding account for less than 1% of energy access crowdfunding activity. Reward crowdfunding is sometimes referred to as a ‘pre-sale’, as it is often used to fundraise the development of new technologies (e.g. Deciwatt’s GravityLight). StartSomeGood, Indiegogo and Kickstarter are the most frequently used reward platforms in the energy access sector. Reward crowdfunding remains a niche type of capital raising, often used by early-stage international companies to raise a small seed round ($20,000-$50,000) from family and friends.

Despite popular belief, the majority of funds come from the campaign-maker’s existing network rather than the nebulous ‘crowd’. Funders support campaigns that are consistent with their identity and values.

Our ongoing analysis of donation and reward crowdfunding campaigns shows that up to 90% of contributions come from the campaign-maker’s contacts. For this reason, outreach and network size and capacity are the greatest indicators of success. Campaign-makers that secure philanthropic funding (20%-50% of the campaign target) prior to launch are most likely to succeed.


An Energy 4 Impact survey of 23 Crowdcube investors that had invested in energy access campaigns found that ‘financial return’ and ‘alignment with personal values’ were the two highest ranked motivators, out of nine options.
I was very aware of the importance of setting a realistic target, yet there is always that tension with the desire to be aspirational.

Kelly Nwachuku-Lavelle  
Executive Director and Founder, ElleSolaire
Q&A: ELLESOLAIRE

ELLESOLAIRE

KELLY NWACHUKU-LAVELLE

Executive Director & Founder

ElleSolaire is the first women-led, community-anchored, renewable energy last-mile distribution social enterprise in West Africa. Women entrepreneurs from remote villages are recruited and trained, then become businesswomen in their own right. They distribute cutting-edge pay-as-you-go energy solutions to remote last mile communities. In 2020, ElleSolaire raised over £20,000 ($25,674) on GoFundMe.

How has COVID-19 impacted ElleSolaire?
The arrival of COVID-19 in Senegal in March 2020 had major repercussions for us, just like most other last-mile distributors. The combination of government-imposed curfews, bans on public gatherings, school closures and restrictions on interregional travel has been devastating for sales performance, inventory management and logistics. At the same time, as our funding discussions ground to a halt, we set ourselves the challenge of thinking outside the box. In consultation with our network of women entrepreneurs, we decided to shift 2020 operations to an ElleSolaire COVID-19 Response campaign, building on our recent experience electrifying health clinics.

Why did you decide to launch this initiative to fund hospitals in Senegal?
I was very concerned about how the remote communities we work with would cope with COVID-19, as their local health clinics lack the very basics of healthcare infrastructure. Meanwhile, the precarious livelihoods of our women and their families kept me awake night after night. Responding to the need for improved healthcare services and livelihoods for our women at this time of crisis was simply a moral imperative. It was a high-risk strategy that would risk our financial survival, but our team was committed to delivery and optimistic that donors and funders would see the same imperative.

How did you decide on crowdfunding as the right tool to raise funds?
There were very few COVID-19 relief funding opportunities targeting last mile distributors in energy, and many funders announced funding freezes. At first, we targeted Senegal-based institutional funders, but the majority had already allocated their 2020 budgets. We were delighted when the Embassy of France in Senegal confirmed their contribution. We were then shortlisted by the British Embassy in Senegal for a relief fund. We were still left with a funding gap so, just as Europe started coming out of lockdown, we sensed a window of opportunity to appeal to those who had experienced the hardships of COVID-19 firsthand through our campaign.

How did you decide which platform to go with and how much money to raise?
ElleSolaire ran a crowdfunding campaign in 2017 to fund pilot activities. We knew the effort and resources involved in driving contributions from immediate networks. I was very aware of the importance of setting a realistic target, yet still wanted to be aspirational. In 2017 we worked with Indiegogo, which has now been taken over by GoFundMe. We wanted a well-known and trusted platform that offered flexibility. We were able to run the campaign for as long as we needed, with the option to extend to a ‘stretch goal’ if the campaign was well-received. The campaign amount (€25,000) was driven by a baseline project budget that would allow us to keep our small local team and fund the solar system purchases and related commissions for the women entrepreneurs.

What was involved in preparing for the campaign?
We were actively fundraising for ten weeks prior to launch. Securing the Embassy support involved a considerable amount of work to satisfy due diligence. We invested three weeks in preparing the campaign materials, with one full-time and two part-time staff dedicated to the campaign. We received pro-bono support to create the video to launch the campaign on social media. We also invested considerable time recruiting a team of women fundraisers to join the effort. Ahead of the campaign going live, we had reached the golden 33% funded mark, so the momentum was already there.

Why do you think the campaign succeeded?
The success of this campaign was largely down to the degree of preparation, the wider fundraising efforts running in parallel, and the incredible enthusiasm of the campaign team. We were able to show progress while the campaign was live, with nine (of our goal of 25) health clinic electrifications complete at the end of August - this kept the campaign momentum alive on social media.

Do you have any advice for entrepreneurs considering crowdfunding during COVID-19?
Crowdfunding is a really great way to build a community that is committed to your cause. However, it takes a significant amount of preparation, resources and commitment. This has been amplified in the context of COVID-19. It seems even the most well-intentioned revert to introspection in the face of uncertainty about the future. If you want to succeed, you’ll need to be very realistic, well-resourced and resilient.
Initial coin offerings (ICOs) emerged as a form of alternative capital raising in 2013. An ICO is where a project or company sells tokens to the public in exchange for cryptocurrencies or national currencies.

ICOs offer an opportunity for project developers and companies to raise funds for project development costs, as an alternative to traditional equity and debt investments. Since E4I began tracking energy access related ICOs in 2018, $3,600,000 was raised for the sector through three issues. The popularity of ICOs has reduced in recent years, following a number of fraudulent raises (outside the energy access sector). It remains a fringe instrument both in the energy access space and in the start-up world. Few countries have bespoke legal frameworks for token sales, though existing securities regulations apply in many jurisdictions.


- **Cryptoleaf**, 2018
  - **Platform**: Ethereum
  - **Amount Raised**: $0.5M

- **Powerhive X SunExchange**, 2018
  - **Platform**: Ethereum
  - **Amount Raised**: $1.1M

- **Solarex**
  - **“Powering Africa”, 2019**
  - **Platform**: Ethereum
  - **Amount Raised**: $2.1M