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ACCELERATING ACCESS TO ENERGY

ENERGISE  
AFRICA

# Energise Africa INVESTMENT & IMPACT REPORT



# Energise Africa

## INVESTMENT & IMPACT REPORT

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Energise Africa has received support from UK aid, Virgin Unite and Good Energies Foundation, among others.

This material has been funded by UK aid from the UK government; however the views expressed do not necessarily reflect the UK government's official policies.

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**Cover Image:** UpOwa

# About ENERGISE AFRICA

Energise Africa (Lendahand Ethex Ltd.) is a joint venture between two of Europe's leading impact investing platforms, Ethex (Ethex Investment Club Ltd.) located in the UK and Netherlands-based Lendahand (Lendahand Finance B.V.). Energise Africa is an online impact investment platform which enables everyday people (i.e. crowd-investors) to invest in energy access businesses operating in sub-Saharan Africa. Energise Africa allows energy access businesses, which install solar home systems and provide productive use equipment to off-grid communities in sub-Saharan Africa, to raise working capital loans via the platform.

Energise Africa borrowers typically provide 'pay-as-you-go' (PAYG) financing to low income households, allowing families dependent on kerosene to transition to affordable clean energy. The minimum investment size on the platform is just £50. Since its launch in 2017, Energise Africa's

1,386 investors have provided more than £14 million to energy access businesses addressing SDG 7 – universal energy access.

Energise Africa borrowers typically provide 'pay-as-you-go' (PAYG) financing to low income households, allowing families dependent on kerosene to transition to affordable clean energy. Energise Africa launched following a competitive tender for a new energy access debt crowdfunding platform in the UK. The tender was conducted in 2016 and was managed by Energy 4 Impact (E4I) on behalf of UK aid. E4I is a nonprofit focused on accelerating access to energy for the 1 billion people globally living without modern energy access. E4I works with Energise Africa to manage funding committed by UK aid and to research the impact of the platform.

*Azuri Technologies*



# The Platform's Impact

## ENERGISE AFRICA

### ENERGISE AFRICA'S IMPACT



**£14M+**

debt raised for  
energy access  
businesses



**£4M+**

in loans repaid



**4,672+**

productive-use  
units deployed



**2,801**

registered  
investors

Data correct at February 1, 2020

## ENERGISE AFRICA'S CONTRIBUTION TO SDG 7

### SDG 7



### Goal

Ensure universal access  
to affordable, reliable and  
modern energy services

### Impact

450,000 people with  
access to clean energy

# The Platform's Impact

## ENERGISE AFRICA

### TOP 3 FUNDED COUNTRIES

£4.2M

Kenya

£2M

DR Congo

£1.3M

Mozambique

### TOP 3 FUNDED BORROWERS

£3.2M

Azuri

£2.3M

BBOXX

£1.9M

OOLU

95+

campaigns

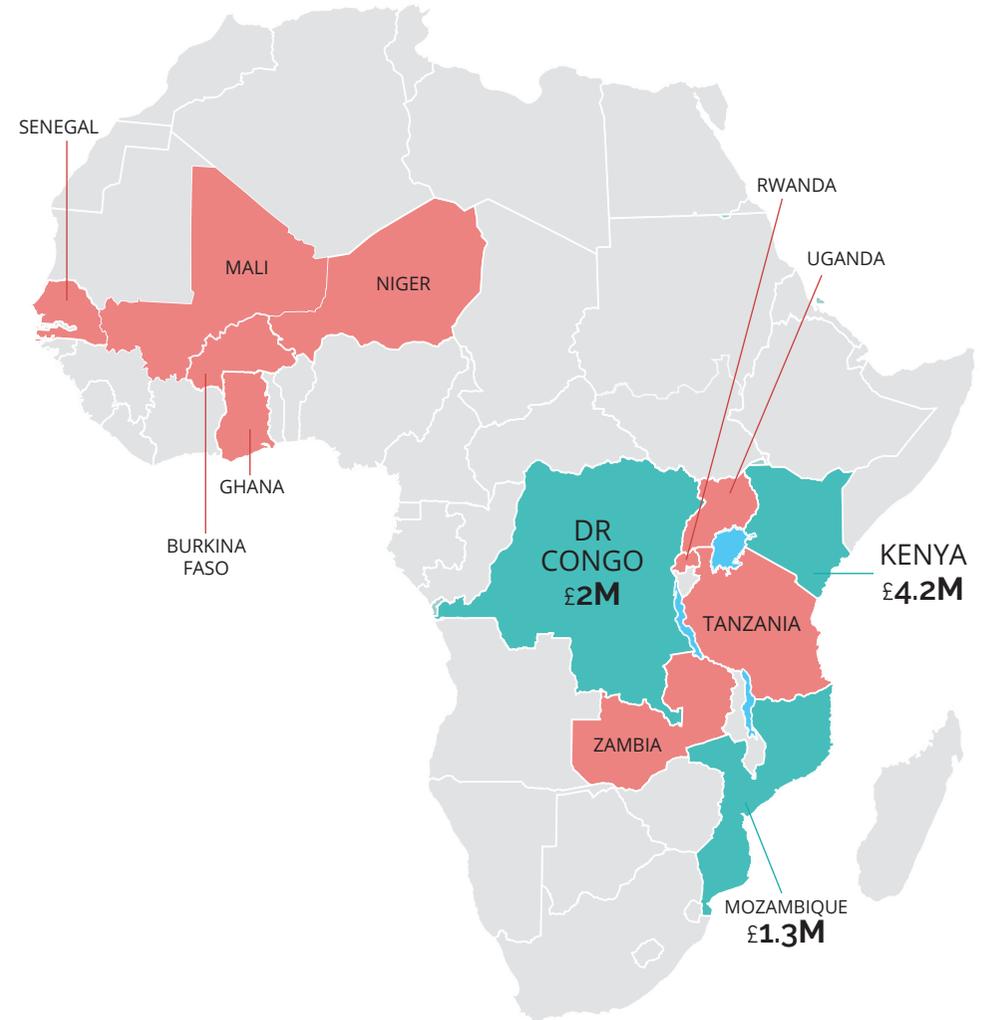


12 borrowers



active across  
13 countries

### FUNDS RAISED BY COUNTRY



# The Platform's Impact

## ENERGISE AFRICA

The following targets were set at the beginning of the grant period in 2016. Since Energise Africa launched in 2017, through to the end of 2019, **Energise Africa has delivered the following results:**

Impact Metric	Target	Actual
£ raised	£6-8M	£13.5M
Solar home systems deployed	45,000	90,390
Productive-use units deployed	0	4,672
Number of beneficiaries	225,000	451,950
Number of borrowers	15	11
Number of countries	10	13
Number of registered investors	2,300	2,648

A person is standing on a boat in a body of water, with mountains in the background. The person is wearing a light-colored shirt and dark pants. The boat has a yellow stripe and some text on it. The water is calm, and the sky is clear.

ENERGISE AFRICA

# A Borrower's Story

Simusolar, Tanzania

Simusolar sells and finances productive-use equipment, such as solar irrigation systems and fishing lights, to meet the needs of rural smallholder farming and fishing communities in Tanzania. Their products include power-generation and power-storage solutions, as well as energy-efficient equipment for rural value chains such as cold storage, incubation and entertainment.

Simusolar launched in 2014 with investment from the founding team and friends, and later raised grant funding through DOEN Foundation to roll-out pay-as-you-go (PAYG) customer financing and pilot solar fishing lights and other productive-use tools. Like many energy access companies offering customer financing solutions, Simusolar faced the challenges associated with the dearth of early-stage working capital and accounts receivable financing available in the sector, which ultimately slowed the company's growth.

Simusolar first used crowdfunding in 2017, securing a \$50,000 working capital loan through peer-to-peer lender Kiva. The company raised a further \$100,000 through Kiva's direct lending initiative. During this period, Sweden-based peer-to-peer lending platform TRINE also

provided \$200,000 in working capital at a critical juncture.

Simusolar built a track-record of sales growth and loan repayments – with sales of £250,000 in 2017 and £540,000 in 2018 – which allowed the company to obtain a larger lending facility from Energise Africa in 2018. Simusolar has borrowed £700,000 on the Energise Africa platform, through five bond issues to retail investors.

Private investors and impact funds also contributed to Simusolar’s growth in a series of convertible note investments. In 2018, Simusolar raised a convertible note round, which included Chroma Impact, Segal Family Foundation and Acumen Fund. These long-term investments were critical to unlocking working capital. But despite their support, Simusolar regularly faced capital shortages that resulted in inventory shortages; management estimates that over \$1 million in revenue has been lost due to these funding gaps.

By late 2019, Simusolar had received commitments from Acumen Fund and Chroma Impact to invest in Simusolar’s 2019-2020 convertible note round. Both Acumen Fund and Chroma Impact are ‘patient capital’ impact investors seeking a triple bottom line (social, environmental, financial) return.

## SIMUSOLAR’S FINANCING JOURNEY

2014

Founded with financing from founding team and friends

2016

Raises \$300,000 convertible grant and \$250,000 loan from DOEN Foundation, and \$150,000 in convertible notes from private investors, friends and family.

2017

Raises \$50,000 debt through over 1,000 loans on Kiva, and \$320,000 in convertible notes from private investors, friends and family. Generates sales of £250,000 (\$322,153).

2018

Pays off first Kiva loan and raises \$100,000 through Kiva’s direct lending project. Raises £350,000 (\$467,180) debt on Energise Africa and €170,000 (\$200,772) debt on TRINE. Raises undisclosed round from Chroma Impact, Acumen Fund, Segal Family Foundation, and a private investor. Generates sales of £540,000 (\$720,793).

2019

Raises £350,000 (\$446,091) debt on Energise Africa. Raises undisclosed round from Acumen Fund and Chroma Impact.

## The impact of ENERGISE AFRICA financing



**£700,000**  
debt raised



**7,124**  
solar fishing  
lights financed



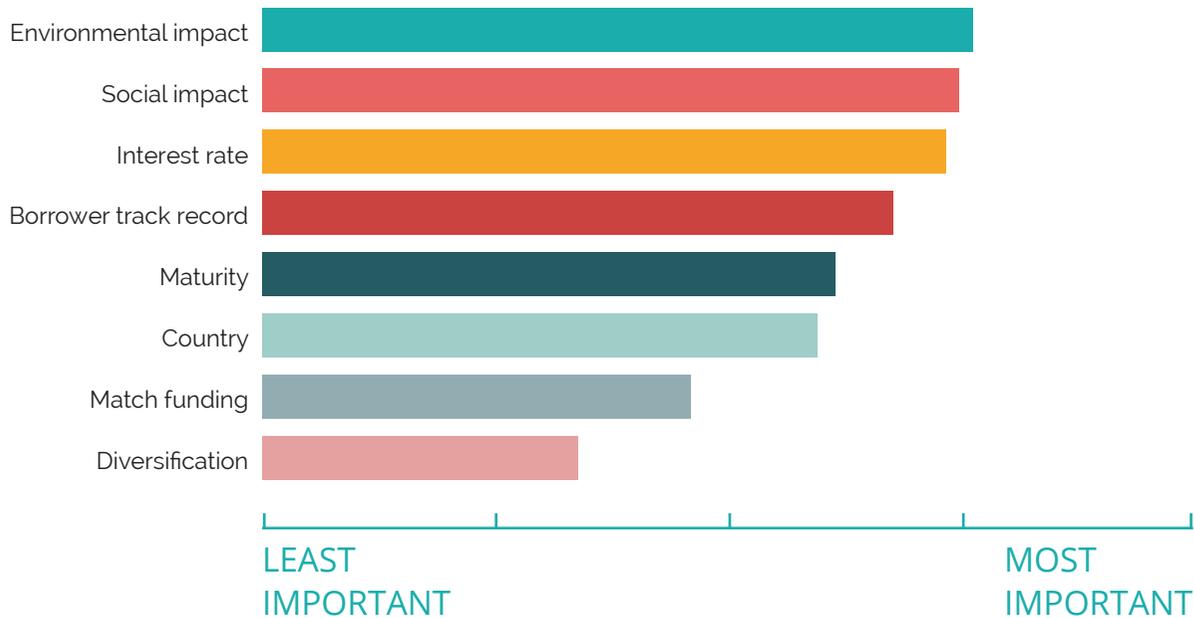
**114**  
solar water  
pumps purchased  
by customers

# The Investors

## ENERGISE AFRICA

### WHY DO PEOPLE INVEST?

Energise Africa asked investors to rank eight factors, in order of importance, that influenced their decision to invest in a particular project. The most important factor represents the most frequently cited factor, while the least important represents the least often cited factor.



### WHAT DETERMINES TRUST IN THE PLATFORM?

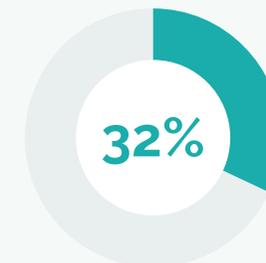
Investors were asked to select the factors that determined their trust in the platform. Out of nine options, the most popular three choices were:



Information on **Energise Africa website**



I was already an investor on **Ethex or Lendahand**

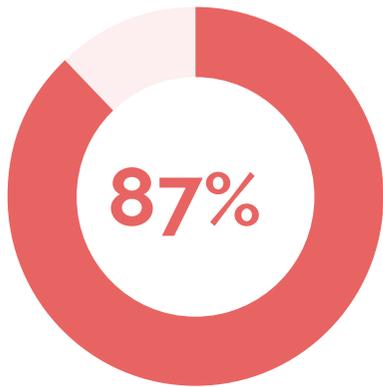


Energise Africa's supporters **UK aid and Virgin Unite**

# The Investors

## ENERGISE AFRICA

### WHO ARE ENERGISE AFRICA'S INVESTORS?



of investments are from **people aged 45 and over**



of investments are valued at **£500 or less**



of investors are **UK based**



**STRONG FEMALE INVESTOR PARTICIPATION**

**36%**

of Energise Africa investors **are women**

**compared to**

**21%**

of investors on other **energy access platforms<sup>1</sup>**

<sup>1</sup> Cogan Davinia, Maffini Irene and Collings Simon, "Crowd Power - Who Is The Crowd?", Energy For Impact, 2018 <<https://www.energy4impact.org/crowd-power-who-crowd>> [accessed 3 December 2019]. Source: <https://www.energy4impact.org/crowd-power-who-crowd>

# The Investors

## ENERGISE AFRICA

In June 2019 Energy 4 Impact analysed Energise Africa transaction data from launch in August 2017 through to April 2019. The below infographic summarises the main trends observed over the period of analysis.

### TRENDS

Investors are getting younger

THEN



56 average age of first time investors

NOW



48 average age of first time investors

There are few one-time investors

THEN



88% investors had invested in **multiple campaigns**

NOW



93% investors had invested in **multiple campaigns**

The average investment size is getting smaller

THEN



£1800 average investment size

NOW



£1140 average investment size

More investors are taking advantage of the UK's innovative finance tax scheme

THEN



26% of investments were **tax efficient** investments

NOW



41% of investments were **tax efficient** investments<sup>2</sup>

**THEN:** based on transaction data from Q4 2017

**NOW:** based on transaction data from Q1 2019

<sup>2</sup> Tax efficient investments refer to investments made on the Energise Africa platform through the UK Government's Innovative Finance Individual Savings Account (IF-ISA) scheme, which allows investors to earn tax-free interest on eligible investments of up to £20,000 each year (at time of publication).

# The Impact of Institutional Funding

## ENERGISE AFRICA

Energise Africa has received support from UK aid, Virgin Unite and Good Energies Foundation. A range of blended finance approaches have been applied to catalyse investment from the crowd including:

**Match funding.** This is co-funding contributed while a campaign is live and typically makes up 20% to 50% of the campaign target or offer size. Match funding is deployed by institutional funders to catalyse investment. Match funding may take the first hit in the event of default, however it is generally not marketed as first-loss capital.

**Match funding that also acts as first-loss.** The match funding deployed also acts as a first-loss by taking the first hit if a borrower defaults. First-loss may reduce risk to investors by subordinating the match funding component of the investment.

**Investment vouchers for new and existing investors.** Vouchers are issued as coupon codes which can be redeemed during the campaign

period. Vouchers can be used to attract new investors by giving a 'bonus' investment (e.g. invest £200, get £50 bonus investment), but can also be issued to retain existing investors. Good Energies provided funding for vouchers.

**A guarantee for first-time investors.** Investor guarantees protect initial investments up to a certain threshold (e.g. protect 100% of the first investment up to £100). While first-loss is applied to the loan principal, investor guarantees protect the individual investment.

The following slides summarise the preliminary observations of the impact of match funding that also acts as first-loss and guarantees for first-time investors. The methodology is shared on page 18.

## MATCH FUNDING

Total  
**£14.05M**



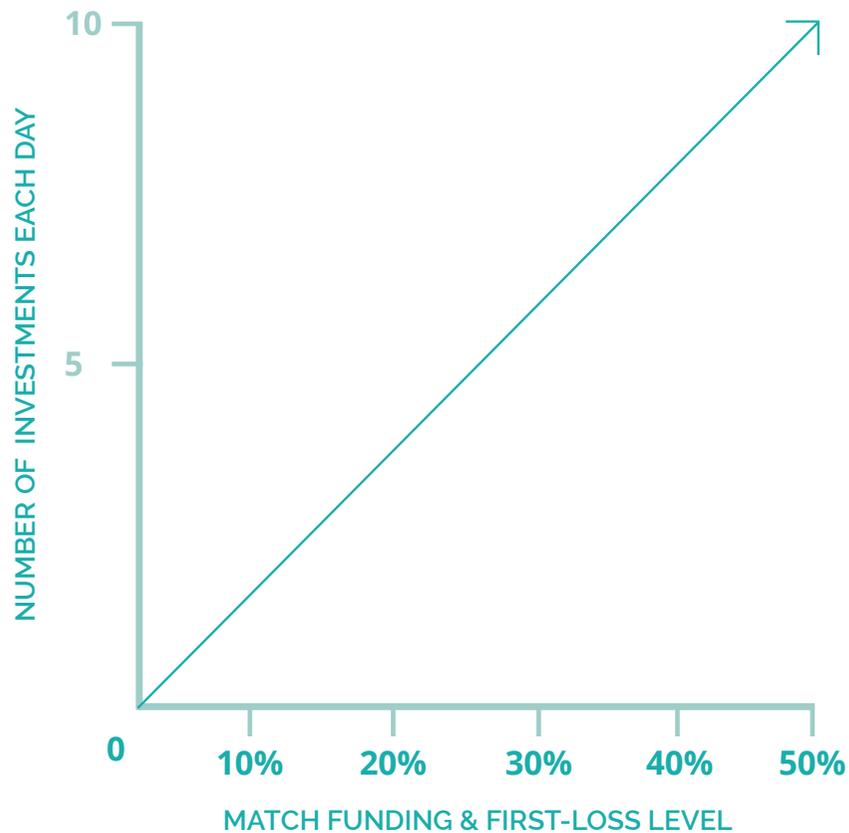
**£10.55M**  
Retail investment

**£3.5M**  
UK aid match funding

# The Impact of Institutional Funding

## ENERGISE AFRICA

### MATCH FUNDING WITH FIRST-LOSS IMPROVES CAMPAIGN PERFORMANCE



**Campaigns with match funding and first-loss increased the amount raised and the number of investments per day.** We also found that investors were sensitive to the level of match funding and first-loss. The higher the match funding and first-loss level, the more investments per day and therefore, the more raised each day.

**Note** Graphs are for illustrative purposes only and do not reflect the dataset we derived the trends from.

# The Impact of Institutional Funding

## ENERGISE AFRICA

### THE IMPACT OF FIRST-TIME INVESTOR GUARANTEE

# 65%

increase in the number of first-time investors in the 4 months after the launch of the guarantee compared to the 4 months before the launch of the guarantee

The first-time investor guarantee offers all first-time Energise Africa investors a guarantee on the capital they invest, up to £100 in one campaign. In the event of borrower default, the guarantee can be called on to repay the investor their £100. The first-time investor guarantee was funded by UK aid and Good Energies Foundation, and aims to attract new investors to the platform. Assuming there is no call on the facility, the funds will be available to provide a guarantee to other first-time investors, once the borrower has repaid the loan.

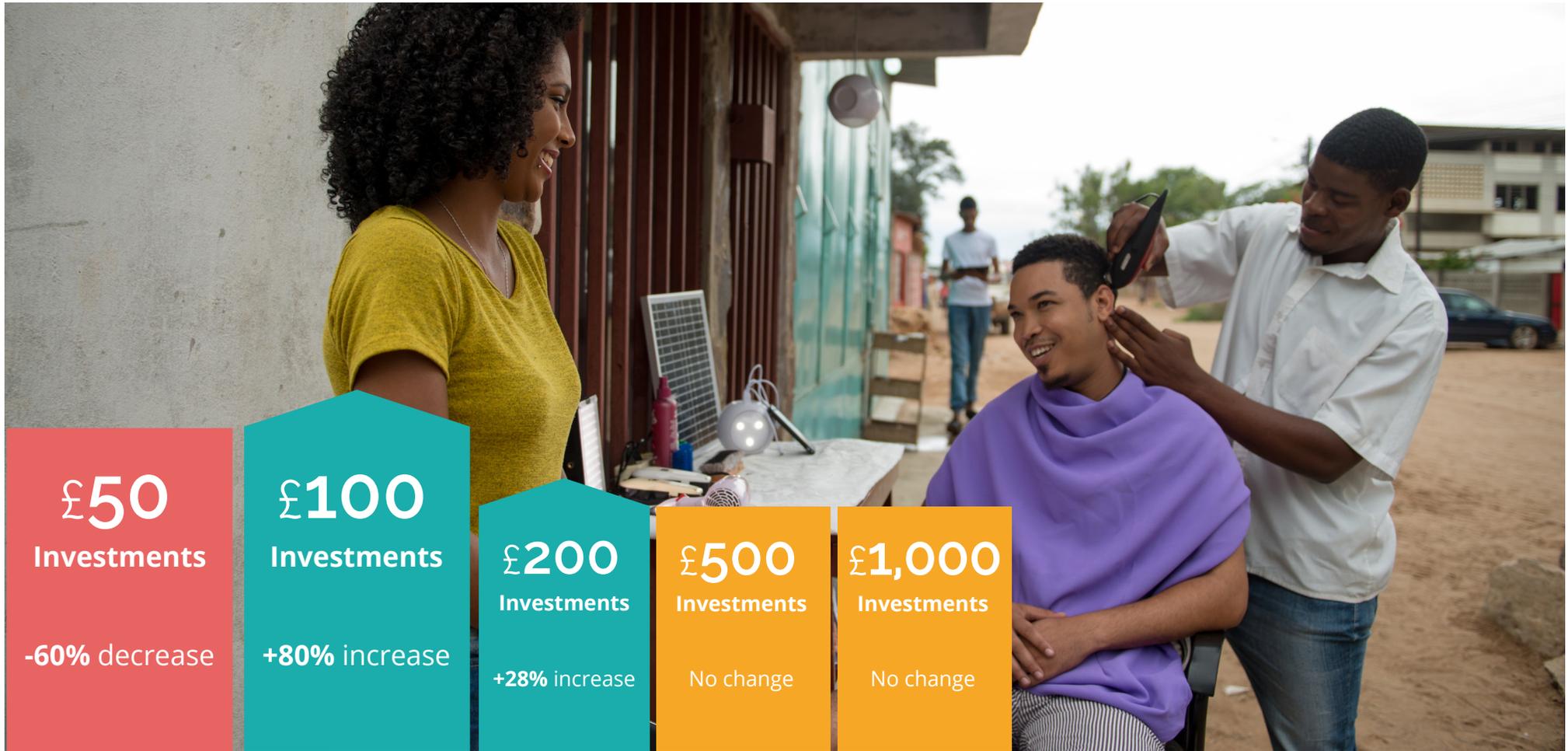
**NEW INVESTOR  
GUARANTEES  
CAN BE USED TO  
CATALYSE SMALLER  
INDIVIDUAL  
INVESTMENTS**



# The Impact of Institutional Funding

## ENERGISE AFRICA

### RESULTS OF THE FIRST-TIME INVESTOR GUARANTEE



SolarWorks!

**Note** Data is based on transaction data from the four months prior to the introduction of the guarantee and the four months after the introduction of the guarantee. The first-time investor guarantee was introduced in July 2019.

# Lessons Learned

The launch of Energise Africa demonstrates the capacity of everyday people to contribute to the achievement of SDG 7 – universal energy access – while bridging the financing gaps faced by energy access companies. The success of Energise Africa highlights the critical role of blended finance in catalysing citizen capital investment in the energy access sector. Energise Africa has catalysed over 3 times the total grant funding it received in co-investment. Our research observations demonstrate that public funding can have the following impact:

- Match funding with first loss improves campaign performance by increasing the number of investments each day.
- Targeted new investor guarantees can significantly increase the number of new investors on a platform.

- New investor guarantees can be used to catalyse smaller individual investments thereby increasing platform accessibility and inclusivity.

Our findings demonstrate the importance of an enabling ecosystem in attracting investment from everyday people. The UK has one of the most enabling, transparent and stable regulatory environments for fintech and alternative finance globally and is the “most benchmarked-against jurisdiction”<sup>3</sup> in the world. In addition to an enabling regulatory environment, the UK Government also offers tax incentives to investors in ‘innovative finance’ products, which currently includes Energise Africa products.

<sup>3</sup> JD Alois, “CCAF: Regulation Of Alternative Finance Is Key To Make Sector Safe To Scale For The Masses”, *Crowdfund Insider*, 2019 <<https://www.crowdfundinsider.com/2019/10/153133-ccaf-regulation-of-alternative-finance-is-key-to-make-sector-safe-to-scale-for-the-masses/>> [accessed 3 December 2019].

## SO FAR, ENERGISE AFRICA HAS CATALYSED OVER 3 TIMES THE TOTAL GRANT FUNDING IT RECEIVED IN CO-INVESTMENT



*Azuri Technologies*

# Next Steps

## ENERGISE AFRICA

This report shares our preliminary observations of interventions that have been tested on the Energise Africa platform to date. There is still much to learn both from testing new interventions and observing existing interventions over a longer time period. Other possible interventions, yet to be trialled, include:

- The creation of a provision fund to protect investors in the event of default.
- The creation of a retail investment fund, which would allow retail investors to invest through a diversified investment portfolio managed by a fund manager, rather than as a standalone investment. In December 2019, Energise Africa received the balance of the UK aid grant, that was deployed as match funding, in the form of an endowment to further the platform's work providing debt finance to energy access companies. The endowment of £2.5 million will be used to develop five core areas:

### **1 / Develop a pipeline of investees**

The pipeline of borrowers will be expanded to meet increasing investor demand. This will include broadening investee eligibility to new geographies and business models, beyond the solar home system distributor model.

### **2 / Enhance user experience**

User experience will be enhanced through the improvement of the onboarding, reporting and reinvestment process for investors; the platform may also develop a web application.

### **3/ Develop new investment products**

De-risking tools will be explored, including an investment guarantee, a provision fund and a blended finance offering for institutional investors. New investment products, including a retail investment fund will be explored. New tools will also be developed to catalyse financing in the sector, including local currency hedging and co-financing solutions.

### **4 / Expand the investor base**

Brand awareness will be enhanced through online campaigns; Energise Africa will be positioned as a movement through which people can invest money, create impact and take practical action on climate change.

### **5 / Grow strategic partnerships**

Partnerships with aligned organisations will be developed to support investor acquisition and pipeline development. Organisations may include those focused on diaspora, climate change or innovative finance.

# Methodology

The Energise Africa Investment & Impact Report shares data and findings captured through the analysis of all investment transactions on the platform from August 2017 to April 2019, in addition to high-level metrics tracked by Energise Africa. E4I conducted analysis of all investment transactions on the platform over the 20 month period and the main findings of our research are shared in this report.

It should be noted that the findings shared on match funding and first-loss are indicative, based on our limited data set. The primary method of analysis used to assess the impact of match funding and first-loss was regression analysis. This method requires a complete and varied dataset, however only 6 out of 64 campaigns on

the platform had both match funding and first loss. The results when looking at these variables are not yet statistically significant and are therefore indicative.

Another limitation should be noted: while the analysis controlled for eight independent variables (e.g. interest rate, loan term), it did not control for the number of campaigns live at the one time, which may influence campaign performance.



This report was prepared by Davinia Cogan at Energy 4 Impact. For further information, please contact [davinia.cogan@energy4impact.org](mailto:davinia.cogan@energy4impact.org)

# Annex

## ENERGISE AFRICA BORROWERS

<b>Borrower</b>	<b>Total funding</b>	<b>Countries</b>
<b>Azuri Luminosa Limited</b>	£1,500,000	Kenya, Uganda, Zambia
<b>Azuri Technologies SPV</b>	£3,200,000	Kenya, Tanzania, Uganda
<b>BBOX Capital Ltd</b>	£2,250,000	D.R.C., Kenya, Rwanda
<b>New Light Africa Ltd</b>	£70,000	Kenya
<b>Oolu SARL</b>	£1,925,000	Burkina Faso, Mali, Niger, Senegal
<b>Redavia GmbH</b>	£500,000	Kenya, Ghana
<b>Simusolar Inc.</b>	£700,000	Tanzania
<b>SolarNow BV</b>	£400,000	Tanzania, Kenya
<b>SolarWorks! Trading BV</b>	£1,300,000	Mozambique
<b>Sollatek Electronics Kenya Ltd</b>	£1,205,000	Kenya
<b>SunTransfer Kenya Investment Ltd</b>	£500,000	Kenya
<b>upOwa SAS</b>	£500,000	Cameroon

Data correct at February 1, 2020