



Crowd Power

Crowdfunding Energy Access

State of the Market Report 2020-21

ENERGY4IMPACT
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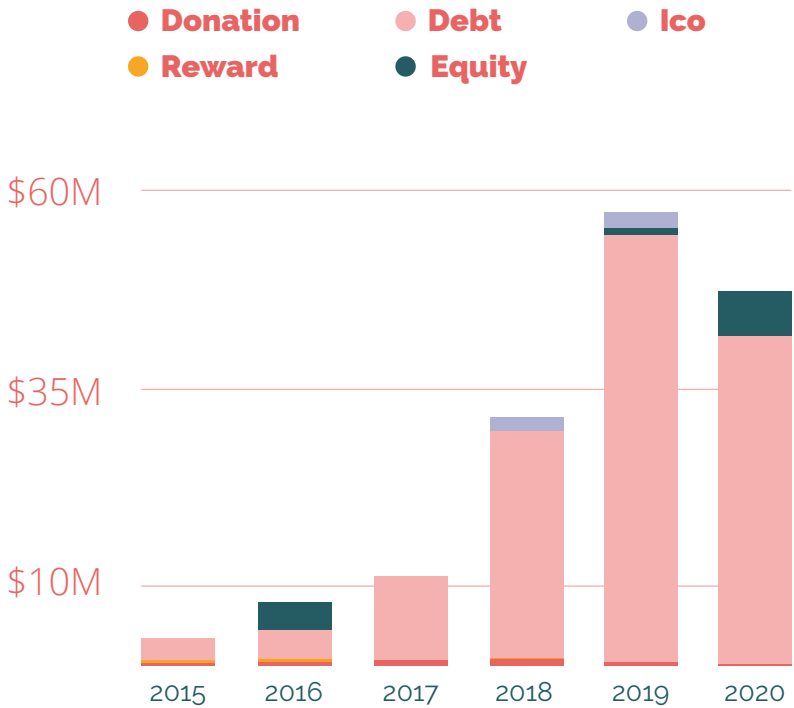
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Summary

ENERGY ACCESS CROWDFUNDING 2015 - 2020

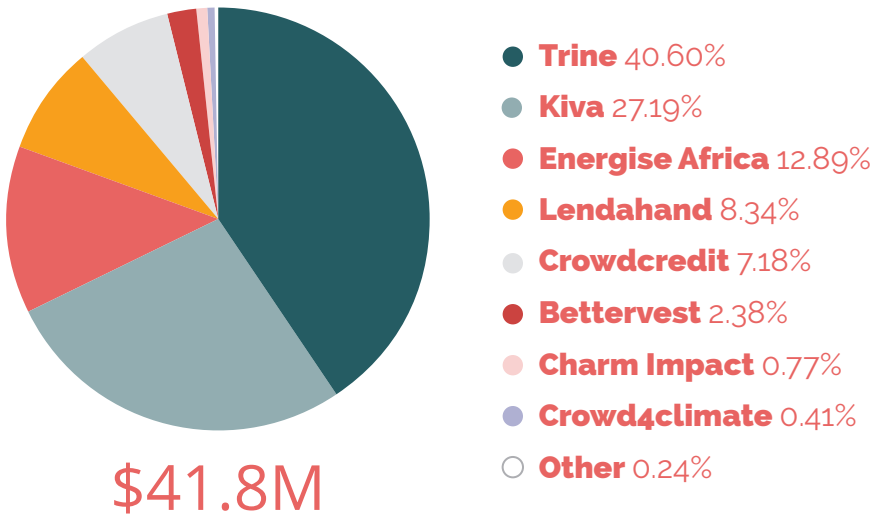
Energy access-related crowdfunding volumes reduced by 25% to \$48 million, following five consecutive years of 100% growth (average year-on-year).

Unexpectedly, equity crowdfunding volumes increased by more than ten-fold in 2020, raising close to \$6 million.

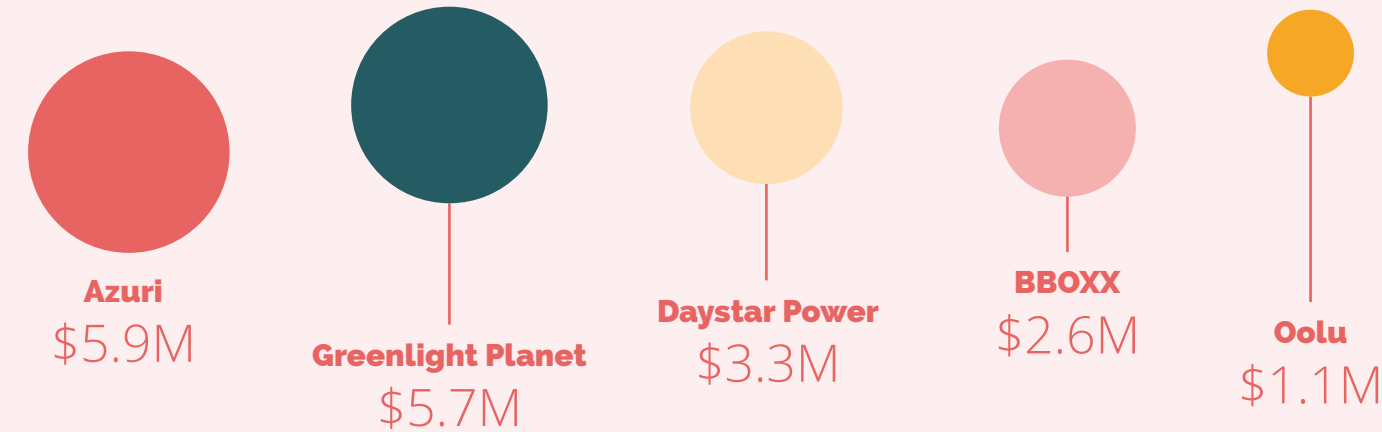


DEBT CROWDFUNDING VOLUMES BY PLATFORM 2020

Kiva ramped up lending activity, and developed bespoke loan products to support its social enterprise and financial institution partners during the pandemic.



TOP 5 COMPANIES RAISING FUNDS VIA CROWDFUNDING



Image/ Greenlight Planet

Energy Access Crowdfunding Market Snapshot

During 2020, energy access-related crowdfunding volumes reduced by 25% to \$48 million, following five consecutive years of 100% growth (average year-on-year).

The fall in volumes was driven by reduced lending on debt platforms which serve larger companies and typically account for the majority of the crowdfunding activity. However, volumes on debt platforms which provide smaller ticket loans to energy access companies actually increased. Unexpectedly, equity crowdfunding volumes increased by more than ten-fold in 2020, raising close to \$6 million.

DEBT CROWDFUNDING SHOWS MIXED RESULTS

Larger ticket lenders such as bettervest (Germany), Energise Africa (UK),

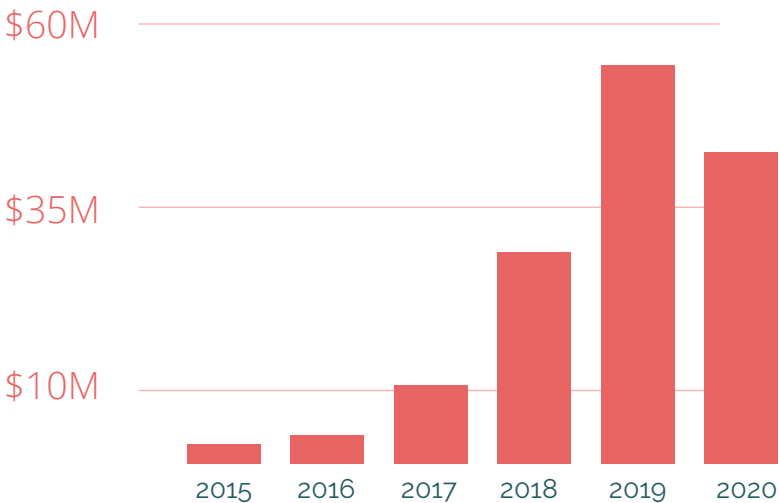
Lendahand (the Netherlands) and Trine (Sweden) raised a total of \$29.5 million for energy access companies in 2020, compared to \$46.8 million in 2019. These platforms, which focus on transactions above \$500,000 for growth-phase companies, were impacted by the Covid pandemic in different ways.

They paused and reduced new lending to companies, both existing borrowers and new ones. They reported a substantial drop in investments from retail crowd investors in the second quarter of 2020 at the start of the pandemic. Some platforms saw investment volumes rebound in the third quarter on the back of strong demand from the crowd. They experienced a fall in demand for debt financing from larger energy access companies (many of

which were pay-as-you-go), as they revised their growth expectations downwards and consolidated their existing customer bases. The situation was exacerbated by an already-overcrowded energy access lending market for growth-phase companies.

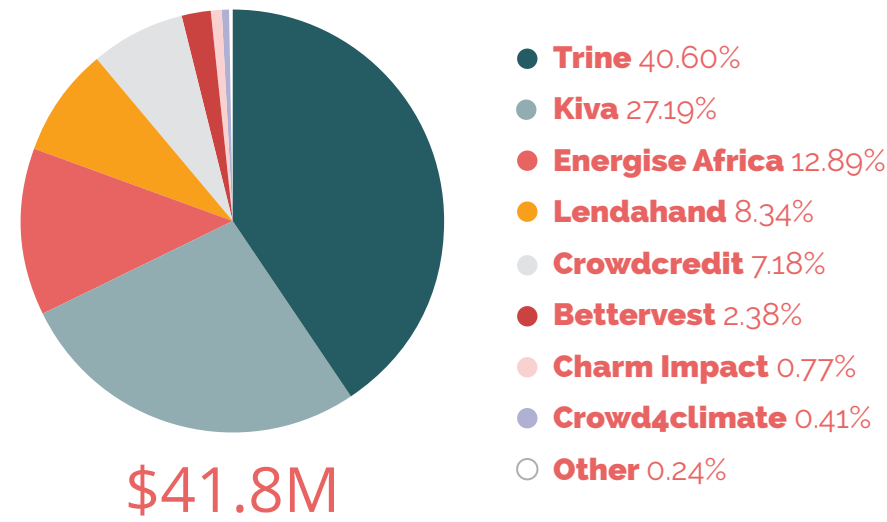
Charm Impact (UK) and Kiva (USA) were the only two platforms providing small ticket loans (\$10,000 to \$200,000) to energy access companies. In 2020, these debt platforms raised \$1.1 million in direct loans for 15 energy access borrowers, doubling the amount raised in 2019. Kiva meanwhile raised \$10.6 million debt in 2020 – double that of 2019 – for their financial institution partners, which provide microloans to customers for energy access-related products (e.g. cookstoves, pico solar lanterns).

DEBT CROWDFUNDING VOLUMES 2015 - 2020



DEBT CROWDFUNDING VOLUMES BY PLATFORM 2020

Kiva ramped up lending activity, and developed bespoke loan products to support its social enterprise and financial institution partners during the pandemic.



EQUITY CROWDFUNDING GROWS TEN-FOLD IN 2020

The pandemic impacted equity crowdfunding platforms in different ways. For some, such as UK-based platform Crowdcube, reduced investment capital in the start-up ecosystem presented an opportunity. Crowdcube reported two record quarters in 2020, with a revenue increase of up to 30%. Crowdcube continues to host the majority of equity campaigns in the energy access sector. It also runs the Collective Impact initiative with Virgin Unite, which helps UK-based, purpose-driven companies to raise equity capital.

NEW PLATFORMS LAUNCHED IN 2021

Two new crowdfunding platforms relevant to the energy access sector launched in 2021. In early 2021, Wajenzi launched in the Netherlands, to focus on African-led start-ups. This equity crowdfunding platform was co-founded by Burundian-Dutch national Alain Nkurikiye (interview on page 24). It raised equity for 12 companies during the first six months of 2021, including two energy access companies that received co-funding through the Crowd Power programme.

A new debt crowdfunding platform, the Germany based frankly.green, launched in September 2021. It is supported by the German Ministry of Environment's International Climate Initiative (IKI), and is being implemented by Frankfurt School Impact Finance and GLS Bank. The platform plans to finance local "green" projects and SMEs in low- and middle-income countries.

¹ <https://www.crowdcube.com/explore/blog/crowdcube/crowdcube-q4-2020-update>



The role of funders

As energy access-related crowdfunding scales and receives increased attention, concessional capital is entering the market. Donors and companies that have supported platforms and/or energy access campaigns include: the British Business Bank; the UK’s FCDO; Fosera; the German Ministry of Environment’s International Climate Initiative (IKI); Good Energies Foundation; GP Batteries; IKEA Foundation; Innovate UK; Partnering for Green Growth and the Global Goals 2030 (P4G); and Virgin Unite. In early 2021, KfW announced an initiative to provide up to €54 million (\$64 million) over five years, to support energy access-related debt crowdfunding; this would be the largest donor investment in the sector to date.

Concessional capital can greatly enhance the sector, by increasing access to finance through co-funding of campaigns, improving investment and loan products, and strengthening pipeline development. Yet it is essential that funders take a market-led, not donor-led, approach to the deployment of funds. The type of support

that crowdfunding platforms need varies widely, depending on platform maturity, campaign size, and the type of capital offered. For this reason, funders need a deep understanding of the market and the nuances of different platforms and their fundraising companies (i.e. investees). A one-size-fits-all approach to interventions does not work.

When deploying co-funding for campaigns, donors and other funders should note the investor demand to loan supply relationship on different platforms, to ensure that concessional co-funding capital does not crowd out investment from crowd-investors. There are many ways to support the growth of crowdfunding, and interventions can be tailored to the platforms’ needs and the funders’ objectives. The Debt Crowdfunding Interventions table, on pages 11-14, highlights 12 possible interventions, relevant to funders looking to support energy access-related debt crowdfunding.

If, for example, a debt crowdfunding platform has enough investor demand, and

co-funding is not required, funders could help the platform to develop their loan and investment products to better meet borrower and investor needs. Examples of potential support areas include:

- Origination and due diligence capacity building, including automated underwriting, to increase deal flow and access to finance, while improving investment diversification for investors
- Marketing and outreach activities targeting potential investors, and initiatives to retain and increase existing investors’ engagement

Co-funding of campaigns is often catalytic for newly launched debt crowdfunding platforms which are yet to garner a strong investor base. It is also catalytic for energy access companies hoping to use equity crowdfunding platforms. Co-funding acts as an anchor investment, and allows investees to quickly meet the anchor investment threshold set by the platforms (most platforms require 20% to 50% of the campaign target to be secured from investors prior to launch).

CAMPAIGN-RELATED

Intervention	Suitable for	Unsuitable for
Match funding or co-investment (subordinated or pari passu) Capital from a donor or investor paid into campaigns in proportion to funds contributed by crowd-investors. Match funds can also be paid as a lump sum co-investment, typically as an anchor investment. Subordinated match funding/co-investment is repaid after crowd-investors are repaid.	<ul style="list-style-type: none">• Debt platforms experiencing lower investor demand than investment supply (e.g. new market entrants)• Debt platforms wanting to trial new investment products with unknown uptake levels (e.g. launching mini-grid loans for the first time)	<ul style="list-style-type: none">• Debt platforms with higher investor demand than investment supply because co-investment may crowd out crowd-investors• Debt platforms with a high average ticket size (e.g. \$500,000), depending on the funder’s goals (i.e. catalysing co-investment or capital preservation)
Provision fund or first-loss fund contribution A fund that is typically ring-fenced, and used to compensate crowd-investors in the event of loan default. The value of the fund is typically proportional to the loan portfolio (e.g. 2%-10% of outstanding loans).	<ul style="list-style-type: none">• Debt platforms with robust due diligence practices• Debt platforms based in jurisdictions where provision funds are permitted by the regulator	<ul style="list-style-type: none">• Debt platforms without robust due diligence processes• Debt platforms based in jurisdictions where provision funds are not permitted by the regulator, or cannot be promoted²
Portfolio guarantee provision A third-party underwriter (e.g. a development finance institution) provides a partial guarantee to crowd-investors in certain campaigns. The platform typically pays a set-up fee and an ongoing utilisation fee.	<ul style="list-style-type: none">• Debt platforms with an operating track-record of less than two years• Debt platforms with sufficient capital (equity or grants) to cover the costs of guarantee setup (e.g. staff and legal costs)	<ul style="list-style-type: none">• Debt platforms with an operating track-record of more than two years• Debt platforms with insufficient capital to cover the costs of guarantee setup• Debt platforms operating in jurisdictions which may not permit the advertising of portfolio guarantees³
Currency loss provision fund A fund that is typically ring-fenced, and used to manage fluctuations in loan repayments as a result of currency volatility. It may be used to reimburse lenders or borrowers.	Debt platforms that cannot yet access more sophisticated hedging products, due to the platform’s or borrower’s maturity, business model, countries of operation, etc.	<ul style="list-style-type: none">• Debt platforms hoping to cover potential local currency losses in full, as the provision fund will usually be capped⁴• Debt platforms hoping to fully hedge a large loan portfolio (e.g. >\$1 million)⁵

²Debt platforms should discuss the implementation of a provision fund with the financial regulator in their jurisdiction.
³Debt platforms should discuss the promotion of portfolio guarantees with the financial regulator in their jurisdiction.
⁴For example, the currency loss provision fund may cover up to a 10% depreciation in local currency.
⁵This type of platform may be better suited to a currency hedging product, provided by firms such as TCX Fund and MFX.



Image/ SolarAid

INVESTOR-RELATED

Intervention	Suitable for	Unsuitable for
<p>New investor guarantees</p> <p>The platform guarantees to repay the investor’s investment, up to a certain threshold (e.g. \$100), in the event of loan default.</p>	<p>Debt platforms hoping to increase the number of unique investors on the platform</p>	<p>Debt platforms hoping to increase the average size of investments⁶</p>
<p>Investor referral codes for new investors</p> <p>The platform offers new investors a code that can be applied when investing on the platform. The code may give the investor a ‘discount’ on their investment (e.g. a \$100 investment costs the investor \$80).</p>	<ul style="list-style-type: none">• Debt platforms hoping to increase the number of unique investors on the platform• Debt platforms aiming to increase the number of female investors	<p>Debt platforms hoping to increase the average size of investments⁷</p>
<p>Investor referral codes for existing investors</p> <p>The platform offers existing investors a code that can be applied when investing on the platform. The code may give the investor a ‘discount’ on their investment (e.g. a \$100 investment costs the investor \$80).</p>	<ul style="list-style-type: none">• Debt platforms which recently launched and are in the process of building their core investor base• Debt platforms hoping to re-engage investors that have made only one investment• Debt platforms hoping to re-engage investors that have not made an investment recently• Debt platforms hoping to increase the average portfolio size of their investors (through the use of specific influencers)	<p>Debt platforms operating in jurisdictions which may not permit the use of referral codes⁸</p>

⁶Investment data shows the average size of first investments for investors that used new investor guarantees was significantly lower than the average investor on the platform.

⁷Investment data shows the average size of first investments for investors that used referral codes for new investors was significantly lower than the average investor on the platform.

⁸Debt platforms should discuss the promotion of referral codes with the financial regulator in their jurisdiction.

PLATFORM-RELATED

Intervention

Portfolio guarantee set-up cost support

A funder covers a portion of the platform’s portfolio guarantee set-up costs (e.g. legal costs, guarantee set-up fee). The ongoing utilisation fee is not typically covered by this support.

Local currency hedging set-up cost support

A funder covers a portion of the platform’s hedging set-up costs (e.g. legal costs).

Working capital support

A funder covers a portion of the platform’s working capital expenses during the first few years of operation.

Origination and due diligence cost support

A funder covers a portion of the platform’s loan origination and due diligence costs.

Market research support

A funder covers all or part of the costs associated with market research, to better understand existing and/or potential crowd-investors.

Suitable for

- Debt platforms that have secured a guarantee from a third-party
- Debt platforms that have clarity on the use and promotion of guarantees in the platform’s jurisdiction

- Debt platforms with the inhouse knowledge and capacity to manage local currency hedging set-up (e.g. staff costs, legal costs)
- Debt platforms experiencing sufficient demand for local currency loans

- Debt platforms that are post-revenue and pre-profit, but have a short trading history (e.g. <2 years)
- Debt platforms that address underserved and less profitable market segments (e.g. smaller ticket size loans to early-stage entrepreneurs)
- Debt platforms operating during a crisis period (e.g. Covid-19 pandemic) which results in a reduction of profit by more than 20% p.a.

- Debt platforms introducing new origination or due diligence processes, such as algorithmic lending
- Debt platforms wanting to trial new investment products with a new type of investee (e.g. a mini-grid developer)
- Debt platforms that address underserved and less profitable market segments (e.g. smaller ticket size loans to early-stage entrepreneurs)

- Debt platforms aiming to target specific types of investors (e.g. diaspora, millennials)
- Debt platforms aiming to iterate existing or launch new products

Unsuitable for

Debt platforms that are unable to secure a portfolio guarantee, due to maturity, track-record or regulations

Debt platforms without the experience or capacity to manage local currency hedging set-up

Debt platforms that are post-profit and lend in sufficient volumes to generate steady income

Debt platforms lending to a select few borrowers (e.g. the top 10 companies in the sector)

Debt platforms with a shorter operating history (e.g. <1 year) may be better suited to other interventions, such as match funding and co-investment



Debt Crowdfunding

In 2020, debt crowdfunding volumes reduced by 23%, relative to 2019 volumes. This figure, however, does not reveal the nuances of the crowdlending market. On the three largest platforms lending in the energy access sector (measured by volume), there was an average 38% reduction in lending activity. This, plus the fact that much of these platforms' activity was driven by restructuring of existing debt (e.g. changing repayment schedules and extending loan tenors), reveals that new exposure to loans dropped significantly in 2020.

This was not the case for all debt crowdfunding platforms, however. Kiva and Charm Impact, both small-ticket (≤\$200,000) loan providers, increased lending and new exposure in 2020. In response to the pandemic, Kiva ramped up lending activity, and developed bespoke loan products to support its social enterprise and financial institution partners. Kiva accounted for 27% of all debt crowdfunding activity in 2020, behind the Sweden-based crowdfunding platform Trine, which accounted for 41%. The average loan size of Kiva's direct to social

enterprise lending initiative was \$113,000. Charm Impact, which launched in 2018, experienced a seven-fold increase in lending volumes in 2020, and an average loan size of \$54,000.

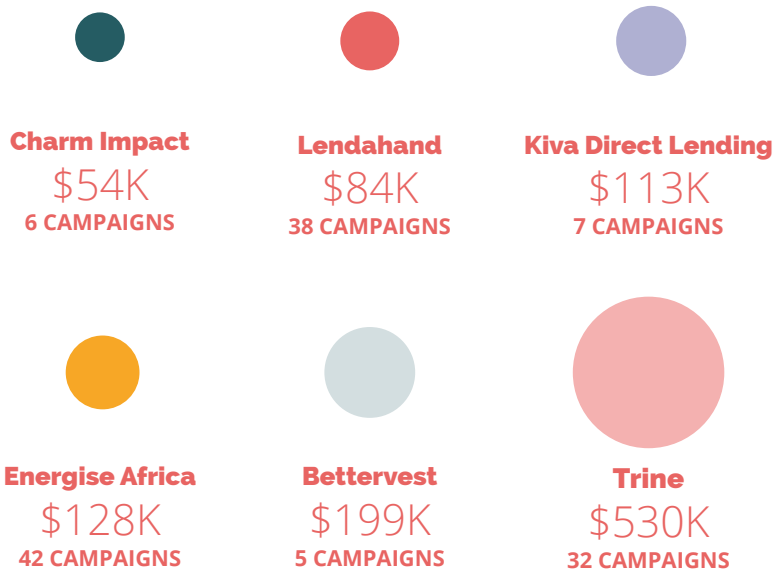
The pandemic changed the way that many debt-based crowdfunding platforms assess risk. Overall, it has led to a more cautionary approach to due diligence, with more rigorous stress testing. On the borrower-side, there is reduced demand for capital overall, as companies focus on consolidating their existing portfolios, while pursuing modest (rather than aggressive) growth, during this time of ongoing uncertainty.

The pandemic has increased the need for platforms to diversify into other sectors, to increase both their number of investees and the volume of funds raised on the platform. Investor demand on most debt crowdfunding platforms remains high; several platforms report filling new energy access-related debt campaigns in "minutes", due to pent up investor demand. Before the pandemic, many platforms were actively looking to diversify their portfolios and explore

other market segments (e.g. commercial and industrial (C&I) scale solar). We predict that the next 18 months will remain a period of recovery for debt crowdfunding platforms, with volumes increasing modestly towards pre-pandemic levels. In 2021, KfW announced an initiative to support energy access-related debt crowdfunding with €54 million (\$63.7 million) in funding, to support loans to solar home system (SHS) companies and mini-grid developers.

Currently, bettervest and Charm Impact are the only debt crowdfunding platforms that lend to mini-grid developers. The KfW initiative appears to be designed primarily to accelerate crowdlending to mini-grid developers, through the use of subordinated debt and other instruments. Given its size, the initiative could potentially help debt crowdfunding platforms to recover from the pandemic's impact, if the deployment of funds is aligned with market needs.

AVERAGE LOAN SIZE BY PLATFORM 2020



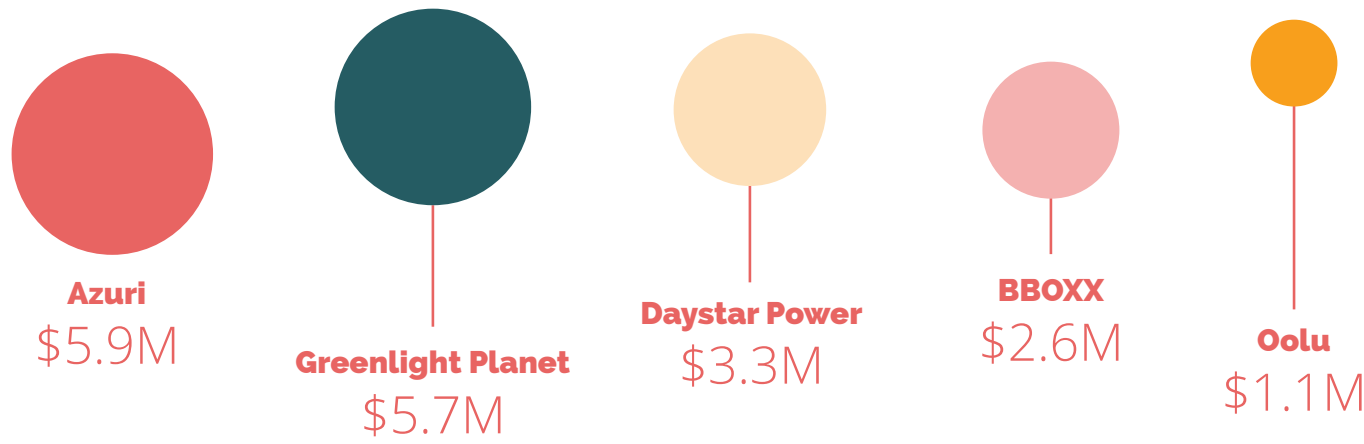
PLATFORM SPOTLIGHT frankly. green Germany

frankly.green is a new crowd investing platform, which helps "green" companies and projects in emerging markets to raise money from retail investors. It provides financing in the form of qualifying subordinated debt. It is designed to bring together companies that want to go green, and investors focused on financial return and environmental protection. frankly.green is based in Frankfurt, Germany, and currently serves businesses in Ghana, Rwanda, Egypt and Peru. It can provide up to \$1 million in financing.



Image/ SolarAid, ElleSolaire

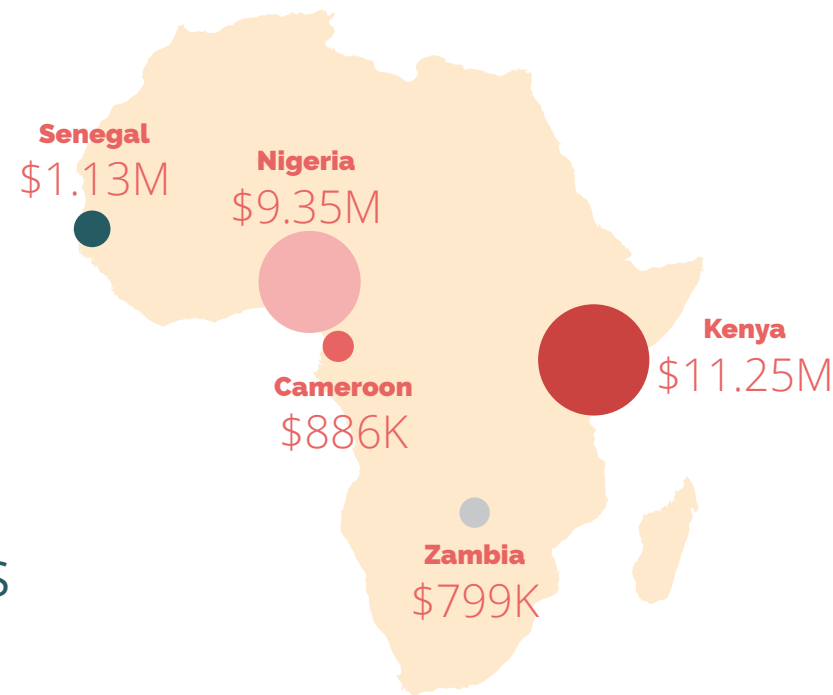
TOP 5 COMPANIES
RAISING FUNDS VIA CROWDFUNDING



TOP 3 TRENDS



TOP 5 COUNTRIES



The countries we work in are the fastest growing economies in the world: their transition to renewable energy has the potential to change the course of the climate crisis.

Claudia Rothe
ECOLIGO

Image/ Africa GreenTec



ECOLIGO

Claudia RotheProject Manager, Funding
Germany

ecoligo is a debt crowdfunding platform that develops, operates and finances grid-connected, commercial and industrial (C&I) scale solar installations, through its engineering, procurement and construction partners in Costa Rica, Chile, Kenya, Ghana, Thailand and Vietnam. Projects are financed by individual retail investors via the platform. It was founded in 2016, and has financed more than 60 projects.

This report does not include ecoligo's fundraising volumes in the energy access-related crowdfunding data for 2020. However, we felt that ecoligo's performance in 2020 was important to highlight - particularly as more debt crowdfunding platforms diversify their portfolios, and increase C&I-related lending.



Image/ Ecoligo

In 2020, ecoligo raised \$6.7 million, more than double what it raised in 2019. At the same time, energy access-related debt campaign volumes reduced by 23%. Why did ecoligo's fundraising volumes increase so much in 2020?

For many, the pandemic has been a time of reflection; climate crisis awareness has sharply increased in the last 18 months. People want to make an impact,

and investing sustainably is one of the best ways to do that. In 2020, we entered Thailand and Vietnam, which brought a large number of new projects for our crowd to invest in - while in other parts of the world, markets saw a slowdown. We are constantly offering new opportunities, to keep our investors engaged! We also had other exciting projects in 2020, such as Kenya's first ever floating solar system, and we established our guarantee fund, which

helps investors feel more secure.

Can you tell us more about the guarantee fund?

We voluntarily established this fund once we saw the impact of the pandemic on the global economy, and seeded it with €50,000 (\$59,000) of ecoligo's own capital. The funds were deposited into a separate account and pledged to a trustee, so that they're properly controlled by a

third party, and remain fully accessible to the crowd-investors. If the trustee is informed that ecoligo can't serve a scheduled payment to the crowd, they can step in and pay the crowd from the guarantee fund. We plan to keep growing this fund. ecoligo is focused on grid-connected solar projects.

Is there a reason that you're not active in the energy access sector?

The energy access sector is important, but working with C&I clients can actually have a lot more impact on reducing CO2 emissions. Businesses constitute the majority of energy demand - and therefore CO2 emissions - in most countries. Yet historically, these businesses have been completely underserved by lenders, despite the economic and environmental benefits of going solar.

The C&I sector's risk profile can also be assessed and evaluated for investment much more easily. To better assess credit risk, we can assess C&I customers' energy demand based on historic load data, and access audited financials. This is tremendously helpful in evaluating and mitigating risks, and reducing uncertainties. Another important risk mitigation is that C&I customers can be billed in hard currencies. The countries we work in are the fastest growing economies in the world: their transition

to renewable energy has the potential to change the course of the climate crisis.

What type of debt products do you offer investors?

Investors can start investing from €100 (\$118). We offer subordinated loans in two structures: one in which the project is financed only by the crowd, and one in which a senior lender participates in the loan alongside the crowd. The two structures have different risk-return profiles, and a higher interest rate is offered where senior lenders are involved (typically 2% p.a.). Investors can decide which structure is best for them on a project-by-project basis. The involvement of additional institutional lenders helps us to execute larger projects and to finance them faster, increasing our impact.

How do you de-risk ecoligo loan products for investors?

Investment security is really important to us, and we take various measures to minimise the financial and technical risk of each project. Our biggest de-risking lever is that we own and operate all of the projects, and we earn our revenue from them performing well. So even if a project has issues, we have full control over how to proceed. By contrast, most crowdfunding platforms are an intermediary between the investors and the project operator, and don't have full visibility of the projects, which

limits their ability to take action.

What do you know about your investor base? Why do investors engage with sustainable financing opportunities?

Our investors are diverse, but united by a common motivation: environmental impact. The majority of our investors rate it as the number one reason why they invest in our projects. Sustainable financing will become a megatrend this decade: we'll see a lot of retail investors divesting from their current investments, and investing in companies or projects that fulfil their ESG (environmental, social and governance) and sustainability expectations.

Social impact also plays a role for ecoligo's investors, while the attractive interest rates of 5%-8% p.a. make our investments financially sustainable, too. Contrary to what people often think, impact and financial returns are not mutually exclusive. These factors bring investors to the platform, while the trust and reliability we provide ensures that they keep investing. So far, all repayments to investors have been made on time and in full. The impact of investment is more than just a good feeling: investors can see the amount of CO2 emissions avoided as a result of their investment, and they can learn about the company and local economy that benefits from their loan.

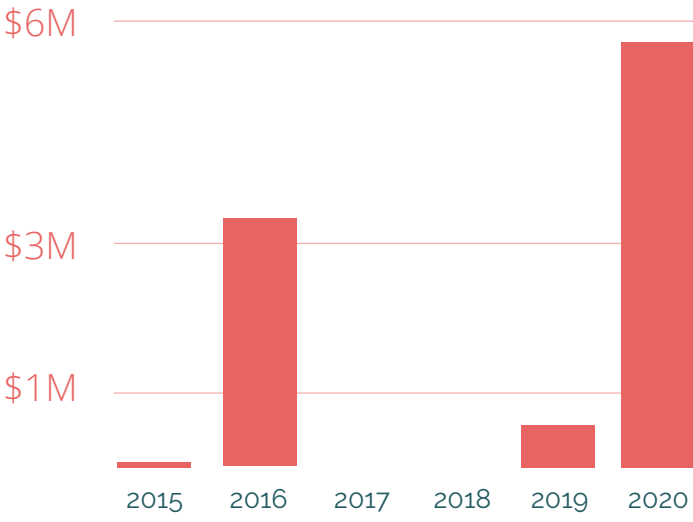
Equity Crowdfunding

From 2012 to 2021, there have been 18 successful energy access-related equity crowdfunding campaigns; together, they raised \$15.6 million. In 2020 and 2021, there was a clear acceleration of activity, with 10 campaigns closing successfully, raising \$11.2 million. The reasons for this increase in fundraising activity remain unclear; however, it is likely linked to fundraising uncertainty faced by investee companies trying to raise equity from other sources. This is consistent with earlier research by E4I, which found that many entrepreneurs turn to equity crowdfunding as a “last resort”, after exhausting all other funding options. Successful energy access-related campaigns in 2020 and 2021 were run by a range of companies. Two

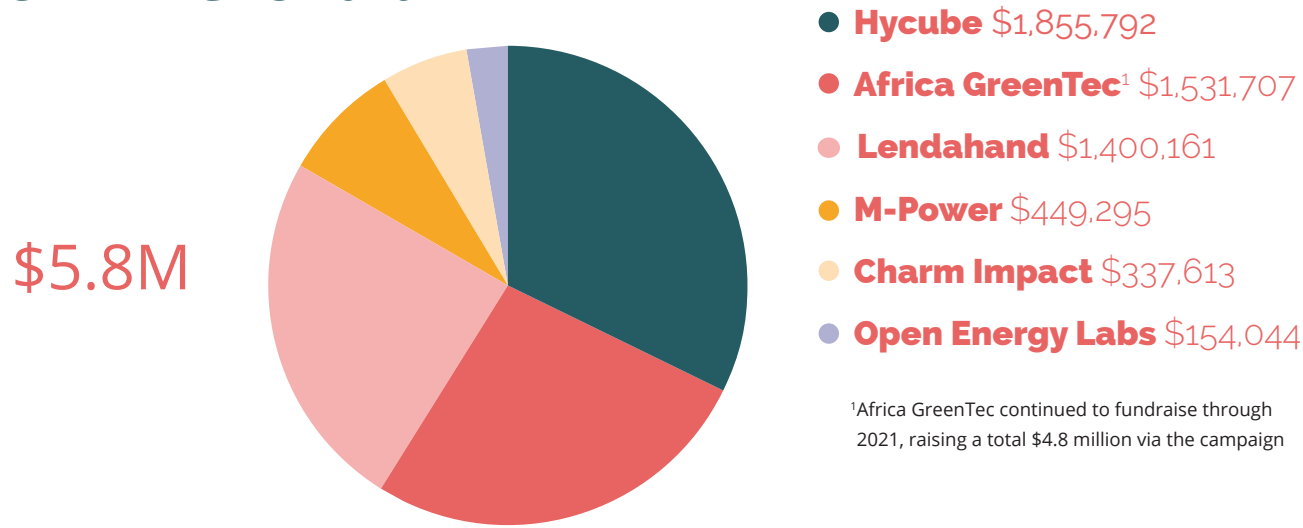
energy access-focused debt crowdfunding platforms, Charm Impact and Lendahand raised funds on UK equity crowdfunding platforms, Crowdcube and Seedrs respectively. Two hardware and software SHS companies that focus on B2B sales, M-Power (Switzerland) and Rural Spark (the Netherlands), raised equity on Crowdcube and Symbid (the Netherlands). Africa GreenTec (Germany), a next-generation utility, raised the largest equity round via crowdfunding (\$4.8 million), using profit participation rights offered through their own “crowd investing” website, which was set up specifically for the campaign. In 2021, for the first time, two sub-Saharan Africa-based energy access companies

raised equity via a European crowdfunding platform. Gnugrid (Uganda) and Soco (Burundi) raised \$60,700 and \$84,980 respectively via Wajenzi. The platform is focused on facilitating African diaspora investment in local African companies. The diversity of successful investee companies shows that equity crowdfunding can be used by a range of business models, across various points of the company lifecycle. There is no single archetype or business profile for success. Still, equity crowdfunding appears to be used more frequently by early-stage companies: 13 of the 18 successful campaigns since 2012 were pre-Series A rounds.

EQUITY CROWDFUNDING CAMPAIGNS 2020



EQUITY CROWDFUNDING CAMPAIGNS 2020



¹Africa GreenTec continued to fundraise through 2021, raising a total \$4.8 million via the campaign

COMMON FEATURES OF SUCCESSFUL EQUITY CROWDFUNDING INVESTEES

- 1 They have developed their own proprietary technology relating to energy and/or financing.
- 2 They have entities incorporated in ‘crowdfunding friendly’ jurisdictions (e.g. Europe) and raised capital at the holding company level. The two exceptions are Gnugrid (Uganda) and Soco (Burundi).
- 3 They offer crowd-investors high growth potential. Companies with predictable revenue streams are less appealing to crowd-investors. They are early-stage. Two-thirds of energy access-related equity campaigns were by pre-Series A companies.
- 4 They have developed high quality pitch materials, including a video, and dedicated an enormous amount of time and resources to their campaign. They have secured anchor investments prior to launching their campaign (typically 20% to 30% of their target).
- 5 They have a high level of crowdfunding knowledge and experience.



WAJENZI

Alain Nkurikiye

CEO & Co-Founder, Wajenzi
The Netherlands

Wajenzi is an investment marketplace that launched in early 2021 to allow investors in high-income countries to buy shares in small businesses in Africa. Wajenzi focuses on connecting diaspora investors to African start-ups which struggle to access finance through traditional financiers.



Image/ Wajenzi

What was the inspiration behind Wajenzi?

Even before coming to Europe in 2009, I wanted to be an entrepreneur, and I had several ideas. Back in 2005, I did a pitch on a Burundian TV show similar to Shark Tank, and won. I then tried to raise funds for my idea, and I couldn't. I began doing a lot of reading about entrepreneurs, like Steve Jobs, and I found that they all had MBAs, or were surrounded by people with MBAs. So I began looking for scholarships, and I ended

up in the Netherlands at the Maastricht School of Management.

The idea came to me in my previous job at Cordaid, where we mainly invested in microfinance in Africa. I could see that the money was not reaching the young entrepreneurs that I met on the street. So I began investing in entrepreneurs, just €100 (\$117) or so, and when I was back in the Netherlands, I thought: how can I manage this portfolio?

That's when this idea came to me. I started talking to other diaspora members about investments; they were all investing in real estate, but they were keen on investing in African SMEs, they just didn't know how to do it. So I decided to build Wajenzi to facilitate diaspora investment in African startups.

Many investors in the sector complain about a lack of investment-ready African-owned companies in the market. Your

platform launched with 11 live campaigns for start-ups in Ghana and Uganda. How do you source deals?

From what I've seen on the ground, a lot of initiatives are driven by donors, which then look for partners to implement their vision. The issue with this is that a lot of donors and investors are doing things from a European perspective, and they often don't understand the local ecosystem and what the market needs. There is a real distance between the managers and entrepreneurs, and expectations versus reality.

We build local teams, and use local knowledge and local analysts. We are really connected to the local start-up ecosystem. We have partnerships with incubators, and we utilise the knowledge of the people on the ground, who have been working with these companies for years. We do formal due diligence, but we also use local knowledge to work out who we can trust.

What feedback have you had from investees, and what do you think you do differently from other investors?

Our entrepreneurs don't want to go to a bank, as they can't service debt; they both like our product and they need it. Many take part in incubation programmes, which run for

a few years, and then end - so there are entrepreneurs left behind, with a viable business model but no access to finance. That's where we come in. The reality on the ground is that you have the 'darlings' of donors and investors, the companies that know what donors want and how to formulate a polished pitch. But you also have local entrepreneurs that don't have those networks, and so get left behind. This is the challenge that we're trying to address.

We also have a different mindset to many investors: we know that 70% of all companies fail. It's the same in Europe and in Africa. Many European investors just don't have the risk appetite to invest in 100 companies knowing only 30 will make it.

What are you learning about the investment preferences of diaspora investors? Has anything surprised you?

When I started working on this, I thought that a Burundian investor would want to invest in Burundi. But I was wrong: it turns out that our investors are all pan-Africanists. They all look at the social impact of the company, and invest in something that speaks to their hearts. We recently had a deal for an animation studio in Ghana, for example. Everyone, regardless of where they came from, was

like, "wow, it would be nice to have something like this for our kids!". Even before the return on investment, it's really about the investor having a connection to the entrepreneur and their idea. Investments tend to be €700 (\$818) to €1,500 (\$1,753), and we encourage people to spread their risk across multiple deals. Most investors are highly educated people, who already have some kind of savings earning zero-interest - so they would rather put money into something that's important to them.

Donation and Reward Crowdfunding

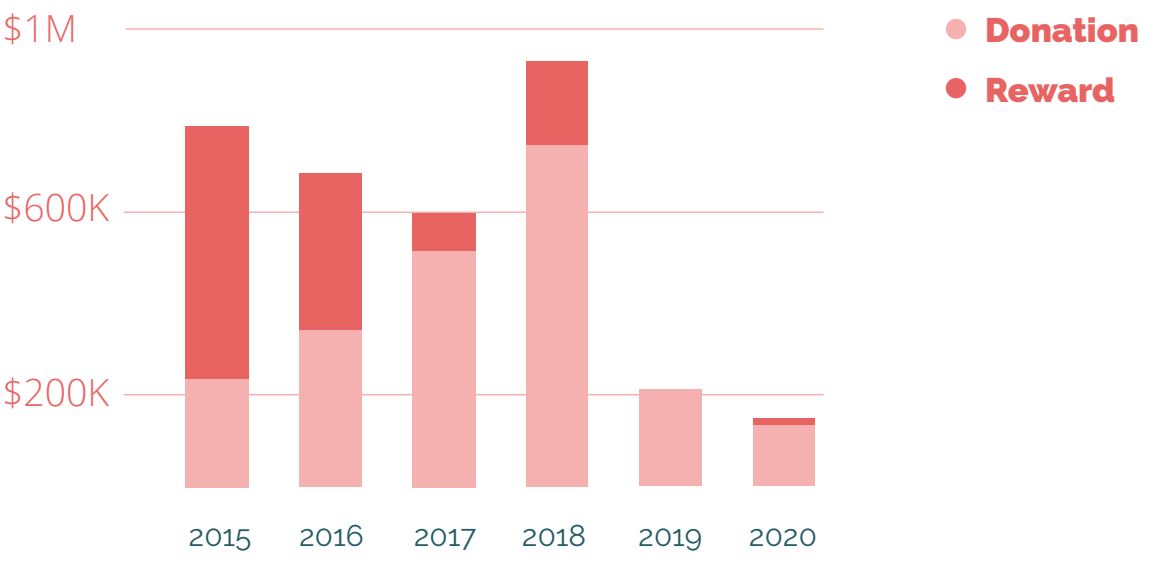
Donation and reward crowdfunding are often the most recognised crowdfunding models. In 2020, however, energy access-related donation and reward crowdfunding volumes accounted for just 0.3% of the \$47.7 million raised on crowdfunding platforms. In 2015, when we began collecting data on energy access-related crowdfunding, donation

and reward crowdfunding campaigns accounted for 23% of the \$3.4 million raised that year.

GlobalGiving (USA) remains the leading donation crowdfunding platform in the energy access sector, and supports grassroots projects by non-profits. StartSomeGood (Australia) is the leading reward crowdfunding platform

for social impact-related projects. Indiegogo (USA) and Kickstarter (USA) remain popular reward crowdfunding platforms, but there have been limited energy access-related projects listed on them.

DONATION & REWARD CROWDFUNDING VOLUMES
2015 - 2020



Image/ Azuri Technologies





Initial coin offerings (ICOs)

Bitcoin’s rally in late 2020 and early 2021 made news headlines globally, as commentators predicted either the burst of the Bitcoin bubble or the convergence of Bitcoin with the status of gold⁹. Initial coin offerings (ICOs), meanwhile, have been making headlines for different reasons. In early 2021, Xangle, a crypto disclosure and transparency platform headquartered in Singapore, published a report stating that over \$16 billion was

stolen from ICO investors from 2012 to 2020¹⁰. In addition, EY estimates that more than 10% of ICO proceeds are lost as a result of cyber-attacks¹¹. To date, there have been only three energy access-related ICOs, which raised \$3.7 million. The last energy access-related ICO closed in early 2019. ICOs became a popular way for start-ups and (often hypothetical) projects (e.g. a wind farm) to

raise funds from retail and institutional investors. But in 2019, ICO volumes fell by 95%, to \$371 million globally, as regulators toughened their stance, and moved to ban ICOs or apply existing securities regulation to tokens. Given the reduced investor appetite for ICO investments, ICOs are unlikely to be a viable, scalable financing option for energy access companies.

THE THREE ENERGY ACCESS RELATED ICOS



Cryptoleaf, 2018
PLATFORM: ETHEREUM



**Powerhive X
SunExchange, 2018**
PLATFORM: ETHEREUM



Solarex “Powering Africa”, 2019
PLATFORM: ETHEREUM

⁹CB Insights, The Blockchain Report 2020, <https://www.cnbcm.com/2021/02/18/bitcoin-btc-gets-1-million-price-call-but-there-are-risks-ahead.html>
¹⁰Xangle, Crypto Investor Scam Report: Over \$16 Billion Stolen From Investors Since 2012, [https://s3.ap-northeast-2.amazonaws.com/upload.xangle.io/files/xangle_research/20210126_xangle_\(EN\).pdf](https://s3.ap-northeast-2.amazonaws.com/upload.xangle.io/files/xangle_research/20210126_xangle_(EN).pdf)
¹¹<https://startup.ey.com/wp-content/uploads/2018/03/EY-research-initial-coin-offerings-ICOs.pdf>

