CROWD POWER

CROWDFUNDING ENERGY ACCESS

State of the Market Report 2023-2024

ENERGY4IMPACT
POWERED BY MERCY CORPS

CONTENTS

ENERGY4IMPACT POWERED BY MERCY CORPS

UKaid from the British people — Transforming Energy Access

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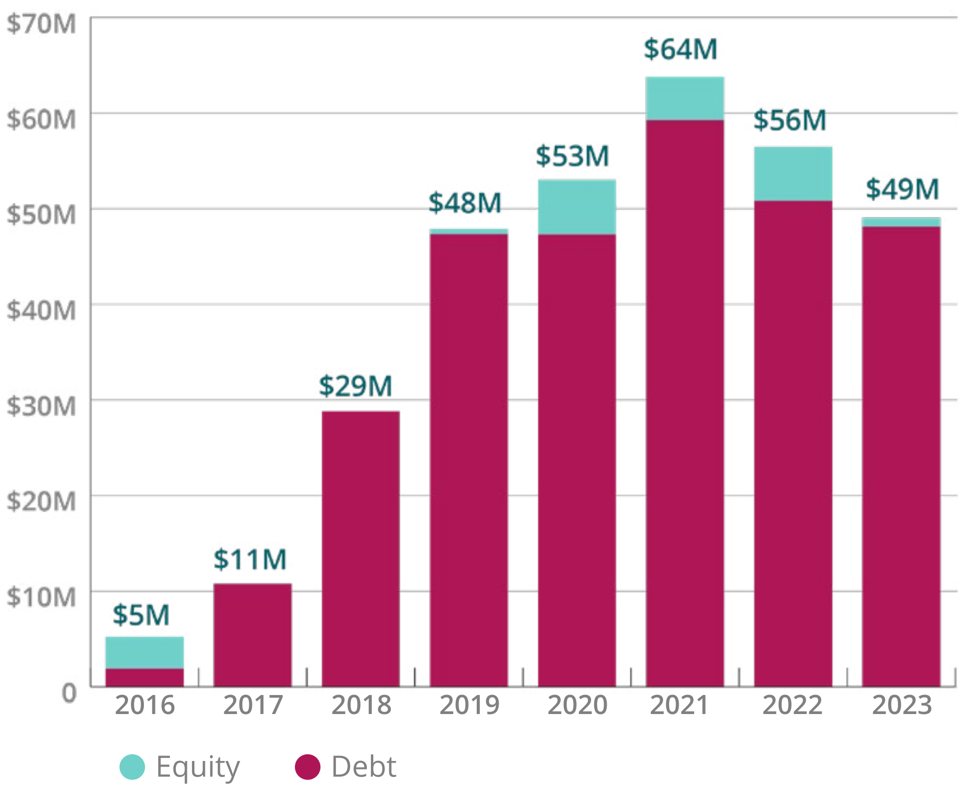
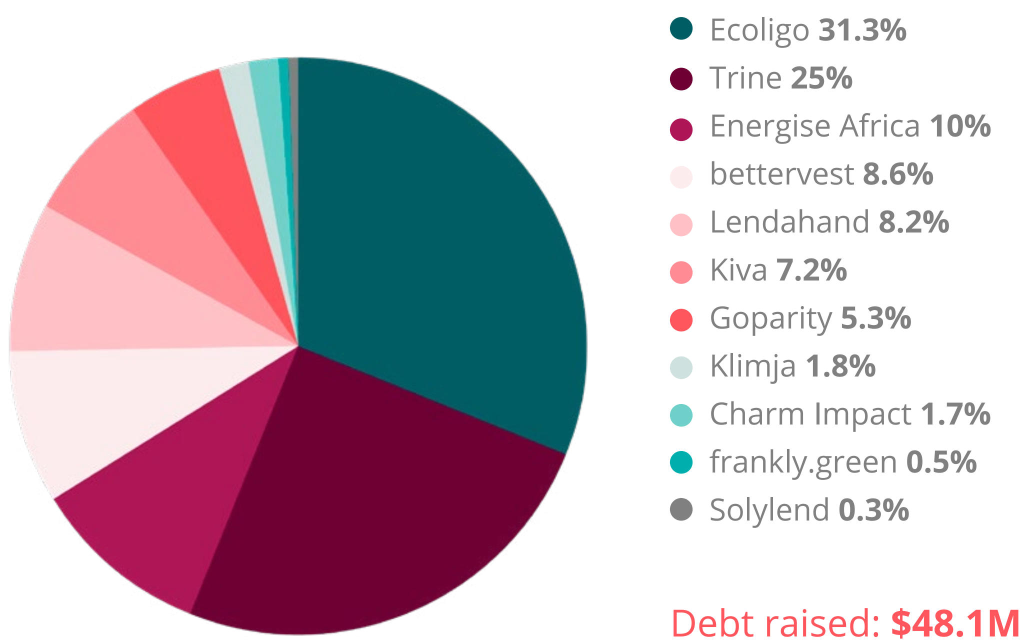
01 MARKET SNAPSHOT

Evolution of crowdfunding volumes in energy access 2016 - 2023

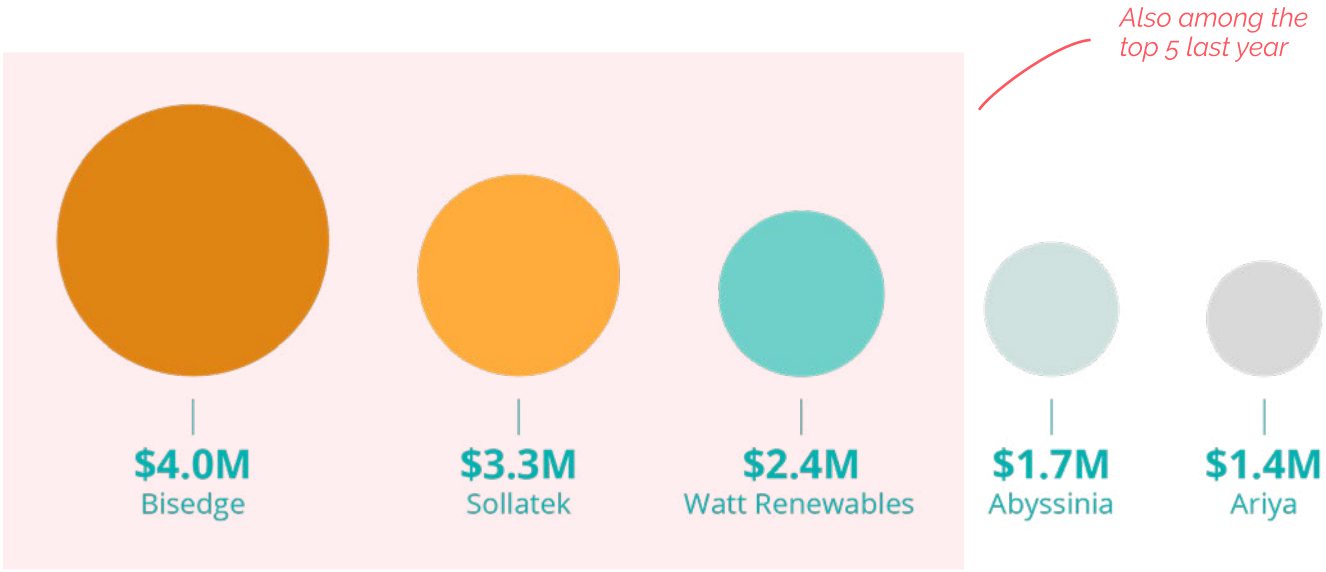


Debt volumes by platform in 2023



Debt raised: **$48.1M**

Top five companies raising funds via crowdfunding in 2023



$49M RAISED FOR ENERGY ACCESS VIA CROWDFUNDING IN 2023

-12% ENERGY ACCESS-RELATED CROWDFUNDING VOLUMES FELL BY **$7M** IN 2023

56% OF ENERGY ACCESS-RELATED CROWDFUNDING IS ACCOUNTED FOR BY ECOLIGO AND TRINE.

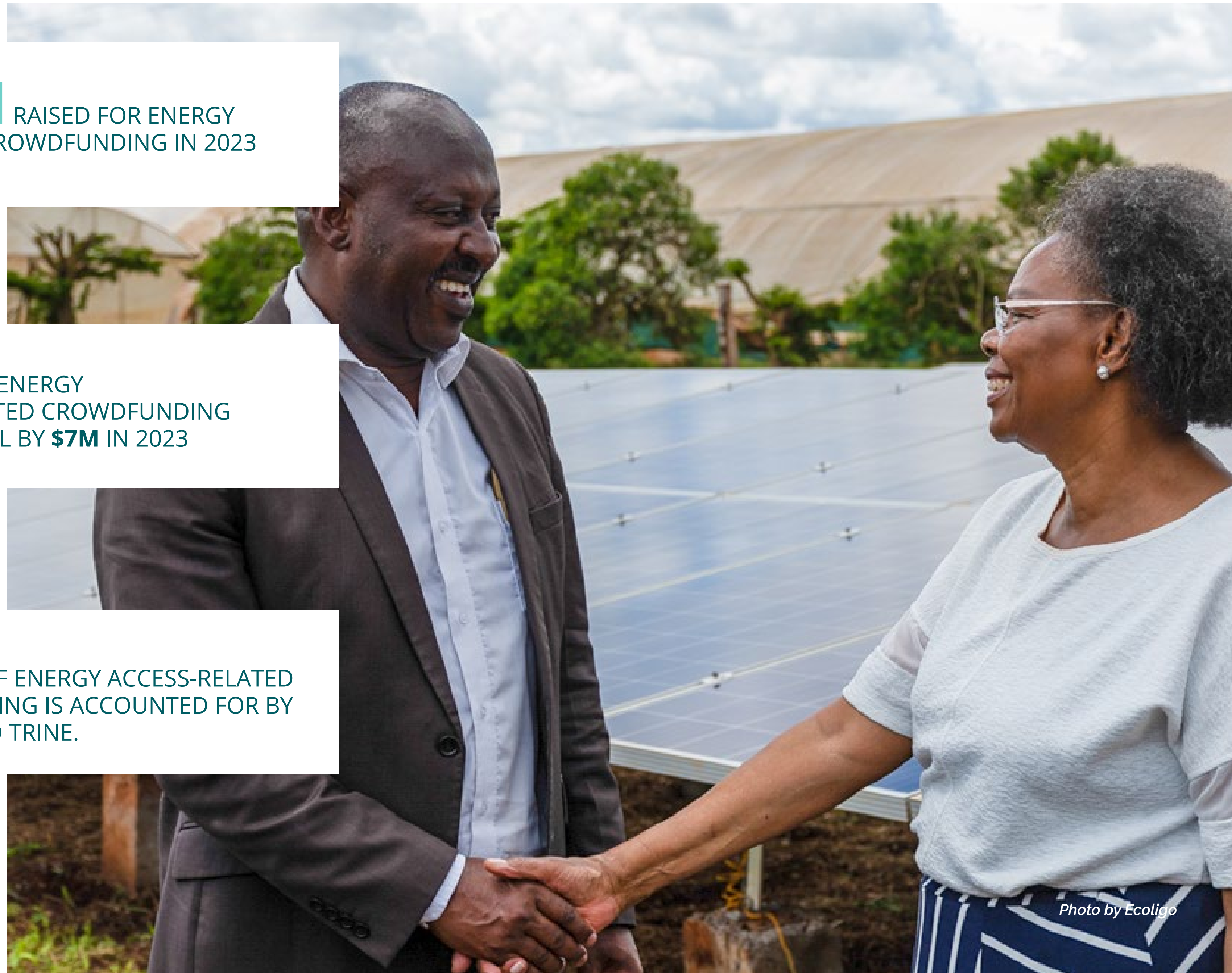


Photo by Ecoligo

02 CROWD POWER UPDATE

With funding by UK aid from the UK government, via the Transforming Energy Access platform, Mercy Corps – Energy 4 Impact has delivered the Crowd Power programme since 2015. The programme aims to grow energy access crowdfunding by addressing systemic and operational challenges faced by fundraising companies and crowdfunding platforms.

Crowd Power addresses three key challenges in the energy access sector:

- **Lack of financial inclusion:** Crowd Power enables smaller ticket-size transactions by supporting platform due diligence costs. It also provides match funding, often as a subordinate layer, to reduce risk to lenders.

- **Small number of investors:** Crowd Power helps platforms build their investor base, which comprises individuals and some corporates. The programme supports investor outreach activities and provides guarantees and investment vouchers to new investors investing in energy access-related campaigns.

- **High operating costs faced by platforms:** Crowd Power supports platforms to cover their operating expenses. The programme funds activities that promote efficiency and automation with the joint goals of platform sustainability and financial inclusion.

Over the last nine years, Crowd Power has helped 72 energy access companies raise over $26 million on 15 crowdfunding platforms. The programme has actively supported the launch and growth of the Energise Africa platform since 2017, and the platform has raised over $50 million for energy access to date.

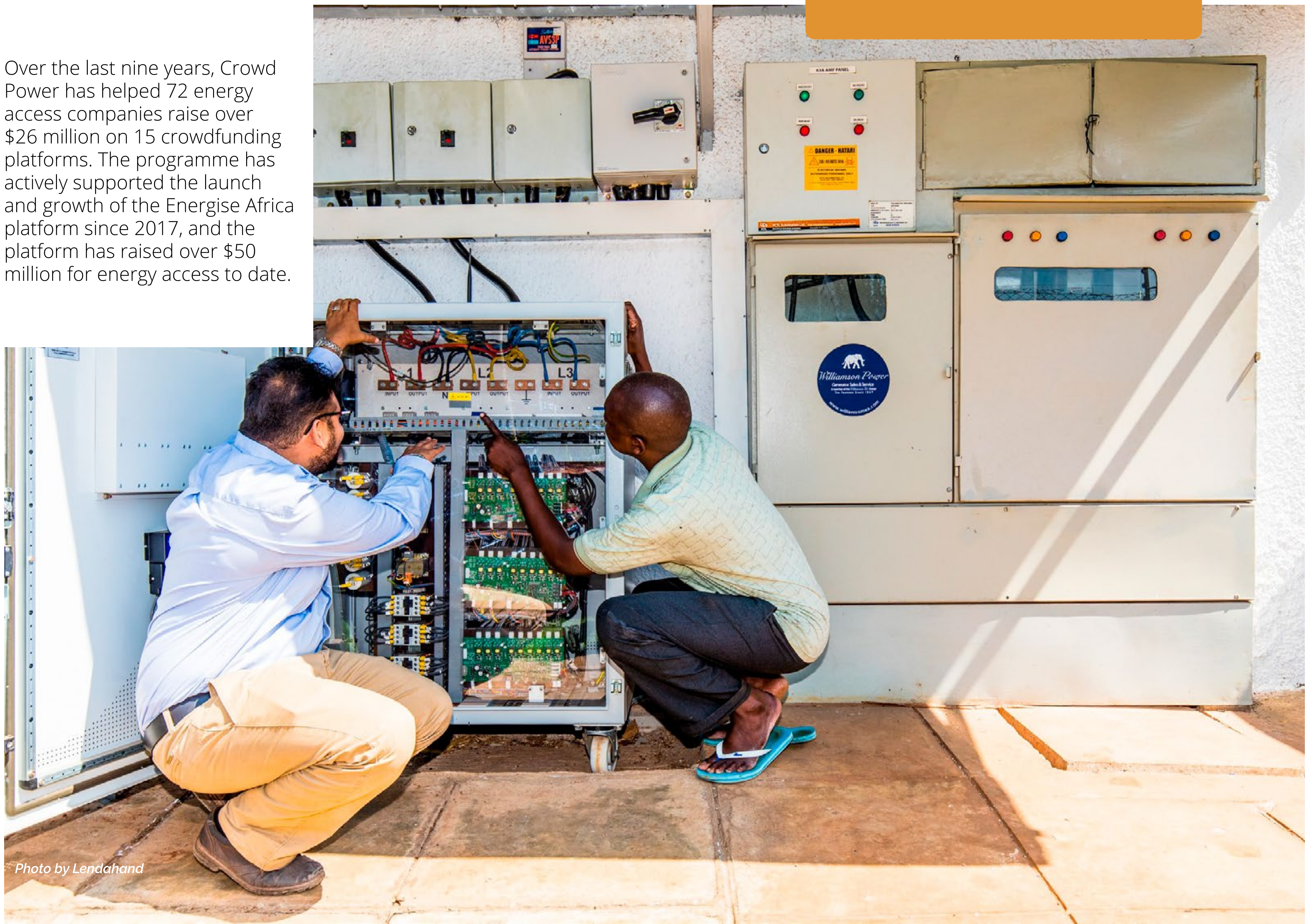


Photo by Lendahand

Crowd Power has helped 72 energy access companies raise over $26 million

During 2023, Crowd Power funded a range of interventions to support crowdfunding platforms to expand their activities, including:

- Legal support to help debt crowdfunding platforms enter new countries in sub-Saharan Africa (SSA) and Asia.
- Operational expenses for platforms expansion into new sectors, such as biogas and clean cooking.
- Partial development costs to create an automated due diligence process.
- Launch costs to introduce new investment products, including new product for crowd lenders offering equity-like upside.

The current iteration of Crowd Power will run until 2027 and continue to follow a demand-led approach, reflecting the needs of platforms and companies in this fast-evolving market. Crowd Power is a dynamic and adaptable programme. It is currently focused on addressing the impact of market challenges, including low risk adjusted returns, slower sales growth and rise of default rates. The programme continues to support new platforms to enter the market, including Social Investment Managers and Advisors (SIMA) Funds' Sow Good Investments, which is set to launch in 2024.

03 Q&A SOW GOOD INVESTEMENTS

MICHAEL RAUENHORST

Co-founder and Managing Partner of Social Investment Managers and Advisors llc, and long-time social investor in financial access and energy access firms. He was instrumental in developing and launching Moody's Corporation's first social rating product. He co-developed four microfinance funds at Deutsche Bank, founded Jamaica's first independent MFI, managed 4 foundations and serves on the board of a family office.

GABRIEL MUNGAI

Senior Advisory Officer at Social Investment Managers and Advisors llc, and has over five years' experience in transaction advisory and fundraising in East Africa with experience in business development, preparing businesses for investment, and investment banking. He has a Master of Science degree in Financial Economics.

SIMA Funds launch Sow Good Investments in the US market

Experienced off-grid energy and impact investor SIMA is getting ready to launch the crowdfunding platform Sow Good Investments in the US market in 2024. SIMA is a Securities and Exchange Commission (SEC) registered investment advisor.

Sow Good Investments is a new platform that will soon be operational. Could you explain the origins and motivations behind this project?

Sow Good Investments' vision is to allow US retail investors to make impact investments in socially driven companies serving people at the base of the pyramid. Sow Good offers retail investors attractive financial returns alongside transparent social and environmental impact. SIMA established Sow Good to leverage their resources to offer impact investments, not only to large institutional investors, but to open up access to impact investments for retail investors who might invest as little as $500.

What has been achieved so far and what's the concrete timeline for the launch of operations?

Sow Good is registered and audited, and we have applied to register the offering with the SEC. We are currently awaiting approval from the SEC. In anticipation of this approval, Sow Good has established internal policies, including investment processes.

Sow Good is closely linked to the experienced fund manager SIMA. Can you describe the relationship between the two structures and tell us if and how they'll nurture each other?

As Sow Good is sponsored and managed by SIMA, it will leverage SIMA's capabilities in terms of sourcing, underwriting, structuring and monitoring. SIMA has 55 staff in emerging markets and extensive local relationships with socially driven companies, as well as regulators, foreign exchange counterparties, and others. SIMA manages impact investments on a broad scale and has experience screening over 1,000 companies in 28 countries and structuring a portfolio of over 130 socially driven companies. From this portfolio, SIMA selects companies for further financing from Sow Good.

Given that the platform is still unknown in the market, how do you intend to develop your crowd and which type of investors are you targeting?

SIMA has engaged a US-based digital marketing firm to develop and execute Sow Good's social media crowdlending campaigns. Sow Good plans to develop its crowd by targeting individual US retail investors interested in impact investing, leveraging crowdlending campaigns, setting a minimum investment threshold (i.e. $500), and implementing digital marketing and social media strategies to raise awareness and attract investors to the platform. SIMA's marketing team includes digital marketing specialists who will support Sow Good.

What is your strategy for building up your investment pipeline? Will Sow Good focus on a particular sector or geography?

Sow Good's pipeline will originate from SIMA's existing portfolio, which comprises solar, clean cooking and agriculture companies that provide solutions to underserved populations in emerging markets. The platform's primary focus is SSA.

How will Sow Good approach due diligence?

Sow Good's investment and due diligence process is modelled on SIMA's investment process. We aim to identify exemplary companies, mitigate

Photo by bettervest

Photo by Trine

risks and ensure alignment with social, environmental and gender equity goals. This process involves evaluating a potential borrower's financial position, management and governance, competitive position, environmental and social management system, impact reporting framework and gender equity considerations.

The debt crowdfunding sector is facing challenges. What's your strategy to offer investors a risk-balanced portfolio and attractive risk-adjusted interest rates?

Sow Good aims to attract investors and provide competitive risk-adjusted interest rates on its investments. By evaluating the risk profile of each investment opportunity and setting interest rates accordingly, the platform aims to strike a balance between offering investors market rate returns and managing risk effectively. Some borrowers also report being attracted to participate in an innovative form of digital finance.

What are your objectives following the launch of the platform in terms of fundraising, borrowers and investors?

Following the platform's launch, Sow Good plans to raise at least $2 million in its first year of operations, through a series of offerings. Borrowers will make quarterly interest payments to investors. In the medium term, we aim to expand the portfolio of impact investments and increase the number and variety of borrowers, thereby increasing the scale of campaigns while growing the investor base.

What are your views on the US crowdfunding market compared with the European market? Except for Kiva, you seem to be a pioneer in the sector in the US. How do you explain this?

Europe has a longer history and greater acceptance of regulatory frameworks that support crowdfunding, ESG, and impact investing. Updates to US securities regulations have enabled platforms like Sow Good to offer crowdlending securities to individual investors, but the process is still time-consuming and expensive. The SEC has only recently promulgated guidelines on ESG investing. Notably, the US has faced backlash from several quarters regarding ESG investing, which has also crossed over into impact investing.

The level of awareness and education around impact investing and crowdfunding varies between the US and Europe. European investors have shown a greater appetite for impact investments and crowdfunding opportunities, driven by a stronger culture of sustainability, social responsibility, and ethical investing. In the US, while interest in impact investing is growing, there is still a need to raise awareness and present data demonstrating impact to illustrate the benefits of investing in impactful projects and companies.

04 DEBT CROWDFUNDING

MARKET OVERVIEW

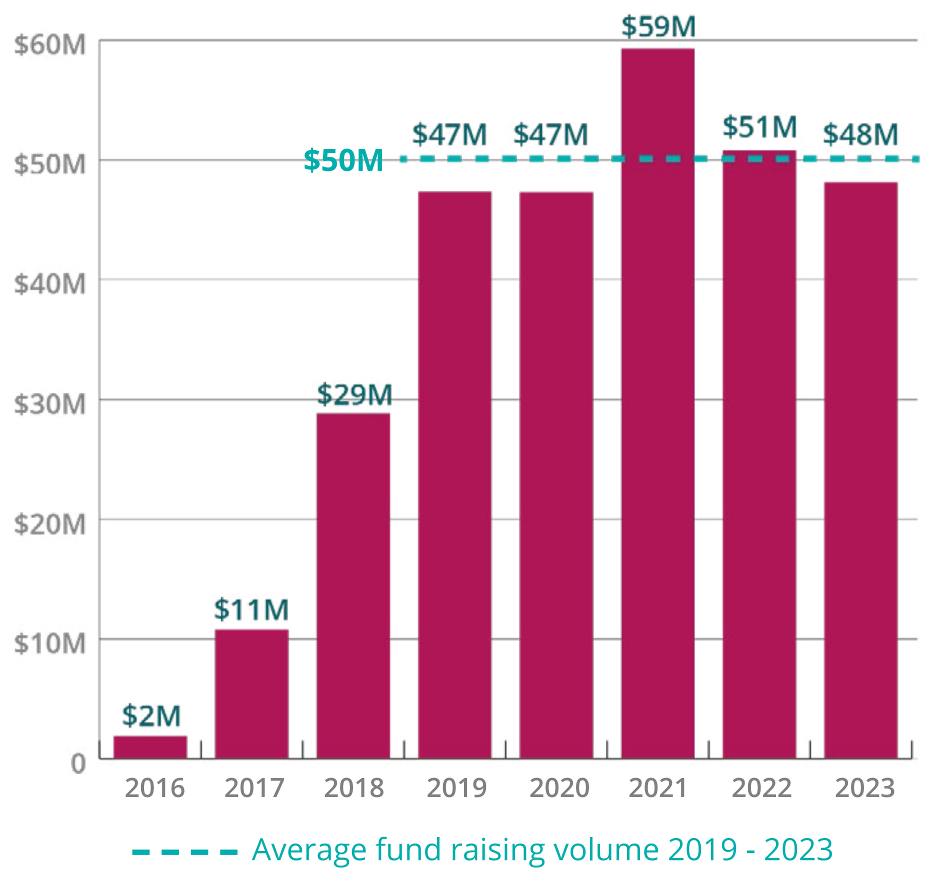
Debt crowdfunding has raised over $300 million for energy access-related projects since 2016. Annual debt crowdfunding volumes have hovered around $50 million per year over the last five years, except for 2021, which saw a record $59 million raised. Debt crowdfunding volumes were $48 million in 2023, down 5% from the $51 million raised in 2022.

The stabilisation of debt crowdfunding volumes is encouraging; however, at the same time, the market appears to be at a critical juncture. Changing macroeconomic conditions are resulting in higher interest rates for borrowers and lower risk-adjusted returns for lenders. These issues are compounded by exposure to non-performing loans, particularly among some solar home system (SHS) borrowers. Debt crowdfunding platforms are currently facing the challenges of building a diverse loan portfolio and managing risk, while simultaneously expanding their investor base and keeping operating costs low.

In response to market challenges, some platforms are pivoting away from SHS company borrowers and increasing exposure to C&I scale solar. In many countries, there is a higher volume of C&I transactions; they also offer a different risk profile to SHS companies, as off-takers are businesses rather than individuals. C&I transaction volumes increased by 14% in 2023 to $28 million. In 2023, energy efficiency-focused campaigns emerged as a new sub-sector, raising $2 million.

With an average fundraising volume of $50 million annually over the last five years, have debt crowdfunding volumes reached cruising speed?

Evolution of debt crowdfunding volumes in energy access 2016 - 2023



2023 KEY TRENDS

1 Platforms are pivoting in our shifting macroeconomic environment.

In the context of global inflation, local currency volatility, and increased risk, platforms are struggling to offer attractive risk-adjusted interest rates to investors. As a result, platforms are pivoting; however, they are becoming more heterogeneous.

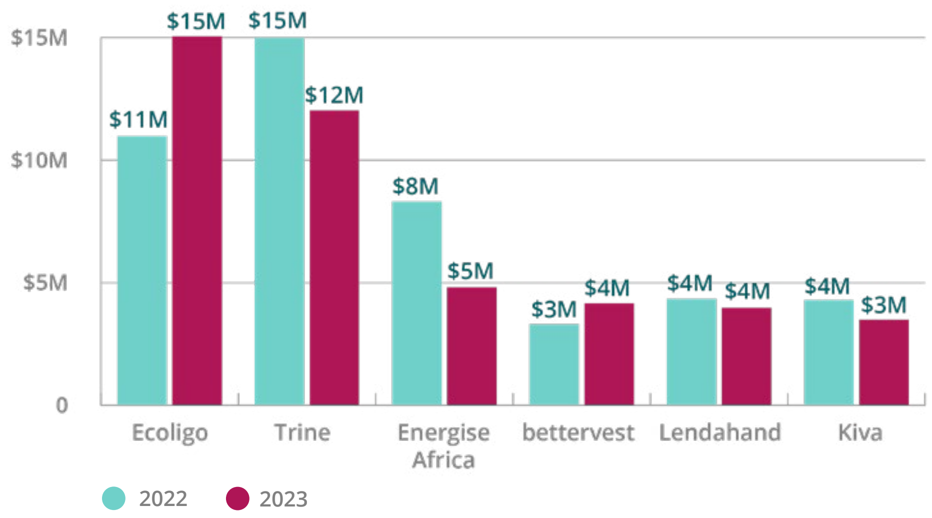
2 Platforms are diversifying fundraising and targeting institutional investors.

Several platforms, including Ecoligo, Trine, and Charm Impact, are diversifying their investor base and targeting institutional investors to increase their funding capacity and speed. They are also attracting borrowers with larger loan capacities.

3 Commercial and industrial (C&I) projects account for a larger portion of fundraising than ever before.

The future of energy access-related fundraising now appears to be intrinsically linked to C&I, which now accounts for half of the campaigns and funds raised on debt platforms.

Evolution of top 6 debt crowdfunding platforms 2022 - 2023



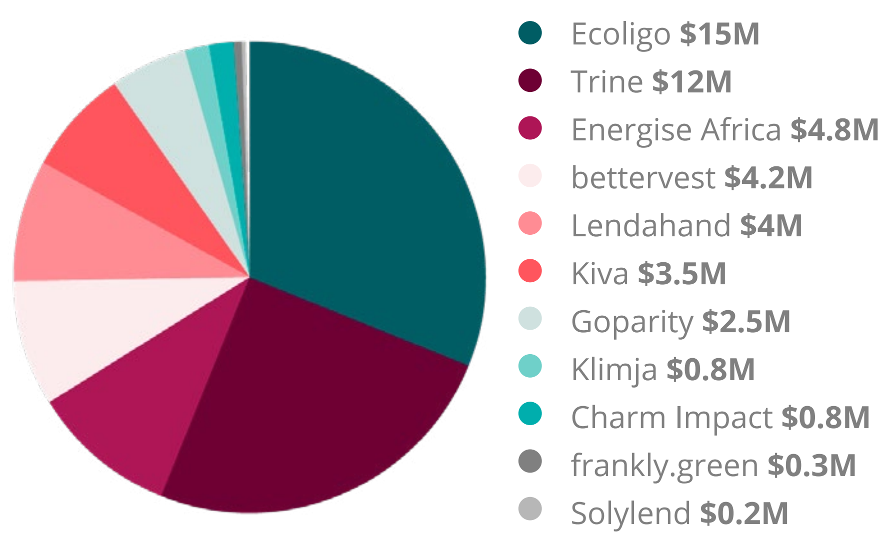
There is growing heterogeneity among debt crowdfunding platforms in terms of fundraising trends. In 2023, Charm Impact and Energise Africa experienced a 49% and 42% drop in fundraising volumes, respectively. In contrast, energy access-related fundraising on bettervest and Goparity increased by 26% and 42%, respectively.

Among the 11 debt platforms tracked for this report, six experienced a drop in volumes in 2023. Two of the five platforms that increased fundraising – Solylend and frankly.green – had no activities in energy access in developing countries in 2022. In late 2023, frankly.green have suspended new fundraising as they were unable to generate a sufficient pipeline.

Due to the changing nature of the market, we did not see congruent trends emerge across platforms in 2023. The following section highlights the strategies pursued by different platforms.

Photo by Lendahand

Debt volumes by platform 2023



Nine out of ten campaigns from Southeast Asia and Latin America were C&I campaigns in 2023

ECOLIGO AND TRINE LEAD INVESTMENT WITH A FOCUS ON C&I AND LARGE TICKETS

Trine and Ecoligo raised $27 million in 2023, accounting for 56% of funds raised on debt crowdfunding platforms in 2023, signalling a significant increase in Ecoligo's market share. Ecoligo is now the leading energy access-related debt crowdfunding platform and raised $15 million, or one-third, of total debt crowdfunding volumes in 2023. Ecoligo overtook Trine as the largest platform.

Trine's volumes dropped by 20% in 2023 to $12 million. The drop in activity on Trine was partly due to the difficulties of attracting new investors to the platform in the current macroeconomic climate characterised by low risk-adjusted returns on energy access-related investments. In addition, the longer tenors associated with C&I loans have reduced the amount of money returning to investor wallets, which means there is less funding in investor wallets to reinvest in new loans. Still, the portfolio is growing which is most important for Trine since most of their revenues come from managing the outstanding portfolio.

C&I is becoming a more attractive investment due to the maturity of the sector and the geographic scope of opportunities. The high capital expenditure required to develop C&I projects demands a certain company size and level of maturity, which typically leads to a better risk profile for investors. In addition, the off-taker is a commercial enterprise with a different risk profile to individual consumers.

The attractiveness of C&I has pushed debt platforms beyond SSA and into Southeast Asia and Latin America, where there are more C&I investment opportunities. Three-quarters of C&I loan volumes raised on platforms now go to projects in Southeast Asia and Latin America; only $7 million of the total $28 million raised went to projects in SSA. Beyond the sector's maturity, platforms also believe these regions offer mature markets with a vast network of SMEs, which are suitable customers for C&I projects – in addition to having more stable macroeconomic conditions. Nine out of 10 campaigns from Southeast Asia and Latin America were C&I campaigns in 2023.

Our analysis suggests there is more opportunity for growth in C&I-related debt crowdfunding. The average C&I campaign was $212,000 in 2023, 44% higher than the average campaign size of non-C&I loans ($147,000). However, excluding data on small loans (<$30,000) reveals that the average size for non-C&I loans is $216,000 – $4,000 more than the average for C&I loans. We also found little variation in the total amount raised per unique borrower. Non-C&I borrowers raised an average of $587,000 in total, while C&I borrowers raised $583,000 in 2023.

While the data currently shows little variation in the characteristics of non-C&I and C&I loans, we expect this trend to shift as C&I volumes increase in the coming years. In 2023, there were 135 C&I campaigns and 93 larger ticket non-C&I campaigns (>$30,000). We expect C&I loans to continue to dominate the energy access-related debt crowdfunding market because there is a larger pipeline of attractive risk-adjusted investment opportunities among C&I borrowers. Non-performing loans among some SHS borrowers have forced several platforms to pivot.

The growth of C&I has also increased pressure on debt platforms to attract new investors. We explore this topic further on p. 25 of this report. For more information on Ecoligo's C&I strategy, see p. 20 of the 2020-2021 State of the Market report. For further information on Trine's pivot from the SHS market to C&I, see p. 18 of 2022-2023 State of the Market report.

ENERGISE AFRICA, BETTERVEST AND LENDAHAND: THREE PLATFORMS AT DIFFERENT JUNCTURES

Energise Africa is the third largest debt platform for energy access-related campaigns and raised $4.8 million in 2023. The platform experienced a sharp 42% decline in lending in 2023 due to the adoption of a more conservative approach to lending in the wake of non-performing loans among some SHS company borrowers.

Like several debt platforms, Energise Africa has shifted their operations as a result of an increase in portfolio at risk.[1]

The platform consolidated lending in 2023 and lent only to existing borrowers with good loan performance. Energise Africa appointed a new CEO, Ray Coyle, in early 2024. Ray shares the platform's ambitions, including widening geographic and sectorial focus, in an interview on p. 27.

bettervest raised $4.2 million in 2023, representing a 29% increase in lending. The platform raised funds for eight borrowers in 2023, up from five in 2022. Between 2020 and 2023, bettervest's energy access-related portfolio increased by roughly $1 million each year. This seems to be the result of controlled organic growth, with a few new borrowers added each year. In last year's report, we highlighted bettervest's guarantee project with Africa Guarantee Fund (AGF), however according to bettervest, the risk mitigation guarantee did not increase the funding significantly.

In 2023, Lendahand raised $4 million for energy access companies, which make up two-thirds of their direct lending portfolio.

1 Portfolio at risk is the value of the outstanding balance of all loans in arrears.

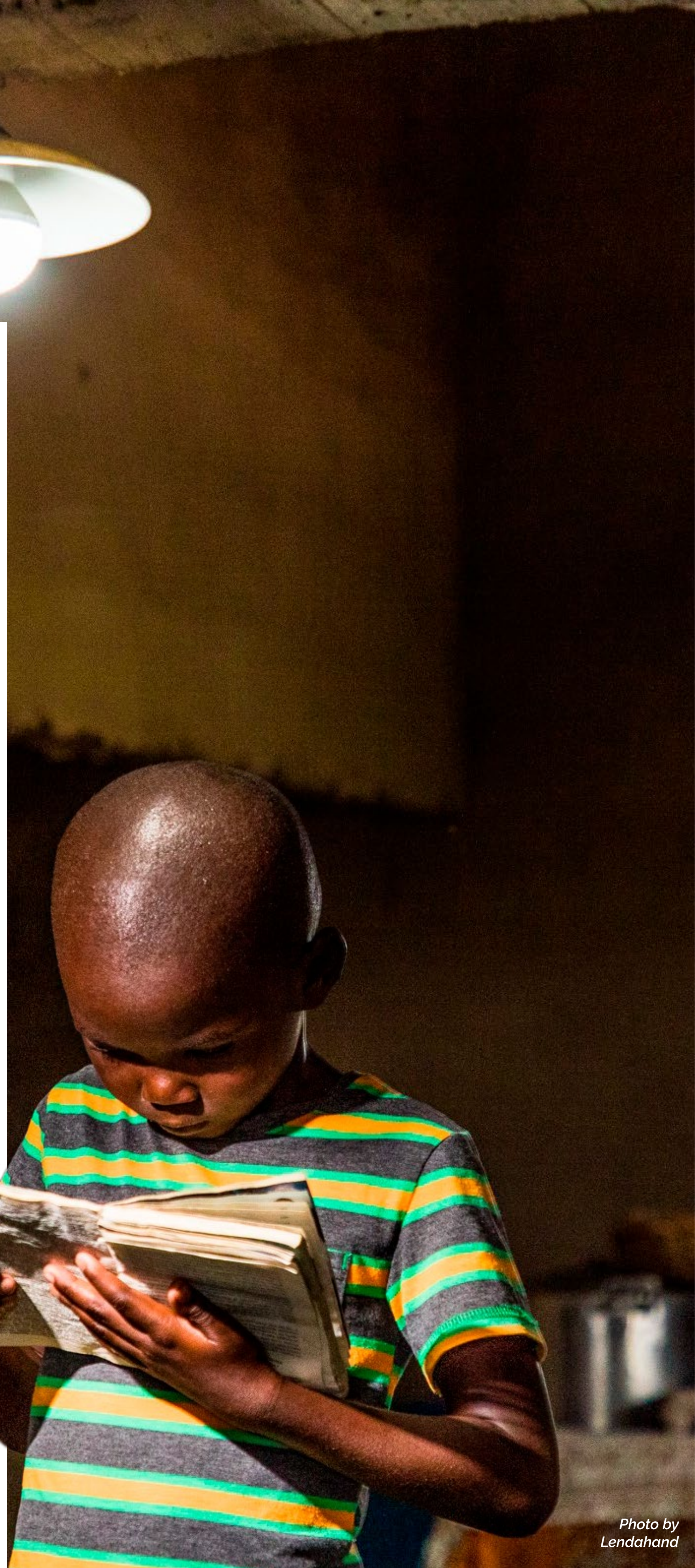


Photo by Lendahand

Lendahand also lends to microfinance institutions (MFI). Like other platforms, Lendahand has been impacted by an increase in portfolio at risk, specifically within its direct lending portfolio. The platform strengthened its due diligence process in response, that we discussed in a Q&A session p. 28 of the 2022-2023 State of the Market report. Overall, energy access-related lending was down 9%.

Recently, short tenor (<12 months) working capital loans have been funded quickly relative to other loans. These loans appear to be a good fit for crowdfunding as the smaller loans can be funded swiftly and repeatedly. In contrast, the longer tenor associated with receivables financing is less popular with investors. This will be an interesting trend to follow.

EVOLUTION OF KIVA LOANS

Kiva has a unique position in the market as lenders earn no financial return on money lent through the platform. The volume of energy access-related campaigns decreased by 20% in 2023 to $3.5 million. This decline was due to fewer repeat borrowers, as Kiva made several larger loans in 2022 that were still paying back in 2023. Historically, Kiva had two lending products: a revolving credit line designed to provide micro-loans to customers through MFI and social enterprises, and another providing working capital directly to social enterprises. These products have since evolved and Kiva no longer distinguishes between them. Direct loans to social enterprises now form part of the credit line facilities Kiva has always offered MFIs.

OTHER PLATFORMS WITH SMALLER VOLUMES

The platforms Goparity, Charm Impact, Klimja (formerly Crowd4Climate), frankly.green and Solylend lent a total of $4.6 million to energy access-related projects in 2023. This means that half of the platforms identified in this report account for just 10% of debt volumes. This group of platforms is diverse with different strategies and dynamics.

The Portugal-based platform Goparity is well-established in Europe and is looking to expand into new emerging markets. Goparity raised $2.5 million for energy access-related projects in 2023, all in Latin America, increasing volumes by 42% compared to 2022, where they also had operations in Kenya. Goparity is focused on developing operations in emerging markets, as highlighted in the platform spotlight, p. 21.

Charm Impact activities have experienced a decrease in 2023 compared with their 2022 volumes. This is largely attributed to their increased focus on raising more institutional capital, which has a longer sales lead time. The platform states they continue to see year on year increased demand for capital with early-stage, local entrepreneurs and are working to structure additional blended finance interventions to better meet this growing demand. The platform continues to expand geographically across East Africa and has introduced new sectors of e-mobility and commercial solar.

Klimja's activities decreased in 2023 to $846,431, probably since 2022 volumes were boosted by a large campaign (>$700,000) with Africa Green Tec that has not been replicated in 2023. Klimja launched in 2015 and focuses on German and Austrian investors. For years, the platform has been considered a side-project. Therefore, Klimja's activities in energy access are expected to increase over the next few years, given that the platform now has full-time senior human resources dedicated to the development of the project. In early 2024, Klimja closed a successful $1.1 million energy access-related campaign.

Solylend raised $162,000 through a unique campaign in Togo, however, this does not appear to align with the platform's overall strategy which is focused on Europe, and the French market in particular.

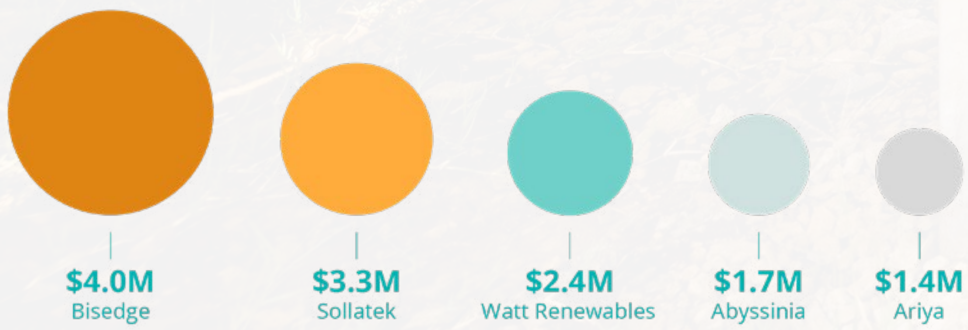
The German platform frankly.green raised $252,056 for energy access-related campaigns but later closed operations due to challenges in establishing financial sustainability.

Frankly.green decided to discontinue operations due to challenges generating sufficient investment pipeline to justify platform running costs. Existing investors will continue to be paid interest and repayments. The platform was established with the support of the German Ministry of Environment's International Climate Initiative (IKI).

SIMA FUNDS SET TO LAUNCH SOW GOOD INVESTMENTS IN 2024

In addition to Goparity's increased presence in 2023, we saw the launch of a new US-based platform, Sow Good Investments, in 2024. Sow Good Investments is being launched – pending regulatory approval – by experienced impact and off-grid energy investment manager, SIMA. The platform will launch with a series of loans to Sun King. An interview with the founders can be found on p. 9 of this report.

Top five borrowers on debt crowdfunding platforms 2023



CAMPAIGN HIGHLIGHTS

In 2023, 269 energy access-related debt campaigns were conducted, nearly matching the 273 campaigns in the previous year. The number of unique borrowers also remained stable, with 123 in 2023 and 128 in 2022. There were 41 campaigns below $10,000 in value, 95% of which were on Kiva's platform. Additionally, 55% of campaigns in 2023 were valued between $100,000 and $500,000, accounting for 60% of funds raised. Meanwhile, 36% of the campaigns were below $100,000 in value, accounting for only 8% of the funds raised. Only 9% of the campaigns were above $500,000, but these campaigns accounted for one-third of volumes. The average debt campaign size was $178,882 in 2023.

The top five energy access-related borrowers raised 27% of debt funds, totalling $13 million, and the top ten raised 39% of debt funds. There is significantly less borrower concentration among debt crowdfunding borrowers compared to the off-grid energy sector as a whole, where the top seven companies famously "hog" over 70% of capital raised.[2]

The top five borrowers on debt crowdfunding platforms are located in Kenya and Nigeria and include Bisedge, Sollatek, Watt Renewables, Abyssinia and Ariya.[3] Abyssinia, Bisedge and Sollatek have all used more than one platform (two) to raise funds. Abyssinia and Ariya are new to the top five rankings, while Bisedge, Sollatek and Watt Renewables were already among the top five funded companies in 2022. Bisedge raised over $10.2 million in debt on crowdfunding platforms in 2022 and 2023.

C&I remained the most popular sector, gathering $28.3 million or 59% of debt funds raised in 2023. SHS and e-mobility were the next most popular sectors, attracting 11% and 9% of funding, respectively. This distribution is consistent with 2022 figures.

2 Njanja. A., Seven scaleups hog over 70% of funding to Africa's solar pay-go ventures, TechCrunch, 21 October 2022.

3 Excluding funds - $4.4 million - raised on Trine for Ecoligo's projects.

Photo by Lendahand

GOPARITY
PLATFORM SPOTLIGHT

TIAGO JULIÃO NEVES
VP Investor Relation

Goparity is a crowdlending platform that provides alternative financing to companies with a positive impact on the people and planet. It was founded in Portugal in 2017 and experienced a significant growth after COVID.

The platform is focused on five key impact areas:

- Sustainable energy
- Social economy
- Water and blue economy
- Business in transition
- Green use of land

The platform raises finance for projects with positive social and environmental impact, which also contribute to achieving the Sustainable Development Goals (SDGs). Goparity has 43,000 users from 72 countries.

As of May 2024, Goparity has successfully financed 356 campaigns across 18 countries and three continents. The platform has financed 13 campaigns energy-access projects in Kenya and Uganda. Projects financed on Goparity have created nearly 5,000 jobs and regenerated 1,500 hectares of sea and land area, avoiding emissions of 28,000 tons of CO_2 each year.

Goparity is growing in Europe, Canada and Latin America, and plans to launch operations in Africa and Asia in 2024-2025. Goparity is committed to accelerating the energy and ecological transition where it matters most to enable "true North-South economic convergence".

UGANDA | COLD STORAGE CASE STUDY

AMOUNT RAISED

€294,000

$318,150

Goparity hosted **five successful campaigns for dairy cooperatives** to purchase solar battery systems and build cleaner, more competitive cold chains. Projects were in Bweramule, Kyeshande, Kyenturegye, Kasolwe and Buyende.

KENYA | SOLAR & AGRICULTURAL PROCESSING CASE STUDY

AMOUNT RAISED

€905,000

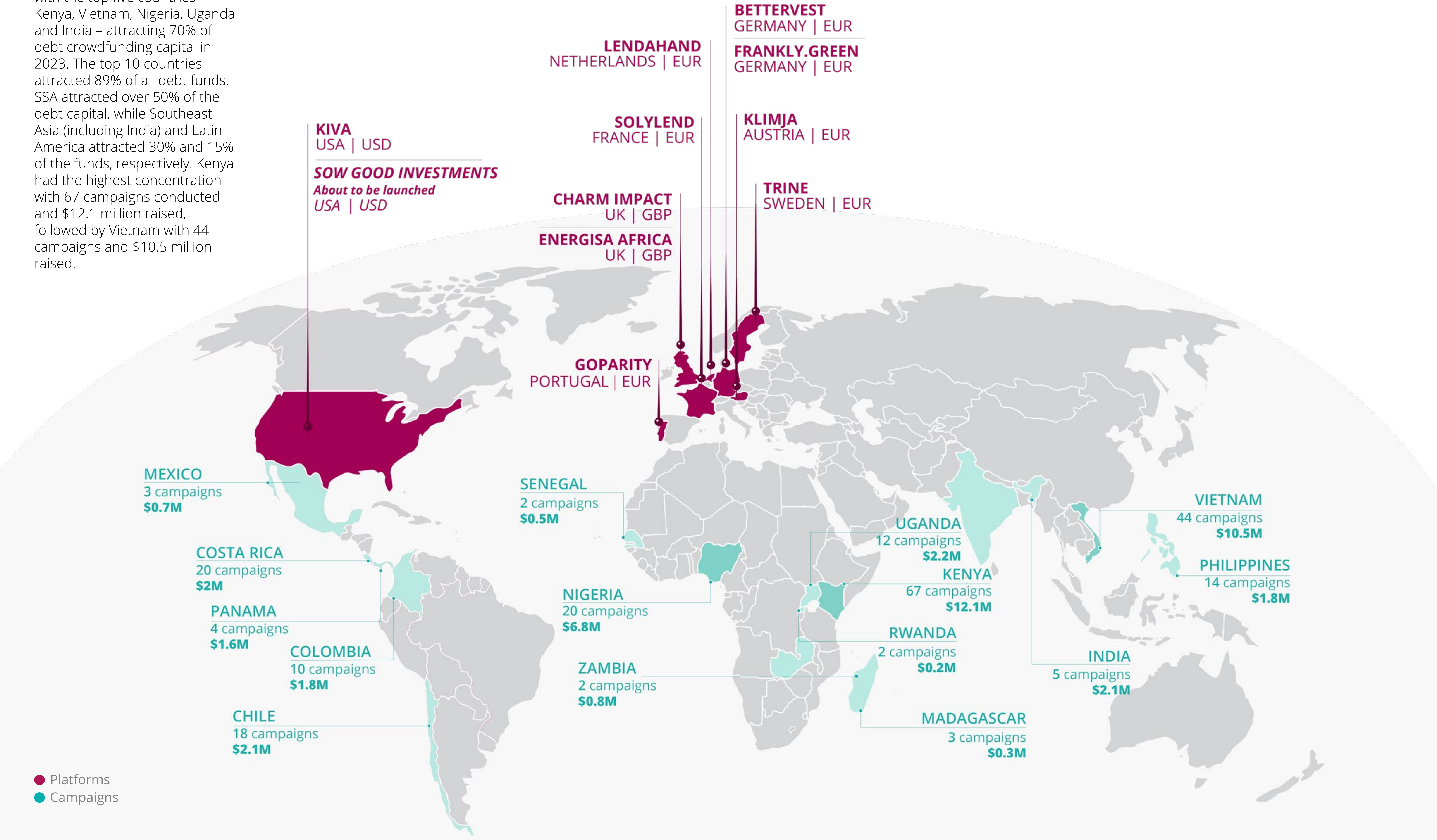
$979,000

Goparity hosted **eight successful campaigns for solar and agricultural value chain projects** across Thika, Kericho, Nyeri and Mount Kenya.

Photos by Goparity

Geographical representation of platforms and campaign

Finally, the market is geographically concentrated, with the top five countries – Kenya, Vietnam, Nigeria, Uganda and India – attracting 70% of debt crowdfunding capital in 2023. The top 10 countries attracted 89% of all debt funds. SSA attracted over 50% of the debt capital, while Southeast Asia (including India) and Latin America attracted 30% and 15% of the funds, respectively. Kenya had the highest concentration with 67 campaigns conducted and $12.1 million raised, followed by Vietnam with 44 campaigns and $10.5 million raised.



KEY TREND

Platforms look to high-net-worth individuals to increase funding capacity

Platforms are looking to onboard investors with higher capacity to invest, including high-net-worth individuals and family offices. Platforms have felt the impact of non-performing loans among some SHS borrowers and are now looking to attract some of the largest borrowers in the off-grid solar sector, such as BURN Manufacturing and Sun King, while expanding into C&I. Larger borrowers require significantly more capital than the typical debt crowdfunding borrower, who raised an average total of $587,000 on platforms in 2023. To meet the needs of larger borrowers, platforms must simultaneously build the capacity of their investors to fund the campaigns at speed.

The typical investment on investment-based crowdfunding platforms ranges between $500 and $1,500. With an average debt campaign size of $215,000 in 2023 (excluding campaigns under $30,000), an average campaign requires up to 700 individual investors, each of whom must be acquired by the platform. This limits the capacity of crowdfunding platforms to fund larger campaigns of $1 million or more.

One potential option for platforms is to encourage existing investors to invest larger amounts by offering higher financial returns – our research indicates that the interest rate/yield is a key driver of investment when selecting an opportunity, behind social and environmental impact. However, platforms currently have limited scope to increase the interest earned by investors, particularly if onboarding larger borrowers who can shop around for competitive costs of capital. The average interest rate earned by investors on debt crowdfunding platforms was 6.5% in 2023,[4] compared to the two-year Eurozone Central Government Bond yield of approximately 3% in the same year. The current macroeconomic environment means platforms struggle to offer competitive risk-adjusted interest rates.

Given these realities, platforms must find “anchor” investors to capitalise on larger transactions. This approach is popular among several platforms we interviewed for this report. Reaching high-net-worth individuals and family offices can unlock capital quickly and cost-effectively.

As this type of capital enters the crowdfunding market, it raises the question: how do we define the crowd? We anticipate the crowd will become more segmented over the coming years, with two archetypes emerging – the classic retail crowd-investor, investing $500 - $1,500 per campaign, and the emerging institutional crowd-investor, investing $10,000+ per campaign. This evolution, combined with shifts in borrower profiles, is likely to reshape the future of debt crowdfunding.

4 Excluding Kiva

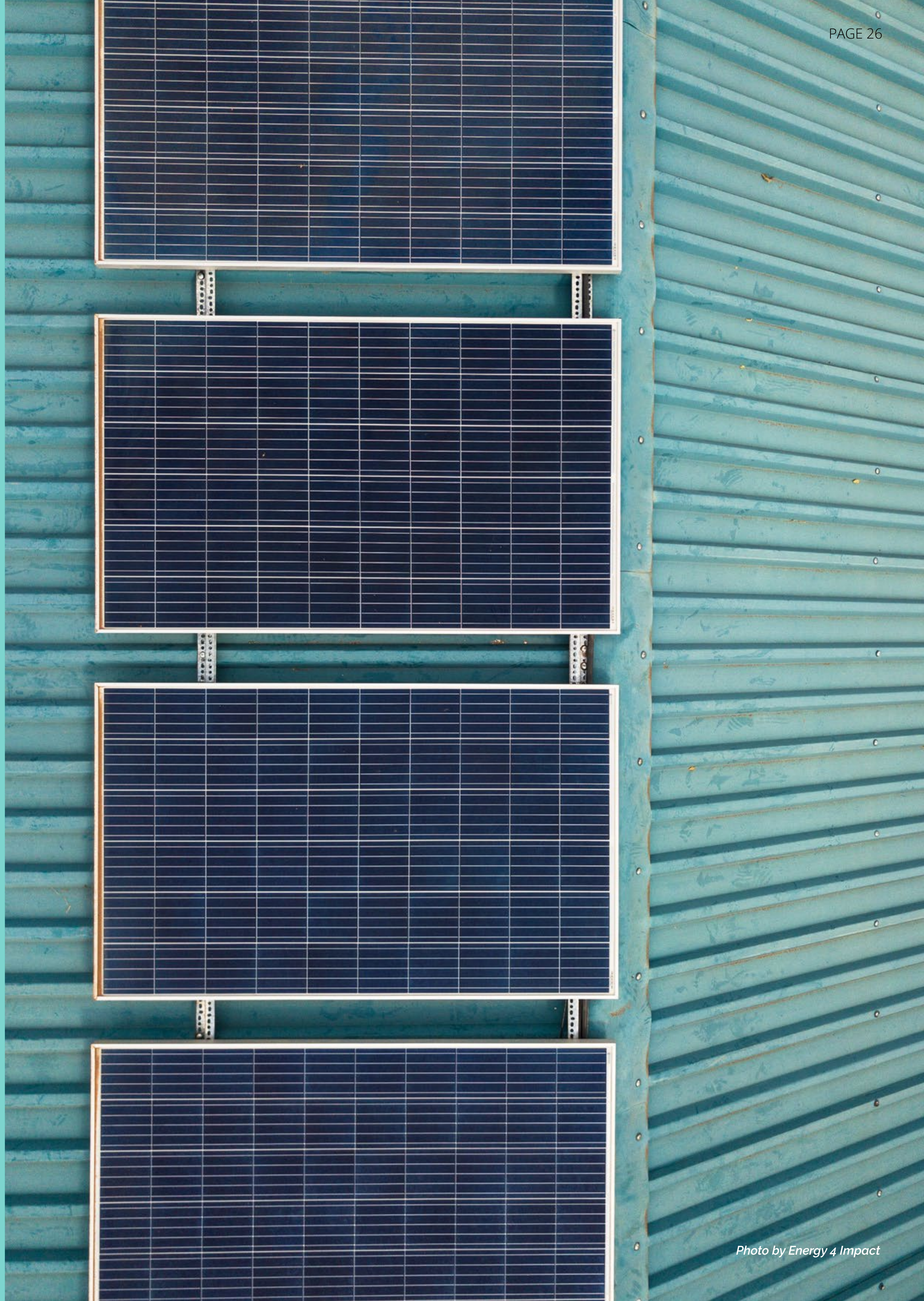


Photo by Energy 4 Impact

05 Q&A
ENERGISE AFRICA

RAY COYLE
Chief Executive Officer

Ray is a qualified lawyer and has advised numerous investors on social investments in the UK and beyond. He has led the impact investing team at Osborne Clarke and spent time in-house at investment firms working in developing economies and investing in renewable energy assets. Ray is also an experienced technology entrepreneur, having led two technology platforms, and is an award-winning social entrepreneur.

Since launching in 2017, Energise Africa has raised £40 million ($50 million) across more than 200 off-grid energy campaigns, providing energy access to more than 865,000 people and preventing 730,000 tons of CO2 from entering the atmosphere. The platform is now moving into the next stage of its development, focusing on climate finance and sustainable business in emerging economies. To lead this mission, Ray Coyle has recently been appointed as the new CEO of Energise Africa.

Since its creation in 2017, Energise Africa has been a leading platform in debt crowdfunding in energy access. How do you perceive the evolution of the sector and what is your vision for the years to come?

Over time, investment crowdfunding has become a vital financing tool for organisations in the energy access space. Being able to raise finance from the crowd and quickly deploy it to grow has allowed many people to access clean, affordable energy who would not have been able to afford it. Looking forward, I believe the sector will evolve in stages. COVID and macroeconomic factors affected the energy access sector. It is still recovering, with the subsequent effect being some portfolio losses for crowdfunding platforms, particularly in rural energy access and solar home systems. As the underlying market consolidates and matures, I fully expect the performance of the energy access market to improve and debt crowdfunding in the sector to bounce back. We are seeing a lot of interesting and innovative companies emerging that will grow over the coming years and be ready for debt funding.

How does your appointment as CEO of Energise Africa correspond with the evolution of the platform's strategy? What will be your first objectives?

Energise Africa's core mission will remain the same. We will focus on crowdfunding debt with a climate-first strategy in developing markets. As our strategy naturally evolves, we will widen our geographic reach and the sectors that we finance. There are some fantastic entrepreneurs in Asian markets, for example, that are building hugely impactful businesses. We just listed our first project aimed at facilitating climate-smart farming in Ghana and that generated a lot of interest.

We think that investors realise that, in addition to investing in projects that reduce CO2 emissions, we need to invest in communities that are vulnerable to the impacts of climate change.

Over the last two years, the sector has been impacted by macroeconomic challenges. There have been non-performing loans and it is difficult to offer attractive risk-adjusted returns with interest rates rising globally. How will you address these challenges?

Crowdfunding for energy access is a relatively small sector, given the scale of the challenge, so there is lots of room for us to collaborate. By working more effectively together, we can make better collective decisions on investments, pool our knowledge, avoid duplication and become more cost-effective. At the same time, we need to recognise that: (1) We have experienced a very unusual and challenging set of market circumstances with a global pandemic followed by dramatic increases in prices for food, fuel and raw materials, which certainly hit developing markets the hardest, and (2) We are investing in high-risk areas and it is inevitable that there will be some losses.

Could you detail your ambitions for mobilising larger amounts in climate finance and how this will fit with your existing crowd?

We certainly want to significantly increase the amount of funding we raise on the platform. The simple fact is that the vast majority of our potential market does not actually know we exist. We need to dramatically broaden our reach and our investor base. This will take time, effort and expense but it is essential if we are to meaningfully scale our business and our impact.

Could you also describe your willingness in expanding Energise Africa partnerships and the outcomes expected?

I believe that working in partnership will be central to our future strategy. We want to work much more closely with equity investors in the sector so that we can, together, ensure that great businesses in developing markets get the right mix of debt and equity investment. We want to work more closely with DFIs so that we can help improve the impact of their funding by leveraging debt alongside. And, as above, we are very keen to work more closely with the other crowdfunding platforms in the sector.

06 EQUITY CROWDFUNDING

OVERVIEW

In 2023, energy access-related equity campaigns raised just $914,000, which was less than one-fifth of 2022 volumes and the lowest volumes since 2019. The two campaigns we identified were ChillTech on Crowdcube and MPower on the Seedrs platform. Consistent with past trends, equity crowdfunding in the energy access sector is mostly used as an opportunistic approach rather than a long-term strategy. The exception to this is the German energy company Africa GreenTec, which has built a platform to raise debt and equity.

CHILLTECH AND MPOWER

ChillTech raised just $71,000 in 2023, which appeared to be a round extension of their $640,000 raise on Crowdcube in 2022 at an $18.5 million pre-money valuation. ChillTech has developed cold storage technology that runs on the waste heat of generators and is piloting the technology with a local partner in Nigeria.

MPower closed a $840,000 round on Seedrs in early 2023 at a $7.7 million pre-money valuation. MPower is a Swiss energy access company that combines plug-and-play solar, software and customer financing. Reporting sales of $1.7 million in 2022, the company raised equity at a 4.5x turnover multiple, compared to a 9.9x multiple in 2020.

We featured a spotlight on MPower in last year's State of the Market Report (p. 25).

REFLECTING WIDER INDUSTRY TRENDS

The slowdown in equity crowdfunding volumes aligns with wider industry trends. Global Off-Grid Lighting Association's (GOGLA) analysis of 2023 investment data shows a steep decline in equity volumes, with total volumes down by two-thirds to $128 million. Amid a global slowdown in venture capital activity, total equity investments in the sector exceeded expectations.
The total volume of equity investments was down to $8.9 million for seed-stage companies and $77 million for start-up phase companies.[5] In this context, equity crowdfunding accounts for approximately 1% of equity raised in the sector.

SEEDRS GOES GLOBAL

Following the acquisition of the UK-based platform Seedrs by US company Republic Group in 2021, the first campaign to launch simultaneously across the UK, USA and Europe is set for 2024. The new European Union regulation unifying crowdfunding regulation among EU member states, which came into force in November 2023, now enables Seedrs to offer companies the ability to raise funds across the three jurisdictions.

Photo by Ecoligo

5 GOGLA defines seed stage companies as those with less than $3 million in cumulative investment and start-up phase companies as those that have raised $3 million to $100 million.

NOTES ON DATA SOURCES

- Campaign data is sourced directly from platforms, where available, or through publicly available data on platform pages. We do our best to collate all relevant campaigns, however, it is inevitable that a few may be missed.
- Due to the evolving nature of energy access-related crowdfunding, we have revised figures from past years to reflect the full scope of debt platforms that we currently collect data on. Notable changes include the inclusion of data from the Ecoligo and Goparity platforms.
- Due to Japan's financial regulations, we were unable to source data on the Crowdcredit platform for 2023. In the past, Crowdcredit has been a significant player, lending several millions of dollars each year.
- This year, due to changes in Kiva's loan offerings, we have combined Kiva loans into one category rather than separating direct lending from micro-lending.

NOTE ON FIGURES

- Six-figure numbers are converted into USD at the average 2023 exchange rate and rounded to the nearest 5,000. Seven-figure numbers, and above, are converted into USD at the average 2023 exchange rate and rounded to the nearest 100,000.