In sub-Saharan Africa, more than 600 million people lack access to electricity. Grid connections in rural areas are limited and expensive to expand. Sida’s Crowdfunding Guarantee makes debt finance available for companies providing affordable solar systems in off-grid areas. The guarantee contribution is expected to provide 560,000 people access to electricity services based on renewable energy.

Access to electricity in sub-Saharan Africa is limited. Over 125 million households lack access to modern energy services. With current grid extensions and population growth trends, a total of 210 million off-grid households will need to be connected by 2030 to achieve the Sustainable Development Goal number 7, Affordable and Clean Energy. Small solar power systems or micro grids generated by solar, wind, water or bioenergy are the most cost-efficient alternatives to access energy. Few can afford the cost of a solar panel system or a connection to a mini grid when the total cost must be paid upfront.

As an alternative to the grid, distributing energy service providers (ESPs) can offer electricity, primarily through solar panel systems, to off-grid customers. ESPs offer an alternative way of financing, where customers can make down payments during one to three years, through their mobile phones, until they become the owner of the product. Besides the obvious advantages generated by access to electricity, it also provides opportunities for people living in poverty to increase their income. Access to renewable electricity tend to decrease household’s total energy expenses and provide an additional income opportunities.

CROWDFUNDED SOLAR POWER
ESP’s face difficulties to finance their business expansion through the traditional banks, constraining the growth of the market and hampering increased access to electricity for poor people in these regions. Crowdfunding is a rapidly growing financing instrument, with potential to mobilize considerable amounts of private capital.

Crowdfunding is usually managed through a digital platform, where different ESPs in need of financing of working capital are posted. Investors is the crowd, i.e. private persons, can open an account and invest in projects according to their liking and based on impact targets that the investors want to support. In exchange for the investments, which may range from 25 EUR to several thousand EUR, the crowd investors receive a pre-defined risk weighted return. Investors today do not only require a monetary return on investment, there is also an increased demand for impact returns. Crowdfunding is, therefore, a great way of combining such interests of the investors and the need to increase, for example, access to renewable energy for people in Africa.

SIDA’S GUARANTEE
Sida issued a guarantee to the crowdfunding platform Trine to spur mobilization of private investments for an increased access to finance for ESPs in sub Saharan Africa. The platform mobilizes private capital for projects in Tanzania, Rwanda, Kenya, Uganda and Zambia. Each investment opportunity and project has impact targets: more people with access to energy and greenhouse gas emission reductions.

This is the first of its kind guarantee provided by a donor and it guarantees certain projects to be covered by on average of 60% to each loan provided to an ESP. This means that if an ESP fails to re-pay its loan, Sida will cover a part of that to the investors.

EXAMPLE OF GUARANTEED PROJECT
Trine crowdfunds many different projects. One example is a loan to PAWAME in Kenya. The company provides access to clean energy to rural households in Kenya through Solar Home Systems (SHS) with an integrated pay-as-you-go function, where customers can pay in installments through their mobiles phones.