

PUBLICATION

Could renewables crowdfunding assist “unplugged” Africa?

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Africa needs at least €21,1 billion annually to achieve universal access to modern energy, according to dr. Richard Munang, coordinator of the United Nations Environment (UNEP) Africa Regional Climate Change Programme. Crowdfunding might have been successful in financing a myriad of social objectives globally, but in light of such gigantic amounts, which is the potential of alternative finance to address the issue?



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Over 640 million Africans have no access to energy, which means over 60 percent of population. At the same time, the continent has abundant renewable energy sources that could fuel its energy revolution.

The UN Environment inquiry report on sustainable financing of development, amongst others, highlights **the urgent need for a blended financing model combining publicly, privately, domestically and internationally sourced finances in Africa**. Furthermore, in Africa, energy development must be considered a socioeconomic development and job creator accelerator. To really add value, energy sector developments should be linked to improving productivity in labour intensive industries like agriculture. Green crowdfunding's potential contribution should be viewed within this framework believes dr. Richard Munang, coordinator of the United Nations Environment (UNEP) Africa Regional Climate Change Programme.

However, crowdsourcing will most likely need help to sustainably do clean energy's financial heavy-lifting, he says. Not only the African context, in which crowdfunding could play a role, seems to be complex, crowdfunding models may have to adapt as well.

Spokesperson of Germany's largest energy crowdfunding role-player bettervest, Sara Steidinger, believes that **renewable energy crowdfunding, especially in poorer regions of the world, is growing**. The platform raised approximately €7,2 million and saved more than 110,000 tonnes of CO₂ across 65 projects based around the world, to date. African based initiatives are riskier according to Steidinger, therefore they have higher associated interest rates. Apart from an extremely thorough financial and technical due diligence check, the platform mitigates the risk by mostly selecting projects owned by German entities.

Steidinger says due to the platform's focus on energy efficiency, it makes sense to be involved in Africa. Moreover, apart from a positive energy dimension, selected investment projects should benefit society, allowing people to participate and earn some money. One such project, the African Briquet Factory in Ethiopia, produces briquettes out of the residue of an agricultural crop - coffee - that are a more energy efficient fire fuel, save CO₂ and allow people create an income by selling it.

Projections are that an optimised agro-industrial sector can create about 17 million jobs in Africa, and inject more than €843 billion in Africa's economy by 2030, says dr. Munang. The UN backed pan-African platform EFABOSA (Ecosystem Based Adaptation for Food Security Assembly), founded two years ago, helps countries to build sustainable, climate-resilient food systems.

Promoting risk-sharing facilities, it incentivises private sector financing to up-scale enterprises along the entire sustainable agriculture driven, clean energy powered industrialisation continuum, explains dr. Munang. "Targeting businesses along the whole value chain diversifies default risk, lowers interest rates and enhances loan affordability," he adds.

Dr. Munang points to rural Cameroon, where off-grid small-hydro electricity is being integrated to directly powering the processing of sustainably produced cassava and potato. Mobile apps are then used to link the products to markets and supply chains in Cameroon. “It’s in such facilities that energy crowd-funded resources should be put”, he says.

Entities like the UN “are doing amazing things but very slowly,” says South African based Abraham Cambridge, founder CEO of The Sun Exchange. The crowd-selling platform enables anyone to buy and earn rental income from solar panels on commercial rooftop space and operates on **blockchain technology**. Payments are made through South African rand or bitcoin. **This innovative peer-to-peer model is democratising solar power**, according to Cambridge. Members buy the individual solar cells solar panels for about €6 each. He says the company will soon launch projects in East and West Africa, and the Middle East.

Finally, the UK-based platform Abundance Investment, which is s part of the EU project CrowdfundRES, is **observing a desire amongst its customers** (ordinary United Kingdom residents) **to invest in helping Africa developing solar and sustainable technologies**. **However, it’s not something the company will do anytime soon**, says Karl Harder, founder and joint managing director of Abundance in London.

Established on a debt-based crowdfunding model, they raised just more than €62 million to date across 27 projects. **Sustainability and success in long term infrastructure investment depends heavily on “well structured and mature legal and government systems**, which are not always in place in the developing world,” Harder concludes.

By Marize de Klerk