MITIGATION
BLENDED

Project Name	**The Islamic Development Bank and Trine Crowdfunding Platform Partnership for the Energy Transition**[1]
Country/Region	Nigeria
Sector	Off-grid distributed solar
Project/Investment Amount	IsDB invested $1.9 million, helping to mobilize an additional $2.18 million from private investors during a three-phased crowdfunding campaign
Development Partner(s)/Stakeholders	Islamic Development Bank (IsDB) Trine, a Sweden-based impact-focused crowdfunding investment platform Borrower: Greenlight Planet (now Sun King), a private company that designs, distributes, and finances off-grid solar home systems
Beneficiary Ministry/ Institution	No involvement from the Nigerian government
Investor(s) and Funders	Islamic Development Bank Private individual investors (through Trine's crowdfunding investment platform)
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTOR	Bilateral, Multilateral & Development Finance Institutions
Project Overall Goal	The partnership is a pilot project that aims to demonstrate how development bank financing can catalyze crowdsourced investments from private actors for development and energy access projects
Project Outcomes	The partnership aims to connect 175,000 Nigerians (40,000 rural households) with electricity through solar home systems over six months.
Alignment with Country Identified Climate Strategies, NDCs, etc. (if applicable)	By avoiding emissions from at-home combustion of fossil fuels for light, cooking, and electricity, the partnership will contribute to Nigeria's NDC commitment to reduce greenhouse gas emissions by 20% from 2018 levels by 2030. It will also contribute to Nigeria's target of expanding electricity access to its entire population.
Contribution of the Project to the UN SDGs	SDG 7: Affordable and Clean Energy SDG 8: Decent Work and Economic Growth
Socioeconomic Impact	Solar home systems are expected to drive employment and economic gains, because access to cheap electricity unlocks opportunities for households and small businesses by generating financial and time savings
Environmental Impact (on climate mitigation and/or adaptation)	The electricity from solar home systems are expected to replace the need to burn biomass, wood, coal, and kerosene for lighting, heat, and cooking. It will also reduce the use of backup generators. This will mitigate climate-warming emissions. By reducing dependence on fuel sources, households will become more resilient as they have more secure access to energy and electricity.
Enabling Environment (Supporting Policies)	• Nigeria is a member of the Islamic Development Bank • Nigeria was chosen for the pilot project because it has the largest number of people without access to electricity (84 million) among IsDB member countries

[1] This case was provided by the Islamic Development Bank (IsDB) as a contribution to the Sharm El-Sheikh Guidebook for Just Financing

	• There were no specific policies or regulatory factors that led IsDB to pilot in Nigeria
Technical Assistance (If Provided)	None. Greenlight Planet, as a solar home system provider, used its own technical expertise to market and acquire customers for the systems and to install them
Financing model/approach (ex: Blended finance)	Blended finance: • IsDB used Murabaha financing (cost-plus financing) and accepted longer-than-normal repayment terms. It will also receive repayment in a single bullet payment instead of amortized payments, to reduce the transactional difficulty of managing cashflows and amortized payments for the borrower • Loans from Trine investors will charge the platform's standard interest rates and use the standard loan tenor
Rationale for financing model/approach	For Greenlight Partners, a significant challenge is managing cashflows because it collects payments from thousands of individual households, usually under a Pay-As-You-Go model. Usually, GLP then uses these to finance its loans. The complexity of cashflow matching and management is a significant transactional cost for GLP. The blended finance structure employed by this partnership reduced these costs and allowed GLP to service more households, because of the simpler one-time repayment structure and long tenor of the IsDB tranche Furthermore, the investments made by IsDB catalyzed many private individuals to invest through Trine, as the presence of a development bank reduced risk perceptions as the concessional terms improved the prospects of being repaid first in the event of default. All three crowdfunding rounds hit their targets under the average campaign time.
Financial instrument(s) (loans (commercial/ concessional), equity, guarantee)	Two tranches of loans. The first, from IsDB, was concessional in that it employed a simple single-repayment structure with longer-than-normal tenor. The second, from individual investors through Trine, was similar in terms to standard commercial loans.
Diagram of the financing structure	Islamic Development Bank Greenlight Partners — Pay-As-You Go Payments from households using the Solar Home Systems Individual Trine Investors

Analysis

What made this project successful?	• Having a larger institutional investor, IsDB, offer concessional terms and take the first loss reduced the risk for individual investors. These incentives were necessary because crowd investing in off-grid solar is not established and the risk-return profile has not been well-defined yet • The presence of an established solar home system provider with a track record and experience managing pay-as-you-go repayments was important to building confidence among investors as well. GLP also already possessed technical expertise and the ability to acquire new customers, reducing the loan amounts needed.
To what extent is this model scalable?	The model is very scalable. The pay-as-you-go structure for solar energy access has been shown to generate reliable payments, as households save substantial amounts of money previously spent on kerosene and wood. As this model is replicated and investors gain familiarity with it, the risk profile of such investments should improve and the need for concessional finance should lessen.

What are the necessary conditions to make it replicable in other countries/regions?	• Presence of an established provider of solar home systems, with technical expertise • A platform such as Trine that can aggregate and funnel the investments of a wide pool of impact-minded individual investors in developed countries • During early stages, a partner financial institution that can reduce the risk profile of such investments
Constraints/Drawbacks of Financing Model	
Lessons Learnt	Crowd investing in solar is relatively new and its risk profile is not well defined. To build investors' confidence in businesses whose volatility varies, companies such as Trine can leverage institutional investors and take the first loss. Thus, larger financial institutions such as IsDB absorb the potential impact of such volatility, which can catalyze investments by individual investors.