

TCX and Lendahand pioneer crowdfunding for local-currency loans

Amsterdam, July 27th – Today, for the first time ever, a crowdfunding campaign has been completed to fund a local-currency loan.

The transaction concerns a EUR 200,000 loan, denominated in Ghanaian cedis, from the Dutch crowdfunding platform Lendahand to the solar developer REDAVIA. The loan proceeds will be used by REDAVIA to fund the rollout of solar farms for its corporate customers in Ghana. This local-currency deal is made possible by a partnership between Lendahand and the hedge provider TCX, with financial backing from KfW on behalf of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and its International Climate Initiative (IKI).

Platforms like Lendahand allow retail investors to invest in loans to businesses in frontier markets. They lend to businesses for which it is difficult to access funding. Since platforms are lean and can raise funding quickly, they are flexible and responsive. That, and the interest from the public to invest, has made crowdfunding an important alternative source of development finance.

Normally, the loans that platforms provide are in euro (or USD) because retail investors cannot be expected to take risk on exotic, frontier-market currencies. However, with a loan in euros, it is the borrower that takes the exchange-rate risk. Because frontier-market currencies tend to depreciate against the euro (or USD), often heavily and always unpredictably, the size of interest and principal payments in local-currency terms is uncertain. Borrowers need to carefully consider and manage that risk.

The market solution for this issue – who bears the currency risk? – is to lend in local currency and hedge the risk with a bank or, in the most difficult markets, with TCX. That solution is commonly used by institutional lenders but has never been made available to retail platforms. TCX, Lendahand and KfW/BMU are now cooperating to change that. The bespoke hedging structure developed by TCX with BMU funding and Lendahand as developing partner, allows the platform to offer a local-currency product to its borrower while still offering its investors a euro return.

Ruurd Brouwer/CEO TCX: “It is the mission of TCX to eliminate currency risk from development finance. It is important, especially for the businesses that platforms lend to, that platforms have access to the same hedging solutions as ‘normal’ lenders do. It has been great to work with Lendahand on this project. Like us, they were determined to make it happen. We hope to be doing many more deals with them, and eventually, with similar platforms globally.”

Koen The/CEO Lendahand: “Lendahand fights against poverty through impact investing. We are delighted that we can now offer local-currency loans to our clients. Many of our customers are small businesses with only local-currency revenues. It is our aim to provide sustainable loans to our customers and this new product allows us to service more businesses who have difficulty getting

funding. We are thankful to TCX and their German development partners for bringing this important and exciting innovation to our sector.”

Dr. Jan Martin Witte/Head of Department Global Equity and Funds KfW Development Bank: “This project allows the BMU and KfW to support two development priorities, local-currency development finance and access to energy in Africa. We appreciate TCX and Lendahand for driving this innovation forward.”

Erwin Spolders/CEO REDAVIA: “Lendahand is a very flexible and responsive lender. Their ability to lend in local currency and to give us the ability to choose and best match debt and revenues, adds important value to their already compelling offer.”

For any questions please contact: Per van Swaay at p.vanswaay@tcxfund.com or Pietro Galardi at pietro.galardi@lendahand.com.

TCX Fund (www.tcxfund.com) offers currency derivatives where such products are not provided by commercial banks or are hard to access by those who need them most. The fund’s investors include the Dutch, German, UK and Swiss governments, the European Union, and a wide range of development-finance institutions and other impact investors.

Lendahand (www.lendahand.com) is a Netherlands-based crowdfunding platform that raises funding from European retail investors to fund loans to financial institutions and entrepreneurs in developing countries worldwide. Since its inception in 2013, the platform has supported over EUR 100 million of loans to borrowers in 25 countries. Lendahand is a two-time winner of Best Crowdfunding Platform of the Netherlands.

BMU (www.bmu.de) is the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. BMU is one of the core contributors to TCX and supports TCX as part of the BMU’s International Climate Initiative (IKI) (www.international-climate-initiative.com).

KfW Development Bank (kfw-entwicklungsbank.de) is a leading development bank committed to improving economic, social and environmental living conditions across the globe on behalf of the Federal Republic of Germany and the federal states. KfW is a founding shareholder of TCX and one of its largest shareholders.

REDAVIA (www.redaviasolar.com) offers solar power for businesses in West and East Africa. The REDAVIA system is based on a pre-configured model, including high-performance solar modules and electrical components. It is easy to ship, set up, and scale. Businesses benefit from a cost-effective, reliable, clean energy solution with minimal upfront investment or technical skills.