



# SDG ACE Foundation

Strategy Plan 2020 – 2025



Respect, Inclusion, Growth

Registered Name: Stichting SDG ACE

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[www.sdgace.foundation](http://www.sdgace.foundation)

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## Preface

The SDG ACE Foundation was founded as per 17th August 2018 and is a non profit organisation. The seed was sprung from the idea that most residents of developing countries do not have access to small loans because they tend to be uninteresting to traditional banks. Since the start of Microfinancing Institutions (MFIs), the world has seen positive synergies in developing countries by extending microcredits. However, we have also seen how philanthropic ventures turned into exploiting the so-called “unbankables” for scrupulous personal gain.<sup>1</sup>

Based on the above notion, the aim of the foundation is to provide micro credits to finance affordable, sustainable and clean cooking technology via an implementing partner to individuals in rural areas of developing countries. We will provide credit services to the underserved population as a tool to alleviate energy poverty<sup>2</sup> and improve their quality of life and thereby support the UN Sustainable Development Goals (SDGs) number 1, 3, 5 and 7. There is zero monetary gain for the members of the SDG ACE foundation.

The name SDG ACE Foundation was in fact inspired by one of the 17 SDGs the United Nations set in 2015 as a blueprint to achieve a better and more sustainable future for everyone. The 7th UNs SDG is called “**A**ffordable and **C**lean **E**nergy”, hence the abbreviation ACE since access to affordable and clean energy is our vision. See appendix 2 for a comprehensive overview of the link between the SDG ACE Foundation and the United Nations Sustainable Development Goals.

Further information about our goals and strategy will be provide in this document and are divided into four main topics:

1. Our mission, vision and goals
2. Our organisation
3. Our work
4. Our financial plan

The board of the SDG ACE foundation has confirmed the strategy plan as of 7th July 2020. We hope you will find the relevant information. For any further questions or information, I am happy to get in contact.

Best regards,

Judith Joan Walker, Chairperson SDG ACE,  
judith@sdgace.foundation

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<sup>1</sup> <https://www.worldfinance.com/special-reports/why-the-microfinance-model-wont-solve-the-global-poverty-crisis>

<sup>2</sup> “Energy poverty is defined as lack of access to modern energy services” by Winkler H. (2009) Cleaner Energy Cooler Climate, Developing Sustainable Energy Solutions for South Africa, HSRC Press, Cape Town

# 1. Our mission, vision and goals

## 1.1 Mission & vision

### **Vision**

Our vision is a world where everyone has access to affordable and clean energy.

### **Mission**

Our mission is to extend credit to underserved households in developing countries to strengthen their economic empowerment and improve quality of life through clean energy technology.

We work towards our vision and mission without the aim to make a profit and exclusively for the good of our beneficiaries.

### **How can clean cooking technology improve economic empowerment and quality of life**

The SDG ACE foundations aim is to provide micro credits to finance clean cooking technology (that doesn't rely on any electrical grid) to individuals in rural areas of developing countries. This will enable their economic empowerment and quality of life. Why? In 2019, around 770 million people globally lacked access to electricity (of which three-quarters is in Sub Saharan Africa) and close to 2.6 billion were without access to clean cooking and thus dependent on charcoal, kerosene and fuelwood as alternative<sup>3</sup>. In a report from World Health Organisation (WHO) and UNICEF (United Nations Children's Fund) etc. it was stated that inhaling particulate matter (soot) due to household pollution causes respiratory diseases (among other things) and leads to more than 3.8 million people deaths every year<sup>4</sup>.

No access to clean cooking energy affects women and the health of young children in particular. Women have to spend many hours and travel long distances to collect fuel wood.<sup>5</sup> They devote on average roughly three times more hours a day to unpaid care and domestic work than men, limiting their time available for paid work, education and leisure and further reinforcing gender-based socioeconomic disadvantages<sup>6</sup>. Hence, by funding women to invest in affordable, energy efficient (50–85% less fuel needed compared to a traditional three-stone-fire<sup>7</sup>) and clean energy devices, women will save money on using less fuel, have more time to invest in their economic empowerment and improve their quality of life.

However, reaching out to households in remote areas is costly and therefore most banks and MFIs can't offer affordable services in those markets where the financial services are needed the

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<sup>3</sup> International Energy Agency's World Energy Outlook report 2020, p18, 40, 94

<sup>4</sup> <https://www.thelancet.com/action/showPdf?pii=S0140-6736%2819%2932540-1>, p 613–614

<sup>5</sup> [https://energypedia.info/wiki/Uganda\\_Energy\\_Situation](https://energypedia.info/wiki/Uganda_Energy_Situation)

<sup>6</sup> <https://sustainabledevelopment.un.org/sdg5>

<sup>7</sup> <https://africancleanenergy.com/ace-one/>

most.<sup>8</sup> The SDG ACE Foundation is able to use the established vending points of for example the ACE 1 to reach households in rural areas and provide financial means to those who cannot access sustainable and clean energy otherwise. As a non profit organisation the Foundation aims to serve the underserved households by creating a marketplace. In practice this means that the Foundation provides microcredit without interest and bears the risk if the borrower cannot repay. The implementation partners, who operate the microcredits, do not make a margin on the financing activities.

We believe that the SDG ACE Foundation can play a part of a powerful force to share knowledge about the importance of clean cooking technology and to mobilise donors. We raise awareness using social media, campaigns and lectures. By providing access to clean cooking technology we wish to alleviate energy poverty, expand access, raise awareness and be a voice for those who are underserved and not heard and spread knowledge about how to help them. Clean cooking technology will save lives and the societal benefits of every life saved should not be ignored.

## 1.2 Our commitment to donors

Together with our donors we work to realise the mission of the SDG ACE Foundation. Our commitment to our donors are driven by three principles:

- 1. Give directly**

Provide donors the opportunity to invest in vulnerable and underserved people directly and transparently.<sup>9</sup>

- 2. Circularity**

Manage a revolving fund that tends directly to the needs of the end user.

- 3. Transparency**

Commit to open and transparent loan management and reporting through vetted partners, without the aim to profit.

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<sup>8</sup><https://www.worldfinance.com/special-reports/why-the-microfinance-model-wont-solve-the-global-poverty-crisis>

<sup>9</sup> Give directly: the 1:1 relation with beneficiaries is visualized in figure 2, paragraph 3.2

### 1.3 Goals and activities

Herewith an overview of the long and short term goals:

	Goals 2020-2025	Activities 2020
Organisation	<ul style="list-style-type: none"> <li>• Retain ANBI-status</li> <li>• Professionalize partnership with ACE</li> <li>• Formalize ethical statement</li> <li>• Investigate new partnership(s)</li> </ul>	<ul style="list-style-type: none"> <li>• Establish foundation board with clear roles &amp; responsibilities</li> <li>• Agree on first strategy plan</li> <li>• Apply for 'ANBI-status'</li> <li>• Prepare for first annual report</li> </ul>
Raise awareness	<ul style="list-style-type: none"> <li>• Strengthen presence social media</li> <li>• Visual campaigns</li> <li>• Public speaking</li> </ul>	<ul style="list-style-type: none"> <li>• Launch event foundation</li> <li>• Establish website <a href="http://www.sdgage.foundation">www.sdgage.foundation</a></li> </ul>
Fundraising	<ul style="list-style-type: none"> <li>• Execute fundraising strategy and reach fund of at least 250 thousand euros within 5 years</li> </ul>	<ul style="list-style-type: none"> <li>• Actively approach network of Board members</li> </ul>
Micro-financing to borrowers	<ul style="list-style-type: none"> <li>• Allocate funds from donations and loan repayments to reach at least 4000 BOP households within 5 years</li> </ul>	<ul style="list-style-type: none"> <li>• Establish 'Loan provider agreement' with ACE</li> <li>• Execute pilot with money transfers between foundation and ACE</li> </ul>
Evaluate performance	<ul style="list-style-type: none"> <li>• Implementation of fund reporting including key performance indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation of pilot</li> <li>• Publish annual report</li> <li>• Implement monitoring</li> </ul>

## 2. Our organisation

### 2.1 Foundation board

The role of the board is through good governance to enable SDG ACE Foundation to advance its mission. For the foundation to be effective, each member of the board must have their work, role, responsibilities, and mandates clearly outlined. Role descriptions and code of conduct can be found in appendix 03. Current board members are presented in appendix 04 and are visible on the [www.sdgage.foundation](http://www.sdgage.foundation). They declared that they did not commit any crimes. Board members are not paid for their contribution; a reasonable 'vacatie-bijdrage' is possible to be paid when the foundation is well established.

#### **Principles**

In order for the foundation to succeed with its mission we have defined three core principles that will guide the foundations members to success and optimal function: This can be defined as seen below:

- **Task commitment:** take responsibility for your commitment which means to have a level of understanding of the foundation and its surrounding and actively participate in making decisions on behalf of the foundation and to exercise your best judgment while doing so. That is why it is important to maintain a degree of detachment that allows you to question basic assumptions about the foundation.
- **Loyalty:** take responsibility that the foundation interests are always put above your own personal or professional interest.
- **Compliance:** take responsibility to comply with the foundation's core values such as maximizing the foundations long term sustainable positive impact on social, environmental and economic footprint but also ensuring that the organization complies with the applicable laws and adheres to its mission.

### 2.2 Partnership with African Clean Energy (ACE BV)

The foundation already works in close collaboration with African Clean Energy (ACE BV), a company producing and distributing their proprietary solar-biomass hybrid, the ACE One energy system, on a commercial basis in the developing world. ACE BV was founded in 2011 in Lesotho and has since distributed over 60 thousand household energy systems.



**The ACE One** symbiotically combines clean biomass combustion and solar electricity to create an integrated solution for addressing users' energy needs in a cost-effective way. The product decreases fuel need by 50-85% and it can burn any type of solid biomass, which opens up more fuel alternatives such as agricultural residue or even dried cow dung. It also comes distributed with a 10V/10W solar panel to support device charging and lighting, which for poor households oftentimes constitutes the bulk of the monthly energy cost. The ACE One is built with high-quality, durable materials and every new customer receives 2 years warranty with their purchase.

More information:

<https://africancleanenergy.com>

## 2.3 Future partnerships

Although we intend to prove the model of the revolving fund by focusing exclusively on our current partner African Clean Energy (ACE BV), the loan model concept with ACE BV will illustrate the way the foundation may interact with other potential implementing partners in the future.

The foundation strives to find Implementing Partners that meet the following criteria:

- Mission driven companies, that prioritise the customers/end-users.
  - The organisation must have either **non-profit, social venture or B-Corp** status, depending on the legal framework of the country of registration, and their mission or commitment to all stakeholders must be reflected in their legal statutes.
- Target customers are in emerging markets with limited access to energy and financial resources that require micro-loans.
  - Demonstrated with a market analysis that shows that the target demographic is in line with our target beneficiaries, see paragraph 3.2 for description.
- Distributing a technology that has measurable impact that will be reported to SDG ACE annually.
  - Our focus is on products that provide sufficient **thermal and electrical** energy to meet the basic needs of our target beneficiary..
- Partner has extensive data collection and monitoring + evaluation experience as well as the systems/processes in place to manage the data required.
- Partner does not risk damaging the good reputation of SDG ACE and has no record of illegal or questionable activities.
  - Due Diligence on code of ethics or CSR policies will be done and the partner must commit to our ethical standards.



## 2.4 ANBI status

The foundation will initiate a request to obtain ANBI status during 2020. The Dutch 'Belastingdienst' has defined several criteria for a successful application. When the ANBI status is obtained the donors can benefit from tax deduction on their donations.

## 3. Our work

The activities of the 'Stichting' are described in the following paragraphs:

- to raise awareness about the importance of affordable clean energy and cooking
- to raise donations and grow the available funds
- to provide microfinancing and to monitor the loans on individual level
- to evaluate performance of implementation partner(s) and provide analysis

### 3.1 Raise awareness

In a report from WHO, UNICEF etc, (2020) it is stated that governments need to take responsibility to care and protect its citizens but relying on only public policies is not enough. Social movements play a transformational role in demanding the rights that communities need to care for their children and provide a safe and healthy indoor environment.<sup>10</sup>

As a non-profit organisation we can use our voice in several ways. We believe that the SDG ACE Foundation can play a part of a powerful force to mobilise and enlighten communities of the importance of clean cooking technology. We raise awareness by:

- share testimonials from end-users that we financed on social media
- share knowledge and learnings from our monitoring,
- visual campaigns by using photographs taken by Humberto Tan in Lesotho to testify of the harshness of living conditions without access to affordable and clean energy
- public speaking (at conference, television interview, industry convention) about the large demand and need for clean cooking technology. And raising awareness of both energy poverty and financial inclusion.
- small events and outreach to suitable ambassadors.

Two of the board members, Judith Joan Walker and Humberto Tan, are very familiar with speaking publicly and will be the two main figure heads for the foundation in order to raise awareness.

By raising awareness of energy poverty, urgency to expand access, and quality of life with clean energy we can help to be a voice for those who are not heard and spread knowledge about how to help them. Clean cooking technology will save lives and the societal benefits of every life saved should not be ignored.

### 3.2 Fundraising

The foundation operates a revolving fund of donated capital that allows very carefully chosen implementation partners to pre-finance the purchase of energy products for individuals or groups in developing countries. The following picture explains the main relationships of the foundation. A more detailed explanation of the way of working is included in appendix 08.

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<sup>10</sup> <https://www.thelancet.com/action/showPdf?pii=S0140-6736%2819%2932540-1>, p 605

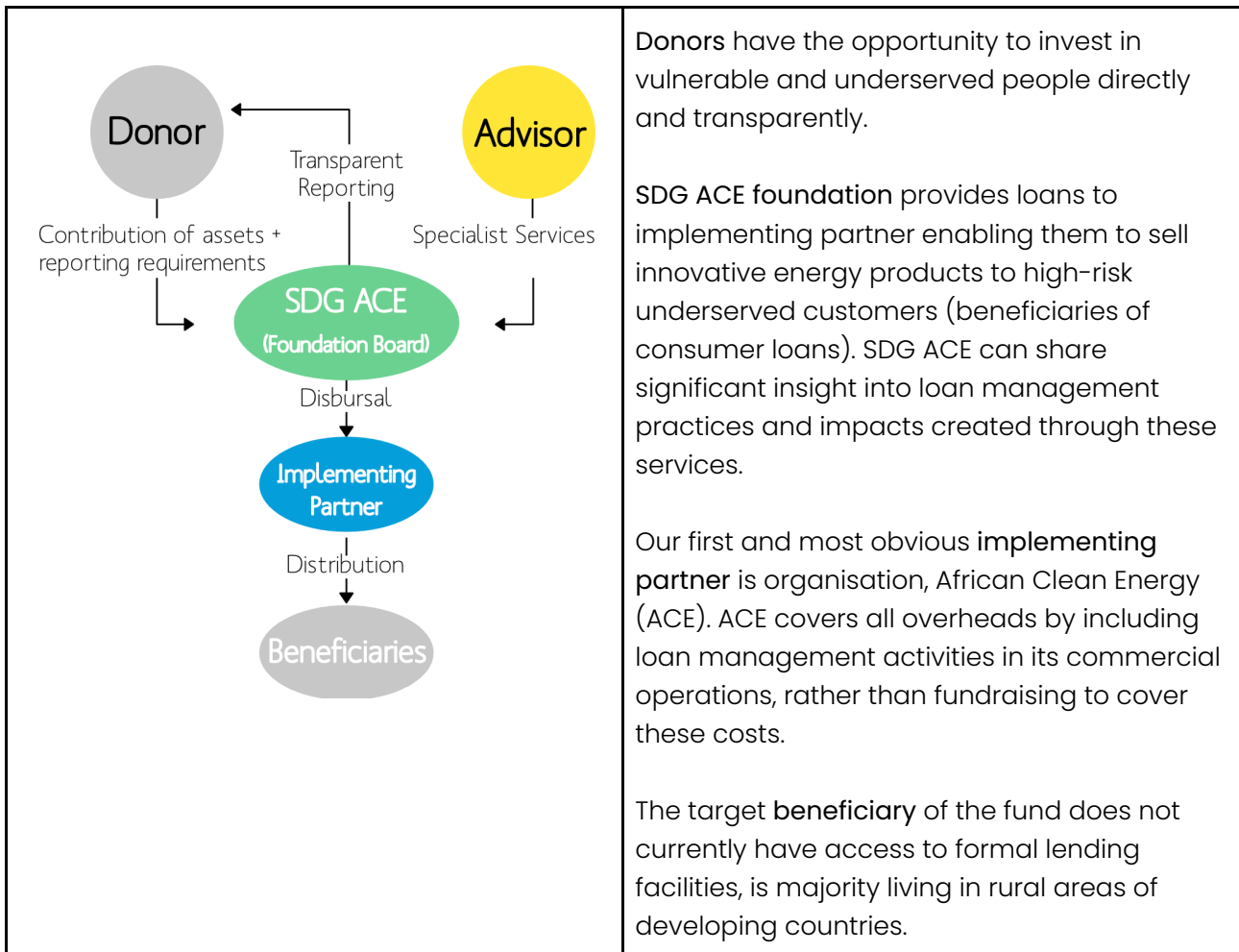


Figure 1: Structure with stakeholders

The foundation will focus on three main sources of donor funding.

1. **Corporate Social Responsibility budget and yearly contributors**

The nature of our rotating funds mean that smaller donations can contribute quite significant results over time. We feel that approaching donors through their businesses can yield yearly contributions to the fund of €5000-€15,000 from Small and Medium sized Enterprises (SMEs) and €25,000-€50,000 from larger corporates. Our strategy is to reach out through warm leads and encourage companies to contribute in increasing increments. High quality, detailed reports and testimonials (depending on their contribution) will ensure they remain engaged and are able to share their impact stories proudly both internally and externally. There may be scope to pitch this to companies as part of their Christmas package, as donations are often included as part of their offering.

2. **Philanthropists**

We feel that many philanthropists (and larger corporate donors) are tired of contributions

that are not traceable or attributable to direct results. Because SDG ACE ensures significant data is collected, donors that contribute more than €50,000 per year will receive more detail on the performance of the portfolio they have sponsored.

### 3. Grant funding

The foundation may be eligible for various grant funds and prizes. The foundation will ensure that the funding regulations or reporting requirements of any such funding do not contradict our mission or code of ethics. This is a viable long-term funding strategy, however will require quite some work and funding tends to take a long time to be approved. It is also likely that some years of track record and financial audits will be required before the foundation is eligible for larger grant funded contributions.

### Activities

Most of the fundraising activities will focus on direct to donor communications through emails, meetings, personal phone calls and small fundraising events (circumstance allowing). This includes generating high quality marketing materials, photos, borrower testimonials and personalised results reporting.

### Donor policy

The foundation commits to abiding by EU laws regarding the prevention, detection and prosecution of international money laundering and the financing of terrorism and reserves the right to report suspicious findings to the appropriate authorities. Donors are expected to abide by Dutch laws regarding the prevention, detection and prosecution of international money laundering and the financing of terrorism. If the Donor is found to be in violation of these laws, SDG ACE reserves the right to terminate any Agreement between the parties and report them to the appropriate authorities. SDG ACE has drafted a Donor Policy, which includes a detailed list of questions to be considered for any donation. The due diligence activities are described in appendix 06.

### Outlook

The aim is to grow the fund to €250,000 quickly, in order to prove that the model is functional and that adopting some of the risk for the Implementing Partner is viable

### 3.3 Operation of revolving fund

The Foundation will provide rolling consumer finance loans based on the loan models of the implementing partner. We will ensure the loans they provide are in line with our mission and reach our target beneficiaries by entering into a [Loan Provider Agreement](#).

*The ACE One's recommended retail price is \$100-\$125. Since many customers do not have the means to pay for the ACE One upfront, SDG ACE Foundation mandates African Clean Energy to extend micro-loans with smart payment plans that will make the payback process as comfortable as possible. The ACE One is handed out immediately when the customer signs a contract with ACE BV.*

*The key element considered in the pricing model of the ACE One Loan is ensuring that the monthly installments are in line with monthly savings attainable from using it, so that repayments can be offset. This should be structured so the customer does not feel burdened by the investment.*

*The foundation provides ACE BV with the value of the customer's loan upon signing of the contract and then receives all repayments thereof on a monthly basis. If the customer does not repay ACE BV, the foundation does not expect repayment until they do so, thus alleviating cash flow risks. For full terms and conditions please see the [Loan Provider Agreement](#).*

#### No profit

Often Bottom of Pyramid (BoP) households find themselves in tough circumstances where a lack of financial history prohibits them from gaining access to capital, and they are left without a means to escape the poverty trap and invest in something that would build a credit profile. Part of our mission is to use our loans as a tool and develop further tools to facilitate financial inclusion of our beneficiaries. **Neither the SDG ACE Foundation nor the Implementing Partners should seek to profit from consumer credit management.**

This means there will be no interest payments, or fees that are designed to accrue in a way that makes it impossible for the borrower to catch up easily if they happen to fall into arrears. The Implementing Partners cover the operational expenses of loan management as part of commercial operations, meaning donor contributions are passed on to the BoP consumer for credit purposes with only minimal and entirely transparent overhead costs being borne by the foundation.

#### Structure

The foundation does not manage the loan contracts with beneficiaries, rather a loan is extended to the implementation partner company. The value of the total pre-financed (verified) contracts, and the implementing partner is held to very strict regulations, as agreed to in a [Loan Provider Agreement](#).

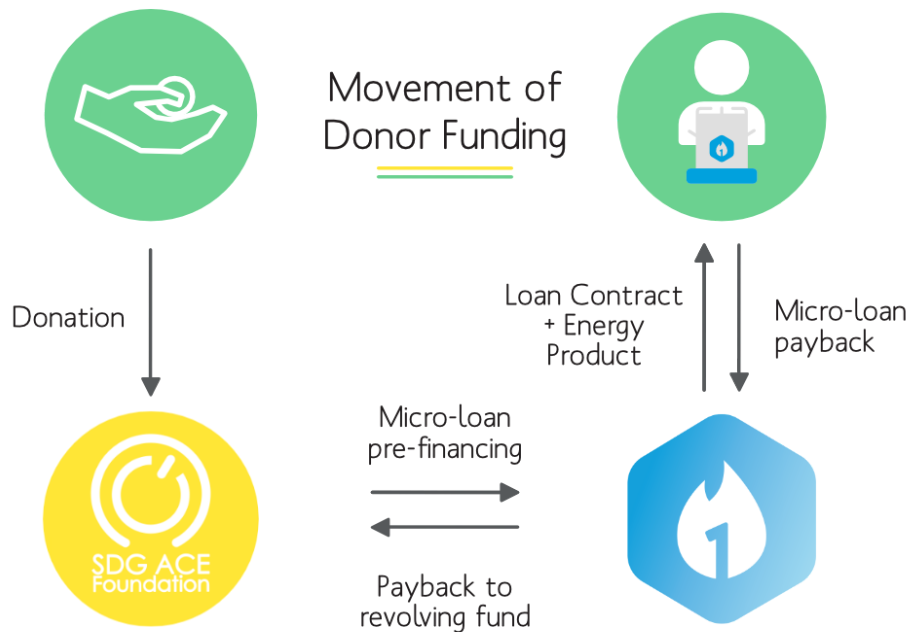


Figure 2: Structure with Partner African Clean Energy BV

The foundation retains the authority and capability to audit the contracts extended to the beneficiaries (end-users purchasing household energy products) to ensure they comply. The foundation does not have any goal of generating profit and is operating in this way to ensure zero interest microfinance is available to the beneficiaries of the partner companies for the purposes of investing in energy access products at a household level.

The tasks of the foundation include verifying results/impact and monthly balancing of the loans (to implementing partners) to ensure that only the outstanding balance of beneficiaries is pre-financed. The foundation adopts the default risk of the loans in order to ensure that implementing partners are able to extend the pre-financed contracts to vulnerable target groups. For more information see chapter 4 and appendix 07.

### 3.4 Evaluate performance implementation partner(s) and provide analysis

#### Transparency

SDG ACE Foundation will ensure to receive frequent and detailed reports on the loan portfolio health. We will ensure loans are attributed to specific donors where possible, and ensure no loans are double funded. Therefore, each donor will be able to quantify exactly how many borrowers their donation has benefitted. This transparency is what differentiates SDG ACE Foundation from other organisations working in financial inclusion and microfinance.

The foundation is working together with African Clean Energy already to assess the willingness and ability to pay of the end-user beneficiaries. With the data ACE has collected since 2015, a

'credit rating' of sorts can be created and perhaps even predicted. The credit rating is calculated in the loan management system (Salesforce) by analysing the customer's payment history, and the platform also enables ACE to generate loan management reports that can be shared with the foundation so we have a clear overview of all our active loans in the system.

Beyond just the monthly loan reports, the foundation also wants to contribute to further research surrounding borrowers, their ability to pay and the impact of the products they purchase. For this purpose, SDG ACE will collaborate with other partners to analyse the data we collect from our implementing partners in order to contribute to financial inclusion and alleviating poverty. The gained knowledge and lessons learned will be used to enrich the raising awareness activities as described in chapter 3.1.

We will also insist that partners prioritise financial inclusion and target customers with limited access to financial services and unbanked individuals. Detailed reports on the Loan Portfolio will be requested at least once per year and SDG ACE will share anonymised aggregated results with our donors/funders and aim to contribute to relevant research. An overview of evaluation criteria to select potential new partners are described in chapter 2.3.

### Reporting to donors

The Foundation also has a commitment to transparency, so we will also provide clear reporting to the donors and funders:

- **Public/ Incremental Donor:** transparent annual report published on the SDG ACE website including high level stats.
- **Committed Donor (>€2.5k):** above + option to 'buy' photo + option to use logo's '
- **Super Donor (>€50k):** above + opportunity to request detailed funding and impact report with list of anonymised borrowers, region and repayment stats (first cycle only).
- **Champion Donor (>€150k):** above + detailed analysis on the first cycle of loans + Summary of second cycle of their contribution..

All donors will have access to high level stats regarding the disbursement of funds. This will be aggregated and anonymised to protect the privacy of the borrowers. Super donors and above, will have the right to request a verification to ensure there has not been 'double funding' of any loans and they can, on request, be mentioned unaggregated in our annual reports.

### High Level statistics will include:

- Gender mix of the borrowers
- Percentage of contribution disbursed
- Region of disbursement (country level)
- Impact Metric Calculation tool

## 4. Our Financial Plan

### 4.1 A five-year plan

The foundation is based on the principle that donations will be used in a revolving manner. After each loan providing and loan repayment cycle the money will flow back to the fund. New loans can be provided again, and again as capital returns to the fund from repayments.

For example: an average loan is €100 and total donation amount up to €20,000. The fund can provide loans for nearly 900 households over two years, even taking into account incremental losses from non-payment. Results may differ due to the rate of disbursement and the rate of repayment, however the circularity of the fund ensures a much larger impact than one-off use cases. This circular model has been included in our financial planning, using projections about fundraising and steady disbursal of loans over time.

	plan 2020	plan 2021	plan 2022	plan 2023	plan 2024	plan 2025
<b>Income</b>						
Sale of photographs						
Donation (Shell)						
Xmas package (Vattenfall)						
<b>Total new income</b>	<b>15.000</b>	<b>35.000</b>	<b>50.000</b>	<b>50.000</b>	<b>50.000</b>	<b>50.000</b>
<b>Costs</b>						
Loans to implementation partner	10.000	36.535	63.651	88.639	109.962	130.128
Loan repayments from implementation partner		7.500	29.901	56.872	82.392	104.632
<b>Net loan providing to partner</b>	<b>10.000</b>	<b>29.035</b>	<b>33.750</b>	<b>31.767</b>	<b>27.570</b>	<b>25.497</b>
Repayment loss		900	2.990	4.550	4.944	5.232
Fundraising costs	1.500	3.000	5.000	7.500	10.000	15.000
Administration costs	3.000	3.000	3.000	3.000	3.000	3.000
Board costs	0	0	500	1.000	1.000	1.000
<b>Total foundation costs</b>	<b>4.500</b>	<b>6.900</b>	<b>11.490</b>	<b>16.050</b>	<b>18.944</b>	<b>24.232</b>
Financial income / costs	0	0	0	0	0	0
Tax						
<b>Financial result</b>	<b>500</b>	<b>-935</b>	<b>4.760</b>	<b>2.183</b>	<b>3.486</b>	<b>272</b>
<b>KPI's</b>						
Cumulative beneficiaries (#)	100	465	1102	1988	3088	4389
Foundation cost / fund size (%)	20%	12%	11%	10%	9%	9%
Repayment loss (%)		12%	10%	8%	6%	5%

Table 1. Overview projected financial result

### Financial statements

The first annual report has been published during 2020 over year 2018-19.



## 4.2 Income

Our ambition is to establish, via fundraising, a revolving fund of 250 thousand euro by 2025 or earlier. When established, the fund can serve continuously more than 4000 beneficiaries with a loan that makes a significant positive impact on their living circumstances. To achieve this goal we will grow to an annual fundraising inflow of income of 50 thousand euro in the third year. In the previous chapter the fundraising strategy is described.

## 4.3 Costs

A distinction is made in: net loan providing to implementation partner, foundation costs and financial income/costs.

### **Loan providing to beneficiaries via the implementation partner.**

Transparency will be given between new loan providing and repayments on existing loans. Key value drivers for the financial performance are:

- Repayment term: the duration over which the loan will be repaid. The model assumes on average a repayment in 12 months. This is a quarter longer than the agreed term with customers of 9 months.
- Repayment ratio: the amount being repaid versus total loan. The current implementation partner ACE gained experience over past years about repayment ratio, see appendix 08. Due to additional risk COVID-19: we assume additional loss for default of 2%.

For both ratios the actual results will be analyzed in order to validate the assumptions made.

Note: foundation funds will not be used to cover administrative costs of selling the product by implementation partner, they will only be used to pre-finance the purchase and offer unbanked customers the opportunity to take the first step towards establishing a financial profile, an additional value of impact.

**Foundation costs.** These costs will be kept to the minimum to guarantee a high rate of donation effectiveness.

Direct costs of foundation consist of

- A. Repayment loss on loans is seen as foundation costs, see table process flow.
- B. Fundraising costs like communication material and events
- C. Administration costs cover accounting costs, annual report, anbi-status and banking costs
- D. Board members are not paid for their contribution. Reasonable 'vacatie-bijdrage' is possible to be paid when the foundation is well established and foundation costs are below 10%. The need to have an insurance for 'aansprakelijkheid' will be investigated.

### **Process flow and risk allocation**

The table explains the various steps which (might) happen during the microfinancing process:

	Borrowers / cookstove users	Implementation partner, like ACE BV	SDG ACE Stichting
Purchase cookstove	Pays deposit and signs interest free loan contract and receives cookstove	Submits loan contract	Funding of loan contract
Repayments on loan	Repayments according to loan contract	Receives repayments loan contract and pays back	Receives repayments loan contract
Delay in repayments	Backlog in paying back due to various reasons	Monitoring and execution of loan management	Monitoring on loan management
Default - repossess	No repayments possible	Repossess cookstove and repay remaining loan to 'Stichting'	Receive repayment of remaining loan
Default - write off	No repayment possible, no reposment possible	N/a	Write off loan

To sum up, the 'Stichting' delivers credit to the borrowers by enabling the implementation partner to provide a cookstove in combination with a loan contract. The risk of default is worn at the 'Stichting'. The implementation partners are selected on not making a profit on the loan management activities.

**Financial income / costs** will occur when operating the financial fund. Due to constant flow of new loans and repayments, the cash balance of the fund will be monitored closely. Positive cash balances will be used for new loans to beneficiaries.

**Financial results** will be kept minimal based on the not-for-profit principle of the foundation. Positive results will be used to provide new loans in the next year.

## Appendices

### Appendix 01 – Glossary of abbreviations

<b>SDG ACE</b>	Registered as Stichting SDG ACE, also known as The SDG ACE Foundation
<b>The Foundation</b>	SDG ACE
<b>ACE BV</b>	African Clean Energy B.V.
<b>Beneficiary(ies)</b>	Borrowers unless specified
<b>BOP customers</b>	Bottom of Pyramid customers
<b>Borrower(s)</b>	Recipients of a loan through an Implementing Partner
<b>Implementing Partner(s)</b>	Organisation that is extending loans using funds borrowed from SDG ACE
<b>HAP</b>	Household Air Pollution
<b>MFI</b>	Microfinance Institution
<a href="#"><u>Loan Provider Agreement</u></a>	The Agreement entered into with an Implementing Partner to agree the terms of the loan capital provided.

## Appendix 02 – SDG ACE Foundation and the U.N. Sustainable Development Goals

SDG ACE Foundation supports the UN’s Sustainable Development Goals (SDGs) which is a blueprint that aims to end poverty, address climate change and ensure prosperity for all, now and into the future.

We have identified 4 SDGs that are aligned with our mission:



### 1 NO POVERTY

The foundation will focus primarily on SDG 1.4 :

*“By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.”*

Our contribution will be on the **microfinance** side, as well as ‘**access to basic services**’, under which we include energy access.

SDG ACE Foundation wants to contribute to the goal to end poverty in all its forms everywhere. In recent events of the Covid-19 pandemic - developing countries are most at risk, and in the aftermath of the pandemic not only as a health crisis but also causing devastating social and economic effects. New research published by the UNU World Institute for Development Economics Research points out the danger that the global pandemic could increase global poverty by as much as half a billion people, or 8% of the total human population. This would be the first time that poverty has increased globally in thirty years.<sup>11</sup>

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<sup>11</sup> <https://www.un.org/sustainabledevelopment/poverty/>

## Customer Testimonial from African Clean Energy Uganda.



Janet Nabulo became a customer of African Clean Energy (in Uganda) on 15th Jan 2020. She has been consistent with making her monthly payments for the ACE one and has never missed a payment. This prompted us to inquire from her how she does it even amidst the Covid-19 lock down period.

During our interview, Janet told us that she likes the ACE One stove so much and much prefers it to her previous method of cooking. She went to say that she is proud to own an ACE One and said that all this was made possible because she has a very favourable payment plan than runs up to 9 months offered by us. What really amazed her is that while running her small clinic, she is able to pay for the stove monthly and also fully cater for her other needs at home. She said that she decided to put aside 10,000 shs at the end of every week (Sunday) for four weeks in order to make it easy to make her monthly payment. By the end of the month she easily has the UGX 40,000 available to be sent to

our Momo (mobile money) account for repayments.

She said that now she is looking forward to completing her loan so that she can get another stove for her mother.

### 3 GOOD HEALTH AND WELL-BEING

Although it is difficult for us to measure in our current capacity, the foundation will focus our attention on contributing to SDG 3.4.1 :

*“Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease”*

Household air pollution due to use of solid fuels and kerosene for cooking has been identified as the main cause for almost 4 million people deaths every year. Health damaging pollutants including small soot particles penetrate deep into the lungs and cause illnesses such as pneumonia, stroke, ischaemic heart disease, chronic obstructive pulmonary disease (COPD), and lung cancer.<sup>12</sup>

Access to clean fuel and cooking energy technologies could prevent millions of deaths and improve the health and well-being of the billions of people relying on polluting technologies and

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<sup>12</sup> <https://www.who.int/news-room/fact-sheets/detail/household-air-pollution-and-health>

fuels for cooking, heating and lighting. The SDG ACE Foundation believes we can contribute to this goal and we have a vision of a world where everyone can access the affordable and clean energy products they need to improve their quality of life.<sup>13</sup>

## 5 GENDER EQUALITY

The Foundation has scope to bring attention to SDG 5.1.1 :

*“Whether or not legal frameworks are in place to promote, enforce and monitor equality and non-discrimination on the basis of sex”*

SDG ACE Foundation wants to promote and support companies that actively impact gender equality and empower all women and girls. Energy systems like the ACE One (distributed by Implementing Partner African Clean Energy) can burn any type of solid biomass fuel (crop residue, animal waste, or small sticks) and uses up to 50–85% less fuel compared to a traditional three-stone-fire<sup>14</sup>. Traditional use of firewood increases energy costs, time spent on collecting firewood and is also responsible for high indoor air pollution levels that causes respiratory diseases that affect women and children in particular. Women have to spend many hours and travel long distances to collect fuel wood.<sup>15</sup> Women devote on average roughly three times more hours a day to unpaid care and domestic work than men, limiting their time available for paid work, education and leisure and further reinforcing gender-based socioeconomic disadvantages.<sup>16</sup>

Hence, by funding women to invest in affordable and clean energy devices, women will have more time to invest in their economic empowerment and improve their quality of life.

## 7 AFFORDABLE AND CLEAN ENERGY

Our main focus, aside from poverty alleviation using the tool of microfinance, will be SDG 7.b :

*“By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support”*

SDG ACE Foundation wants to ensure access to affordable, reliable, sustainable and modern energy for all by funding, through microloans, energy products that have measurable and broad impact for beneficiaries in developing countries. Our current partner (ACE) will allow us to generate such impact in four countries (Uganda, Kenya, Lesotho and Cambodia), which includes both ‘Least Developed Countries’ and ‘land-locked developing countries’.

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<sup>13</sup> <https://www.who.int/news-room/fact-sheets/detail/household-air-pollution-and-health>

<sup>14</sup> <https://africancleanenergy.com/ace-one/>

<sup>15</sup> [https://energypedia.info/wiki/Uganda\\_Energy\\_Situation](https://energypedia.info/wiki/Uganda_Energy_Situation)

<sup>16</sup> <https://sustainabledevelopment.un.org/sdg5>

## Appendix 03 – Foundation Board role descriptions and code of conduct

Herewith an overview of the current and future roles in the Foundation board:

- **Chairperson:** conduct all board meetings and acts as public spokesperson for the foundation. Lead and supervise the progress so that it complies with the mission, vision and the foundations regulations, laws and regulation. Compile the annual report. Chairman shall together with the treasurer approve all bank transactions. Chairperson shall also be a member of all subcommittees.
- **Vice Chairperson:** presides at board meetings in the Chairperson's absence and supports the Chairperson in their work.
- **Secretary:** maintains the organization's records, takes board-meeting minutes, and distributes minutes and announcements of upcoming meetings to board members. Compiles a list of all board members after each general annual meeting.
- **Treasurer:** must have a sense of order and accuracy, all financial activity must be systematically documented. Collection and payment of funds. Regularly report the financial position of the foundation. Compile an income statement (income and expenditures), balance sheet (assets and liabilities), establish a budget and at end of year help the accountant close the books by compiling all financial statements for the financial year.
- **Board Ambassador:** public spokesperson and the lead on fundraising strategy together with the Chairperson. Enters leads into the CRM system and follows up with donors.

### Future roles once the fund expands:

- **Fund supervisor:** Seeks, secures and acquires funds for the foundation.
- **Media relations manager:** seeks to create and maintain a favorable public image of the foundation by communicating programs, accomplishments and/or points of view. Be proactive, reliable, responsible and accurate with an attention to detail. Possess the ability to keep information confidential

## Appendix 04 – Foundation board members

### **Chairperson – Judith Joan Walker**

Judith Joan Walker has been the COO for African Clean Energy BV for over 5 years. Through ACE BV she has focussed on proving new techniques and best practices for distributing renewable energy technologies that put the focus on excellent customer services and accurate data collection in order to create replicable methods of distribution to underserved populations. Judith was named 2016 Forbes Top 30 Under 30 European Social Entrepreneur, a finalist for the Ashden Awards 2017 for the 'Clean Energy and Women & Girls' category and a Global Finalist in the 2017 Global Inclusion Awards. She founded the SDG ACE Foundation because she recognised that there is a huge gap in available consumer finance for vulnerable, rural, poor families in the global south and saw this as an opportunity to provide interest free finance in order to alleviate poverty.

### **Vice Chairperson – Linda Sjostrom**

Linda Sjöström, is a Sustainability Coordinator at Wavin and is responsible for integrating social and environmental considerations into core strategic decisions which is also a valuable quality for the SDG ACE Foundation. She has a background in finance and was employed by Svenska Handelsbanken AB (in Sweden and France) between 2002 - 2013 with 5 year leave of study in between. At Umeå University, Sweden she studied Management with a focus on Sustainability and Business Ethics. She has also done university studies in San Sebastian, Spain and Cambridge, UK. From 2016 and onwards, Linda has been active in other non-profit organisations such as the Swedish Women's Educational Association (SWEA, treasurer and later president for SWEA Netherlands). Linda is very passionate about humanitarian work, ethics, philosophy and sustainability.

### **Board Ambassador – Humberto Tan**

Humberto Tan, born Humberto Tan-A-Kiam, is a Dutch radio and television presenter, sports journalist and author. From 2013 to 2018 he hosted the popular late night talk show RTL Late Night on RTL 4. Humberto is an ambassador for the WWF, and the Red Cross and since 2014 an advisor to the court of Overijssel. In 2015 he joined the board of the Fonds Slachtofferhulp. In 2018 he travelled with Judith and Alice to Lesotho to visit the target beneficiaries of ACE and saw with his own eyes the dire need for energy access and financial support in the rural regions. It was on this trip that he documented the stories of these rural customers through stunning portraits, with which the SDG ACE Foundation launched officially at a fundraiser hosted by the Impact Hub Amsterdam in November 2018.

### **Secretary – Alice Troostwijk**

Alice Troostwijk has been living in Lesotho for the past 12 years and was closely involved in founding African Clean Energy BV. She has been actively involved in managing the distribution of energy systems in Lesotho since 2014 as well as the managing of ACE BV's loan portfolio. It was through these activities that she and Judith decided there was a more active role they could



play in ensuring access to finance for their most vulnerable customers. Alice lived and worked in China, Vietnam and Thailand with her family and was active in the Board of multiple of her children's international schools as well as working as an executive secretary of the Dutch Business Association Vietnam in Ho Chi Minh City from 2001–2005.

#### **Treasurer – Rolijne van Houten**

Rolijne van Houten joined the board of the foundation early 2020 in role of Treasurer. After studying business economics and management at RijksUniversiteit Groningen, she joined Akzo Nobel. Next to her first job she graduated as Registered Controller at Vrije Universiteit in Amsterdam. She has an extensive career in various controlling functions, of which 2002–2020 at Nuon/Vattenfall a Swedish state owned energy company. Having travelled around the world first with her husband and in more recent years as a family with three children, she is aware of inequality and has a wish to act. She has the ambition to increase the number of cookstoves reaching the rural households significantly. In her role as Treasurer she focuses on the establishment of a sustainable revolving fund with transparent reporting to stakeholders and donors.

## Appendix 05 – Foundation structure

We believe that true financial inclusion is not just “banking” unbanked customers, but using financial services to help them save costs, become more independent and expand the offering available to a customer.

SDG ACE Foundation has identified **energy** as a major expense that is financially and environmentally inefficient (not to mention deadly) and sees a way to re-allocate those wasted expenses through micro-financing services that save the customer money and improve their quality of life.

The foundation can be seen to have two clear categories of Beneficiaries:

- **The Beneficiaries (or end-user)**
- **The Implementing Partner**

### The Beneficiaries

The target beneficiary of the fund does not currently have access to formal lending facilities, is majority living in rural areas of developing countries. We will further try to ensure lending is done with at least 50% female borrowers. They are choosing to invest in a clean energy product, need assistance to purchase because they cannot afford the outright price thereof and are willing to share baseline data so we can measure the impact of the loan and products provided.

### The Implementing Partner(s)

This revolving fund will tend to the needs of the end-user through Implementing Partners. Our first and most obvious implementing partner is sister organisation, African Clean Energy (ACE). ACE has extensive experience of lending to our target audience with support from crowd-lending platform Kiva, and it was through ACE that the foundation identified the gap in funding available to our target beneficiaries, the borrower.

The foundation supports ACE by ensuring that high-risk underserved customers can be included in pioneering services and can have access to innovative products. In turn, ACE covers all overheads by including loan management activities in its commercial operations, rather than fundraising to cover these costs. This way donors know that all their contributions go directly to the beneficiaries and can track their impact.

### Donors and Funders

SDG ACE Foundation aims to provide donors the opportunity to invest in vulnerable and underserved people directly and transparently. By using state-of-the-art Customer Relationship Management (CRM) tools and sophisticated data collection, SDG ACE can share significant insight into loan management practices and impacts created through these services.

## Appendix 06 – Donor Policy Summary

In order to secure the Foundation her integrity, the approach to due diligence on new donors holds the following core elements:

- **Identify:** SDG ACE is committed to knowing who we are receiving funds from, or financially supporting.
- **Verify:** SDG ACE (when it is deemed reasonable/necessary) will verify the risks when deemed high.
- **Know:** SDG ACE will always check that the businesses attached to a donor are appropriate to be connected to SDG ACE.
- **Watch Out:** SDG ACE is committed to being alert for unusual or suspicious activities, conducts or requests.

The 'know your' principles also complement and are in line with internationally recognised standards, such as those set out in Financial Action Task Force Special Recommendation VIII (FATF SR VIII): "charities should make best efforts to confirm the identity, credentials and good standing of their beneficiaries and associates undertake best efforts to document the identity of their significant donors".

SDG ACE has identified the following risks attached to receiving support from donors, and as such are aware of any funding relationship which involves a return or benefit to the donor.

- **Money laundering:** donors can make loans to charities as a means of laundering money through a charity or they can make donations with specific restrictions as to which partner or project is to be funded as a means of transferring funds overseas and disguising the origin of the funds.
- **Proceeds of crime:** anonymous cash donations or donations through suspect third parties may be a means of disposing of the proceeds of crime.
- **Tax avoidance/evasion:** donors may seek tax relief on their donation while at the same time seeking private benefit as a result of their donation or insist that the charity purchase services from an associated company as a condition of the donation, thereby obtaining tax relief on the donation and securing business at the same time.

### **Examples:**

- **Not acceptable**
  - Money generated from eg: regulated and unregulated gambling, drug business, sex/adult and entertainment industry, human trafficking, illegal products and services etc.
  - Donors that have their seat in countries that are sanctioned by Dutch, EU or US laws and regulations or are registered or resident in such a country.
- **Acceptable**
  - Donors that are registered or resided in the Netherlands or the European Union and their leadership can be identified.

### Donor onboarding requirements

SDG ACE will perform onboarding for any donation that is over €1000 in order to make sure it is from a verifiable source. SDG ACE will also look at the frequency of donations, with multiple smaller donations also requiring investigation and verification.

### Corporate/organisation specific verifications:

- Identify the Donor's leadership (board and management) -
- who is the ultimate beneficiary owner behind the organisation (eg. KvK report, publicly traded status, online background check, and/or for special cases or sums larger than €20,000, check the origins of funds via a notary.)
- Donor verification documents (legal registration documents and declaration from donor)
- Donation needs to be signed off by two persons from the organisation.

## Appendix 07 – Financial flow between SDG ACE foundation and implementing partner

### How the implementing partner provides loans

African Clean Energy BV: Each loan package will be between €100- €250. Our partner, ACE BV, already has a lot of experience in providing loans and in the past three years it has been established that more than 86% of the loan amount has been returned to the lender. This included 2016, a year of a terrible drought in Lesotho that has hit many customers financially hard. By improving loan management, the repayment in the past year is already more than 90% and ACE anticipates that this percentage will increase, with a target of 95%.

Donors funds will not be used to cover administrative costs of selling the product, they will only be used to pre-finance the purchase and offer unbanked customers the opportunity to take the first step towards establishing a financial profile, an additional value of impact.

### How SDG ACE Foundation ensures the implementing partner can provide these loans

Every month the Implementing Partner can submit a Loan Request, which includes the value of new loans disbursed, as well as what was recovered from the Borrowers. The Foundation then calculates the balance and this is transferred to the partner (or back from the partner if the repayments are higher than the value of new loans).

#### Appendix B – Loan Request Template

This Appendix B is to be used in accordance with Section 6(b) of the Loan Provider Agreement.

A	Reporting Period (from DDMMYY to DDMMYY)	
B	Number of NEW Loans (#)	
C	Total Value of New Loans in reporting period (€)	
D	Total Value of Loans repaid in reporting Period (+ remaining balance of repossessed goods) (€)	
E	<b>Total Balance to be Transferred (€)</b> <i>Use negative if funds are to be transferred back to SDG ACE</i>	
F	Date of Request (DDMMYY)	
G	Number of Loans Above PAR 30 as of final date of reporting period (#)	
H	Number of Loans Defaulted in reporting period (#)	
I	Total Value of Defaulted Loans in reporting period (€)	
J	Total Value of Repossessed Goods in reporting period (€)	
K	Notes	

**Adopting risk:** If the Implementing Partner is unable to recover payments for a period of 6 months, cannot repossess the product (safely) or establishes that there is cause for a

compassionate default (in case of death of borrower or income generating spouse), the foundation will write off the remaining balance and adopt the risk of the loss of capital on behalf of the borrower.

**No interest:** The implementing partner does not pay interest to the Foundation because the fund consists of donations from the Netherlands. However, the money remains with the Foundation to be able to intervene accurately if necessary. In accordance with the Foundation, the implementing partner charges a modest one-off surcharge and no interest in order to keep the administrative and implementation costs to a minimum. Because households do not pay interest, a potentially growing debt is prevented. The essence of the credit agreement is that the monthly payments are in line with the monthly savings on energy costs through the use of the product. As a result, the household is affected as little as possible by the investment.

**Minimal privacy concerns** (photos, etc): The foundation will not burden the implementing partner with a high barrier to extending the loans. Because we are not publicly funding the loans (such as is the case with the organisations Kiva), we do not need photos of each borrower (as some other funding partners require), meaning we can cater to beneficiaries who cannot or are not comfortable with their photo being taken. The Foundation also will not publish or store identifiable data, unless expressly permitted (in the case of testimonials for example) meaning the beneficiary will not have to worry about privacy concerns that come from multiple parties storing their data. We expect all our Implementing Partners to manage the Loan portfolio and customer details, but will not ask for that data unless we select a sample for audit (in which case it will be deleted once verified).