Module 1: The power of crowdfunding for public authorities

Who we are

Eurocrowd is the European Crowdfunding Network, a Brussels-based NGO with the objectives of

- Representing and promoting the crodwfunding industry across the EU
- Supporting the European crowdfunding market by sharing Good practices and ensuring regulatory compliance
- Advising and supporting policy makers at European, national, regional and local level in understanding and unlocking the potential of crowdfunding for local development and social inclusion

What is crowdfunding

- Crowdfunding is the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet.
- Open call to raise funds for a specific project
- From anyone with access to the internet (potentially)
- Through an Internet-baset mechanism (specialised website)
- Foreseeing tangible or intangible benefits in exchange for each economic contribution

History and development of crowdfunding

- **Evolution and rise of crowdfunding platforms.**
  - With the advent of the internet, crowdfunding evolved into a structured and accessible model, enabling large-scale participation. Digital platforms began to emerge in the early 2000s, offering streamlined processes for campaign creation, contribution tracking, and community engagement.
    - **Early Platforms:**
      - In the early 2000s, platforms like Kickstarter (2009) and Indiegogo (2008) gained prominence, focusing on creative, tech, and community-driven projects.
      - The introduction of reward-based models allowed project creators to offer non-monetary incentives to backers, spurring global participation.
    - **Specialized Platforms:**
      - Platforms like GoFundMe (2010) emphasized personal and social causes.
      - Spacehive (2011), specifically designed for civic crowdfunding, became popular in Europe for public projects like parks, playgrounds, and cultural restoration.

Crowdfunding Market size

2023-2024 data

Market Size (Global)

Total: ~$15B+

- **Reward-based:** ~$7.45B (50%)
- **Donation-based:** ~$2.98B (20%)
- **Equity-based:** ~$1.18B
- **Loan-based:** ~$3.6B

Market Size (EU)

Total: €1B+ (ECSPR-covered)

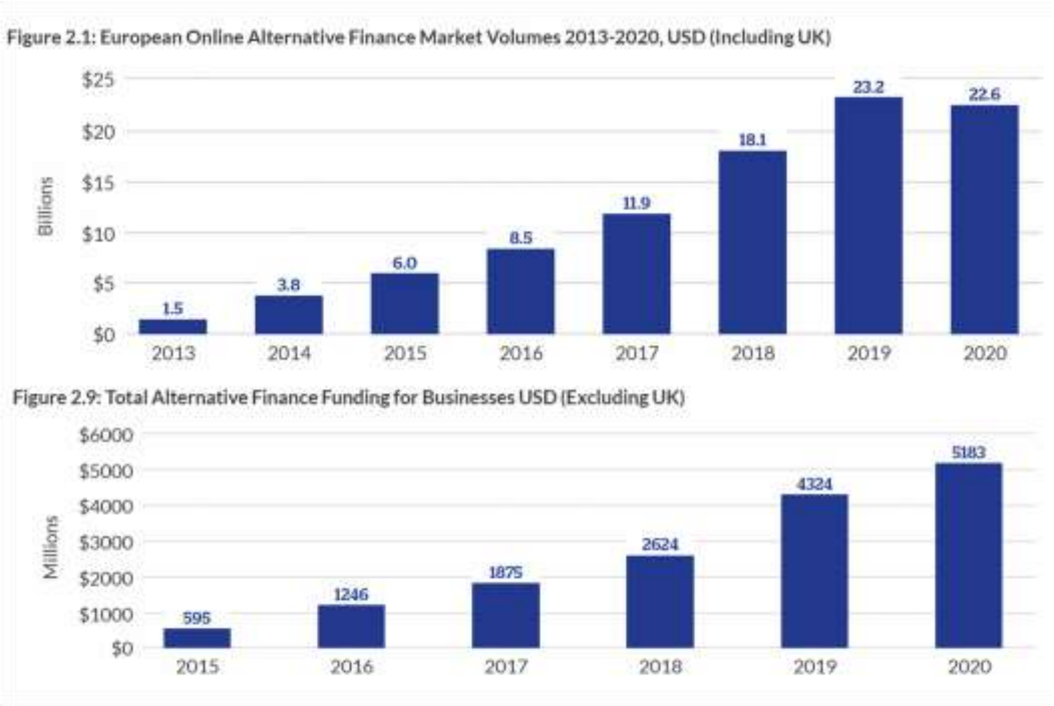
- **Loan-based:** 65% (€650M+)
- **Equity-based:** 6% (€60M+)
- **Reward/Donation-based:** ~€900M (non-ECSPR; est.)

Growth Outlook

- **EU:** Projected to reach $1.43B by 2030 (17.4% CAGR*)
- **Global:** Reward & donation models growing at 11–13% CAGR

Regulatory Scope

- **EU ECSPR:** Applies only to equity & loan-based crowdfunding
- **Reward/Donation:** Outside ECSPR; governed by national laws



Flexibility: Crowdfunding models

- **Donation:** a donor contract without existential reward
- **Reward:** purchase contract for some type of product or service (pre-sales), or tangible perk
- **Lending:** credit contract, credit is being repaid plus interest
- **Equity:** shareholding contract, shares, equity-like instruments or revenue sharing in the project/business

Common Features to all models:

- marketplace matching idea with funds
- open to any individual over 18 and with access to internet
- limited duration (time) of crowdfunding campaign
- combination of economic and non economic benefits

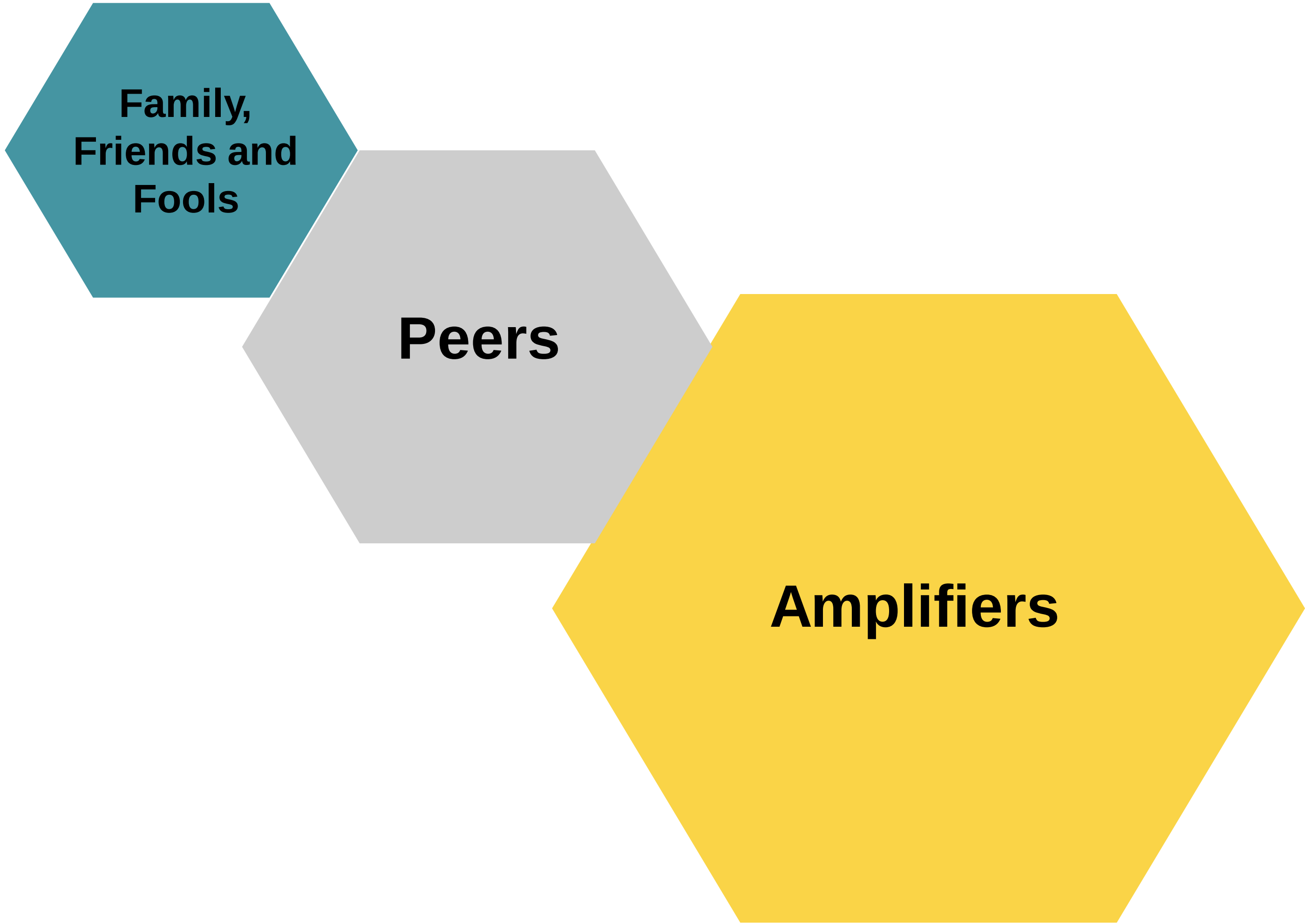
Differences between models

	DONATION	REWARD	EQUITY	LENDING
Type of projects hosted	Open to all kind of projects	Open to all kind of projects	Dedicated to Startups and SMES	SMEs
Communit y	Open to all kind of supporters	Community defined by product or sector	Investors and retail with “patient capital”	Institutional or retail lenders who may lock their liquidity for a fixed period
Crowd-Project owner relationship	Punctual relationship, end with transaction	Longer relationship, ends with the delivery of rewards	*Open ended* relationship	Mid-term, determined relationship

How does a crowdfunding campaign look like?

- A crowdfunding platform will host your project description, video and link to social media channels
- You have a limited amount of time to reach your funding goal (target goal)
- You can freely decide on the duration and target goal of your campaign
- You can choose between «take it all» and «all or nothing» models (usually)
- A fee will be usually paid to the platform, either at the beginning (entry fee) or end (success fee) of the campaign

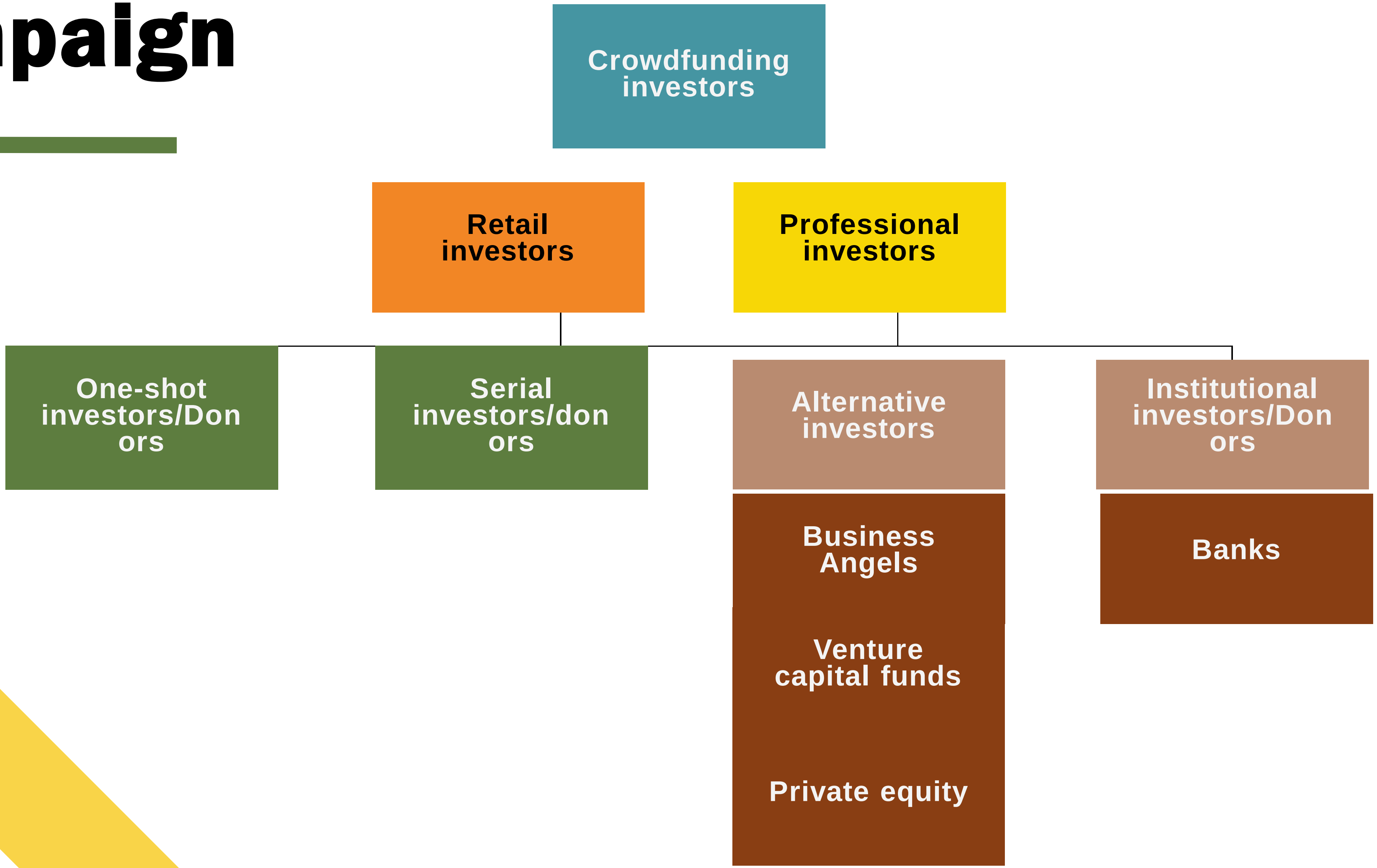
Target Groups of a crowdfunding campaign



Identification:

What is the size of each target group?
What is the average expected contribution for each of them?

Investors/Donors of a crowdfunding campaign



Success Factors of a crowdfunding campaign

1. Clear project and business model
2. Credible Funding Goal & Rewards
3. Community building & Impact creation
4. Knowledge and commitment
5. Trust, passion and partnerships

Operational steps of a crowdfunding campaign

Pre-Campaign

- Define goals and funding target (capital needed, equity offered, use of funds)
- Identify the right crowdfunding platform (equity-based, reward-based, donation, etc.)
- Research legal and regulatory requirements (especially for equity crowdfunding)
- Conduct market research and validate your business idea
- Build or strengthen your team (core team, advisors, legal, marketing)
- Prepare or refine your business plan and financial projections

Partnerships and Social Proof

- Reach out to strategic partners and early backers
- Secure anchor investors/founders to validate campaign viability
- Engage with institutional supporters or amplifiers (if available)
- Ensure alignment with partners' missions and values

Campaign Setup

- Create compelling campaign materials: pitch deck, video, campaign page content, FAQs
- Develop a strong visual identity (branding, logo, graphics)
- Define campaign perks or incentives
- Set a clear campaign timeline (pre-launch, launch, close, post-campaign)

Marketing and Outreach

- Build a pre-launch mailing list and waitlist
- Create a communication plan (press, social media, email, PR)
- Engage your community early (ambassadors, early adopters, friends & family)
- Prepare press kits and media outreach

What is Matchfunding?

Public authorities enter into agreements with crowdfunding platform(s) to increase transparency, democratise their management of public budgets, promote a sense of citizen ownership towards funded initiatives, facilitate access to funds for local stakeholders, and improve accountability and control over funded actions, as well as to funnel funds towards projects that are validated by citizens via crowdfunding.

How does it work in practice:

Technical assessment

- Public authority identifies priority area and budget line for co-financing + partner crowdfunding platform and terms of reference for potential applicants

Public call for applications

- The call for expressions of interest and application is published. Proposal are ranked according to criteria identified by the municipality

Training of potential beneficiaries

- Beneficiaries are trained on how to best build a crowdfunding campaign

Online launch of campaigns

- Campaigns are launched and donations are made possible. Ongoing support to beneficiaries

Closing and beginning of projects

- Campaigns who successfully raise their target goal receive co-financing from PA and start implementing their projects

Possible role of public authorities

Sponsor

PA develops **its own crowdfunding campaign** for a specific project and asks co-funding from citizens

Manager

Local authority creates its own crowdfunding platform to support territorial development around one specific area (ie sport)

Curator

Local authority selects projects from a crowdfunding platform and provides top-up, in line with specific priorities

Facilitator

Local authority provides matching funds and/or technical assistance to support development of crowdfunding campaigns in specific sectors (sports, tourism, entrepreneurship, etc)

Advantages for Public Authorities

Economic	Non-Economic
Access to finance made easier for beneficiaries Increased funding for PA to finance projects	Community test/validation of idea Increased sense of partnership between PA and citizens (alignment of interest)
Short time for raising and receiving funds for beneficiaries	Marketing and visibility for both PA and projects Creation of costumer/user base
Risk dilution as budget is only granted **after** the campaigns are successful	Increased sense of “ownership” of contributors/investors Feedback cycle (almost in real time)

Thank you!

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