



# STRATEGY HANDBOOK FOR THE CROWDFUNDING NETWORK

DELIVERABLE D.T2.2.5  
(WP T2, ACTIVITY A.T2.2)

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Prepared by	ISN - innovation service network GmbH, PP13 Conny Weber, Karoline Perchtaler, Reinhard Willfort
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Address	Grabenstraße 231, 8010 Graz
Email	office@innovation.at
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# INDEX

1. Introduction.....	3
2. Crowdfunding in a nutshell.....	4
3. Crowdfunding for Culture .....	5
4. Challenges for ICH crowdfunding .....	7
4.1. Financing ICH campaigns .....	8
5. ICH Examples & Success Stories .....	9
6. Raising awareness for Investors .....	17
6.1. What should investors know about finance?.....	17
6.2. What rewards and interests are reasonable?.....	17
7. Engagement - Identify on local level potential cooperation pillars .....	18
7.1. How to stimulate citizens' engagement in ICH projects? .....	19
7.2. Creating trust .....	20
7.3. How can public authorities support ICH projects through crowdfunding?.....	21
7.3.1. Obstacles and Challenges [Source: ECN (2018), p. 52f].....	21
7.4. Combining alternative finance (crowdfunding) with traditional finance (banks) ..	22
8. Conclusion.....	22



## 1. Introduction

Many intangible cultural heritage initiatives are depending on public funding that is insufficient. Moreover, systematic approaches to the recognition, management and evaluation of new experiences in this field is also missing. The cultural operators and people that manage cultural projects lack financial resources and expertise. The ARTISTIC project aims to improve cooperation between cultural operators, citizens and financial operators.

The ARTISTIC project will support all these target groups, to valorise intangible cultural heritage and look for solutions on how to make local cultural projects sustainable. To reach this objective, ARTISTIC will develop a strategy with a toolset and services. The project will create synergies from a content-related and financial point of view, particularly focusing on crowdfunding options. In its activities, the partners will also train ‘action mediators’ on how to organise permanent ‘Intangible Cultural Heritage Desks’ to guarantee assistance also in the future.

This handbook (Deliverable D.T2.2.5) aims at encouraging the development of partnerships between crowdfunding platforms and public and/or private funders, explore and pilot locally adapted match funding schemes and other types of collaboration for supporting ICH.

The aim of this handbook is to present crowdfunding platforms and actors common vision for the implementation and sustainability of crowdfunding ICH.

This handbook summarizes high level aspects, that have been described more in detail in other activities of T2, namely:

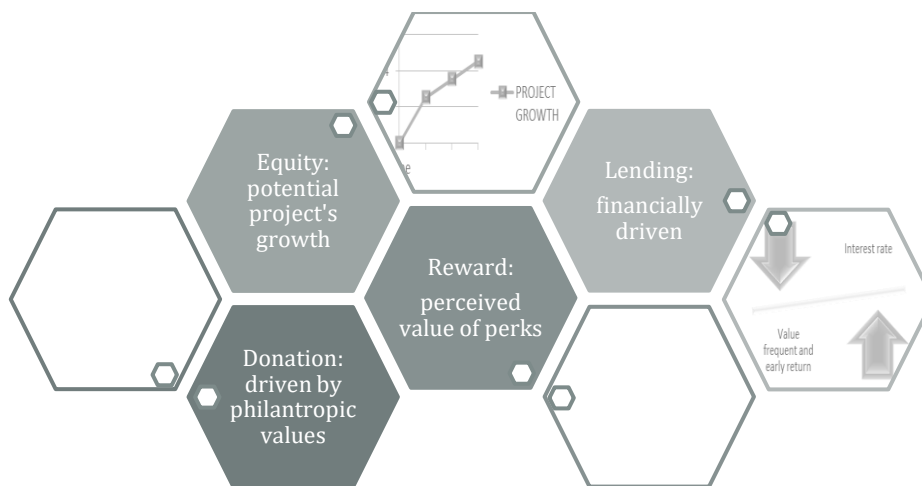
- Activity A.T2.1: Services and tools development
- Activity A.T2.2: Access to transnational financing networks: the Crowdfunding



## 2. Crowdfunding in a nutshell

“Crowdfunding is an emerging alternative form of financing that connects those who can give, lend or invest money directly with those who need financing for a specific project. It usually refers to public online calls to contribute finance to specific projects.”<sup>1</sup>

There are four main Crowdfunding types, which describe mainly the kind of motivation of the investors.



**Figure 1: Overview of types of crowdfunding. Source: European Crowdfunding Network (2016)<sup>2</sup>**

- Donation-based Crowdfunding: philanthropic donation or gift, no return expected. Mostly used for charitable projects.
- Reward-based Crowdfunding: Contribution in exchange for a perk or a pre-order of a product. Mostly used for pre-selling.
- Equity-based Crowdfunding: Investment for an ownership stake in the business. Mostly used for high risk investments, returns are based on profit- or exit-revenue-sharing calculations.
- Lending-based Crowdfunding: Capital repayment most often with interest. Mostly used for low-risk investments, returns are based on interest-based calculations.

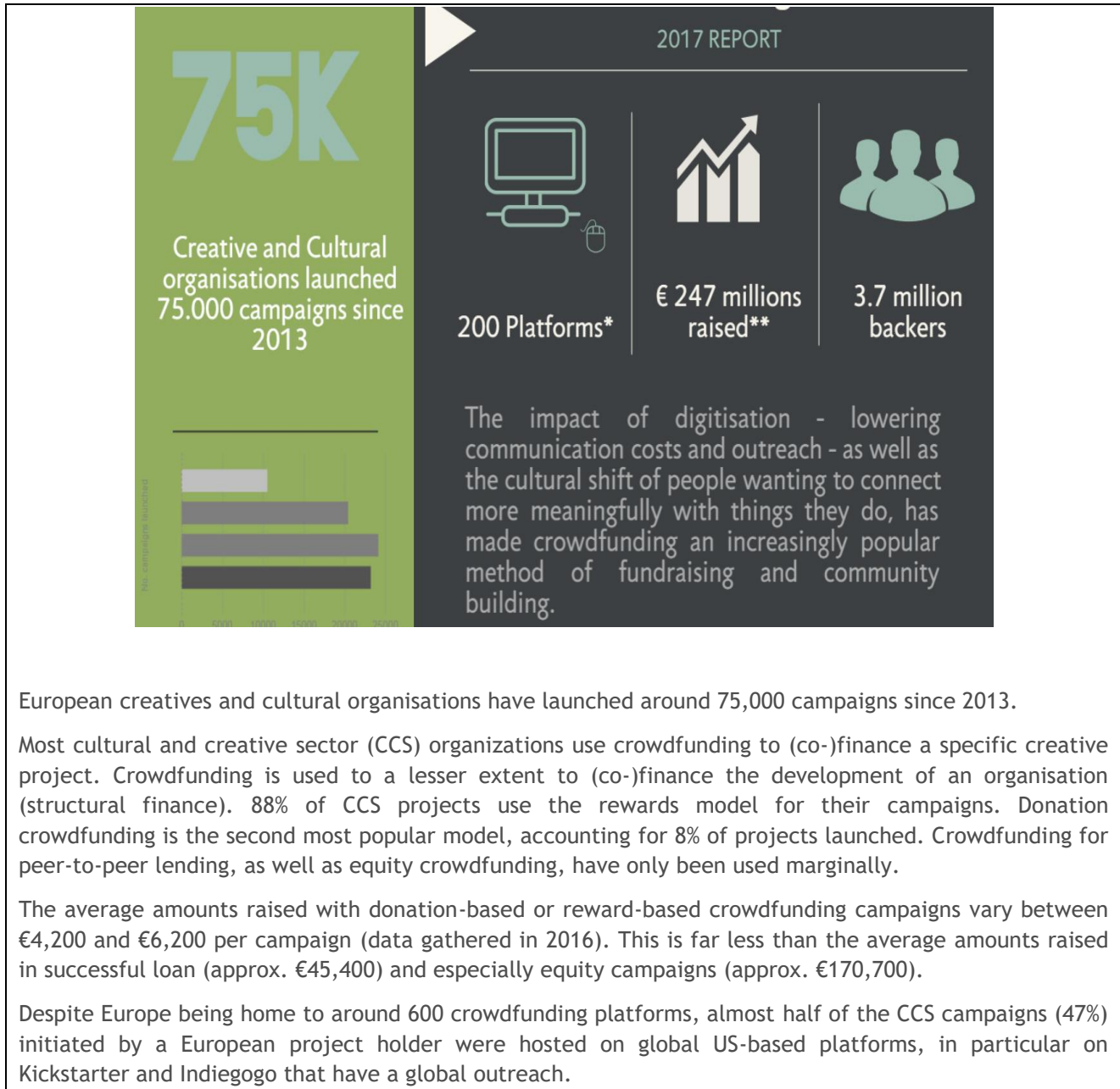
<sup>1</sup> [https://ec.europa.eu/info/business-economy-euro/growth-and-investment/financing-investment/crowdfunding\\_en](https://ec.europa.eu/info/business-economy-euro/growth-and-investment/financing-investment/crowdfunding_en)

<sup>2</sup> European Crowdfunding Network (2016): European booklet for entrepreneurs. Available here: [https://eurocrowd.org/wp-content/blogs.dir/sites/85/2016/09/ECN\\_ePlus\\_D5\\_2\\_Crowdfunding-Guide\\_FINAL-v4.pdf](https://eurocrowd.org/wp-content/blogs.dir/sites/85/2016/09/ECN_ePlus_D5_2_Crowdfunding-Guide_FINAL-v4.pdf)



### 3. Crowdfunding for Culture

The following information summarizes the key findings with regards to crowdfunding for culture based on a European Commission report<sup>3</sup> from 2017:



European creatives and cultural organisations have launched around 75,000 campaigns since 2013.

Most cultural and creative sector (CCS) organizations use crowdfunding to (co-)finance a specific creative project. Crowdfunding is used to a lesser extent to (co-)finance the development of an organisation (structural finance). 88% of CCS projects use the rewards model for their campaigns. Donation crowdfunding is the second most popular model, accounting for 8% of projects launched. Crowdfunding for peer-to-peer lending, as well as equity crowdfunding, have only been used marginally.

The average amounts raised with donation-based or reward-based crowdfunding campaigns vary between €4,200 and €6,200 per campaign (data gathered in 2016). This is far less than the average amounts raised in successful loan (approx. €45,400) and especially equity campaigns (approx. €170,700).

Despite Europe being home to around 600 crowdfunding platforms, almost half of the CCS campaigns (47%) initiated by a European project holder were hosted on global US-based platforms, in particular on Kickstarter and Indiegogo that have a global outreach.

- Funding mainly collected through rewards model due to amount needed (target goal) and type of relationship established with contributors
- Cultural organisations often have enough skills to engage in non-financial crowdfunding, but lack financial literacy to experiment with equity and lending

<sup>3</sup> European Commission (2017): Reshaping the crowd's engagement in culture - Study. <https://europa.eu/capacity4dev/crowdfunding/documents/new-report-crowdfunding-reshaping-crowds-engagement-culture>



- Match-funding experiences with resources coming from public authorities or public foundations are proving successful across Europe and should be incentivized.

Source: Study published by the European Commission (2017): Reshaping the crowd's engagement in culture<sup>4</sup>.

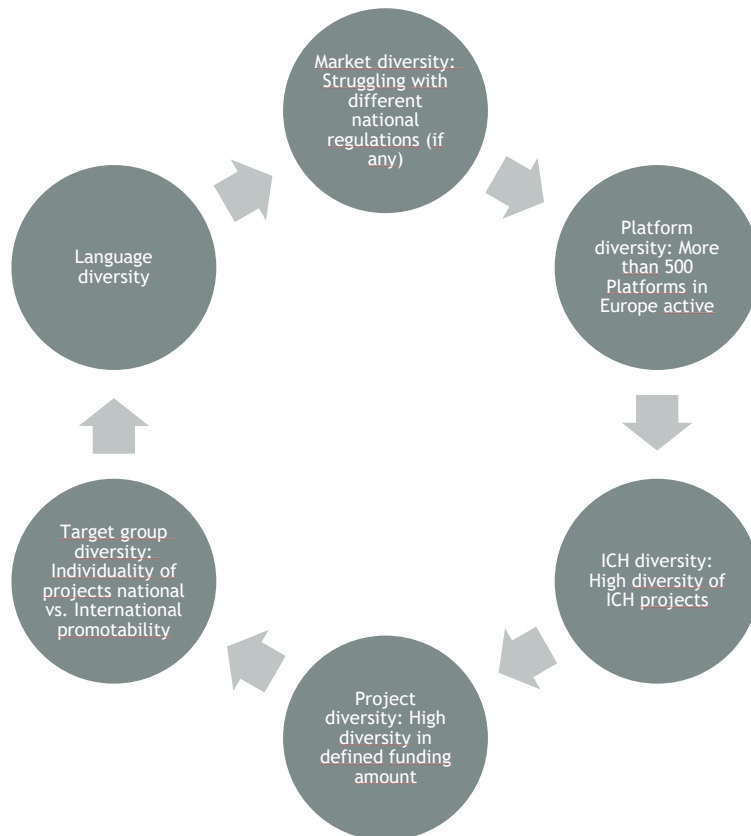
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<sup>4</sup> Ibid.



## 4. Challenges for ICH crowdfunding

The complexity of crowdfunding ICH, is based on several challenges, as depicted in the figure below:



### Market diversity

The European crowdfunding sector is characterised by its highly heterogeneous nature. Over the last years 11 EU countries have started building their own national crowdfunding regulation. In most European countries, donation and reward-based crowdfunding are legal, however, individual details may vary from country to country. The individual national regulations vary strongly. The European Commission has recently proposed a regulation for European Crowdfunding Service Providers (ECSP), but so far it is not clear whether and if, when, this proposal will come into force.

### Platform diversity

Currently in Europe there are more than 500 platforms online. However, when looking to CEE countries the market is still very small. Especially in the larger and mature crowdfunding markets we can observe a kind of market consolidation and many platforms have shut down in the last years or might do so in the coming. The problem is, most of the European crowdfunding platforms are not profitable. The business model for a crowdfunding platform only works at scale - and this is difficult if the target group is somehow constraint to national borders or to niche domains.

### ICH diversity

One of the key results of the ARTISTIC projects activities in WP T1 is the high diversity of the ICH projects. There isn't a clear set of parameters to characterise an ICH project. Therefore, crowdfunding support can only take place on a very individual basis. Analysing the projects nature, the



capabilities of the organisation behind, and the respective national prerequisites will guide the process of choosing the right platform with the right audience and target group.

### **Project diversity**

Another challenge is that the nature of the individual pilot project will be very different. The scope may range from small community projects looking for donations or even more for communication in order to find some voluntaries up to 300k equity projects for SMEs who want to expand internationally or just need to replace some machines.

### **Target group diversity**

One of the most important aspects for crowdfunding is the target group. I.e. the persons consisting of family, friends and other emotionally touched people who are willing to donate smaller amounts to projects they love, who want to just invest their time or even place a crowd investment. It is important to have a clear picture in mind of the people who might support the project - this is also a key aspect in choosing the platform. If an ICH project has a too small national target group the required funded goal might be difficult to reach and it should be considered to choose an international platform in order to reach the respective target groups in other countries.

### **Language diversity**

Last but not least, we have to consider the variety of languages. Investing, no matter if time or money, some Euros, or higher amounts - is always connected to trust and deep understanding. Dealing with different languages is a challenge and on individual basis it has to be decided whether the project to be supported might benefit more from several smaller campaigns in different languages on different local national platforms or one international platform.

## **4.1. Financing ICH campaigns**

In principle there are different financial instruments that can be used to fund a project or company, and financing can happen at different stages of a project or company's development. Crowdfunding can be one option in a financing mix, combining or complementing traditional bank loans, public funding or private investments.

It is important to find the right financing mix by combining both traditional sources with alternative ones, such as crowdfunding. Especially for ICH projects public (co-)funding might be a suitable solution. In order to define the financing mix and develop a strategy to finance an ICH project, different tools can be used, that are described more in detail in the deliverables for activity A.T2.1, namely the deliverables DT2.1.1-DT2.1.6.

The following section presents different examples of ICH crowdfunding campaigns. These examples were collected by the ARTISTIC project partners and demonstrate the high diversity. Further, when looking at these examples it becomes obvious that there is no one-size-fits it all approach. For some projects it makes sense to involve the local authorities as their outcome impacts the region, municipality etc. For others, follow-on private investments might be more suitable.





## 5. ICH Examples & Success Stories



### GOAT MUG: original goat story crafted into a coffee mug

If you love coffee as much as we do, we're sure you would LOVE to be able to drink it anytime anywhere. And so would we! That is why we decided to make a coffee mug that is practical and sustainable, but is also a fashion accessory and tells the primeval story of coffee.



Funded: 458.071 \$

Target: 25.000 \$

Supporters: 10.617

Reward based/Presale

Platform: Kickstarter (US)

Country of the project: Slovenia

Link to project: <https://www.kickstarter.com/projects/goat-mug/goat-mug-original-goat-story-crafted-into-a-coffee?ref=discovery&term=Slovenia>



## Tomato revolution

(Original: Pomodoro revolution!)

Since 2010 we cultivate a dream: to recover a property confiscated from the Mafia in Cerignola, making it a testimony of a concrete utopia, creating employment opportunities for people in distress starting from a product that is a symbol of our land. Tomato.

The illegal hiring, the ghettos, the exploitation of foreign and non-foreign people, the halter prices of large retailers paint a tomato supply chain conditioned by violence and suffering, often to the detriment of unaware or careless consumers, making it in fact a product symbol of slavery .

Since 2013, the "Pietra di Scarto" Social Cooperative has given life to a project of fair and equitable production of tomatoes, thanks to the "Solidale Italiano Altromercato" project: fight against illegal workers, regular hiring, fair wages and sustainable agriculture. And our tomato distributed in over 400 Botteghe del Mondo.

And then the dream that is about to become a reality: thanks to a call for tenders by "Fondazione con il Sud" we can finally try to manage and close the entire production chain. The disadvantaged and exploited workers on the one hand, the small producers harassed by the market on the other. And to make a brand new tomato processing workshop that will have its place on the confiscated property we manage, the "Francesco Marcone" Legality Laboratory.

**Amount raised: 8.015 EUR**

**Supporters: 153**

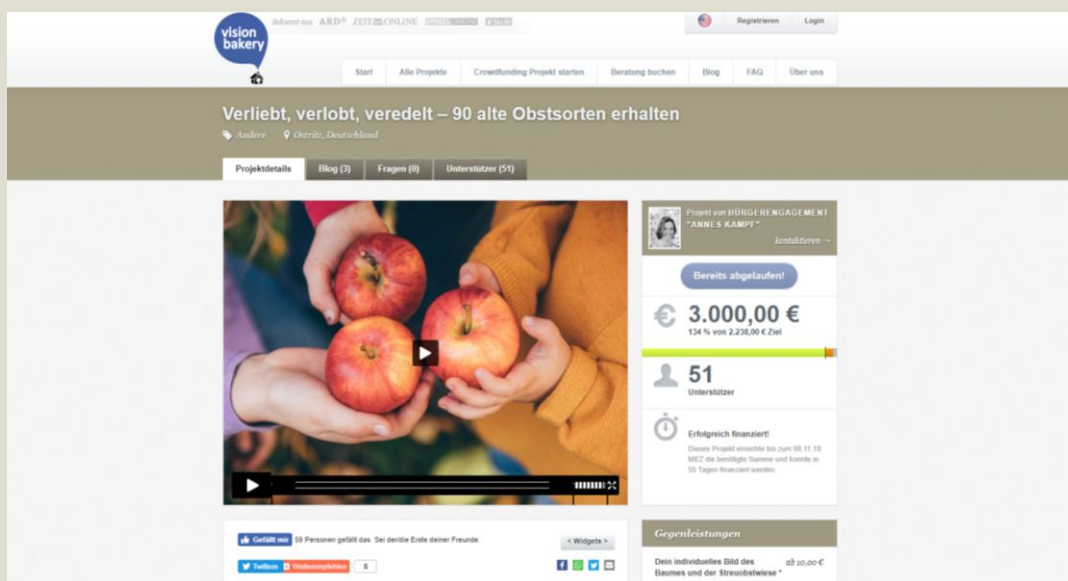
**Reward based**

Platform: [www.produzionidalbasso.com](http://www.produzionidalbasso.com) (Italy)

Country of the project: Italy

Link to project: <https://www.produzionidalbasso.com/project/pomodoro-revolution/>

Reward-based crowdfunding: Between 50€ - 1000€



## Preserving old fruits types

A total of 90 trees will be processed. This costs about € 9,000 for the purchase of the plants (partly from England), the required material such as plant piles, crossbars, vole protection, tying material and the planting and the crown cut through the nursery.



Together with the BUND Görlitz this crowdfunding action is carried out. We want to collect about € 9,000 of the € 9,000 through crowdfunding.

**Funded: 3.000 EUR**

**Target: 2.200 EUR**

**Supporters: 51**

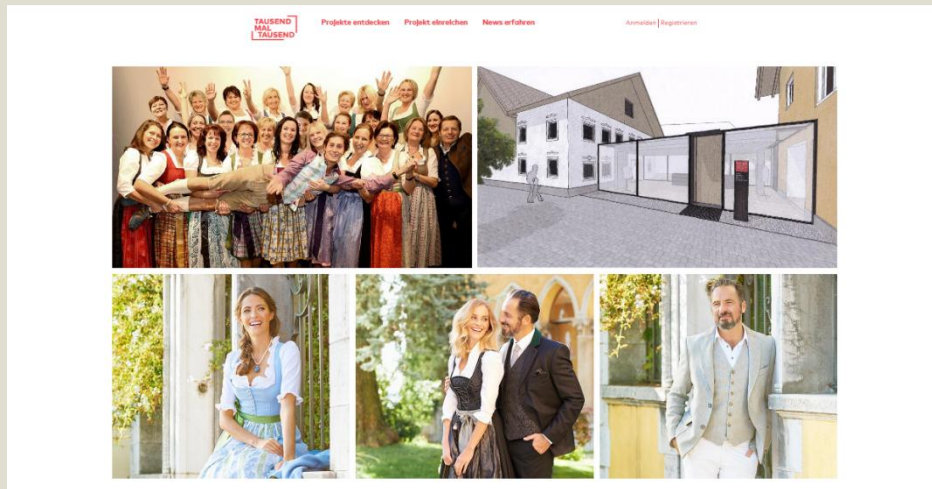
**Reward based**

Platform: Visionbakery, Germany

Country of the project: Germany

Link to project: <http://www.visionbakery.com/streuobst>





## Trachten Wimmer

WIMMER is a family owned company sewing traditional Austrian folk costumes. The sewery is led in the 9th generation by Monika and Stefan Wimmer and has 17 employees realising custom-made high quality folk costumes. Traditional folk costumes since 1741.

Customers could invest in the construction of the new showroom of the family business. The duration of the investment is about 7 years with different interest rates between 4-7%.



**Funded: 350.000 EUR**

**Target: 50.000 EUR**

**Investors:  
111**

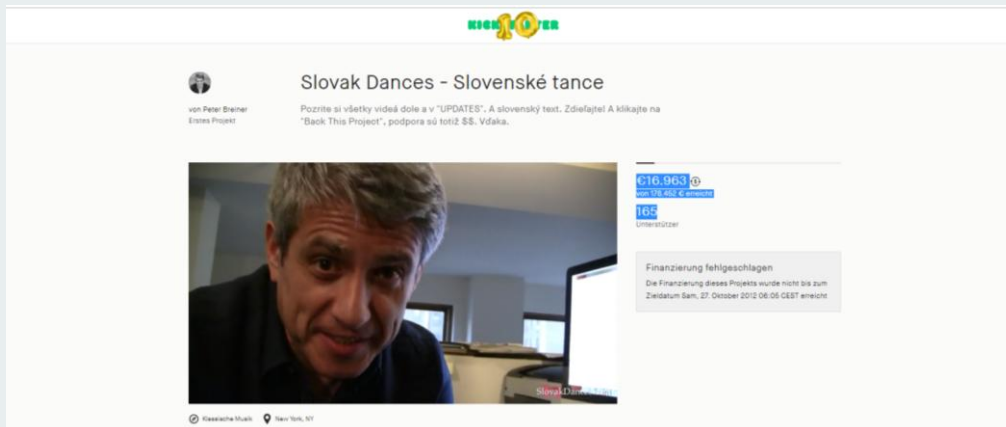
**Investment  
based/Lending**

**7 years/ 4-7%  
interest**

Platform: 1000x1000.at (Austria)

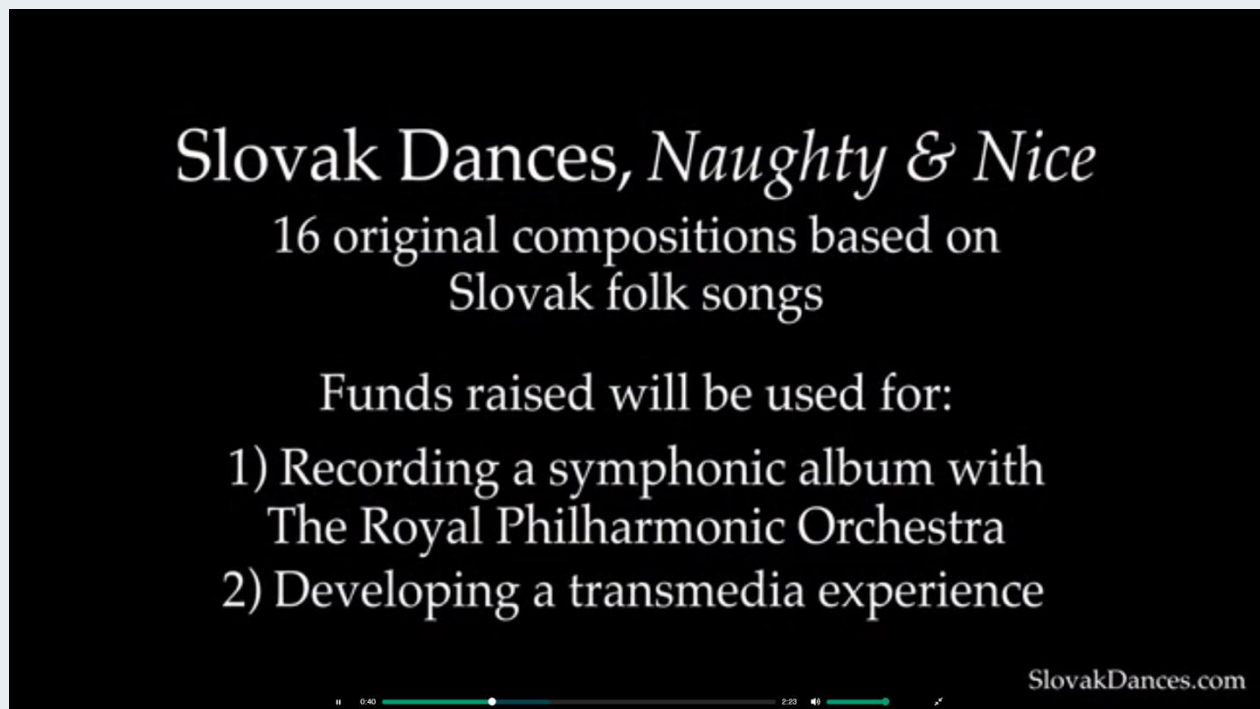
Country of the project: Austria

Link to project: <https://1000x1000.at/wimmer-schneider>



## Slovak Dances

Slovak Dances - Naughty & Nice, (Slovenské Tance - Pochabé i smutné) A new orchestral suite consisting of 16 individual music pieces rooted in Slovak folk tunes, written by renowned composer/conductor Peter Breiner, performed by the world's top musicians, recorded in the highest quality possible and experienced in an emerging new online form (transmedia) that will engage audiences, capture imaginations and push boundaries in contemporary classical music enjoyment.



**NOT** Funded: €16.963    Target: 178.452 EUR    Supporters: Presales CD, Concerts  
165

Platform: kickstarter (US)

Country of the project: Slovakia

Link to project: <https://www.kickstarter.com/projects/894873221/slovak-dances-slovenske-tance>

*This project collected nearly 17k EUR via kickstarter through 165 supporters, but wasn't funded as the funding target wasn't achieved. Most probably the funding target was too high.*



## Un passo per San Luca

A step for San Luca, the first and most important Italian initiative for civic crowdfunding promoted by a public administration, has been successfully concluded.

The project, launched in October 2013 by GINGER on behalf of the Municipality of Bologna with the aim of raising € 300,000, necessary for the opening of some restoration sites of the longest portico in the world, that of San Luca, has in fact exceeded its goal is gaining momentum, exceeding € 338,000 due to donations from over 7,030 supporters.

The Portico of San Luca in Bologna, which, at 3,796 meters, is the world's longest portico, is launching a crowd-funding initiative to help with the restoration of its arcades and frescoes.

People could contribute in two ways: they could either donate money for the restoration of one of the 658 arcs that make up the monumental portico, built between 1674 and 1715, or help prevent deterioration and eventual detachment of one of the many paintings and frescoes that adorn the walls.

The idea is to “Adopt an arcade” or to “Adopt a fresco”, as the organizers have written on the project's website, “Un passo per San Luca”.

Those who contribute to the restoration of an arcade, which would cost between 10,000 and 15,000 euros, will have a marble plaque affixed with their names.

Donations for frescoes are free. For 3,500 euros, a person can contribute to the full restoration of a painting. But people can also donate as little as 20 euros.

**Amount: 339.743 EUR**

**Supporters: 7.111**

**Donation based**

Platform: <https://www.ideaginger.it/> (Italy)

Co-investor: Municipality of Bologna, <http://www.comune.bologna.it/>

Country of the project: Italy

Link to project: <http://www.unpassopersanluca.it/>





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CLOSED

**The last film by Jan Švankmajer: Insects**

Legendary filmmaker Jan Švankmajer needs your help to produce his final feature film titled Insects.

Jan Švankmajer  
1 Campaign | Prague, Czech Republic

€273.059 EUR by 2.792 backers  
€241.820 EUR by 2.519 backers on Jul 8, 2016

FOLLOW

STORY FAQ UPDATES 28 COMMENTS 124

After more than four weeks, it's over. Thank you all for being so supportive – when we started out a month ago, we had really no idea how this might play out. You can't imagine how grateful we all are.

Select a perk

FEATURED

## The last film by Jan Švankmajer: Insects

After five long years of preparations, legendary Czech filmmaker Jan Švankmajer is almost ready to start filming his final feature film titled Insects, a misanthropic and surreal imagery echoing Kafka and the Čapek Brothers.

Jan Švankmajer (81) and his long-time producing partner Jaromír Kallista (77) are teaming up to make their last feature-length film.

A local pub in a small town. It's Monday and the bar is closed, chairs are turned up on the tables. The pub is empty except for six amateur actors sitting in a corner. They've met to rehearse "The Insect Play" by the Čapek brothers. On a raised platform across the room we see a stage, set for Act II of the play. As the rehearsal progresses, the characters of the play are born and die with no regard to time. The actors slowly become one with them and some of them experience frightening transformations....

Funded: 273.059 EUR

Target: 120.000 EUR

2.792  
backers

Donation/Rewards/Presale

Platform: Indiegogo (US)

Country of the project: Czech Republic


Link to project: <https://www.indiegogo.com/projects/the-last-film-by-jan-svankmajer-insects--4#/>



[PROJEKTY](#) [PRE AUTOROV](#) [KONTAKT](#) [€ Pridať projekt](#) [Prihlásiť sa](#)

## Mamina rusínska kuchyňa - kniha tradičných rusínskych receptov

Tatarčané pirohy, mačanka či holubky. Nechceme, aby tieto tajomstvá kuchyne Rusínov zapadli prachom. Prinášame Vám unikátnu trojazyčnú knihu Mamina rusínska kuchyňa, v ktorej objavíte 52 rusínskych receptov. Jedlá v knižke pripravila skutočná mama na skutočnom východe! Veríme, že aj vďaka Vám si rusínske špeciality nájdu cestu do hrncov v každom kúte Slovenska.



148%

**Kampaň bola úspešná**  
Podporené 14 767 €


**14 767 €**  
Minimálne potrebná suma 10 000 €

Literatúra
Vydávame a vaďa


## Mum Ruthenian cuisine - book of traditional Ruthenian recipes


Mum Ruthenian cuisine - 200 pages, 5 chapters, 9 opening pages

We divided the whole year of Ruthenian cuisine into five chapters - from Christmas, through Easter to everyday people in the village. The book is trilingual, recipes are written in Slovak, Ruthenian and English. We have entrusted the design of the book to Tomáš Kompaník, who has taken the traditional patterns used mainly as a folk costume in our region.




Chapter Autumn is about sauerkraut and mushroom recipes such as gussy, borsch and famous doves. Traditional Slovak raw material - potatoes, has a separate chapter in the book. Contains recipes for elk, nalešniky and gugel.





Book Mum Ruthenian cuisine with cotton bag 43 €

I order Mamina Ruthenian cuisine together with a cotton bag, where I take home a purchase ecologically. The price includes postage.



2x book Mum Ruthenian cuisine 53 €

One book is not enough. I want two. The price

**Funded: 14.767 EUR**    **Target: 10.000 EUR**    **344**    **Donation/ Presale supporters**

Platform: Startlab (Slovakia)

Country of the project: Czech Republic

Link to project: <https://www.indiegogo.com/projects/the-last-film-by-jan-svankmajer-insects--4/>





## 6. Raising awareness for Investors<sup>5</sup>

The examples from section 5 demonstrate that ICH crowdfunding can vary strongly. Depending on the project, the amount to be raised and the impact creation, completely different stakeholders can be involved.

However, one aspect in common is that all projects need the crowd to invest. Therefore it is important, not only to focus on the crowdfunding campaign and partnerships, but also to look at the potential investors. How can a campaign reach and convince them? How can institutions increase trust in alternative financing solutions such as crowdfunding?

In general, investors who want to start supporting projects or invest in projects and companies via crowdfunding, should be sure to support trustworthy campaigns.

The following checks are recommended before supporting a crowdfunding campaign:

- Platform: Is the project on a known platform? Are there any trust indicators, seals etc.
- Investors: Are there other investors supporting the project? Do they communicate via social media? Is there a public authority behind supporting the project?
- Project: Is the project well explained? Is there enough evidence provided, including a realistic video, explanations, external links, photos etc.?

### 6.1. What should investors know about finance?

First of all, an investor should always be aware that crowdfunding can mean the total loss of the investment. Therefore, it is recommended not to invest more than 5 to 10% of a household's total investment portfolio in crowdfunding. If the amount pledged to a campaign is higher and involves a financial return, a sound understanding of financial principles is indispensable.

Investors using crowdfunding as an investment tool should have a rough understanding about the features of different financial instruments, inflation, interest rates, and the structural terms and conditions of investment.

### 6.2. What rewards and interests are reasonable?

For typical ICH actors i.e. smaller cultural or creative projects, **reward-based crowdfunding** might be the most suitable model. In this case investors receive for their financial support a “thank you” or can pre-order or buy a product, service, entrance card to a festival etc. The average amount for this kind of crowdfunding support is usually around 100 EUR.

The range of interest rates on **lending-based crowdfunding platforms** generally varies between 2% and 10% for a 3 to 20-year duration. Similar to other financial instruments, interest rates reflect the risk of an investment. The higher the interest rates, the higher the risk of the project.

Investing in **equity-based platforms** means to obtain securities, e.g. in form of company shares, revenue shares etc. This might be an interesting investment form to support the growth or the expansion of a local ICH business. Depending on the company stage, the return of investment may take between 3-10 years.

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<sup>5</sup> For more details please refer to Crowdfundport (2018): DELIVERABLE D.T3.2.1, [Guidelines for Crowdfunders \(people who are supporting Crowdfunding ideas\)](#)



## 7. Engagement - Identify on local level potential cooperation pillars

Valorising intangible cultural heritage and looking for solutions on how to make local projects sustainable is strongly linked to establishing awareness, strong networks and trustful communities.

In order for ICH projects to reach funders beyond their social networks, crowdfunding platforms can act as intermediates that connect ICH projects with a crowd. By choosing a platform focusing on ICH or a project related domain/niche, ICH projects can reach a crowd that is more willing to invest in such projects. The platforms may also offer strategic advice that can positively affect the fundraising.

Signalling commitment to ICH project objectives can contribute to attracting funders. This is why a strong cooperation between the local ICH organisations, public authorities, the platform and the investors is crucial for leveraging the impact of crowdfunding.

Overall, the underlying issues with information asymmetry between entrepreneurs and funders make crowdfunding challenging. Although such issues are difficult to resolve, the below listed four collaboration pillars can contribute to mitigating these challenges and increasing ICH projects' chances of achieving fundraising success with crowdfunding:



An interesting way to both create trust and leverage funds for ICH project is matchfunding. This means, that public funding is matched with private funding via a crowdfunding platform.



Recently this form of crowdfunding is called civic crowdfunding, and the European Crowdfunding Network has established a working group, to explore this kind of match funding more in detail. The following citations are from the reports of this working group. More details can be found in these reports:

- European Crowdfunding Network (2017): The European Dimension of Civic Crowdfunding. The potential of crowdfunding for boosting the economic and social effectiveness of European Structural and Investment Funds<sup>6</sup>
- European Crowdfunding Network (2018): CF4ESIF report “Triggering Participation: A Collection of Civic Crowdfunding and Match-funding Experiences in the EU”<sup>7</sup>

“Civic crowdfunding is the practice of raising monetary contributions for public interest projects from a large pool of donors through crowdfunding platforms. Civic crowdfunding contributes to citizens’ empowerment since it allows them to collectively increase their well-being and solve societal issues.”<sup>8</sup>. Civic crowdfunding<sup>9</sup>, partnerships with public authorities, and co-investments through institutional investors will increase trust.

Challenges for public authorities to overcome consist in<sup>10</sup>:

- “Lack of knowledge about crowdfunding and how to best use it (both public authorities and citizens)”
- “Need for in-house capacity building”
- “Procedural barriers and bureaucratic difficulties”

There are different ways of supporting these match funding campaigns, e.g.

- London: In London the mayor has pledged over £1.2m to 77 successful crowdfunding campaigns, namely “community projects that have; revived historic markets, increased local access to training and skill development, brought underused spaces back to life and supported local economies with new social businesses, civic spaces and community resources that promote resilience.”<sup>11</sup>
- Barcelona: To support local economic development, Conjuntament’s objective is to support local initiatives of the City of Barcelona that contribute to the development of the neighborhoods. Crowdfunding campaigns taking part in this call will count on an important economic boost: for each € provided to the projects by citizens, Goteo Foundation will donate one € more.<sup>12</sup>

## 7.1. How to stimulate citizens’ engagement in ICH projects?

ICH is characterised by and lives from the local community. Both, public authority and citizen participation is absolutely essential to ensure the sustainability of local projects. Creating awareness and

<sup>6</sup> [https://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/11/Civic-Crowdfunding-and-ESF\\_Final.pdf](https://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/11/Civic-Crowdfunding-and-ESF_Final.pdf)

<sup>7</sup> [https://eurocrowd.org/wp-content/blogs.dir/sites/85/2018/07/ECN\\_CF4ESIF\\_Report\\_Triggering-Participation\\_2018.pdf](https://eurocrowd.org/wp-content/blogs.dir/sites/85/2018/07/ECN_CF4ESIF_Report_Triggering-Participation_2018.pdf)

<sup>8</sup> <http://www.worldurbancampaign.org/civic-crowdfunding-collective-option-urban-sustainable-development>

<sup>9</sup> <http://eurocrowd.org/2018/07/04/cf4esif-report-triggering-participation-collection-civic-crowdfunding-match-funding-experiences-eu-published/>

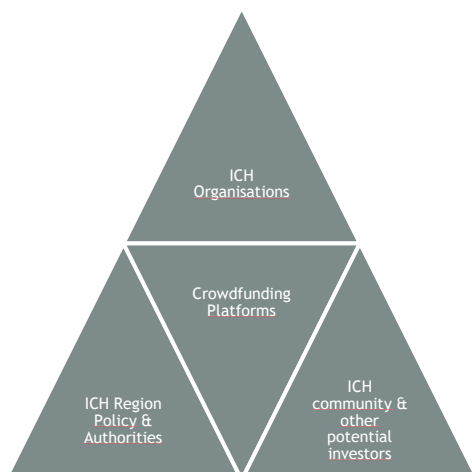
<sup>10</sup> European Crowdfunding Network (2018): CF4ESIF report “Triggering Participation: A Collection of Civic Crowdfunding and Match-funding Experiences in the EU”. P. 33. In: [https://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/11/Civic-Crowdfunding-and-ESF\\_Final.pdf](https://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/11/Civic-Crowdfunding-and-ESF_Final.pdf)

<sup>11</sup> <https://www.london.gov.uk/what-we-do/regeneration/funding-opportunities/crowdfund-london/about>

<sup>12</sup> <https://en.goteo.org/call/conjuntament>



increasing acceptance towards the development of ICH projects is crucial. One important policy strategy is to create participation schemes allowing to match public and private resources, e.g. via crowdfunding. The aim is to show that there are positive local benefits that are supported both by public and private funds. Typical for ICH projects is their local proximity and human dimension, which is often attractive for citizens willing to crowdfund a project. Adoption of citizen participation models for small ICH projects by explicit and simple rules is therefore needed, by collaborating with the ICH organisations, the crowdfunding platforms, the public authorities and the community/citizens/investors.



**Figure 2: ICH crowdfunding stakeholders**

## 7.2. Creating trust

Beyond raising awareness, as important for the effective diffusion of crowdfunding is the issue of trust. Especially in Eastern European countries the crowdfunding industry is not as developed as in some western countries which might be connected to cultural aspects including a general lack of trust towards alternative financing models.

To make ICH crowdfunding successful,

- ICH actors and public authorities have to trust that crowdfunding brings a relative advantage compared to their current situation or alternative options.
- Investors & citizens have to trust crowdfunding platforms and ICH project holders that they spend their money in the best possible way.
- Policy makers have to trust crowdfunding platforms as relevant partners that can contribute to realising their policy ambitions and support getting access to finance for SMEs.
- Crowdfunding platforms have to act in a responsible and transparent way, performing due diligence the best they can.



## 7.3. How can public authorities support ICH projects through crowdfunding?

“By working together with a credible actor like a local authority, projects that participate in the match-funding scheme get more credibility”<sup>13</sup>

So far, in Europe there are only a few examples and experiences of the collaboration between public authorities and crowdfunding. However, especially for ICH financing, this so called civic crowdfunding seems very promising.

This means, that the success rates for ICH crowdfunding campaigns are higher, if there is a public authority accompanying the campaign and committing their public resources to the project.

### 7.3.1. Obstacles and Challenges [Source: ECN (2018), p. 52f<sup>14</sup>]

“Although the crowdfunding sector has witnessed a consolidation of its position in the alternative finance landscape, two major challenges need to be addressed in order to facilitate the implementation of match-funding schemes and other models of partnership between public administrations and platforms.”<sup>15</sup>

- “The first obstacle is represented by the lack of knowledge suffered by crowdfunding platforms and public officials about potential synergies and reciprocal functioning mechanisms. Public budget lines and funding programmes are often targeting the same areas that are covered by crowdfunding platforms, with the only difference lying in the procedures required to access funding. Public authorities usually award grants through open tenders, which usually foresee heavy administrative procedures for beneficiaries until the project is implemented, while crowdfunding platforms allow organisations to collect funding in a shorter time and with less administrative burden, but don’t necessarily follow up with the project after the campaign is over.”<sup>16</sup>
- “The second obstacle lies in the insufficient information about crowdfunding that reaches broader citizenship and organisations. It is quite easy for individuals and organisations to obtain preliminary information about what crowdfunding is and how it generally works, but it becomes more challenging when they try to understand how they could set up their own crowdfunding campaign or which platform might be the best choice to host their project idea. The volume of information that needs to be researched might appear overwhelming to individuals and organisations, and the effort encompassed in gathering and comparing information might discourage them from launching their crowdfunding campaign for fear of not being sufficiently prepared.”<sup>17</sup>
- “A third and final obstacle is the little flexibility that public administrations enjoy when moving from the pilot phase to the integration of innovative schemes into their mainstream practices, especially in the funding domain. Public administrations face stringent limitations to the way public budget is managed, allocated, and reported, and even more so when innovative ways of

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<sup>13</sup> European Crowdfunding Network (2018): CF4ESIF report “Triggering Participation: A Collection of Civic Crowdfunding and Match-funding Experiences in the EU”. In: [https://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/11/Civic-Crowdfunding-and-ESF\\_Final.pdf](https://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/11/Civic-Crowdfunding-and-ESF_Final.pdf), p. 33

<sup>14</sup> Ibid.

<sup>15</sup> European Crowdfunding Network (2018): CF4ESIF report “Triggering Participation: A Collection of Civic Crowdfunding and Match-funding Experiences in the EU”. P. 33. In: [https://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/11/Civic-Crowdfunding-and-ESF\\_Final.pdf](https://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/11/Civic-Crowdfunding-and-ESF_Final.pdf), p.52ff

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.



combining own and private resources must phase-out of the pilot action and move towards a full integration into public budgets.”<sup>18</sup>

## 7.4. Combining alternative finance (crowdfunding) with traditional finance (banks)

For ICH projects it is difficult to get traditional funding. Crowdfunding can often fill this gap. Besides being a fundraising tool, it also offers excellent marketing benefits through its potential for building a community. The strong local dimension of crowdfunding is one of its main features that is relevant for financing ICH projects.

Getting a traditional bank loan is usually connected with a series of requirements not every ICH actor can fulfil. Due to strong regulations banks are restricted and cannot provide adequate financing, although they believe in the project or its importance. Further, ICH often is so “intangible” that a clear entity to get in contract with a bank cannot be determined. Especially for smaller initiatives, crowdfunding represents a good alternative as creating awareness and raising funds happens at the same time and supports the creation of sustainability.

For ICH actors wanting to expand internationally as they identified a community interested in their products/activities etc. Going beyond the local borders, crowdfunding might be either used for receiving the required equity for getting a bank loan (e.g. if banks require a 25% security) or to collect the required funding on larger international platforms and test the market.

But also banks can support crowdfunding. E.g. In Germany startnext has a cooperation with several local saving banks who use this channel to either test the market before offering a follow-up funding or to support smaller local, cultural etc. projects with matchfunding.<sup>19</sup>

Further, Munich represents a nice example of a crowdfunding ecosystem of banks, entrepreneurs and public authorities which could be adapted by other villages/regions/cities to support ICH funding: The Munich saving bank supports entrepreneurs with a financing consultation including crowdfunding, organising a micro grant of 3000 EUR (offered by the City of Munich) and ensuring a follow-up financing after a successful crowdfunding campaign.<sup>20</sup>

## 8. Conclusion

This handbook (Deliverable D.T2.2.5) has been created to encourage the development of partnerships between crowdfunding platforms and public and/or private funders, and to explore and pilot locally adapted match funding schemes and other types of collaboration for supporting ICH.

The aim of this handbook is to summarize high level aspects, which help public authorities, ICH projects and retail investors to understand the benefits of crowdfunding in the field of ICH. For this purpose this report starts with a basic introduction to crowdfunding, summarizes findings from a European Commission report on the impact of crowdfunding for culture, and demonstrates the challenges of crowdfunding ICH. To provide a clearer picture some very different examples of campaigns have been included and allow deriving recommendations for investors and public authorities when supporting ICH projects.

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<sup>18</sup> Ibid.

<sup>19</sup> <https://www.startnext.com/ueber/cofunding.html>

<sup>20</sup> <https://www.sskm.de/de/home/produkte/firmenkunden/gruendung-und-nachfolge/crowdfunding.html?n=true>