



FINCH Final Event

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Crowdfunding potential in European Structural and Investment Funds

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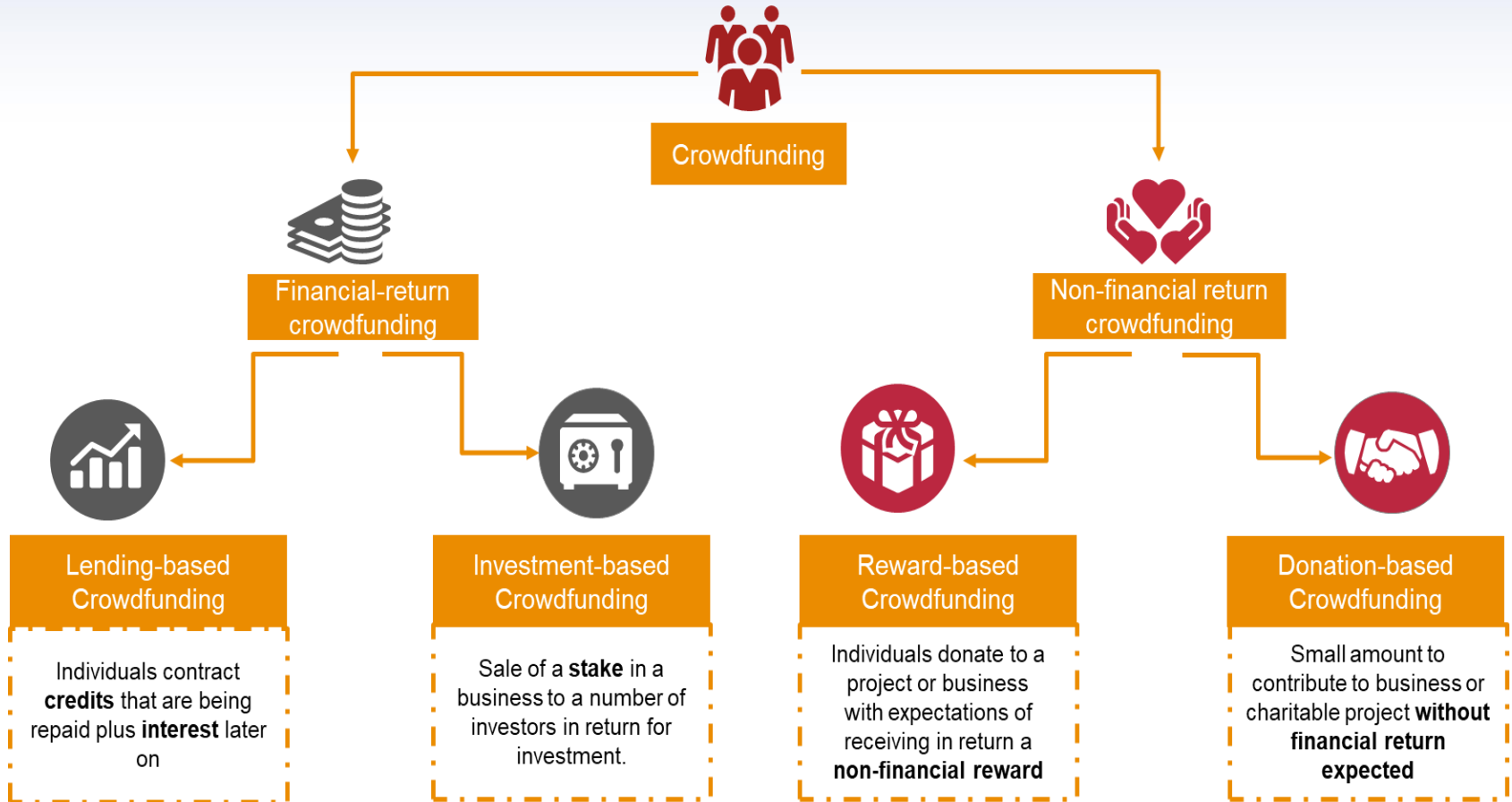


Overview of Study

- EP requested a study to explore possible synergies between crowdfunding and Cohesion Policy
 - Overview of European crowdfunding activities, markets
 - Identifying potential risks, legal analysis
 - Provide examples of existing practices
 - Develop blueprints for managing authorities
- Report finalized, available at https://ec.europa.eu/regional_policy/en/information/publications/studies/2021/unlocking-the-crowdfunding-potential-for-the-european-structural-and-investment-funds



Overview of Crowdfunding



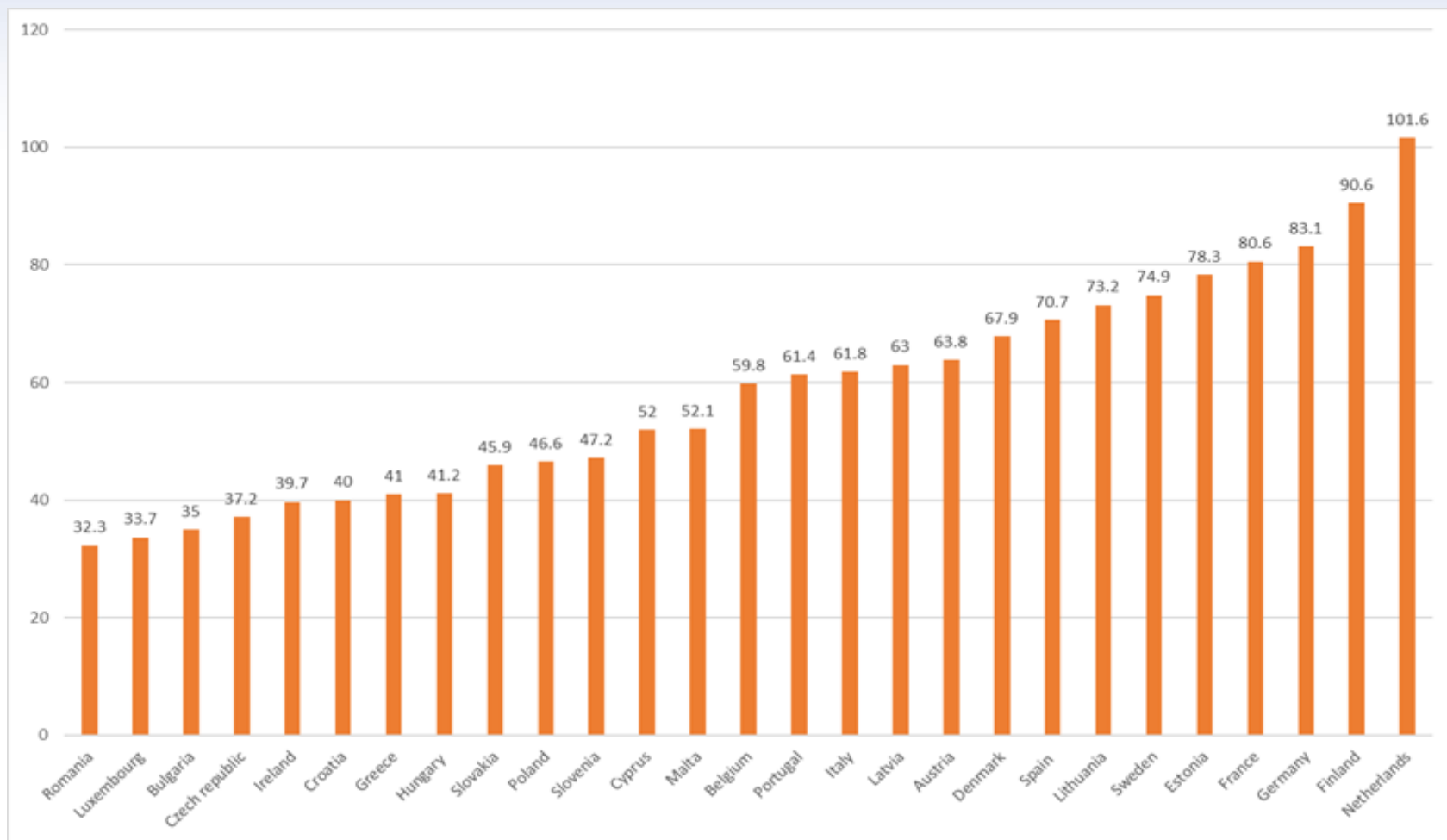


Overview of Crowdfunding

- Crowdfunding investments in EU are EUR 8 billion in 2019 and over EUR 10 billion in 2020
- Lending-based is dominant (70%)
- Regulation on European Crowdfunding Service Providers (ECSP)
 - Applicable to financial-return crowdfunding
 - Replaces national regimes from November 2021



Crowdfunding Market Readiness





Potential Risks & Benefits

Risks

- no standardised monitoring and reporting requirements
- citizens do not pay attention to selection criteria

Benefits

- helps increase private co-investment
- strengthen citizen engagement around (local) projects
- immediate feedback to entrepreneurs
- reach enterprises that are underserved by traditional financing
- potential to increase visibility for cohesion policy



Possible Options

Level of Interaction	Role of the MA	Model of integration under the Cohesion Policy
Facilitator	Providing non-financial support	Model 1: MA providing non-financial support to project owners and investors
Supporter	Providing financial support to platforms	Model 2: MA providing grants to platforms Model 3: MA providing financial instruments to platforms
	Providing financial support to investors	Model 4: MA providing grants to investors Model 5: MA providing guarantees to investors
	Providing financial support to project owners	Model 6: MA providing grants to project owners outside a crowdfunding campaign Model 7: MA providing financial instruments to project owners outside a crowdfunding campaign
Participant	Operating a platform	Model 8: MA establishing and operating its own platform
	Acting as supporter/ investor in a crowdfunding campaign	Model 9: MA acting as a supporter in a donation- or reward-based crowdfunding campaign Model 10: MA acting as an investor in a lending- or investment- based crowdfunding campaign
	Acting as a project owner	Model 11: MA acting as a project owner



Case Studies - 1

- City of Milan provided grants to project owners that successfully achieved a minimum investment in a crowdfunding campaign
- City of Bologna raising funds for its project via crowdfunding
- Promotional bank of Schleswig-Holstein setting up its own crowdfunding platform that citizens can use free of charge for local initiatives



Case Studies - 2

- Promotional bank of Bremen provided micro-credits to entrepreneurs who successfully secured investment from at least 25 investors in a crowdfunding campaign
- BPI France investing in an SME fund that also secured co-financing via crowdfunding
- Netherlands Enterprise Agency (RVO) providing guarantees to investors in crowdfunding campaigns, as part of the Dutch COVID recovery programme



Blueprints – Overview

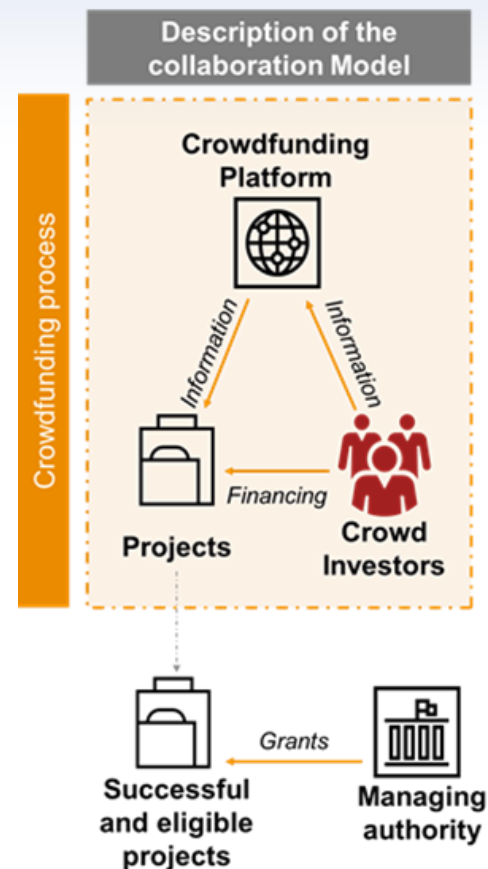
	MA providing grants outside the Crowdfunding campaign	MA investing through a lending-based crowdfunding platform	MA providing guarantees to investors	MA operating a crowdfunding platform
01 Type of model	Outside the crowdfunding campaign	Inside the crowdfunding campaign	Inside the crowdfunding campaign	N/A
02 Relevance to level of market readiness				
03 Degree of complexity				
04 Role of the managing authority	Supporter	Participant	Supporter	Participant
05 Sectoral focus & target	<ul style="list-style-type: none"> • Art & culture • Sport • Social development <p>➤ Social enterprises and NGOs</p>	<ul style="list-style-type: none"> • Economic development – including SME support <p>➤ SMEs</p>	<ul style="list-style-type: none"> • Economic development • Innovation, including greentech <p>➤ Start-ups and SMEs</p>	<ul style="list-style-type: none"> • Social development • Economic development <p>➤ Social enterprises, NGOs and SMEs</p>



Blueprint 1: Grants outside a crowdfunding campaign

MA provides grants to projects that had secured financing through a crowdfunding campaign

- Simple set up offer two main benefits:
 - Raising additional (private) investment
 - Focus citizens' attention to projects
- Need to clearly define responsibilities and eligibility criteria
- MA determines its engagement (e.g. retain project selection or delegate it to platform)

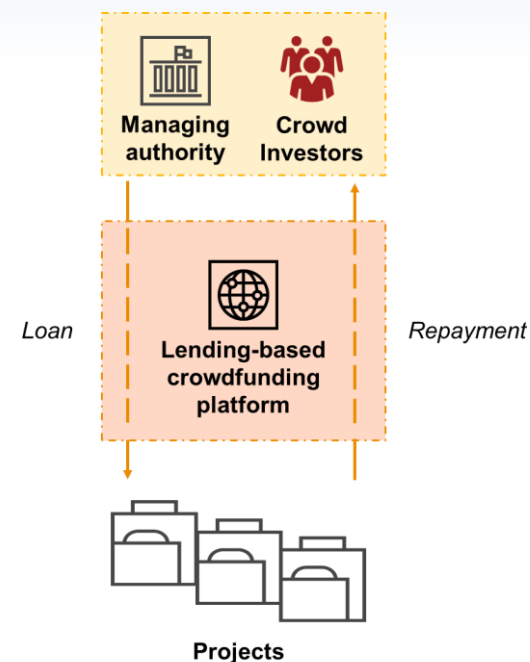




Blueprint 2: Investing through a lending-based platform

MA provides loans to projects as co-investor in a crowdfunding campaign

- Similar to a traditional loan instrument but
 - loans are channeled through platform
 - co-lenders are the crowd investors
- Collaboration with regulated crowdlending platform (under AIFM or MiFID): platform selects projects based on pre-agreed eligibility criteria and carries out overall management and monitoring

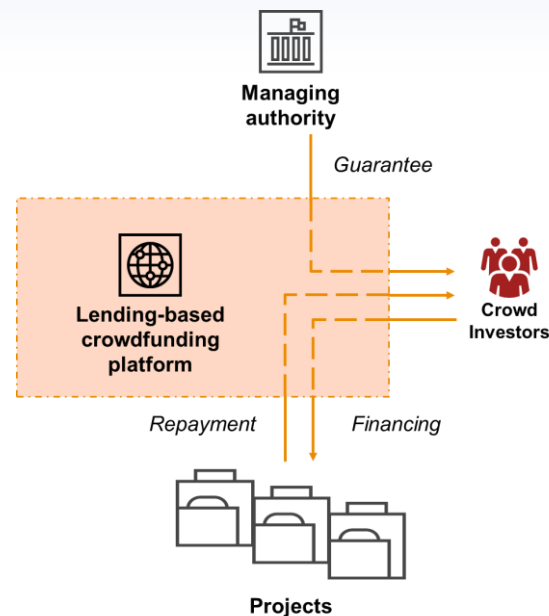




Blueprint 3: Providing guarantees to investors

MA provides guarantee to investors in crowdfunding campaigns

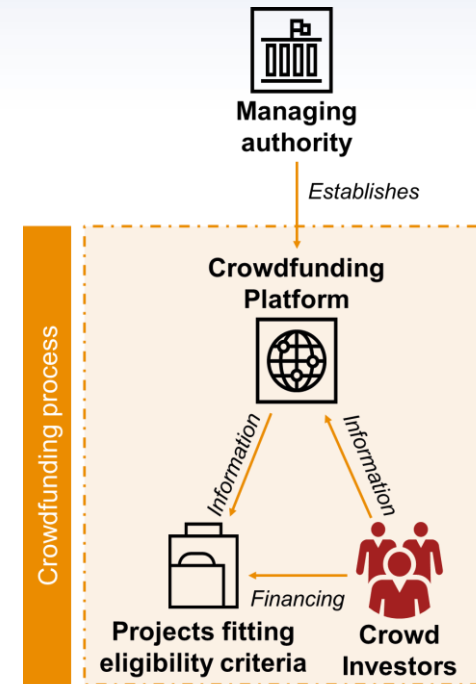
- Requires relatively advanced crowdfunding market and financial sector
- Flexible: guarantee obligatory or optional, free or charged, loan-to-loan or portfolio, capped or uncapped
- Encourages small scale investments thus contribute to general financial literacy



Blueprint 4: Operating a crowdfunding platform

MA sets up and operates its own crowdfunding platform

- Requires significant commitment
- Out of profile for MAs, more often established by promotional bank
- MA can simply offer services of the platform free of charges for citizen initiatives or list own projects





Thank you