



Opportunities and challenges for crowdfunding in ACP countries

Thursday 11.02.2021, 2:00- 3:30 PM CET

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Time	Agenda
2:00-2:10	<p>Welcome speech and introduction</p> <ul style="list-style-type: none"> • Yasmine Galloul, Project Coordinator, Expertise France • Mr. Escipi3n Joaqu3n Oliveira G3mez, Under-Secretary General in charge of the Structural Economic Transformation and Trade Department, OACPS
2:10-2:15	<p>Presentation of the ICR Facility</p> <ul style="list-style-type: none"> • Yasmine Galloul, Project Coordinator, Expertise France
2:15-2:40	<p>Presentation of the conclusions of the study on the Opportunities and challenges for crowdfunding in ACP countries</p> <ul style="list-style-type: none"> • Camille Costantini, Consultant in participatory financing, MIPISE
2:40-3:05	<p>Round Table</p> <ul style="list-style-type: none"> • Mazen Al Kassem, Technical Expert Entrepreneurship & Innovation, Expertise France • Eric Ntonfo, President & Founder of the Fiatope crowdfunding platform • Thameur Hemdane, Managing Director Afrikwity, Co-Chairman of the Collaborative Finance group for Africa • Alain Nkurikiye, Founder and Director of Wajenzi
3:05-3:25	Questions and Answers
3:25-3:30	Individual support offered by the ICR Facility

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Welcome words

Mr Escipión Joaquín Oliveira Gómez

Under-Secretary General in charge of the Structural Economic Transformation and Trade Department
ORGANISATION OF AFRICAN, CARIBBEAN AND PACIFIC STATES (OACPS)

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Investment Climate Reform Facility (ICR Facility)

Funding	EU, OACPS in the framework of the 11th EDF, with BMZ and the British Council
Objective	Support African, Caribbean and Pacific countries and regional institutions in their public-private dialogue process to create a more favourable and sustainable investment climate.

Technical assistance of up to 90 days for interventions:

- **Reform of the business environment** 
- **Business Environment for Sustainability** 
- **Public-Private Dialogue (PPD)** 

Applications must :

- aim to improve the business and investment climate in an ACP country
- be part of a broader strategy, reform process or DPP mechanism
- have a PPD component 
- To be submitted by governmental organisations, business associations, development finance institutions (DFIs) and EU delegations in ACP countries

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Opportunities and challenges for crowdfunding in ACP countries

ICReport 1 : series on innovative financing

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Presentation of the study

This report seeks to define the modalities for the use of crowdfunding in ACP member countries.

Particular attention was paid to the financing of small and medium-sized enterprises.

This report is mainly addressed to public policy actors in ACP countries and to the vast ecosystem of crowdfunding and proposes to answer the following question:

- Why should public policies undertake initiatives to promote crowdfunding?

This report consists of three parts:

- State of play and definition of crowdfunding
- Why should the public policies of ACP countries work towards the development of crowdfunding on their territory?
- What are the recommendations to support the use of crowdfunding as an alternative and complementary financial service?



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State of play and definitions of crowdfunding

An overview of crowdfunding in the world and in ACP countries

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Crowdfunding

Crowdfunding

- Crowdfunding is an online, collective and community-based fundraising system. It harnesses the power of the Internet and social media to enable project leaders to raise funds from personal and professional networks, as well as geographic and affinity groups. This capital can take the form of a contribution, an equity investment or a debt instrument, offering potential financing solutions in all sectors and at all stages of business development.

Alternative finance

- Alternative finance encompasses a set of financial processes and instruments that have emerged outside the traditional financial system, such as banks and regulated capital markets. The term includes multiple tools such as crowdfunding, onboard solidarity, online pools, factoring, corporate loan funds, consumer loans etc.

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The different forms of crowdfunding

DONATION	READY	INVESTMENT
<p>DONATION WITHOUT RECOMPENSE Donation campaign carried out by a legal or natural person, with no quid pro quo offered to donors.</p>	<p>NON-REMUNERATED LOAN The contributor is reimbursed for his or her initial investment but does not receive any interest.</p>	<p>CAPITAL A company raises funds from individual investors by offering them shares in the company's capital in return</p>
<p>DONATION WITH REWARD Donation campaign with symbolic counterparts often linked to the project's supporting structure.</p>	<p>READY TO PAY A company benefits from a credit in a shortened timeframe, with a return on investment for the contributor negotiated upstream.</p>	<p>ROYALTIES A contributor invests without taking part in the company's capital, in exchange the investor benefits from a right to a percentage of the turnover developed by the company or of the sales of a product.</p>
<p>PRE PURCHASE Donation campaign assimilated to a pre-purchase, the donor will receive a counterpart.</p>	<p>OBLIGATION Financial security issued directly by a company seeking funds to finance its growth or a project. The contributor receives fixed annual interest, negotiated in advance.</p>	

A timid evolution of crowdfunding in ACP countries

Crowdfunding is a strategic and complementary investment vehicle, especially for start-ups, which suffer from a lack of credibility with traditional financiers. It enables a loyal community to be gathered around the project leader and to test the market's appetite for the product or service sold.

For the ACP countries, crowdfunding offers a new way of capital formation, which can certainly reduce problems such as geographical isolation, banking exclusion, limited size of addressable capital etc.

For example :

18% of the beneficiaries of alternative finance in Africa have no access to any traditional financial services and 60% have only partial access to basic financial services, compared to 1% and 25% respectively in the United States and 1% and 5% in Europe.

Crowdfunding is an instrument adapted to the financing of enterprises and can be a tool for entrepreneurial inclusion.

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34 billion raised by crowdfunding platforms worldwide in 2017

United States: \$17.2 billion

Asia: 10.54 billion dollars

Europe: 6.48 billion dollars

Latin America: 85.74 million dollars

Oceania: 68.8 million

Africa: 24.16 million

The potential of crowdfunding in ACP

According to the World Bank's 2013 report

"Crowdfunding's Potential for the Developing World", crowdfunding could represent a potential of \$93 billion a year by 2025 for developing countries.



Why work on the development of crowdfunding in ACP countries?

What economic and social opportunities?

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An economic and financial driving force for companies

Financing by the Diaspora

- In 2019, remittances sent by the African diaspora to the continent reached nearly 70 billion euros. An amount which represents almost as much as official development assistance and the share of foreign investment in Africa.
- Crowdfunding represents the opportunity to mobilise a part of these remittances and to offer the Diasporas a secure digital investment tool for the economic development of the territory, the growth of businesses and the creation of jobs.

B2B financing

- In 2019, the African continent saw an increase in investments in its start-ups. Fields such as agritech or health remain on the margins, despite their social and economic impact. Crowdfunding improves the distribution of portfolios of specialised funds and large groups.
- A company with surplus cash can choose to invest in a loan or in the capital of a business. VSE/SMEs gain visibility, reliability and improve their financial situation. The partnership between companies strengthens their potential for innovation and competitiveness.

Support for financial inclusion

Financial inclusion is at the heart of the Sustainable Development Goals and aims to reduce barriers of financial exclusion and make finance accessible to a population excluded or underserved by conventional financial systems.

Participatory financing can accelerate financial inclusion:

- It is accessible to as many people as possible and broadens the circle of investors and the amounts collected.
- It allows the investor to directly select his preferred investment opportunity, thus being able to select specific investments in line with his own values and appetite.
- It offers an alternative to the problems of geographical isolation of certain regions and attracts local, regional and international investors, thus offering greater opportunities for local production and innovation.
- It encourages the use of digital tools and the deployment of alternative payment solutions: example of mobile payment

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The case of social enterprises

In addition to redistributing financial flows to the economic sector and corporate growth, crowdfunding is a powerful lever for multiple ecosystems in need of complementary funding.

Among these actors, social enterprises are representative of the financing problems encountered in ACP countries.

Social enterprises are essential to the community and contribute to the implementation of public policies, particularly in fragile states, by providing public service missions and restructuring local economies.

Social enterprises and crowdfunding: what synergies are possible?

The British Council and Social Enterprise Ghana have set up a working group to encourage the creation of crowdfunding platforms to finance Ghanaian social enterprises.

In Ghana, where the financing of social enterprises has always been seen as a major challenge, access to crowdfunding opens a window of opportunity for investors to invest in projects with positive impacts and to finance the capital of social enterprises.

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A tool for participatory democracy

A public authority can activate a crowdfunding approach to :

- Submit your projects to the decision of the inhabitants and encourage a participative policy.
- Support local actors (companies, individuals and associations) and promote entrepreneurship, social co-construction and the emergence of innovative local projects.

Crowdfunding makes it possible to place the citizen at the heart of development issues:

- By boosting the local economy and the reappropriation of the territory
- By channelling the savings of individuals towards projects of general interest (environment, culture, heritage, education, sport, etc.).
- Contributing to providing a united response in times of crisis.

Crowdfunding is an additional support for isolated regions, situations of lack of visibility and the search for citizen, collective and solidarity support, whether local or international.

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What are the limits of crowdfunding?

Crowdfunding remains an alternative financial market that can present limits for project leaders:

- Platforms are selective, projects can be denied access to fundraising
- Crowdfunding does not guarantee that the business project will find investors.
- Fundraising requires a significant marketing and communication investment.

Governments around the world continue to stimulate crowdfunding, mainly by adopting specific regulatory frameworks to reassure investors and combat fraud and money laundering attempts that may be channelled through digital platforms.

Within the framework of a policy of ownership and development of crowdfunding in ACP countries, the subject of regulation is a key step.

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What approaches to support the use of crowdfunding as an alternative and complementary financial service?

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A regulatory recommendation

This report seeks to focus its recommendations around the subject of regulation, a key step in the development of crowdfunding.

In countries where crowdfunding is experiencing sustainable growth, the introduction of specific regulations governing its activities has been a determining factor in the development of the sector and its professionalisation.

For public policies, regulatory work must be accompanied by consultation with actors in the crowdfunding sector, the supervisory authorities and traditional financiers.

A major awareness-raising effort must be carried out by experts in the field, prior to any implementing decree.

According to a study conducted by the GIZ and the European Union in 2017 on the foundations of crowdfunding and the main international practices, countries that have adopted regulatory frameworks have worked on all four areas:

- Definition of the regulatory bodies that will be able to approve and control crowdfunding actors and activities.
- Definition of the criteria for setting up crowdfunding platforms according to the nature of their activities.
- Definition of investor protection rules (transparency, balanced risk information, thresholds, etc.).
- Definition of the conditions linked to the financing operation (information, thresholds limiting operations, etc.).

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Definition of the regulatory bodies regulating the activity

The example of France

- Two main institutions have been mandated to supervise the use of crowdfunding, the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the AMF (Autorité des Marchés Financiers). A third player, ORIAS, is in charge of listing all legal crowdfunding platforms in France. This regulatory complementarity has made it possible to develop the market throughout the country and win the confidence of project sponsors and investors.

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The example of Morocco

- Faced with the reluctance of traditional financiers, Morocco has appointed the Central Bank to supervise crowdfunding activities in the same way as banks. An important work of sensitisation of the banks is to be carried out on the complementarity of crowdfunding. It is essential to include traditional lenders in crowdfunding activities and to develop potential synergies between the two ecosystems.

Definition of the criteria for setting up the platforms

Crowdfunding platforms are the key element of participatory financing. The rules relating to the function of the platform determine the proper execution of crowdfunding.

The case of the European Union :

Coming into force in November 2020, the new European framework for crowdfunding offers platforms a scheme for "European providers of participative financing services for enterprises", based on an ORT status and not on a consultative status.

In France, for example, a crowdfunding platform can provide tailor-made recommendations to an investor. The platform assists the investor, can submit opinions and decides on the investor's investment capacity.

ORT status removes the obligation for platforms to support and assess the investment capacity of contributors. The investor is autonomous in assessing its investment capacity.

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Define conditions related to the financing operation

The regulator must provide the ecosystem with specific rules to protect contributors, depending on the investment vehicle.

In France, a crowdfunding platform operating in debt or equity instruments must submit a specific file to any incoming investor, including the following steps:

- Explanation of the process
- Entry of personal information,
- Entry of the investor profile (suitability questionnaire submitted to the platform manager for validation),
- Download of supporting documents (KYC)
- Signature of the investor agreement.

Once the application has been validated, the investor has access to the projects carried by the crowdfunding platform.

The crowdfunding platform has an essential role to play in protecting investors and managing project leaders. It is up to the public authorities to support the platforms to ensure market growth and the sustainability of the sector.

To avoid any form of abuse and to control market dynamics, the definition of collection thresholds for project leaders and the investment amounts accessible to contributors is a reflection to be taken into account in the regulatory process.

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Opportunities and challenges for crowdfunding in ACP countries

Round table discussion

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Panel Discussion

- Mazen Al Kassem, Technical Expert Entrepreneurship & Innovation, Expertise France
- Eric Ntonfo, President & Founder of the Fiatope crowdfunding platform
- Thameur Hemdane, Managing Director Afrikwity, Co-Chairman of the Collaborative Finance group for Africa
- Alain Nkurikiye, Founder and Director of Wajenzi

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Questions and Answers

Please write your question in the Chat.

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Mipise

Next Events in the Innovative Finance Series

Democratising access to social finance – Green and Social Enterprises in the Pacific and the Caribbean

Date & Time: 25.02.2021, from 9PM to 10PM CET

Language: English

Invitation and registration link in the chat function

The Prets d'Honneurs ("Loans on honor") : a useful instrument to support entrepreneurs in ACP countries

Date & Time: 11.03.2021, from 2PM to 3:30PM CET

Language: French

Registration link in the chat function

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Clinics of the ICR

Targeted support: virtual and individual support sessions

- Eligibility: public or private actor based in an ACP country
- Slots will be allocated according to availability.
- Aid will respect a regional balance across all ACP countries.



Exchange directly
with us and get
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organisation

- Express your interest until 25 February 2021 via info@icr-facility.eu.
- Indicate your organisation and the questions you wish to ask.



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