

Alternative funding and Interreg

10/06/2024

Online, 13:30 – 15:30 CET

Meeting summary

Aim of the meeting

The information session on alternative funding and Interreg brought together Interreg programme's representatives, project partners, EU Commission representatives and key experts on the topic to raise awareness and explore the opportunity for Interreg programmes to leverage on alternative financing instruments to channel resources and engage a broader community in supporting cross-border projects and initiatives that promote collaboration, innovation and sustainable development across regions.

The session aimed to provide Interreg programmes practitioners with a comprehensive understanding of alternative financing options such as crowdfunding, crowdsourcing and fund matching through informative presentations and first-hand project examples funded by Interreg programmes.

Introduction to alternative finance - Georgie Friederichs, CrowdfundingHub

(Main reference document: [Unlocking the crowdfunding potential for the European Structural and Investment Funds](#)).

CrowdfundingHub, a think tank on alternative finance, assists governments and the European Commission in developing new financial instruments and conducts research projects.

Alternative finance instruments

- **Crowdsourcing:** involves engaging the crowd for ideas or testing without financial participation. Effective for policy development and gaining crowd input.
- **Crowd matching:** combines funding from both the project authority and the crowd. Useful for fostering involvement and co-financing projects.
- **Crowdfunding:** involves the crowd financially contributing to a project, with or without financial returns.

Steps for choosing the right instrument

1. **Define involvement goals:** understand why the community is involved and what is to be achieved (e.g., funding, visibility, commitment).

2. **Identify the community:** determine who the community is and their interest in the project.
3. **Assess community risk profile:** evaluate the community's risk capacity and appetite to ensure the chosen instrument aligns with their capabilities.
4. **Select appropriate instrument:** based on goals, community profile, and risk assessment, choose between crowdsourcing, crowd matching, or crowdfunding.
5. **Implement and monitor:** ensure the chosen instrument is effectively integrated and continuously monitored.

Please note: before you start the crowdfunding steps as a region or Managing Authority it is of course important to define your policy goal and policy instrument.

Types of crowdfunding

- Financial return crowdfunding
 - Loans: the crowd provides loans to a company, which are repaid with interest.
 - Equity: the crowd invests in exchange for shares, receiving returns only if the company profits.
- Non-financial return crowdfunding:
 - Donation-based: the crowd donates without expecting any financial return.
 - Reward-based: the crowd receives non-financial rewards (e.g., discounts, free services) in return for their investment.

Role of authorities in crowdfunding

- **Facilitator:** provides non-financial support, connects parties, and offers guidelines and best practices.
- **Supporter:** provides grants or financial instruments like guarantees to reduce investor risk.
- **Participant:** initiates projects, invests in them or operates crowdfunding platforms.

Benefits and challenges

Engaging the crowd increases project visibility, commitment and community involvement.

Selecting the right funding mechanism is crucial to align with community risk profiles and project goals.

Regulatory differences and local conditions can affect the implementation of crowdfunding initiatives.

Examples

Various projects in Iceland, the UK and France demonstrated different approaches to involving the crowd, highlighting the importance of tailoring the approach to specific community needs and project goals.

Examples included reward-based funding for a bookshop in the Netherlands and a geothermal energy project in Hungary, showcasing diverse applications of crowdfunding.

Hands on three project examples - Anja Prislán, E-Institute, Institute for Comprehensive Development Solutions

Experiences from three Interreg funded projects was shared:

CROWD-FUND-PORT, funded by Interreg Central Europe programme (2016-2019)

The project focused on understanding and promoting crowdfunding in Central Europe. It addressed disparities in the development of financial markets and crowdfunding between countries. The project provided training and supported 99 crowdfunding campaigns, achieving a 62% success rate and raising €2.1 million Euro.

BLUE CROWDFUNDING, funded by Interreg MED programme (2019-2022)

Building on the previous experience, challenges and lessons learnt, the project aimed at enhancing capacities of business support institutions and using crowdfunding for blue economy sector projects. Activities included train-the-trainer programs and testing civic crowdfunding in the involved regions. Challenges were encountered in convincing regional authorities and organizing workshops to align community interests with civic crowdfunding projects.

CROWDFUNDMATCH, funded by Interreg Europe (2023-2027)

The current project activities are focused in testing the combination of ESIF funds with crowdfunding to leverage regional development. Emphasizes citizen engagement and commitment through combined public and private funding. It aims to develop a methodology for other regions to implement similar strategies.

Q&A discussion:

Q:

Do you have any recommendations for public authorities on how to assess the risk-bearing capacity or risk profile of the community? What to take into account as starting points and sources to use since many authorities seem to struggle with this aspect?

A:

You can start with **stakeholder research**: conducting stakeholder research similar to marketing research to understand the community better. Marketing companies often possess extensive data that can provide a good picture of the community's characteristics.

However, caution should be used and avoid relying solely on pre-selected groups. Depending on the project's goals, emphasis should be put on the need to engage a diverse community

The approach: the authorities should not start with what is my crowd. They should start with *what do I want for the crowd* or *what do I want to give them* or *what do I want to do together with them*. Authorities should start with clear objectives for the community and then identify the target group that aligns with these goals. This approach helps in tailoring projects to meet specific needs and ensures broader community engagement.

Reflections on next steps:

- Potential for Interreg programmes: alternative funding mechanisms like crowdfunding, crowd sourcing and fund matching offer significant potential for enhancing community involvement and securing additional funding for Interreg projects.
- Further activities: continue with information sessions, workshops and training sessions for programme practitioners to build capacity and understanding of alternative finance tools.
- Identifying best practices and successful case studies to share with Interreg practitioners.
- Explore how the regulatory framework can support and ease the use of the instruments in the Interreg context.

Relevant documents and reading materials:

- [Unlocking the crowdfunding potential for the European Structural and Investment Funds](#)
- [The European Crowdfunding Market Report 2023](#)
- [Crowdthermal 2.1. best practices in Europe](#)
- [Crowdthermal 2.3 innovative finance mechanisms](#)
- [Crowdthermal 4.3 steps to follow](#)
- [CROWD-FUND-PORT](#)
- [BLUE CROWDFUNDING](#)
- [CROWDFUNDMATCH](#)