



# Crowdfunding as alternative way for project financing



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# Crowdfunding

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- 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.



# Types of Crowdfunding

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

# Motivations of Crowdfunding

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- **Motivation of funders** : There are three different motivations for people who want to participate in crowdfunding: social return, material return and financial return.
- **Motivation of business/project owner** : Besides raising money, crowdfunding allows to gain feedback on critical parts of the product before its release into the public marketplace in a short period of time.

# Market size of Crowdfunding

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- According to the 2nd European Alternative Finance Industry Report, the European market as a whole, covering a range from equity-based crowdfunding to peer-to-peer business lending and from reward based crowdfunding to debt-based securities, grew from **€2,833m in 2014 to €5,431m in 2015.**

# Market size of Crowdfunding

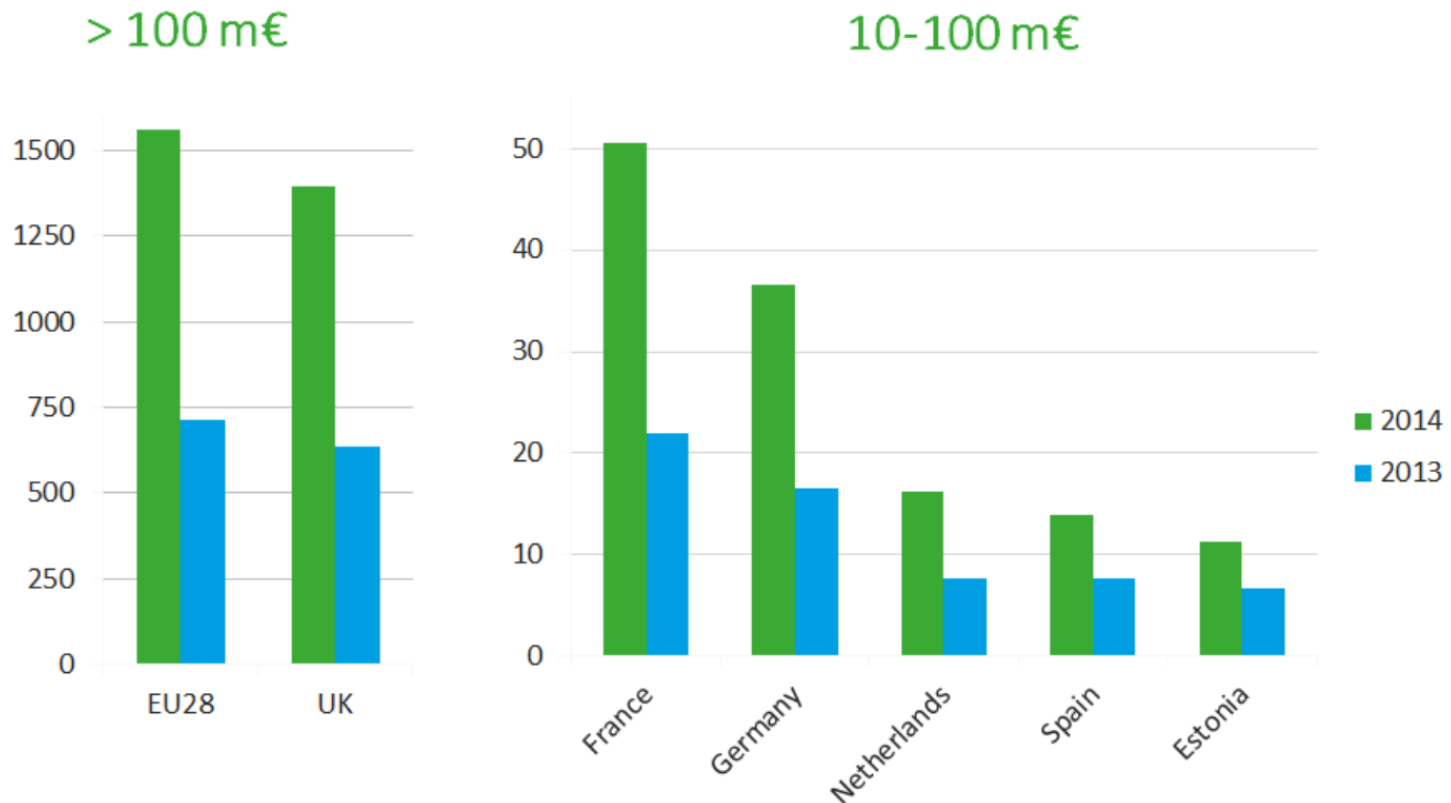


Figure 2: European markets with annual raised amounts exceeding €10 million  
(Source: Crowdfunding: Mapping EU markets and events study)

# RES Crowdfunding

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- 9 Member States have Crowdfunding platforms specialized exclusively on RES
- Projects: Germany, UK, France, Italy, Austria, Portugal, Spain, Netherlands and Finland;
- All Member States have crowdfunding platforms;
- 3 Eastern EU Members States have small RES projects where crowdfunding platforms were utilised as financing mechanism (Croatia, Estonia and Romania).

# Policy recommendations on regulatory and market framework improvements for crowdfunding RES projects

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# EU regulation of Crowdfunding

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## Directives

- AIFMD (Directive 2011/61/EC)
- UCITSD (Directive 2009/65/EC)
- The Markets in Financial Instruments Directive MiFID (Directive 2004/39/EC) and MiFID II (Directive 2014/65/EU)
- Prospectus Directive (Directive 2010/73/EC)
- Payment Services Directive (Directive 2007/64/EC) and Payment Services Directive II (Directive 2015/2366)

## Regulations

- MiFIR (Regulation no. 600/2014)
- Prospectus Regulation (Regulation No 809/2004)

# Policy recommendations

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- Recommendations related to the regulatory framework and market growth
  - Legal definition for crowdfunding models and actors
  - Cross-border investments
  - Harmonisation (Prospectus, Licence, Transparency)
  - Investment ceilings and thresholds
  - Regulatory barriers for RES developers seeking capital
  - Capital at risk
  - Guiding principles on incentive schemes for citizen financial participation

# Policy recommendations

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- Recommendations related to Transparency, confidence and reputation of crowdfunding platforms
  - Access to information
  - Trustworthiness
  - Fraud avoidance
  - Project or platform exit

# Thank you

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