

DRAFT

Realising the full Potential of Crowdfunding Initiatives

The Bielsko-Biała Declaration

approved on 18 November 2011 at *Agorada 2011+*

The Bielsko-Biała Declaration proposes general guidelines for the support of crowdfunding by Member States, Regions and Cities in order to fully realise the potential of that funding source. It encourages the EC to develop a collaboration framework and knowledge exchange system that facilitates access to information on this new industry and promotes the adoption of common regulations at national level.

The Bielsko-Biała Declaration is the outcome of cooperation between Eurada members, Crowdfunding Initiative managers and the TAKE IT UP Project EVP Team.

INTRODUCTION

Crowdfunding – Literally "funding by the crowd", crowdfunding consists in financing projects by individuals using social networks. After having proved itself in financing works of art (films, CD, design objects...), this financing technique now takes the form of donation, microcredit, loans and risk capital for SMEs.

Crowdfunding is a rather new mechanism to match innovators/entrepreneurs and investors. In the USA, the concept started around 2005, even if the first crowdfunding platform for investment in start-ups opened in 2010.

For the USA, data shows that end 2010 approximately 1 billion US dollars were "crowdfunded". This first threshold was reached in five years. By end of 2012, it should reach 5 billion¹. To our best knowledge, similar data is not yet available for Europe.

It is worth mentioning that Wikipedia has raised more than 23 million US Dollars in two financial rounds.

As already mentioned, crowdfunding fits a wide variety of needs and types of funding. To illustrate this statement we provide below some examples of European crowdfunding initiatives divided by:

Financial tool used:

- Loans SMAVA (DE) www.smava.de
Zopa (UK) Loan from individual to individual <http://uk.zopa.com>
(P2P)
- Equity • Crowdcube (Exeter, UK) www.crowdcube.com
• Wiseed (Sud-Ouest, F) www.wiseed.fr
• Seeds (ABN Amro Bank, NL) www.seeds.nl
- Microcredit Babyloan (FR) www.babyloan.fr
- Donation Easy Fund Raising UK www.easyfundraising.org.uk

Sectoral target:

- Creative industry www.mymajorcompany.com (France)
- Design www.CKIE.com (international platform based in the USA)
www.danielschipper.nl/projects/100x100 (Netherlands)²

¹ Source: www.smartmoney.nl

² Daniel Schipper, a Dutch designer developed his own crowdfunding platform to produce a lamp made from recycled plastics. Doing so, he had not to worry about production costs and risks until he had enough demand.

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Maximising the Opportunities offered by Crowdfunding

Crowdfunding initiatives have recently started to be in place in order to provide funding to commercial, creative and social projects in some countries and regions. Experiences seem to be very promising for innovative people and enterprises to access new sources of funding or new types of investors.

Innovators, artists, entrepreneurs and social enterprises can now access investors offering non-bureaucratic and non-conventional funding opportunities "on purpose" or "on defined needs".

This should be analysed in detail as a future new early stage funding for innovative enterprises as well as for local societal projects.

With a view to boosting and better exploiting the future potential of crowdfunding for supporting innovative projects, the participants in the **Agorada 2011+** Conference held in Bielsko-Biała ask the EU administration, Member States and Regional Authorities to consider the following six recommendations and principles to design and support the development of crowdfunding sources:

1. The primary aim of a crowdfunding mechanism is to provide to any types of projects, with a relevant emotional drive, the financial means to leverage entrepreneurship when implementing an innovation, whatever nature it is. Crowdfunding can indeed be tailored to financial requirements from the creative industry (movies, music CDs, design,...), micro-credit seekers, peer to peer lenders, entrepreneurs, to requirements for loans and equity and to social/societal projects (in the form of donation).
2. Public authorities should be interested in seeing the development and launch of such a tool in all regions as it meets the needs of a lot of stakeholders either in the private or in the social sector. The main public purpose should be to give, to all would be entrepreneurs, the possibility to demonstrate commitment, involvement and market grid, to access to later stages of investment. To allow this, the needs of other investors/stakeholders that could intervene in a second stage, must be taken into proper consideration.
3. EU and national administrations have to ensure a minimum of professionalism and regulation for crowdfunding activities, but to avoid some of the constraints of any Financial Act (drafting and publicizing a prospectus, ...). The selection by a public tender of managing bodies with the capability of selecting potential fast growing and impactful projects is suggested.
They also have to ensure and facilitate the development of transnational deal flows and to promote the creation of a favorable legal framework that allows transnational

crowdfunding deals. Moreover if a regulation is needed, public authorities should put in place measures that keep the transaction costs as low as possible, mainly during the launch phase. The administrative procedures and control mechanisms should be proportional to the size and type of the funding required.

4. Crowdfunding initiatives should be better understood to facilitate a large acceptance. This new sector should be subject to regular surveys intended to collect information regarding the take up of this funding mechanism in Member States, by sectors and types of funding (microcredit, loans, equity, donations). Such data will be useful to demonstrate the importance of the initiatives and to set up benchmarks at national/regional and at crowdfunding provider level.
5. Crowdfunding initiatives should be welcome at European, national, regional level as they aim at answering a wide spectrum of demands and needs of innovative stakeholders. The European level can play a role in avoiding the adoption of disturbing framework conditions by national authorities as well as in pointing out national and regional relevant practices to support a wide dissemination of the concept and its benchmark.
6. Member States, regions and cities are invited to consider the wider use and promotion of crowdfunding with the objective of supporting all forms of creativity and innovation with a strong societal impact in a cost-efficiency way, especially projects with small size or local interest, and reducing the asymmetry of information and matchmaking opportunities between innovators and would be entrepreneurs on the one hand and between investors, sponsors or donors on the other hand.

The participants in the **Agorada 2011+** Conference held in Bielsko-Biała invite the European Commission to support this declaration by nominating a unit to monitor and ensure the spin-off of initiatives in the field of crowdfunding.