

Developing World Crowdfunding

Growth through Crowdfunding



"Education for All" by United Nations Photo is licensed under CC NC ND BY 2.

Monthly Report
November 2015

AlliedCrowds

Executive Summary

WHAT WE DO



DATA AND ANALYTICS:

We use proprietary methods to provide accurate insight on crowdfunding in the developing world.



ADVISORY:

We leverage our extensive industry knowledge to guide those interested in crowdfunding.



TECHNOLOGY SOLUTIONS:

We work with global organizations to develop crowdfunding platforms and provide other related services.

Crowdfunding continued to expand its global footprint in October, with over \$37.4 million raised for projects, startups, products, and charitable causes in the developing world.

While equity crowdfunding currently makes up a relatively small portion of crowdfunding activity in the developing world, it may soon begin to gain on the more established models (donations and lending). That's because the Securities and Exchange Commission in the US recently approved Title III of the JOBS Act, creating a regulatory framework around equity crowdfunding. The country's laws can serve as a blueprint for government officials in developing nations. This report takes a look at the developments in India, where some headway has also been made toward implementing an appropriate regulatory regime.

After exploring the key figures from October, the report focuses on Jamaica, one of the potential leaders in the Caribbean crowdfunding scene. While in absolute terms, countries in the region have not raised much, there are positive developments taking place in Jamaica. With the economy continuing to pick up and innovative officials exploring novel solutions to promote entrepreneurship, the Caribbean nation looks ready to convert its potential into crowdfunding success.

With renewable energy technologies becoming more accessible to people all over the world, the next section in this report explores the community-owned solar and wind farm structures. As crowdfunding is inherently a community-based model of fundraising, there is great potential for crossover between the two models.

This edition of the monthly report finishes with an interview with Peter Heijen of Lendahand, a P2P lending platform that has channelled €3.6 million to entrepreneurs in Mongolia, Colombia, Ghana, and the Philippines. Heijen explains what motivates the lenders on the platform, and how they are helping to fill the 'missing middle' financing gap.

With crowdfunding continuing to grow, and with more people applying the novel funding method to new causes, we are excited to share our latest developing world crowdfunding industry numbers. If you'd like to find out more about your organization can leverage the power of crowdfunding, visit business.alliedcrowds.com.

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Coming Soon

As part of the Global Entrepreneurship Week, AlliedCrowds is putting out a special report on crowdfunding and entrepreneurship on November 17. The report will be of interest to entrepreneurs considering crowdfunding, VC and angel investors thinking about how crowdfunding may affect them, as well as industry observers interested in the effects of crowdfunding on the economy at large.

FIND OUT MORE

To find out more about how we can help you leverage the power of crowdfunding, visit business.alliedcrowds.com

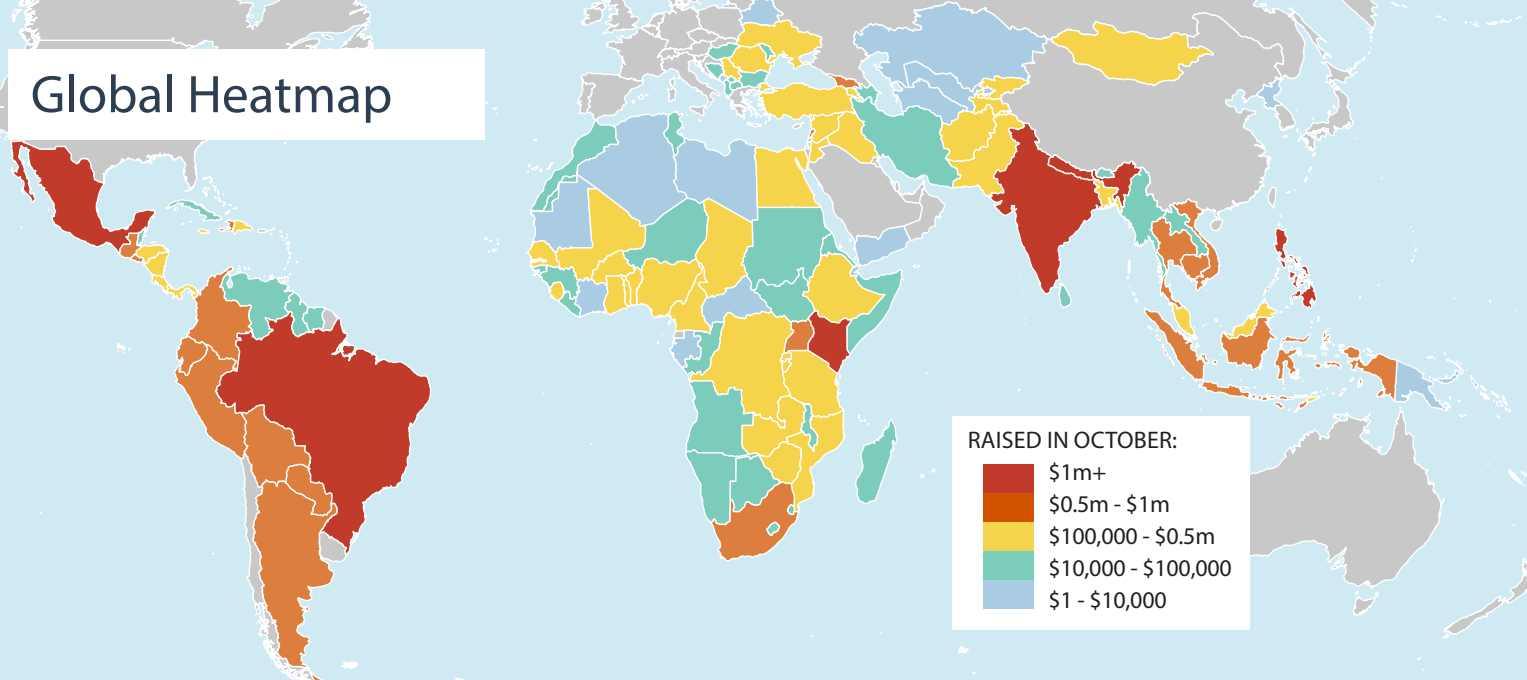
We're Hiring!

AlliedCrowds is growing fast and we're looking for motivated individuals who are passionate about crowdfunding to fill multiple positions. Check out our openings at: alliedcrowds.com/careers

Special thanks to: Molly Caldwell, Tobias Grinwis, Peter Heijen, Shareq Husain, Malcolm Kapuza, Phillip Lindsay, Kalee Neumann, Anton Root

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Global Heatmap



\$37.4m

RAISED IN OCTOBER

\$8,550

AVERAGE RAISED PER CAMPAIGN

4,200

OF CAMPAIGNS

ANALYSIS

The recent SEC approval of equity crowdfunding regulation in the US should give a boost to crowdfunding regulations around the world. But that's not to say developing nations have been ignoring the issue — in fact, in several countries, appropriate regulations are currently being deliberated and implemented. Arguably the most important emerging market considering crowdfunding regulation is India.

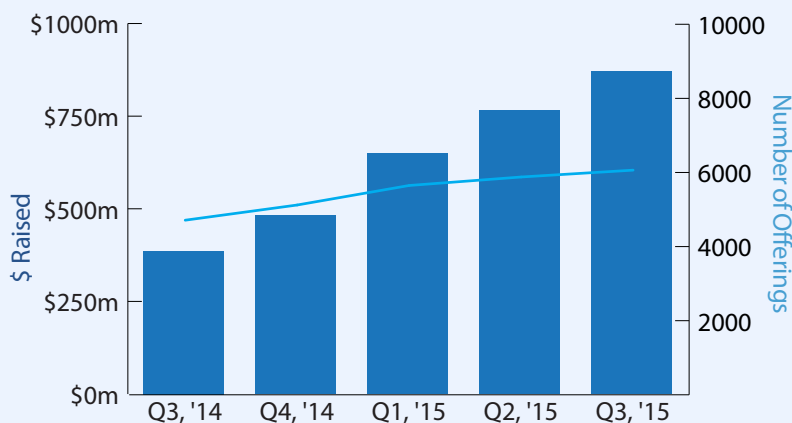
India, as we wrote in a [previous report](#), has a rapidly emerging and highly innovative crowdfunding scene. Its government has been working through the process of determining what regulation of equity crowdfunding will look like in the future.

The process for creating equity crowdfunding regulation began in June 2011 when the Securities and Exchange Board of India (SEBI) found that companies had raised large amounts of money from the public “under the garb of private placements,” which were lightly regulated compared to public offerings. As a response, the parliament passed the Companies Act, which prohibits private companies from publicly advertising securities offerings, and limits the number of investors who can be invited to participate in a private offering to 200.

The regulatory difficulty, as it is in many countries, is reconciling the public nature of crowdfunding raises with the offerings still qualifying as private placements.

In summer 2014, SEBI solicited [public comments on a document](#) that outlined the crowdfunding climate within India, and possible steps towards regulating the industry. The proposed framework was similar to Title III of the JOBS Act: there are sections dealing with who would be allowed to participate, investment caps, and the role of intermediaries. Given startups' risky nature, Qualified Institutional Buyers (including high net worth individuals) and “eligible retail investors” (those with a minimum annual gross income of INR1 million) [would be allowed to participate](#). There are also sections dealing specifically with secondary market transactions of crowdfunded securities.

Despite the busy early discussions, crowdfunding regulations have stalled somewhat. [One source said](#) that was because the regulations were seen as potentially premature, with very few other nations implementing regulations. With Title III to soon come into effect in the US, India's regulators may feel more encouraged to implement their own set of rules.



Source: Crowdfunder

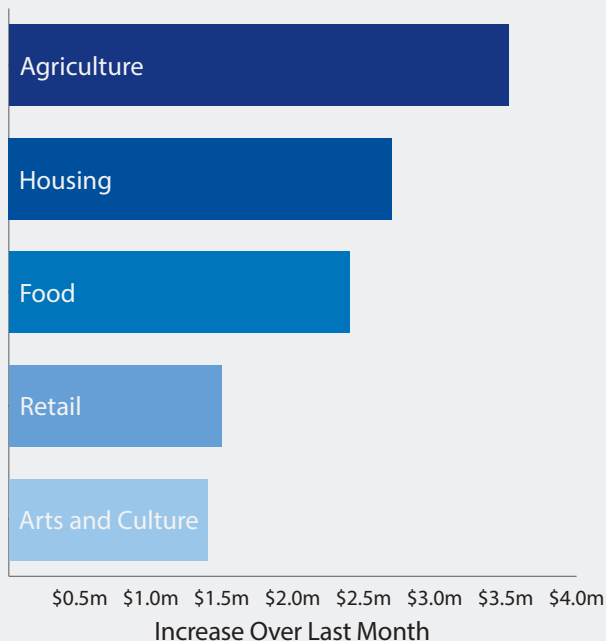
Accredited Investor Crowdfunding in the US

Equity crowdfunding, while still in very early stages, is already making an impact in the United States. In Q3 alone, private companies raising money online had raised over \$870m from accredited investors. As the JOBS Act comes into force, expect these numbers to grow rapidly. Notably, the number of offerings has not grown as fast as the amounts of money committed. That means investors are becoming increasingly comfortable with investing larger sums online.

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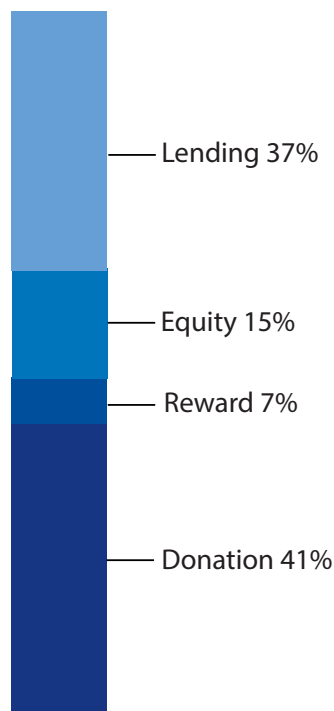
October Recap

Top Moving Categories



With the refugee crisis staying in the headlines last month, it's not surprising to see housing- and food-related campaigns continue to grow.

Crowdfunding Model Breakdown



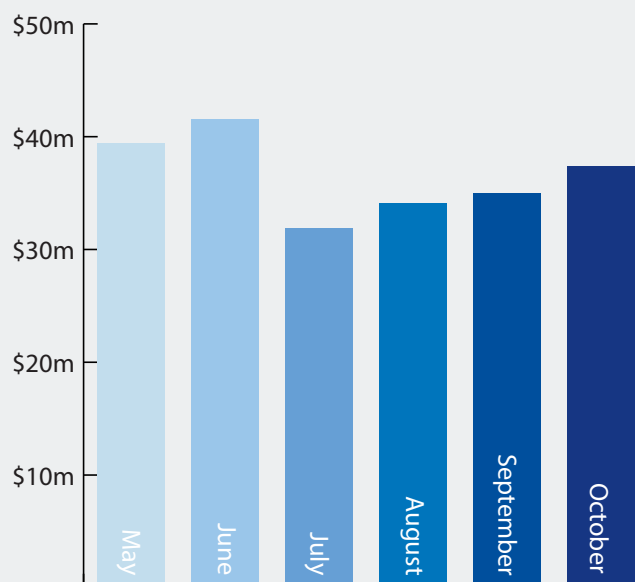
While lending- and donation-based campaigns continue to dominate the developing world crowdfunding market, equity-based campaigns grew considerably in the last month. Expect donations campaigns to increase their share over the next several months, as the holidays motivate donors to help the less fortunate.

Most Used Words



The most common words last month help to explain why agriculture was the category that grew the most last month. The business-oriented nature of the wording is explained by the prevalence of entrepreneurial campaigns on Kiva, one of the largest platforms in our universe.

Monthly Amount Raised



Crowdfunding grew for the fourth month in a row, following a drop that was likely due to the slowdown in donations to those affected by the Nepal earthquakes in the spring.

In the Spotlight: Jamaica



"Residents" by BBC World Service is licensed under CC NC BY 2.0

With an improving economic climate and a government actively seeking to promote entrepreneurship, Jamaica is in prime position to capitalize on the global growth of crowdfunding.

The country is two years into a restructuring program it agreed to embark on as part of an IMF loan, which has greatly reduced the budget deficit. The government has lowered its debt-to-GDP ratio, leading to a [bump in its creditworthiness](#). The three major credit ratings firms now foresee a positive outlook for Jamaica, which can help to draw investor dollars to the nation, including to Jamaica's startups. A good source of potential investment is the country's diaspora—according to the World Bank, remittances account for 15% of the nation's GDP; the Economist [expects remittances to grow](#) at 4.5% annually in the near term.

"The diaspora, and well-wishers of Jamaica — we love to see the nation do well," said Phillip Lindsay, operations officer at Jamaica National Building Society, which has launched a crowdfunding platform aimed at the diaspora. "It shows a level of patriotism."

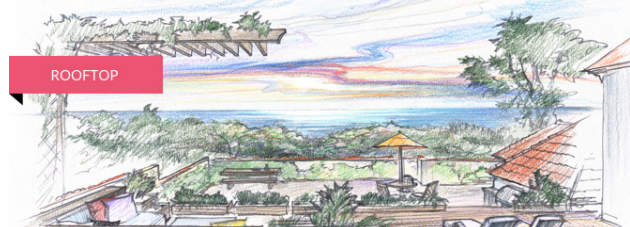
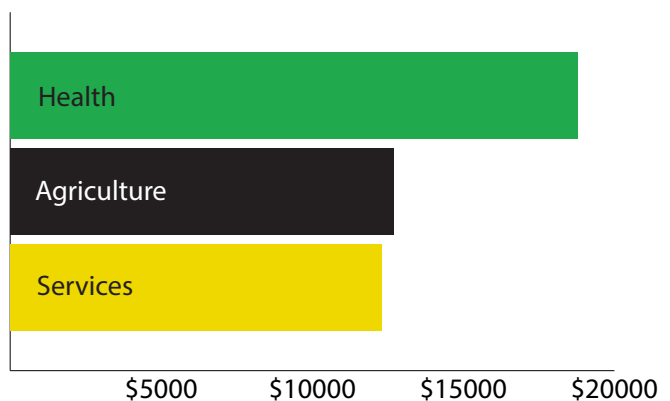
Much of the Jamaican crowdfunding activity to date has been peripheral, with members of the diaspora sending money back for charitable causes, or church groups funding mission trips, for example. The government's recent actions, however, point to larger internal crowdfunding flows in the near future.

To help facilitate investment in the nation's firms, the government is looking to promote the VC and angel investor ecosystem. [Startup Jamaica](#), for instance, is aimed at helping the nation's entrepreneurs. The early returns are positive: Jamaica was among the [ten most improved countries](#) in the World Bank's 2016 Doing Business Report rankings. The Development Bank of Jamaica, furthermore, has been exploring the best ways to implement the [appropriate legal framework](#) in order to spur the VC and angel industry. That can go a long way toward easing up rules for equity crowdfunding in the country, as well, but more targeted rules are needed for the industry to truly take off.

One of the insights in a [recent study](#) is that "...many of the companies in the Caribbean are family owned and do not have a culture of dependence on equity for funding. They prefer and are more comfortable with the debt market." That's a sign that crowdfunding can quickly take root within the nation, as the most successful campaigns typically start with the support of family, friends, and friends of friends.

Indeed, the country's forward-thinking Minister of Finance and Planning Peter Phillips [has already proclaimed](#) that crowdfunding is a "genuinely exciting" way of "democratising finance." With relevant regulations being explored, and a push to create a friendlier startup environment, crowdfunding can play a big role in unlocking investment capital, helping entrepreneurs to fund their businesses, and creating jobs in the Caribbean nation.

Top Categories in October



THE RUNAWAY

After two freezing winter in New York City, entrepreneurs Kalisa and Jeff decided to realize their lifelong dream of moving to the Caribbean, where their families are from. The pair decided to [fund the building](#) of a luxury bed-and-breakfast in Jamaica by turning to Kickstarter. Their vision of a sustainable and community-oriented hotel was embraced by the crowd, and the pair raised well above their original goal.

KICKSTARTER

RAISED
\$46,926

GOAL
\$30,000

156%

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Crowdfunding Renewables

"Solar sky" by Mountain Ash is licensed under CC BY 2.0

Community-powered renewable energy initiatives have become increasingly popular in recent years. Most of these developments have come in the developed world; however, the potential impact is a lot greater in less developed countries.

Community owned initiatives are mainly centered on wind and solar energy. There are various ways to structure the ownership agreements. Typically, however, [such agreements](#) involve individuals coming together to fund a solar or wind farm and receiving the energy generated, as well as a return on their investment. Often, governments support these initiatives through tax credits or subsidies.

In addition to providing a direct financial benefit to the stakeholders, community owned renewable energy initiatives also help to attract local jobs for the planning, installation, and operation of the farms. Aside from the financial benefits, such initiatives also promote better understanding of climate-related issues. In Germany, a clean energy leader, [half of the renewable energy capacity](#) is community owned.

In developing nations, such success will be much more difficult to

replicate -- but the potential payoffs are tremendous. With 1.3 billion people living off the grid, [according to the International Energy Agency](#), renewable energy can play a huge role in bringing electricity access to the underprivileged, and doing so in a clean way.

There are already some developing world success stories. In South Africa, for example, Just Energy [has secured a winning bid](#) to build a community-owned wind farm in Wesley. An [ambitious campaign](#) to create a giant flag made out of flowers and solar panels in the rural Camdeboo region has already raised \$600,000. The flag would be visible from outer space, and would promote the tourism industry in neighboring towns, as well as employ local labor for its construction. When fully funded, the high-profile initiative can create further awareness about the role of crowdfunding for renewable energy (see featured campaign for more information).

Globally, over [\\$270 billion was invested](#) in renewable energy in 2014 (with nearly half of the total going to developing nations), but many of the firms and projects that received the money are large in scale and may not be appropriate to large parts of the developing world.

The crowdfunded structure fits well with decentralized nature of community-owned renewable energy farms, with the added benefit of the funding coming up-front. With the appropriate regulatory structures in place, altruistic investors from abroad can help to kickstart implementation. Indeed, appropriate regulations are crucial; in the UK, the ending of an [important feed-in tariff](#) has sparked major concerns about the renewable energy crowdfunding industry in the country.

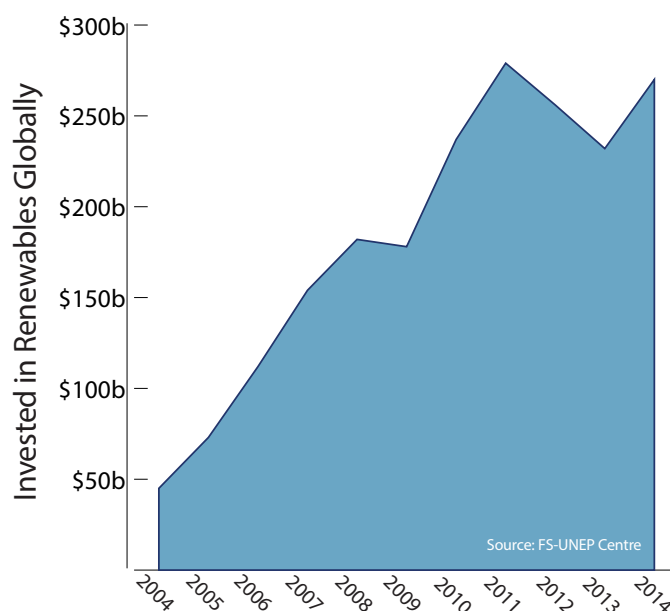


THE GIANT FLAG

FCB South Africa, a communications firm, embarked on an ambitious project with the aim of increasing tourism, creating local jobs, and powering 4,000 homes in a rural part of the country. The colored parts of the flag are flowers, while the black are solar panels. The flag has been funded primarily by private investors, but the last \$2.5 million is coming from the crowd. So far, \$600,000 has been funded, making it one of the most successful initiatives in the developing world.

24%

RAISED \$600,000
GOAL \$2,500,000



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Platform Spotlight: Lendahand



Since the 2008 recession and following credit crunch, entrepreneurs around the world have struggled to obtain the funds needed to grow their businesses and hire new workers.

Crowdfunding and P2P lending platforms allow entrepreneurs to access a new channel of investment funding, while reducing entrepreneur dependence on more traditional lending agencies. In this context, their emergence is unsurprising, and very timely — especially for businesses in emerging markets where access to capital is already tight.

One of the most successful platforms in providing loans to entrepreneurs in the developing world is the Netherlands-based



"SMEs are well positioned to create a social economic benefit — to create jobs."

Peter Heijen, Lendahand Founder and CEO

Lendahand, the idea for which came to its founder Peter Heijen during a 2009 trip to Bangladesh. There, he met a Bangladeshi woman who had been adopted by Dutch parents and ultimately decided to return to her home country to run a hostel for orphaned children.

"What she was doing was beautiful," Heijen recalled. "Then and there, I decided to start a company to support SMEs in developing countries."

Emerging economies often face a 'missing middle' in their ability to finance entrepreneurs' startups. While there are microcredit solutions for small firms, as well as bank loans to provide larger chunks of capital, there are few opportunities available for those who need an amount between these two options. Crowdfunding, Heijen believes, can help to fill that gap.

"SMEs are well positioned to create a social economic benefit — to create jobs," he said. "These enterprises lack access to finance, as banks are not used to these kinds of entrepreneurs. This is a gap, and we decided to use crowdfunding to fund them."

Lendahand works with entrepreneurs in the Philippines, Colombia, Mongolia, and Ghana. The platform has found a number of financial institutions in these countries, and its loans are channeled through these partners to the entrepreneurs in need.

When looking for partners, Lendahand first looks at whether the financial institutions themselves have a social goal. Second comes the institution's strength.

"We conduct thorough due diligence," Heijen explained. "We look at their track record, the quality and experience of the management, the quality of their portfolio, and more."

The company has seen roughly €350,000 per month get funneled through its platform, with projects generally raising between €5,000 and

€50,000; the average loan size is around €12,500. The loans, the platform claims, lead to the creation of two extra jobs.

Today, the investors are all Dutch. Heijen says 95% of them indicate they are motivated by both a financial return and the ability to make a difference in someone else's life. To date, Lendahand has facilitated nearly 450 loans, which typically repay 3.3% interest rate.

"We have a very loyal client base, and don't have to focus on getting investors to return," Heijen said. "Investors like the product — they typically get repaid after six, twelve, or eighteen months, and reinvest a big percentage of their money."

With the platform performing well in early going, Heijen is looking to expand it to four more countries next year. Additionally, Lendahand is looking to obtain a licence necessary for it to be able to channel greater amounts of funds to its partner institutions.

With the success it's had thus far and its great potential for growth in the near future, Lendahand can further solidify its position as a leading player in the developing world P2P market.



GERWEISS MOTORS CORP.

After seeing the movie *An Inconvenient Truth*, Sean Gerard Villoria, an entrepreneur living in the Philippines, decided he wanted to help the environment. In 2008, he manufactured his first e-trike, a battery-operated car; in 2011, he sold 300 of them, and has since partnered up with a local government for more e-trike projects. Villoria took to Lendahand to secure a loan that would enable him to expand operations and hire two additional workers. The campaign was highly successful — 13 days, Villoria was able to raise €54,200.

100%

RAISED €54,200
JOBS CREATED 2

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