Opportunities for development of crowdfunding in Croatia

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World: 80% have never heard of crowdfunding
Croatia: 99% have never heard of crowdfunding
Making a case for crowdfunding in Croatia

...start with awareness and capacity building of both fundraisers and backers!

Who should do it and why?
- Only a couple of initiatives have been started so far (Croenergy conference and Crowdfunding Academy)
- Interest from both project developers and investors/donors is quite significant
15.7%  Personal experience with funding

58.7%  Doing it for fun

83%  Innovativity of project

60%  Personal benefit

The influence of other people

- 80.4%  Think crowdfunding is an innovative funding model
- 68.7%  Would share the campaign on social networks and news on their backing of the campaign
- 55.3%  Claim that receiving financial benefits is not crucial for backing the campaigns
- 70%   Increased chance for backing the campaign in case they know the investor

36.5%  I would finance a campaign backed by a lot of people

33%    I care what other people think of the campaign

30%    Amount of funds already raised makes a difference if I back it up or not

I would fund a campaign that benefits the local community 90.4%
Stats

• In 2014 around 50 crowdfunding campaigns were initiated from Croatia while 15 have raised the targeted amount of funds
• 1 mil. € was pledged while 370.000 € was raised from 6.650 backers
• 90% of campaigns used Indiegogo and Kickstarter platforms
• Most dominant category of campaigns: development of computer games
What about the energy sector?

• Energy cooperatives for RES projects – a boom in 2011 ended with a fiasco and completely undermined confidence in this type of investing model – new, restrictive quotas for RES feed-in tariffs pushed them out of the game

• Only two basic, reward based campaigns were initiated started Croatia (one successful, one starting)
Energy sector CF campaigns in Croatia

Primary school "Oštrog" Kaštel Lukšić (Dalmatia)

• Goal: to become first energy independent school in Croatia
• Platform: Indiegogo
• Funding model: donations and rewards
• Pledged amount: $ 10.000
• Raised amount: $ 10.001
• Backers: 189
What about the energy sector?
Energy sector CF campaigns in Croatia

Primary school "Oštrog" Kaštel Lukšić (Dalmatia)

• Energy investments:
  ➢ Modernization of existing indoor lighting system
  ➢ Roof solar panels
• Savings from this investment would be used for making new RES/RUE investments that would turn school from energy consumer to energy producer
• Success factor: strong media and technical support
The graph illustrates the relationship between energy consumption and energy production, with various interventions and measures contributing to energy efficiency.

Key measures include:
- Energy Management System
- Roof Insulation
- New Windows
- Wall Insulation
- Heating System Reconstruction and Other Energy Efficiency Measures
- Energy Efficient Lighting
- Other Renewable Energy Sources
- Existing Small Solar Tracker System
- Larger PV System Installation - 10 KWP
- Use of Biomass for Heating

These measures are represented along a horizontal axis, indicating their impact on reducing energy consumption and increasing energy production.
Energy sector CF campaigns in Croatia

Kindergarten „Naša radost” from the City of Pregrada

- Goal: to become the most energy efficient kindergarten in North-West Croatia
- Platform: Croenergy.eu
- Funding model: donations and rewards
- Pledged amount: 10.000 €
- Starts this month!
- Development and support – REGEA and Krapina-Zagorje County

www.regea.org
Ti i ja, zajedno za vrtić u Pregradi

Dječji vrtić. Naša radost u Pregradi želi postati energetski neovisniji i pružiti djeci mjesto za igru i učenje kakvo zaslужuju!

4%

3,252.00 KN

PRIKUPLJENO OD CILJANIH 80,000.00 KN

35 DONATORA 30 DANA

Donacije će biti sakupljane do 31/12/2015.

DONIRAJTE
Energy sector CF campaigns in Croatia

Kindergarten „Naša radost” from the City of Pregrada

- Energy investments:
  - Complete insulation of thermal envelope (including roof)
- Savings from this investment would be used for making new RES investments (solar collectors) and development of educational programmes
Crowdfunding platforms in Croatia

- **Doniralica.hr** - first CF platform in Croatia, made exclusively for charitable donations
- **Croinvest.eu** - first CF platform that provided different funding models
- **Croenergy.eu** - first CF platform made exclusively for funding sustainable energy and environmental protection campaigns
Croenergy.eu platform

• Development initiated by REGEA and Centre for innovations and social development in late 2015
• Basic idea: to provide various types of funding models without charging additional fees to project developers – non-commercial nature
• Strategy: to start with donation and reward based funding and gradually add crowd-lending and crowd-investing models
Croenergy.eu platform

- The platform will act as a match-maker for lending funds to avoid potential financial risks
- Campaigns are pre-selected, fundraisers’ background is checked including feasibility of the investment
- Status of the platform: currently under final stages of development
- Initiating the market, involving cooperatives and supporting crowdfunding culture is the primary goal of the platform
Barriers encountered and recommendations

• High financial transaction costs for platform managers
• Restrictive and unflexible legal framework:
  ➢ Crowddonating and crowdsponsoring – no obstacles
  ➢ Crowdrlending – Under strict regulation of Law on capital market which makes the whole procedure complicated and expensive. Public authorities cannot use this model for any type of projects – official standpoint of the Ministry of finance
Barriers encountered and recommendations

- Crowdinvesting – possible in form of a silent partnership in start ups
  - Conventional start ups are expensive to fund this way and certain (silly and outdated) rules apply:
    - An entrepreneur cannot publicly present its business idea and collect money for it unless he has already established a company – goes against basic market testing logic of crowdfunding
Barriers encountered and recommendations

- All investors have to be physically present during signing/changing of the social contract for establishing the company.
- Costs for establishing an Ltd company are quite high: around 900 € (you have to spend money to get money from CF even if your campaign fails).
- If the project is not successful afterwards and ends up owing money to the state, the entrepreneur and investors cannot start a new company.
Barriers encountered and recommendations

- Crowdfunding definitely needs to be regulated but under its own legal framework that respects its specificalities.
- Basic crowdfunding projects are innovative, risky and experimental at its core – investors need protection but have to be aware of true nature of these projects.
- Allow public sector to enter the game and let citizens invest in projects within their own communities.
Thank you for your attention!

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