

Crowdfunding, a new tool for local sustainable development policies

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“**A** transition by all and for all”. This concept illustrates one of the key innovations of France’s Energy Transition for Green Growth act: the importance given to citizen involvement in the ecological transition. The Paris 2020-2030 Climate-Air-Energy Plan is a good local example of this: Paris City Hall is aiming to achieve carbon neutrality by 2050, but due to its limited competences is only in a position to influence 1 to 5% of emissions in the Parisian territory. It is therefore crucial that it encourages and supports private initiatives (by citizens, entrepreneurs or associations) that will help to reduce emissions, in addition to the structural decisions made at higher levels.

Paris is just one example: all local authorities need to rethink their governance in order to transform their development models. Digital technologies, as a source of economic and social innovation, provide interesting tools in this respect. One of which is crowdfunding, which enables a large number of contributors to finance a project *via* a web platform.¹ Over the last few years, local authorities in France and abroad have begun to adopt this practice.

1. Contributions may be donations (with or without rewards), loans (with or without interest) or investment (repayment according to the financial results of the project with, in some cases, participation in governance).

* This research was conducted in partnership with FING (Foundation Internet New Generation), the French Agency for the Environment and Energy Management (ADEME) and Paris City Hall. For the full version of the study, see: <http://www.iddri.org/Publications/Les-usages-du-crowdfunding-par-les-collectivites-locales-en-France> (in French only).

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KEY MESSAGES

- Local authorities use crowdfunding to support projects developed by other actors (funded predominantly through donations), but also to finance their own projects (through donations, but also loans or investments).
- In both cases, crowdfunding is more than just a financing tool: it is also used to promote and communicate on the territory (use 1) and for mobilising local actors and citizens around emblematic projects delivered by the authority (use 2).
- The values embodied in sustainable development contribute to the success of fundraising, which in return helps to inform and engage citizens. Thus, the first loan-based crowdfunding initiatives for projects organised by local authorities concern the ecological transition.
- However, crowdfunding is not a magic bullet. The real contribution citizens make to the ecological transition and the knock-on effects crowdfunding will have on their everyday practices depends, for example, on their involvement in the governance of projects.
- In the context of a policy approach seeking to strengthen local democracy and inclusion with a view to the ecological transition, crowdfunding could be combined with other digital citizen participation tools, such as crowdsourcing or participatory budgeting.

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1. FACILITATING AND ORGANISING ACCESS TO CROWDFUNDING WITH A VIEW TO TERRITORIAL DEVELOPMENT

The first use concerns cases where a local authority facilitates and organises access to crowdfunding for actors in its territory, whether private individuals, associations or companies (Figure 1). There are many different types of projects (culture, local economic vitality, environment, solidarity, etc.), which are generally selected by the authority in accordance with the territorial development strategy.

Financial arrangements. Crowdfunding is considered as an alternative financing tool when an authority is unable to finance projects itself, either because it lacks the financial resources, or because the projects are not eligible for authority funding. The financing potential of this tool nevertheless remains limited to several thousand euros at the most, since it is currently almost entirely donation-based. Although in France it is rare for authorities to co-finance projects, there are several cases of this abroad, such as London City Hall's CrowdfundLondon programme (Cathcart-Keays, 2016) or Milan's Crowdfunding Civico (Manfredonia & Siragusa, 2017).

End goals. Crowdfunding is also a communication tool enabling authorities to demonstrate the vitality of their territory: fundraising is an opportunity to promote the authority's logo among constituents but also outside the territory, especially if the platform is national in scope. Finally, it is a tool that can be used to bring together different actors within the framework of a territorial solidarity policy, in which the authority plays the role of network facilitator. Companies can thus be associated with projects through co-financing or assistance in terms of expertise.

2. USING CROWDFUNDING TO FINANCE AN AUTHORITY'S OWN PROJECTS

Local authorities also use crowdfunding to finance their own projects, either through donations, or through loans or investment (Figure 1).

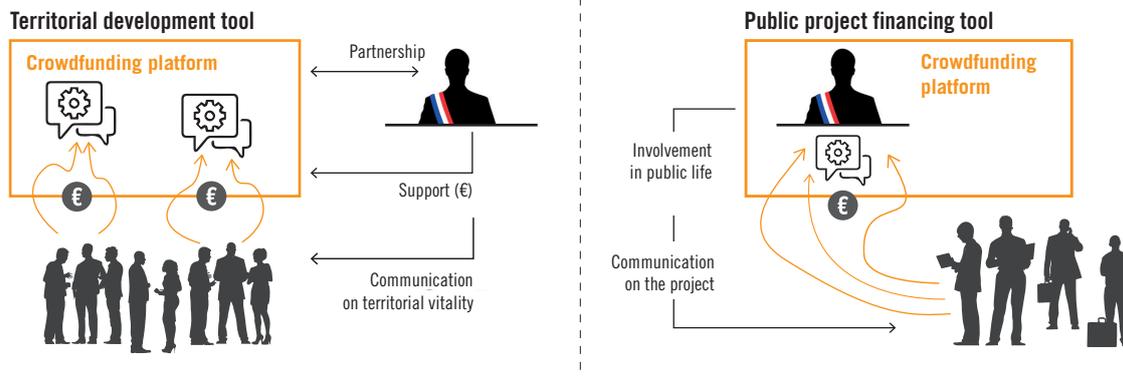
Financial arrangements for donations. Donations predominately concern heritage conservation, although there are some (rare) cases of infrastructure projects: in late 2014, the rural municipality of Yèbles (Seine-et-Marne department, 800 inhabitants) raised 44,000 euros through crowdfunding to finance part of the renovation work on its primary school. This fundraising process was nevertheless considered as having

little political credibility: the mayor was quoted in the press as saying that she was "ashamed" to have been reduced to "begging in order to build a school" (Brouze, 2015). Credibility for the authority in terms of fundraising for public projects is linked to a certain idea of what the public services should or should not finance. These boundaries, which are currently limited to heritage conservation, are likely to evolve in the future, especially if the decline in public funding makes it increasingly necessary to find alternative sources of financing. This will need to be discussed in the future.

Financial arrangements for loans. The first initiatives to use loan-based crowdfunding in France (late 2016) concern projects connected with the energy transition: the installation of photovoltaic panels on a public building in the Saint-Brieuc-Armor urban area (Côtes-d'Armor department, 150,000 inhabitants), improving energy efficiency for street lighting in the Bouillante municipality (Guadeloupe, 7,500 inhabitants), and financing a study for an eco-design building project for the Langouët municipality (Ille-et-Vilaine department, 600 inhabitants). Crowdfunding is a complementary source of financing for these projects, which are mostly funded through state subsidies. It provides an alternative to financing through bank loans, either because the project is not necessarily eligible for a loan (for example, financing a study), or because crowdfunding is a way of raising funds more rapidly. The advantage of crowdfunding over a bank loan is therefore more a matter of practicality than of better financial returns, especially as borrowing rates are higher with crowdfunding than with bank loans.

End goals. Using crowdfunding also provides policy co-benefits for local authorities. The pioneering nature of this tool gives the authority an innovative, dynamic image. A crowdfunding campaign is also a mean of sensitizing people (about public finances, for example), communicating on a project to constituents and involving them in local public life. Experience nevertheless shows that contributors from outside the territory could outnumber local contributors, especially if fundraising is not accompanied by promotion and communication operations.

Figure 1. Comparison of the two uses of crowdfunding



3. WHAT CONTRIBUTION TO A SUSTAINABLE DEVELOPMENT POLICY? ILLUSTRATION WITH THE PARIS CLIMATE-AIR-ENERGY PLAN²

Crowdfunding can first be used to support and encourage private initiatives that would help to reduce carbon emissions in the Paris territory. Paris City Hall could create a new platform or join one already existing to dedicate a page to projects that contribute to the Climate-Air-Energy Plan (use 1 described above). It could support these projects through a specific label or by using the existing label³ for ecological and energy transition projects, or even co-finance them along the same lines as the London or Milan models.

Crowdfunding can also be an interesting tool for making citizens aware of the challenges of the ecological transition, and for publicising support mechanisms for private initiatives, such as the *Éco-rénovons Paris* programme,⁴ which is still relatively unknown to the general public. Paris City Hall could launch a loan-based crowdfunding campaign among Parisians to finance some of the public fund of 50 million euros planned to support energy retrofitting in condominiums (use 2). In addition to communicating on the challenges of energy retrofitting and the *Éco-rénovons Paris* mechanism, crowdfunding would undoubtedly give those condominiums an innovative and therefore more attractive image.

2. The proposals in this section are taken from a workshop organised by IDDRI and its partners on 10 March 2017. They were taken up in a consultation launched by Paris City Hall (<http://www.apc-paris.com/actualite/restitution-contributions-pour-nouveau-plan-climat>).

3. <http://www.dossierfamilial.com/consommation/energies/crowdfunding-un-label-pour-favoriser-lacroissance-verte-84871>

4. Public programme to support energy retrofitting of buildings that accompanies and subsidises condominiums.

Crowdfunding can also be used in an attempt to dispel doubts about changes to landscapes and heritage caused by the development of renewable energies. Paris City Hall could launch a loan- or investment-based crowdfunding campaign to finance the installation of photovoltaic panels on roofs (use 1 or 2): by promoting new territorial resources and providing residents with returns on their savings, crowdfunding could go some way towards overcoming local reluctance towards aesthetic impacts.

Finally, crowdfunding could be used as a tool for territorial energy cooperation between Paris and neighbouring territories. For example, Paris City Hall could invest in renewable energy production projects in those territories, while financially associating people living in the areas concerned so as to guarantee them a certain level of profitability, for instance by providing them with preferential access or even remuneration (use 2). Thus, the platform could open contributions only for residents of specific territories in the first few weeks, or offer different interest rates depending on the territory. Crowdfunding could therefore be a means of involving neighbouring residents in the Climate-Air-Energy Plan and could thereby potentially improve its political acceptability through a territorial resource pooling approach.

4. HYBRID MODELS TO MAKE CROWDFUNDING MORE INCLUSIVE

The example of the Paris Climate-Air-Energy Plan shows that crowdfunding can be an interesting tool within the framework of a local sustainable development policy. The value of this tool is not necessarily as an additional source of financing: Paris City Hall already has other financing instruments enabling it to raise large sums of money at a lower cost than loan-based crowdfunding, such as climate bonds. The potential of crowdfunding

lies more in its capacity to support and encourage private initiatives that would contribute to the Climate-Air-Energy Plan, to communicate on the mechanisms implemented and to involve citizens, both in the Paris territory and elsewhere. The case of Paris is just one example: experience shows that crowdfunding is a tool that is accessible to any type of authority, from a large urban area to a small rural municipality, or even a department.

However, crowdfunding is not a magic bullet. If citizens are approached indiscriminately for any type of project, this may lead to donor fatigue. Crowdfunding should therefore be limited to emblematic, meaningful projects. Moreover, as with any participation tool, crowdfunding results in exclusion processes, for example for people with difficulty accessing and using digital tools, or those who lack the disposable income to contribute. The authorities are attempting to limit these obstacles to participation by opening drop-in offices to assist contributors or by allowing very small contributions (around 20 euros).

Finally, the provision of digital tools is not enough to ensure citizen mobilisation and participation (de Feraudy & Saujot, 2016). The design of the approach—when do citizens participate, to do what, and with what impacts on the process?—is a key factor of mobilisation. In this context, hybrid crowdfunding models that integrate other digital participation tools, such as crowdsourcing,⁵ are emerging as an interesting avenue on two levels. Prior to fundraising, crowdsourcing enables citizens to select or even propose projects. In the United States, for example, projects put forward by cities on the Citizeninvestor platform are generally the outcome of citizen petitions (Baeck & Collins, 2015). After fundraising, during the project implementation phase, one possibility is that citizen contributions to the project could be not only financial, but also in kind, such as expertise or time. This option would enable people with limited financial resources to contribute to

the project. Crowdfunding could also be introduced into participatory budgeting,⁶ by associating citizen co-financing with that of the authority. In the future, these hybrid models might lead to digital platforms that could be used simultaneously to propose ideas, evaluate projects, vote on them and finance them.

Without providing a miracle solution to the increasing demand for transparency and renewed citizen participation, crowdfunding is an additional tool making it easier to understand how local authorities operate and giving citizens a new way to establish themselves as stakeholders in public life. ■

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5. Digital tools that mobilise citizens for the production of data, opinions, and also projects for the authority.

6. Participatory budgeting for an authority consists in allocating part of its investment budget to projects selected or even proposed by citizens.