

Developing World Crowdfunding

Sustainability through Crowdfunding



"Fomban market, Cameroon" by Sarah Tziniaris is licensed under CC BY 2.0

Q2 Report

July 2015

AlliedCrowds

Message from the Founder



Lars

LEADERSHIP TEAM



Shareq

I identify opportunities for organizations to leverage the power of crowdfunding.



Malcolm

I gather, process, and analyze data to uncover new crowdfunding trends.



Sam

I keep us online, manage our tech team who develop crowdfunding platforms, our site and data.

Crowdfunding is an innovative way for anyone to raise money for their causes, projects, and startups, and we believe that in the developing world, it has the potential to have an even greater effect than it is having in developed nations.

There are obstacles to implementation, to be sure, but the developing world presents a major opportunity, and demographic trends suggest that the alternative financing model will grow rapidly in the near future. The data presented in this report — gathered through APIs, supplemented with primary research by the AlliedCrowds team, and analyzed via proprietary algorithms — suggests this growth may not be far away. Our findings show that developing world crowdfunding raised \$22.4 million from 21,000 campaigns in June, representing 6.5% growth over the previous month. Africa accounted for \$5.7 million of the total, with Kenya leading the continent in terms of money raised. We've created this brief report in order to provide some introductory context for this data.

Crowdfunding presents a highly interesting opportunity for growth in the renewable energy industry. In the US, platforms like Mosaic allow investors to lend money to solar energy campaigns. As our featured campaign shows, entrepreneurs are already thinking about how to leverage crowdfunding in order to support the renewable energy industry in the developing world. In some countries, the infrastructure is already in place: Kenya, for example, is the world leader in the number of solar power systems installed per capita. But renewable energy is not the only sector that stands to benefit from crowdfunding. As we show in our report, the fastest-growing sectors over the past month were: services (including stores and professional trade services), agriculture, and health.

Platforms are the agents facilitating the flow of capital from members of the crowd to deserving projects, and we highlight the work of the donation- and rewards-based platform

Crowdfunding in the developing world raised \$22.4 million from 21,000 campaigns in June.

Lars Kroijer, CEO, AlliedCrowds

Indiegogo in directing funds to the developing world. Because crowdfunding is much more established in the West, a significant portion of crowdfunding follows a global North to South trajectory, instead of South to South. Based on our strong growth projections and a rising awareness of crowdfunding, we expect to see more platforms launching and succeeding within the developing world.

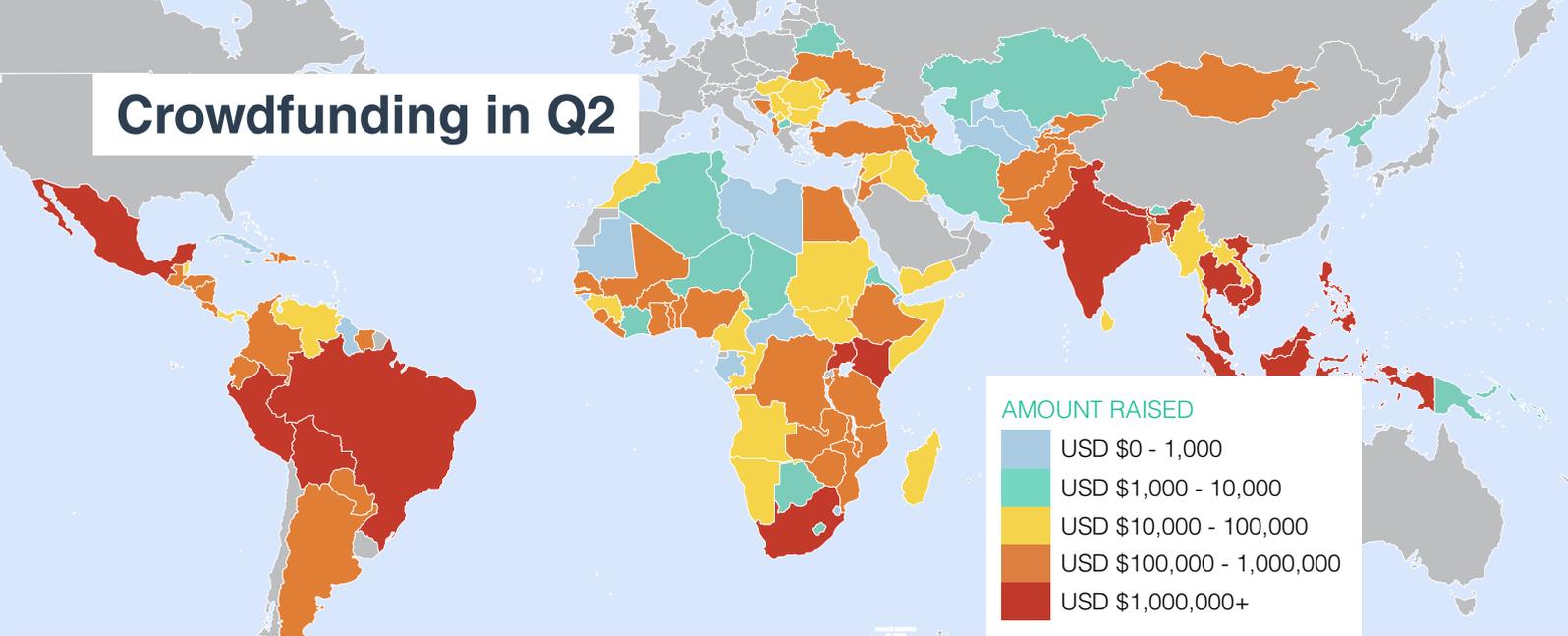
AlliedCrowds is excited for crowdfunding growth opportunities in the developing world, and we hope to encourage the implementation of crowdfunding by providing insightful, up-to-date, and actionable data on the industry, as well as services to organizations looking to enter the developing world crowdfunding space.

Learn more

If you're interested in learning more about AlliedCrowds, the data we provide, and how we can help your organization's crowdfunding efforts, contact us at reports@alliedcrowds.com.

Special thanks to: Safwat Ahmed, Alex Danaher, Breanna DiGiammarino, Caroline Frontigny, Elena Ginebreda-Frendel, Anton Root, Christina Veon, Kamal Yakub

Crowdfunding in Q2



\$59,084,000

TOTAL RAISED IN Q2

678

NEW PROJECTS PER DAY

\$69,500,000

AMOUNT CURRENTLY NEEDED

ANALYSIS

An industry in its infancy, crowdfunding has tremendous potential in the developing world. To date, we have seen growth in both the number of new developing world platforms, and in the number of campaigns that have been created on Western platforms like Indiegogo and GlobalGiving with the aim of sending money to the developing world. The latter account for much of the crowdfunding activity in Nepal following the earthquakes that devastated the country in April and May.

Disaster relief is an excellent example of how crowdfunding may be used in the developing world, and we believe the industry is poised for growth across multiple sectors. Our belief is rooted in two driving forces: demographic change and technological innovation.

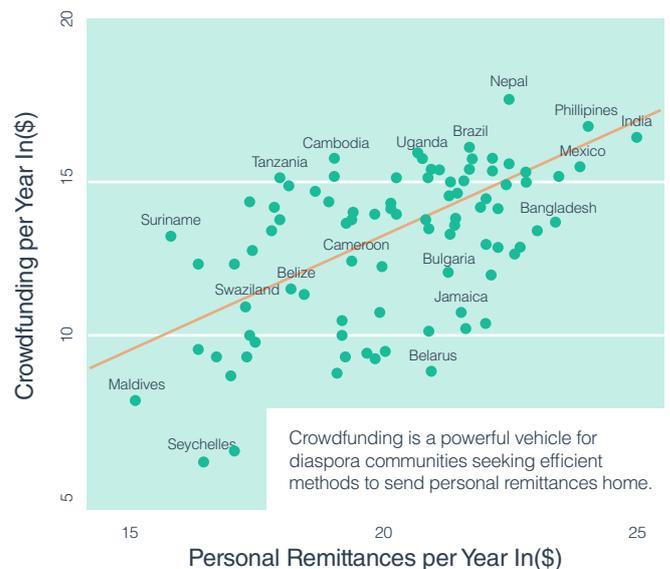
The population of the developing world is poised for rapid growth. By 2050, for example, Africa's population is [expected to double](#) from 1.1 to 2.3 billion. Developing countries will be made up of the young and mostly urban, who are a natural fit for crowdfunding: it's a model adopted primarily by the tech-savvy who are able to make a strong appeal to potential

We believe crowdfunding will grow in the developing world for two key reasons: demographic change and technological innovation.

backers. Additionally, the youth bulge will drive demand for products and services appropriate for local contexts, requiring native entrepreneurs to provide highly localized solutions that large enterprises may not see as scalable enough to invest in. Crowdfunding can fill that funding gap.

The other driving force for crowdfunding in the developing

Crowdfunding vs. Personal Remittances Across Countries



world is technological innovation. Access to the internet is key, and while penetration rates are still relatively low in the developing world, they are catching up. By 2018, for instance, [seven of the top ten countries](#) by number of internet users will be developing ones: China, India, Brazil, Indonesia, Mexico, Nigeria, and the Philippines. This will enable entrepreneurs and crowdfunding campaigners to reach out to individuals within their countries, as well as members of the diaspora.

In addition to adopting better communication tools, developing countries are able to leapfrog middling technologies and adopt new business models. Entrepreneurs in Africa, for example, have already revolutionized the mobile payments landscape. As technological innovation continues to alter the developing nations' business landscapes, the crowdfunding industry will be a beneficiary.

Crowdfunding League Table

AlliedCrowds Rank		Macro	Inflows	Infrastructure
1	 KENYA	5	8	8
2	 UGANDA	22	12	9
3	 PHILIPPINES	25	22	5
4	 SOUTH AFRICA	44	13	4
5	 BRAZIL	57	9	2
6	 HAITI	20	40	6
7	 MALAYSIA	42	6	13
8	 LEBANON	12	47	11
9	 GHANA	47	18	7
10	 COLOMBIA	53	38	3
11	 THAILAND	52	26	14
12	 NEPAL	2	1	27
13	 INDIA	73	50	1
14	 INDONESIA	70	36	10
15	 CAMBODIA	9	2	22
16	 MEXICO	62	49	12
17	 SAMOA	1	7	56
18	 SIERRA LEONE	10	4	50
19	 NICARAGUA	6	19	28
20	 SURINAME	15	3	66

METHODOLOGY

What is the AlliedCrowds Rank? The Rank is a measure of how a country has leveraged crowdfunding to help boost its competitiveness in global markets. We control for factors such as population, remittance inflows, and GDP, enabling us to make fair comparisons across vastly different countries. In addition to analyzing total funds raised, we assess the crowdfunding environment of each country, addressing issues like foreign dependence and regulation. More specifically: Macro measures how the total crowdfunding activity in each country compares relative to its GDP and population; Inflows measures how the total crowdfunding of each country compares to total foreign aid and personal remittance; and Infrastructure measures the number of foreign and domestic crowdfunding platforms operating in each country relative to population.

Analysis

Although Kenya has a very strong position at the top, there are no across-the-board leaders, as crowdfunding is such a new industry. South Africa, Brazil, and India are some of the more promising countries given their well-developed crowdfunding infrastructure.

DRIVERS FOR SUCCESS

PHILIPPINES – Diaspora

25.2% of the country's citizens [live in poverty](#). With more than 9m Filipinos living abroad, however, the country had remittance inflows of over \$20bn last year. Diaspora communities are particularly beneficial for increasing crowdfunding flows.

KENYA – Internet

Kenya is one of the leaders in internet access in Africa, boasting [64 internet users per 100 people](#). Needless to say, it is impossible to have a truly thriving crowdfunding sector without reliable internet access.

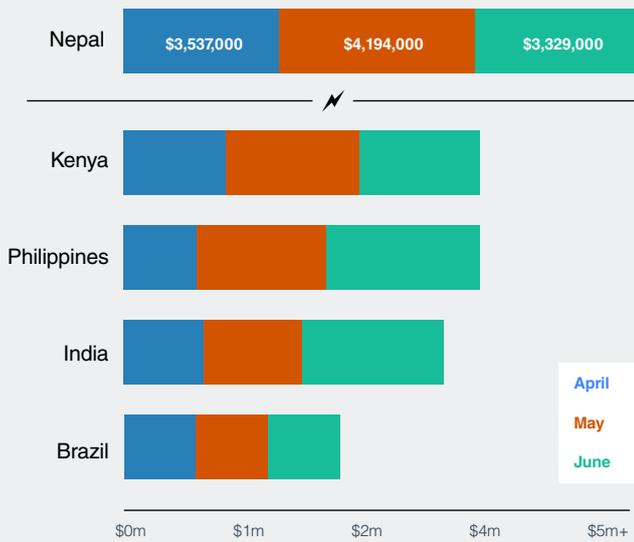
UGANDA – Government

The government of Uganda has embraced crowdfunding as a means of increasing its global presence, with a local government even [running its own crowdfunding platform](#). State sponsorship allows for a tremendous competitive advantage.

Q2 Recap

Top 5 Countries

This chart shows the month-on-month growth the crowdfunding industry has experienced over the past quarter. Note that countries are beginning to catch up to Nepal in crowdfunding volume, as the earthquake relief donations begin to slow down.



Top Movers by Category

Services

Agriculture

Health

Arts and Culture

Humanitarian Assistance

Economic Development

Education

Women and Girls

Children

Disaster Recovery

-\$8m -\$6m -\$4m -\$2m \$0 \$2m \$4m

Disaster Recovery funding has fallen since the earthquake in Nepal, replaced by more forward-looking categories like Services and Humanitarian Assistance. Reductions in other categories can be attributed to natural ebbs and flows of the fledgling industry.

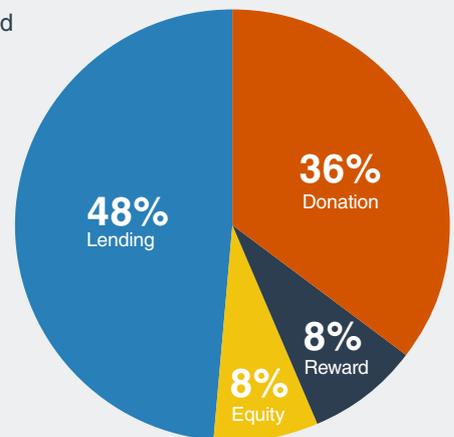
Top 3 Platforms

Growth over the last quarter has been strong for the three largest platforms in our space: Kiva, GlobalGiving, and BetterPlace.



Breakdown by Crowdfunding Type

Though lending is the undisputed leader in this space, reward and equity crowdfunding continue to increase their market share.



In the Spotlight: Africa

Despite challenges, Africa presents a tremendous opportunity for crowdfunding in the future. Indeed, growth has already started in the continent: over the last month, the amount raised grew by over 8%.

The biggest challenges to crowdfunding in Africa are technological. While some countries (like South Africa, Morocco, Kenya, and Egypt), have fairly high internet penetration rates, the majority of Africa's inhabitants do not have access to the web; accordingly, there are few affordable online payment transfer services available. Other challenges include a lack of general awareness around crowdfunding as a method of startup financing.

These obstacles will not be easy to overcome — but they are not insurmountable. Today, a small crowdfunding ecosystem is budding in Africa, adapting the model to local needs. We believe that demographic trends play in these early startups' favor.

Crucially, internet penetration continues to rise. According to a recent McKinsey report, over half of the urban residents in Africa are online, and the price of basic smartphones has fallen below \$100, making them accessible to the growing middle class. Governments are recognizing the importance of the internet for future economic development, and some are [putting ambitious programs in place](#) to expand internet-enabling infrastructure.

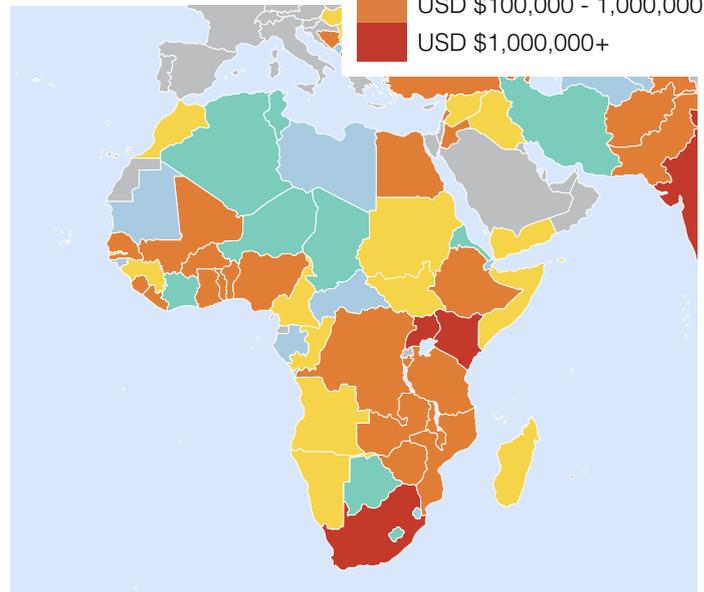
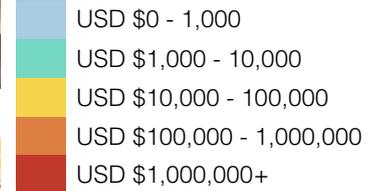
While there is little overall awareness of crowdfunding, the term is slowly entering the African entrepreneurs' lexicon. Conferences are placing crowdfunding on the agenda, while startup incubators are holding bootcamps to educate their members on benefits and best practices.

There is also much room for localized innovation. Like Africa's entrepreneurs have led the way in mobile payments innovation, we believe they can do the same for crowdfunding, adopting the model to their specific needs. This is already happening in Ghana, for example, with Farmable, an upcoming crowdfunding platform that will allow individuals to invest in small cattle farmers. Due to the lack of affordable online payments options, the company will be using mobile cash transfers for Ghanaians looking to support farmers on the platform.

While the technology for a vibrant crowdfunding ecosystem is still developing in Africa, cultural traditions across the continent mean that the concept will not appear foreign once it begins to gain mainstream recognition. In east Africa, for example, the founders of mobile crowdfunding platform M-Changa have designed their platform to resemble Harambee, a tradition of funding friends' and family members' ventures.

These norms are also shared by the African diaspora, which we believe will play an important role in helping to inject early capital into crowdfunded projects. The diaspora also has an important role to play in breaking the stereotypes around donating to or investing in the developing world. Multiple crowdfunding platforms have recognized this and are targeting the diaspora as a way to attract funding for startups back home.

AMOUNT RAISED



AFRICAN PLATFORMS TO WATCH



Egypt



Kenya



Ghana



Nigeria



Uganda

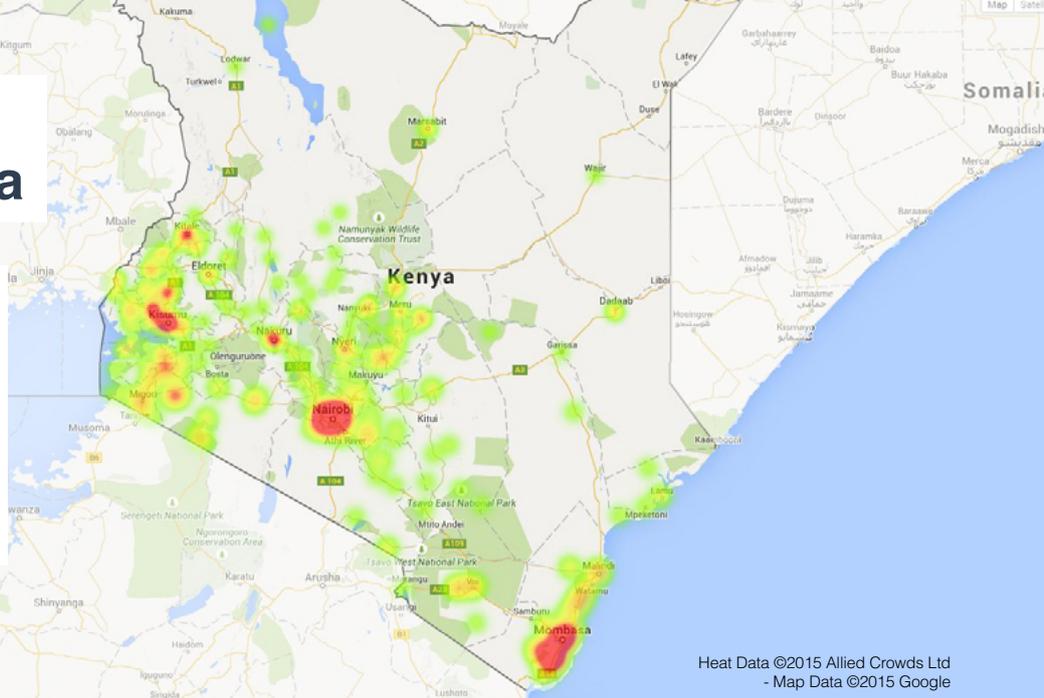


South Africa



Crowdfunding Potential in Kenya

This is a heat map displaying crowdfunding project density in Kenya. As expected, urban areas attract many more campaigns. Projects are not entirely limited to cities, however, with many dotting Kenya's countryside — a testament to the broad reach of crowdfunding.



Heat Data ©2015 Allied Crowds Ltd
- Map Data ©2015 Google

26%

Q2 GROWTH

1,961

OF LIVE PROJECTS

\$15,361,000

ANNUAL FORECAST

Kenya is Africa's leading nation in terms of money raised via crowdfunding, and the fourth in the developing world. In the last month, campaigns in and for Kenya raised \$1.3 million, and we project crowdfunding to raise \$15.3 million for the year.

The majority (71% last month) of Kenya's crowdfunding activity is via lending platforms, with international P2P lenders Kiva and Zidisha making up roughly 77% of the market share in the country. These microloan institutions are part of a larger microfinance industry, which has been regulated in Kenya following the publication of Microfinance Regulations in 2008.

Microfinance has risen up as a response to the SME financing gap in the country. The small enterprise and informal sectors account for 80 percent of total employment in the country, according to a 2009 survey. Despite their key role in job creation in Kenya, SMEs often struggle to secure bank loans due to a [lack of audited financial statements](#) for the last three years and similar documents banks require for evaluation.

Though crowdfunding is already participating in the microfinance industry via the aforementioned platforms, there is greater potential for it to help solve some of the problems associated with SME financing. Kenya, for example, has a high internet [penetration rate at over 64 percent](#) (well above Africa's rate of [27 percent](#)). Driven by the country's innovative mobile payments industry, [60 percent of the total population](#) has subscribed to a mobile money service.

Given the prevalence of mobile payments, it's no surprise that one of the country's most successful homegrown crowdfunding platforms is M-Changa, which allows users to manage their campaign via a mobile phone (and a computer). In addition to startups jumping into the space, international organizations are also experimenting with crowdfunding in the country: the World Bank, for instance, created the Kenya Climate Innovation Center, a project that seeks to promote clean tech ventures through crowdfunding.



SOLUTION TO HELP ERADICATE MALARIA

Four Kenyan high school students in Nairobi noticed that malaria-carrying mosquitoes are attracted to carbon dioxide emitted by human beings and created simple mosquito traps using yeast, sugar, and water. To help fund development of the trap, they turned to the crowdfunding platform M-Changa, raising \$6,574 for a local solution to a deadly problem in Kenya.

<https://secure.changa.co.ke/myweb/share/4052>



66%

RAISED
\$6,574

SUPPORTERS
104

AlliedCrowds

Crowdfunding for Renewable Energy



Crowdfunding can play a big role in financing renewable energy efforts in the developing world. In the US, the UK, and elsewhere, platforms like Mosaic and Abundance are already showing the world that crowdfunding has a place in green energy funding. It's not difficult to see renewable energy platforms taking off in the developing world, as well.

Kiva, a leading microlending platform, has taken initiative and created a category specifically for green energy projects, allowing individuals in developing nations to get access to solar energy kits, or rebuild their homes to be more efficient, among many other projects. But it's not just small companies that see the potential of renewable

The IEA estimates that 1.3 billion people lack access to electricity and 2.7 billion do not have clean cooking facilities.

energy crowdfunding; the UN's Green Climate Fund [proposed crowdfunding](#) as a way to finance sustainable energy projects.

The need for investment in renewable energy is great. In 2011, the [International Energy Agency \(IEA\) estimated](#) that 1.3 billion people lack access to electricity and 2.7 billion do not have clean cooking facilities; over 95 percent of these individuals are in Sub-Saharan Africa or developing Asia. Most of the funds invested in providing access to modern energy services will go to urban areas, and given the rates of population growth, this investment imbalance means that by 2030, the IEA predicts the same number of people — 2.7 billion — will still be without access to clean cooking facilities. Crowdfunding campaigns for those in rural areas without access to electricity (like our featured campaign for upOwa) can play a key role in reducing that number.

Crowdfunding for renewable energy is emerging at the right time. Today, a rethink of how organizations and firms invest in energy companies is taking place, with several major universities, companies, religious institutions, and sovereign funds having recently divested from fossil fuels. The highly publicized divestment campaign encourages investors to look at alternative opportunities promoting clean energy. As a transparent and direct way of investing capital, crowdfunding can be appealing to those who are looking to get away from investing in big fossil fuel corporations.

UPOWA'S SOLAR MISSION

With 600 million people in Africa [lacking access to grid electricity](#), renewable energy holds tremendous promise for the continent. upOwa is one of many startup looking to make a difference in rural Africans' access to electricity. It is a sustainable energy startup working in France and Cameroon, developing, installing, and maintaining smart solar modules in rural communities.

"We are thinking about how to set up the right distribution channels so that we could reach the communities that needed the technology the most," said the company's co-founder and CMO Caroline Frontigny.

In late 2014, the upOwa team [launched an Indiegogo campaign](#) to fund production and installation of solar energy equipment in Cameroon. The team was able to meet its crowdfunding goal, raising over \$15,000 to finance materials, logistics, and training of local staff on how to install and repair the solar units.

The campaign was an "ideal option" for providing the upOwa team the needed capital to begin operations, like purchasing a car to begin solar panel delivery to rural communities. In addition to providing the necessary seed funding, the campaign acted as proof of concept, and a way to draw further funding from an accelerator. "It's always difficult to get the first dollar," Frontigny said.

Since the campaign ended, upOwa has enabled 50 people to get access to solar energy, allowing them to charge their mobile phones and light up their homes.

While the team's efforts have already begun to help people in a tangible way, there is still much work to be done for upOwa and others operating in this space. Frontigny recognizes the challenge ahead, and thinks it's best to approach it one day at a time.

"We have to go step by step — first we install 50 and see how people react," she said. "The good thing in Africa is that it's the land of opportunity, and people are quick to grasp when there is a new one on the market."



Platform Spotlight: Indiegogo Life

San Francisco-based Indiegogo is a leading crowdfunding platform, operating in 224 countries. It was founded in 2008, making it one of the earliest crowdfunding platforms in the world.

Instead of focusing on a specific niche, Indiegogo has become known for allowing different kinds of projects onto its platform — from startups raising capital to launch their first product, to personal campaigns for medical bills.

Late last year, the platform added Indiegogo Life, a fee-free service to fundraise for personal causes. The initiative has been a success, said Breanna DiGiammarino, Category

Lead for Indiegogo Life, stating that millions have been raised for campaigns all over the world. This was especially helpful in the aftermath of the Nepal earthquakes, when the money raised needed to get to people as fast as possible.

“We have only reached the tip of the iceberg,” DiGiammarino said. “It is going to continue to grow exponentially and we’re happy to be able to connect people with those who have the ability to help.”

DiGiammarino sees a lot of potential specifically in the developing world.

“Indiegogo Life is easy for people to use anywhere,” she said. “A higher percentage of users are on mobile versus on desktop, which means crowdfunding in general is well-suited for use in the developing world; it doesn’t require very much bandwidth. Social media is quickly advancing in the developing world, as well, and social is the number one source of traffic to campaigns on our site.”

The key to successful crowdfunding, DiGiammarino said, is the personal connection made between funders and those asking for money.

“People donate to people,” she said, “so it’s important to be clear on who the people behind the campaign are: who is running the campaign, and who or what the money is going to. The personal connection is the most important success factor.”

Because not everyone is able to donate large amounts, success in crowdfunding comes not only through money, but also through grassroots marketing. In the aftermath of the Nepal earthquakes, those who could only give a few dollars (or weren’t in a position to give any money) helped to spread word of the campaign. That helped to raise awareness, and to date, nearly 30,000 people donated to the Nepal relief efforts.

“The amount that was raised for Nepal relief was astounding, and we expect that these kinds of campaigns will become increasingly commonplace as more people find out

that Indiegogo Life is free,” DiGiammarino said. “In the future, we will see relief efforts for established organizations like Oxfam, Red Cross, and UNICEF.”

Indiegogo is also working to promote the Nepal relief efforts by spreading word of the campaigns. The company created [blog posts](#) and provided information about the efforts via its newsletter, which reaches millions of people. It has also created a [dedicated section](#) for the most active Nepal earthquake relief fundraisers, providing clear and up-to-date information about the amount of money raised.

“We want to amplify what the world cares about,” DiGiammarino said.

INDIEGOGO® Life



KITE PATCH

Kite Patch was one of the earliest projects to show the potential of crowdfunding for social good. Two years ago, the company raised over half a million dollars to fund a breakthrough technology that repels mosquitoes without the use of a net. Recently, the company completed its testing in Uganda, and is analyzing data to see how the product can be improved and introduced to malaria-stricken areas in other countries.

www.indiegogo.com/projects/kite-patch



743%

RAISED
\$557,254

SUPPORTERS
11,254

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