

Developing World Crowdfunding

Relief through Crowdfunding



"Getting Syria's children back to school in Lebanon" by DFID is licensed under [CC BY 2.0](#)

Monthly Report

October 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.

As crowdfunding continues to grow in the developing world, we are uncovering the many ways it can be used to supplement and potentially overtake more traditional funding models. Last quarter, we saw developing world crowdfunding platforms raise over \$110 million across the world.

One of the key benefits of crowdfunding is its flexibility. Campaigns can be set up quickly and transfer money directly to those in need. Though the Syrian refugee crisis has been taking place for some time, the recent increased media attention has put the spotlight on the crowdfunding campaigns that are looking to help those affected by the crisis. Much like crowdfunding can be effective for natural disaster relief campaigns, our report shows that it's also proving to be highly useful for the thousands of refugees who are directly benefitting from the money raised.

As members of a diaspora already feel a sort of shared identity with their peers back home, we believe this group can play a big role in the development of crowdfunding, leading the way for other investors to donate to projects or invest in businesses around the globe. At a time when governments are increasingly looking to formalize remittance flows, crowdfunding presents a way for entrepreneurs to showcase their startups, and for investors to find out about the investment opportunities back home.

One region that doesn't see a lot of attention from the crowdfunding community is the Middle East and North Africa. As we explain in one of our sections, however, that's a serious oversight, as there is tremendous opportunity for the funding model to take off, driven by both demographic trends and the compatibility of crowdfunding with some of the tenets of Islamic finance.

In our crowdfunding platform spotlight, we feature the work of Ketto, the leading platform in India. The company has several years' worth of experience, and has used its knowhow to introduce highly innovative localized features to the crowdfunding market in the country. Its efforts have not gone unnoticed: in July, Ketto raised a significant funding round in order to grow operations and expand across the region.

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.

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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

Don't Miss!

AlliedCrowds CEO Lars Kroijer will be speaking at the [Renewable Energy Crowdfunding Conference](#) on November 5 in London. Our readers can receive a discount on tickets using the code RECFC-ALLIEDCROWDS-10. Register for the event [here](#).

FIND OUT MORE

To find out more about how we can help you leverage the power of crowdfunding, contact us today at info@alliedcrowds.com

Special thanks to: Cat Douglas, Nora GB, Shareq Husain, Malcolm Kapuza, Norm Markosse, Kaley Neumann, Anton Root, Varun Sheth

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Q3 Global Heatmap

Europe \$2.8m

Regional Leader:
Turkey, \$1.1m

Asia & Oceania:
\$41.1m

Regional Leader:
India, \$12.4m

Latin America
\$41.0m

Regional Leader:
Brazil, \$16.7m

Africa: \$25.6m

Regional Leader:
Kenya, \$8.4m

\$8.6m

RAISED IN MENA REGION

\$2.3m

RAISED IN JORDAN

\$17.2m

RAISED FOR HEALTHCARE

ANALYSIS

Online payment processing plays a major part in crowdfunding transactions, as it is an inherently internet-based method of fundraising. In the short term, the lack of well-developed online and mobile payment processing services in certain countries figures to be a hinderance to the growth of crowdfunding. Even today, however, innovative solutions are being developed for the e-commerce sector, which will have direct positive effects on the crowdfunding industry.

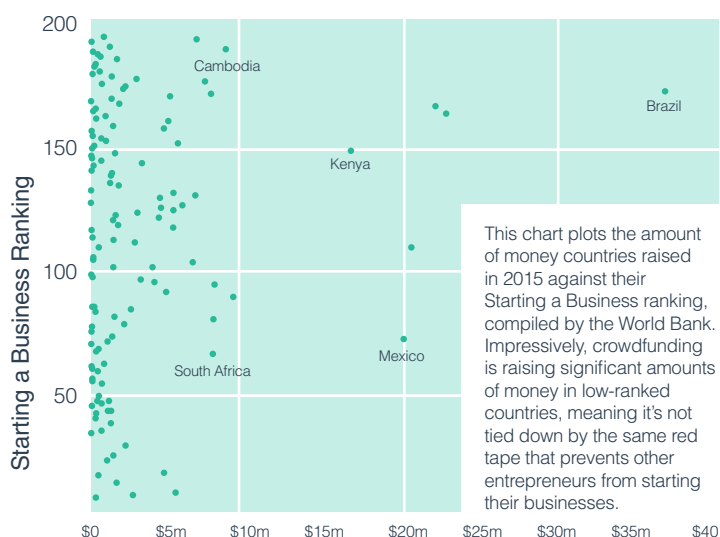
Online and mobile payment processing are complex industries, requiring instantaneous connections among payment gateways, banks, and other intermediaries. Archaic banking regulations may make it difficult for global firms to enter new markets, meaning local solutions must be developed; until

e-commerce transactions become more commonplace in developing nations, there will be few incentives for entrepreneurs to enter the space. Given the sensitivity of monetary transactions, companies prioritize data security.

Consumers are likewise wary of insecure online transactions, which has stunted growth, but has also led to rise of cash on delivery (COD) payments. These are especially important in India, and in the Middle East and North Africa regions. [Conservative estimates](#) put COD at 48 percent of all online payments in MENA; [others](#) believe the figure to be closer to 60 percent. In India, COD [accounts for 50 to 80 percent](#) of transactions.

COD is not well suited to donations-, lending-, or equity-based crowdfunding, and is highly inefficient for rewards-based crowdfunding. As consumers can reject payment once an item is delivered, entrepreneurs have little incentive to cater to COD purchases. But that doesn't mean entrepreneurs aren't trying -- Jack of all Threads, an Indian Teespring clone, allows users to pay for their apparel [upon delivery](#). Ketto, as we write in our platform profile, has partnered with a courier service to offer a cash pick-up service; the CEO estimates that roughly half of the users choose to donate using cash pick-up.

Other innovations in the market are much more suited to crowdfunding. Virtual currency is increasingly being accepted as an alternative payment method, and some governments (like [Cameroon](#) and [Cambodia](#)) are experimenting with the novel technology. Mobile payments, especially in East Africa, are taking off, enabling more people to transact online. Government officials are also starting to look at online payments as a global phenomenon, and there are [a number of initiatives underway](#) to better regulate the space. Better laws will help to legitimize the industry, putting to rest potential security concerns.

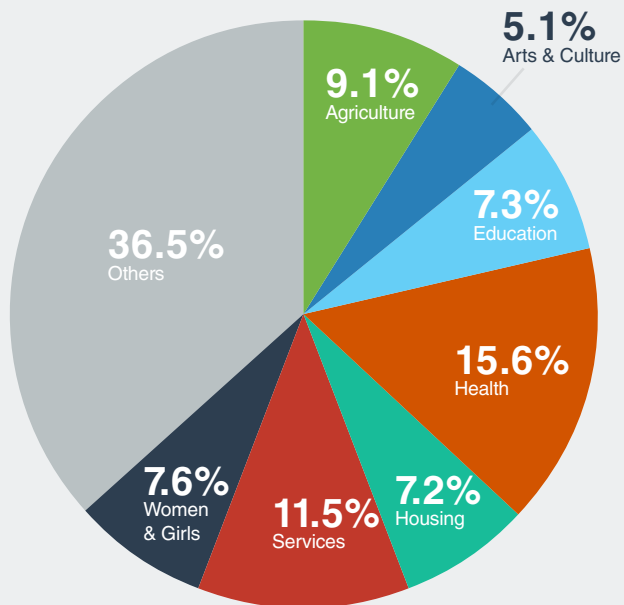


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September Recap

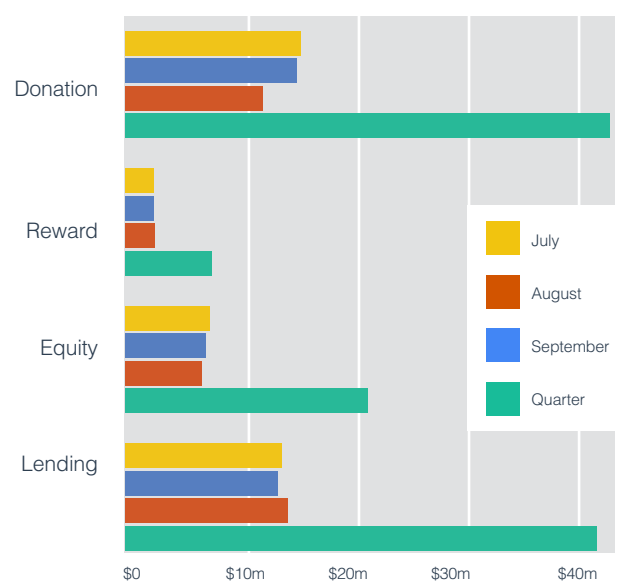
Top Categories

Agriculture has consistently been among the most active categories in developing world crowdfunding, due to the prevalence of farming-related campaigns on lending platforms.



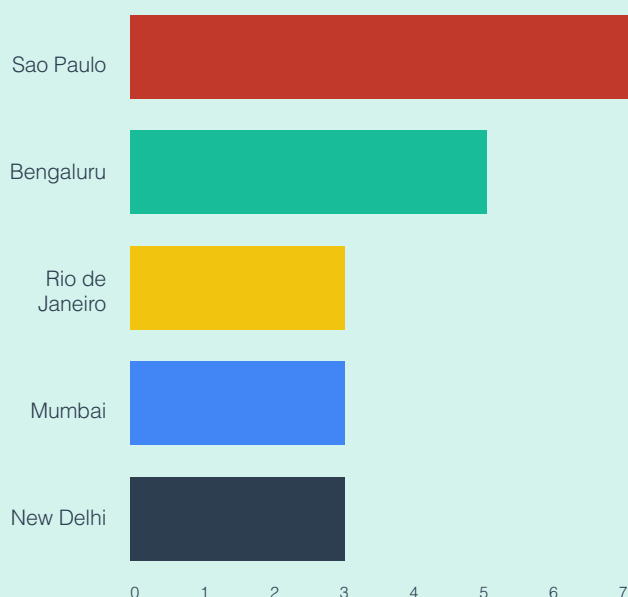
Crowdfunding Model Breakdown

Lending- and donations-based crowdfunding continue to dominate the developing world crowdfunding landscape, having each raised over \$40 million for projects last quarter.



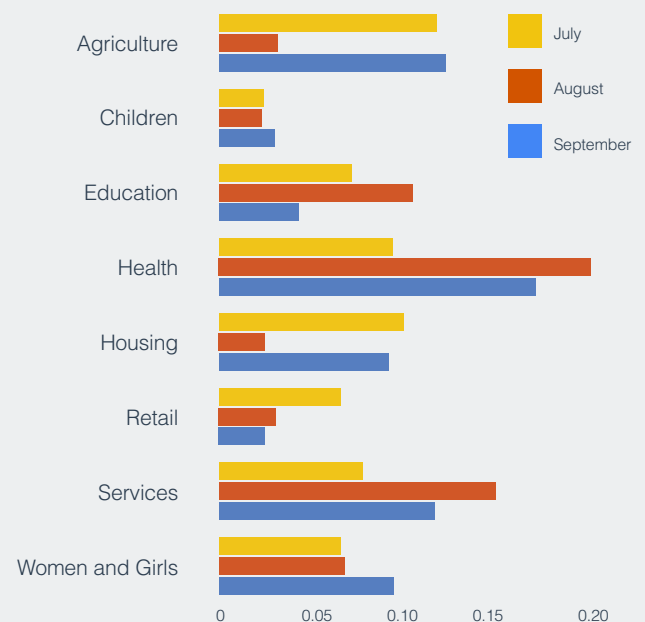
Top Crowdfunding Cities

Given that India and Brazil are two of the leaders in developing world crowdfunding, it's not surprising to see the top five crowdfunding cities to come from these two nations. As crowdfunding continues to grow, expect to see more nations represented.



Category Shifts in Q3

This chart shows the movement of categories of the past three months. Health campaigns have been prevalent each month, reflecting the need for better healthcare programs in many countries in the developing world.



In the Spotlight: Middle East and North Africa

"Cairo Skyline" by Francisco Anzola is licensed under CC BY 2.0

The Middle East and North Africa (MENA) is poised for rapid crowdfunding growth. While countries in the region have not raised much money in absolute terms thus far, collecting \$16.4 million in 2015 to date, demographic trends and religious specificities point toward a bright future for crowdfunding in the region.

The MENA region is home to many well-educated but [under- and unemployed young people](#). In countries like Egypt and Tunisia, the youth unemployment rate is [estimated to be over](#) thirty percent. The youth proved their mettle during the wave

Middle East and North Africa's crowdfunding platforms are predicted to raise \$23.1m in 2015.

of Arab Spring uprisings, which were started in Tunisia with the self-immolation of a frustrated college graduate who was struggling to make a living as a fruit vendor. With the startup ecosystem [growing in the region](#), crowdfunding can help to fill a serious gap in access to financing. Given startups' [key role](#) in job creation, the funding model can play a big role in solving an important problem in the region.

Islam's dominant presence in the region is also a good sign for crowdfunding, for two reasons. First, one of the pillars of Islam is

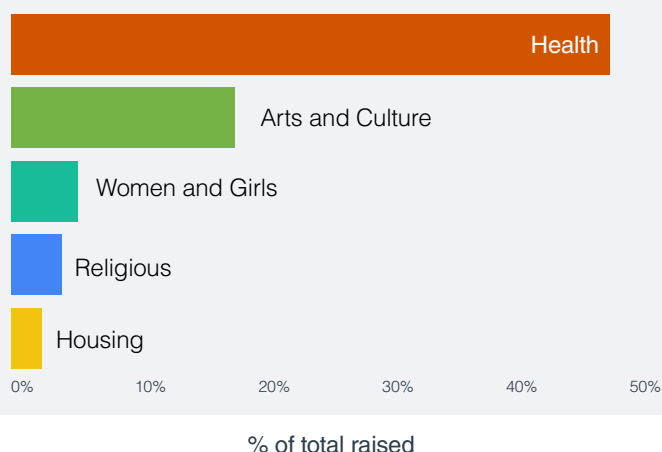
to make zakat, or charitable donations. All Muslims who can afford it are required to donate 2.5 percent of their wealth to charitable causes. Estimates vary, but [one source](#) puts the global yearly amount given for zakat at \$200 billion to \$1 trillion. If crowdfunding can capture even a small percentage of the total market, it would solidify the funding mechanism's foothold in the region.

Islamic finance is another practice that meshes well with crowdfunding. Though it is rooted in the Qur'an, the industry has really only taken off in the last few decades. Shariah-compliant finance shares many of the principles that make crowdfunding so attractive — there is a focus on socially-responsible businesses, and lenders are not allowed to collect interest on their loans. The emphasis is on risk-sharing, much like it is on crowdfunding platforms.

There are already a few platforms taking advantage of the fit between crowdfunding and Islamic finance, with Cairo-based Shekra among the most prominent.

REGIONAL SNAPSHOT

Top 5 categories



BILBAAL

Bilbaal is an online platform that allows individuals from around the world to contribute their time and skills to Palestinian organizations who are lacking certain skills. Given the community-driven model of the platform, Bilbaal's cofounders decided to fund part of the startup costs on Aflamnah, one of the region's biggest platforms. The [campaign was a success](#), raising over \$30,000.

AFLAMNAH
INSPIRING YOUR HEART, MIND AND WALLET

104%

RAISED
\$31,200

GOAL
\$30,000

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Diaspora Crowdfunding



"Crowd Heights" by Paul Stein is licensed under CC BY SA 2.0

Crowdfunding presents a fantastic opportunity for diaspora groups, who channeled \$583 billion in remittance flows in 2014. [\\$440 billion](#) was sent to developing nations; in nine nations, remittance inflows account for [over ten percent of total GDP](#). Crowdfunding is well-positioned to capture a part of these inflows.

While remittances are typically used for short-term, personal consumption, the large size of the market has led some governments to consider channeling the funds into longer-term, more sustainable uses — like funding businesses and initiatives that can help communities create jobs, according to research by the [Migration Policy Institute](#).

Crowdfunding platforms often operate like marketplaces, allowing entrepreneurs and project creators to post campaigns, and potential funders to allocate funds as they see fit. This marketplace model inherently frees up access to information, a key hurdle that prevents foreign investors from investing in developing nations.

Members of the diaspora, who tend to have better information about the investment climate in their home countries, can provide the first chunk of funding. This initial infusion can promote trust in the campaign, leading the way for other foreign investors to invest in businesses or fund projects.

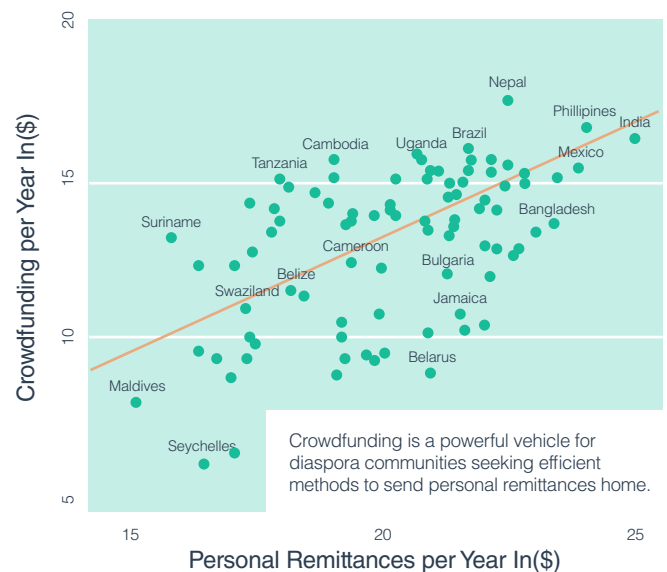
A number of platforms are already realizing the potential of diaspora crowdfunding. Homestrings, for example, allows individuals to invest in various African companies. In addition to channeling money to private firms, Homestrings also shows more traditional funding opportunities on its platform, like bonds and REITs.

In the Caribbean, diaspora crowdfunding can also [have a big impact](#). ISupportJamaica is a crowdfunding platform developed by the Jamaica National Building Society, one of the country's biggest financial institutions, that aims to promote the flow of capital in the form of both lending- and donations-based crowdfunding.

Such initiatives are helping entrepreneurs to access new avenues of capital, which will help nations to engage in sustainable and long-term forms of development. If governments create programs to support such initiatives, diaspora crowdfunding can have highly profound effects on startups in developing nations.

AlliedCrowds is putting together a brief to explore more in-depth how diaspora groups can make use of crowdfunding. Visit our site to find out more.

Crowdfunding vs. Personal Remittances Across Countries



ORGANIC SEED BANK ESTABLISHMENT IN PHILIPPINES

This [GlobalGiving campaign](#) is looking to combat the loss of biodiversity in the Philippines by creating a seed bank that would allow farmers to purchase 100 percent organic seeds for their crops. The campaign has been successful in attracting diaspora funding for the project, which is understandable given its focus on preserving the Philippines' natural habitat.



95%

RAISED

\$7,110

GOAL

\$7,500

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Crowdfunding for Refugees

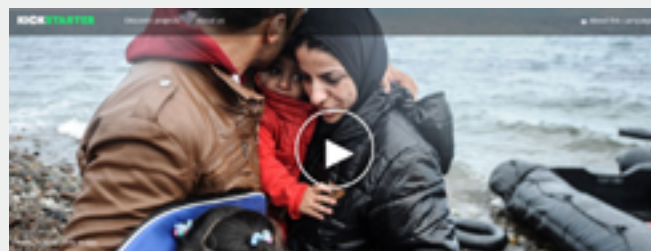
"Relief effort for Syrian refugees in Syria-Lebanon border" by IHH Humanitarian Relief Foundation is licensed under CC BY NC ND 2.0

The Syrian refugee crisis, which has been escalating since war erupted in 2011, recaptured international headlines in early September, after a photograph emerged showing a young boy, dead on a beach in Turkey.

Though the refugees' plight had been documented extensively beforehand, the moving photograph pushed people to act. In the past, people may have chosen to donate to a big aid organization. Today, crowdfunding platforms are increasingly offering a direct opportunity to help those in need.

Crowdfunding is an effective way to raise money for the needy for one key reason: it creates an emotional connection between the donors and those in need. That results in donors not just giving money, but also providing other benefits. One campaign owner we spoke with, who is raising money to help a relative travel from Syria to Norway, said donors helped to house the refugee and his daughter while he was traveling through Germany.

Other campaign owners we spoke with also made sure to capitalize on the personal connection formed between the donors and beneficiaries in order to maximize their fundraising efforts. Norm Markosse, who is raising money with several others to [sponsor a Syrian family in Canada](#), sent out personalized messages to each one of his friends on Facebook, adjusting



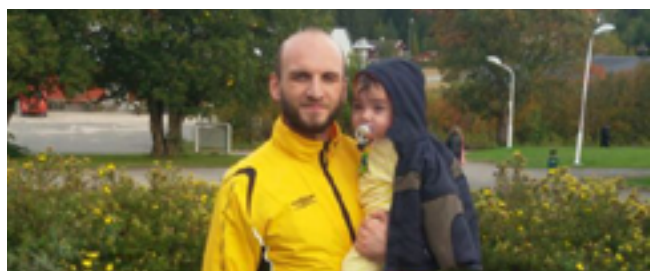
KICKSTARTER FUNDS REFUGEES

Kickstarter, arguably the best-known crowdfunding platform in the world, usually does not allow charitable campaigns onto its site. But given the scope of the Syrian refugee crisis, the platform decided to make an exception. It partnered up with the UN Refugee Agency to [launch a week-long campaign](#), allowing people to donate as much as they could, or to pick specific pre-set amounts that showed exactly where the money is going. Kickstarter as well as Stripe, the platform's payment processor, have both agreed to waive their fees for this campaign, ensuring that as much of the money as possible is able to get to the people who need it most. The campaign was an instant success, raising over \$1.4 million, which will go towards helping over 5000 refugees.

the amount he asked for based on how much he thought a friend could spare. That direct approach drove many of the early donations, and the campaign has since snowballed, collecting over \$23,000, twice the original goal.

One of the potential knocks against crowdfunding is that campaigns can be used by bad actors looking to make some quick money. While there is that risk, potential donors are highly aware of this possibility. Nora GB, who is [running the campaign for her distant relative](#), Abdalla, said that a number of people asked to speak with her on the phone prior to donating. To help solidify the bridge between the donors and Abdalla, and to further dispel any worries of fraud, Nora has been updating the campaign frequently, creating a diary of Abdalla and his daughter's journey.

But crowdfunding isn't just limited to individuals — large aid organizations are beginning to take note. The UN Refugee Agency [partnered with Kickstarter](#) and was able to raise \$1 million in less than two days. The platform, which had never hosted a charitable campaign in the past, waived its fees, as did Stripe, the payment processor. The campaign's success is a prime example of how crowdfunding can supplement large agencies' fundraising budgets in a fast way.



SYRIAN REFUGEE: FATHER AND BABY

Abdalla and his daughter have fled war-torn Syria, seeking to start a new life in Norway. A relative found out about their plight and [created an Indiegogo campaign](#) to help them deal with financial difficulties. More than the money, however, the sheer display of sympathy has had a big effect on Abdalla, who has seen that people care about his plight.

INDIEGOGO.
life

78%

RAISED
\$3,901

SUPPORTERS
62

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India is one of the largest crowdfunding markets in the emerging world, raising close to two million dollars per month. Given the country's sheer size and population, the potential for further growth is tremendous.

Ketto has combined its early mover advantage (the platform has been around since 2012) with innovative features in order to become a leading player in India's crowdfunding landscape.

Unlike its competitors, Ketto does not focus on a specific crowdfunding niche.

"Our vision is for everyone to be able to raise funds for whatever they want to," said cofounder and CEO Varun Sheth.

The CEO believes that is partly what has enabled Ketto to grow into the country's biggest platform. Though the company has been around for several years, Ketto has really taken off in the past nine



"Our vision is for everyone to be able to raise funds for whatever they want to."

Varun Sheth, Ketto Cofounder and CEO

months, Sheth said. In that time, the platform has funded over a thousand campaigns, collecting [roughly \\$150,000 per month](#).

The impressive growth did not go unnoticed: in July, the company announced a \$700,000 funding round, which the company is using to grow its operations (Ketto tripled its staff in recent months), and to expand its reach into nearby countries.

Ketto offers features that fit well within the local context. Each campaign, for example, is assigned a manager who helps users to raise money; such a hands-on approach is needed in a country where awareness of online fundraising techniques is just starting to take off.

Another important innovation is cash pick-up, a way for Ketto to fit into India's cash on delivery culture. The platform has partnered with a courier service, who collects offline donations to pass on to the project owners. The minimum amount for a cash pick-up is 1000 rupees (\$15), and Sheth said around half of the site's users choose to donate to campaigns that way, instead of paying online.

These localized features will be transferable to many other countries in the region that Ketto is currently eyeing. While ecommerce is growing, the space is still small enough to justify the need for users to be able to back projects with cash. The platform's experience in India will enable it to roll out such initiatives as needed in future countries.

Sheth said Ketto is looking to expand into several East Asian countries in the next four to six months. The company recently

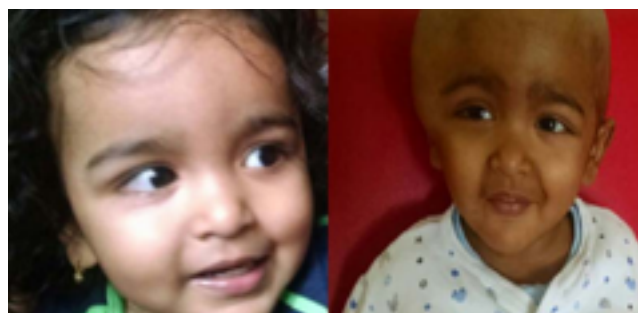
registered in the US, where the regulation is much clearer around what is and isn't allowed when it comes to fundraising. This will enable the company to scale up in a more efficient manner.

Though Ketto allows campaigns of all kinds to go up on the platform — the first tech campaign was funded recently, Sheth noted — the CEO believes personal campaigns are going to be the biggest sector in the near future.

That's because of competition from international platforms like Indiegogo and Kickstarter, who tend to attract the top creative projects, as well as the perception of rewards-based crowdfunding in India today. Sheth said that while campaigns that offer good rewards are able to be successful, many campaigns are likely better off collecting donations from the crowd.

To that end, Ketto is working on improving its backer management features, which would allow campaign owners to better communicate with the donors, and to leverage the donors' networks in a more efficient way, leading to a larger audience and more contributions.

Time will tell whether Ketto is able to repeat its success in India in other East Asian countries. But given its experience and the recent investor funding, the platform is certainly one to watch.



HELP ESHAAN FIGHT CANCER

Eshaan is a three year-old child living in Bangalore, India, who is fighting atypical teratoid rhabdoid tumor (ATRT), a rare form of cancer. Eshaan received an operation in December 2014 to remove a tumor in his brain; but the cancer has since spread to other parts of his brain and to his spine. To receive further treatment, Eshaan's parents [created a crowdfunding campaign](#), attracting donations from across the world. The money collected will go toward funding an operation outside of India.

100%

RAISED

\$148,809

SUPPORTERS

1583

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