

Why Europe should facilitate the emergence of Crowdfunding for a new growth model

European mature economies could benefit from a facilitation at European level of the emergence of an ecosystem favorable to Crowdfunding, or Community Funding, and enter a new growth model.

As it is often said in Brussels circles, the 23 million SMEs in the European Union are "the backbone of its economy." Because SMEs have a major role in the economy and growth, it is essential to facilitate their development so that they can ensure the return of a sustainable growth in Europe.

In times of economic crisis, numerous European SMEs, especially from the economies which are experiencing a high unemployment rate, lack liquid assets. They are caught in a vice, and the majority of them are strangled. Numerous costly national measures on returning to growth can do nothing.

It is imperative to reduce the heavy bureaucratic burden which presses on the shoulders of entrepreneurs to release the forces to restore the competitiveness of businesses.

Improving access to seed funding of SMEs as well as diversifying its sources, such as Crowdfunding, also called collaborative funding, and what I call "Community Funding" turn out to be essential. A strong initiative in this direction would serve economic development and job creation as a springboard to promote entrepreneurship, the value of work, thereby overcoming the lack of willingness to take risk which is a hallmark of our societies. This would allow promoting personal initiative creating added-value and prosperity with the aim of the collective good, while favouring the role of women entrepreneurs in the economy. There is no miracle toolbox other than a real valuation and facilitation of the life of the entrepreneurs, the only solution may be to take out countries of the crisis.

Much remains to be done in European countries that in recent years have seen the emergence of a new type of start-up. In particular, innovative internet platforms allow many contributors of money to invest small amounts in projects. These savers are then able to choose the final destination of their money (business, creative or social project) in multiple forms: donations or subscriptions with financial or in nature counterparties called "rewards" or "production", also in the form of equity with stakes in the capital of a company, in the form of lending, or social lending .

At the global level, according to the study by Massolution, 2.7 billion dollars were so able to be collected in 2012 on several hundreds of platforms. In 2013, no less than 5 billion dollars of collection are foreseen. But if one looks closer, the even more recent figures, although unverified, are encouraging. It may well be that 6 billion dollars will be achieved at the end of this year. David Drake and TheSohoLoft envisage an estimated 1 000 billion industry by 2020.

Likewise the sums collected by Europe-based internet platforms register an exponential progression. This could be of quite a different importance, and especially have a greater economic impact, if

platforms benefited from a regulatory framework adapted to the nature and to the limited potential risks which engenders their activity.

Several European countries such as the United Kingdom, Italy, Austria have been dealing with the regulation of Crowdfunding. Others like the Netherlands are proactive in this field too. Separately France is about to facilitate the multiple forms of Crowdfunding and discusses the creation of a special status of Crowdfunding Service Provider ("conseiller en investissement participatif"). But for now, the laws are very different from one country to another. This could represent an impediment to the development of internet platforms in the short to medium-term as by the nature of their business, they cannot know national boundaries of their market.

The key players of the Crowdfunding sector already compelled themselves to greater transparency by creating national professional associations and by working on their respective self-imposed Code of Conduct, which are codes of best practice committing platforms to provide services with full transparency, safety, assistance, ethics, and respecting the laws and regulations.

On this important element, I would like to draw a parallel between Crowdfunding and Microfinance by pointing to the illustration used by Emmanuelle Javoy of Planet Rating for whom "Microfinance is a multi-tool like the knife." That is to say, a "useful tool in daily life, which can be dangerous" if it is too much or misused "and which allows marvelous transformations." It is pressing, in my opinion, to provide a suitable framework for internet platforms so that they can make possible the marvelous part while taking care to avoid the dangerous consequences of bad practice.

If the lead action is situated at the national level, an initiative at European level is also under way with the European Crowdfunding Network and the determination of the Crowdfunding sector that rallies in Europe.

Moreover, the different workshops organized by the EESC, the SME Assembly, the DG Connect, and the DG Internal Market and Services of the European Commission in the presence of Commissioner Michel Barnier to review the opportunities and risk reduction related to Crowdfunding, confirm the direction taken towards a likely forward evolution of the European texts. To remedy disparate national level legislation, the European Commission has taken over the case and has launched a public consultation so a project can start to be developed from next year.

So, after months of exchanges and raising awareness in small committees on the benefits offered by Crowdfunding, this synchronization between administrations denotes a real commitment of the authorities towards concrete action on the subject.

Capitalizing on the June 3rd meeting at the European Commission, we have the duty to move forward hand in hand with the authorities and multiple partners supporting Crowdfunding. As of source of proposals and enlightened reflection as for a special European level status of Crowdfunding Service Provider, it is advisable to push away the Sword of Damocles hanging over the activity of the platforms, which are subject to unsuitable regulations in relation to the actual risk incurred by the members of their community.

The European economy could benefit from a tenfold increase of entrepreneurial dynamics by releasing the energies both from a better flexibility of the labour market and from a reduction of the many administrative burdens suggested by number of members of the Network of SME Envoys or of members of Parliament stemming from the business world, all combined with facilitated access to Crowdfunding. There is no alternative to an economic policy which is based on the facilitation of the life of entrepreneurs, those who want to create.

Having spent the last three years analyzing Community Funding and Microfinance, it is fascinating to measure how much it allows to aggregate entrepreneurs, creators, the financial sector, governments, local governments, economic development stakeholders and above all us all European citizens and citizens of the world whom we are.

Nobody knows today what will happen to Crowdfunding in the next two years. What is certain is that it will become a real alternative for start-ups and seed capital.

Therefore, it is hoped that the dynamism and creativity of European entrepreneurs, the precursory role of certain key players on the European market, such as the platforms Zopa, Prêt d'Union, Wiseed, Crowdcube, Symbid, Babyloan, MyMajorCompany, Ulule, KissKissBankBank or SellaBand, and many more, will be preserved and even enhanced by a new regulatory framework at the European level. At the same time bold, this framework should be non-discriminatory, fully complementary with other sources of funding and ensure the professionalism of this emerging industry.

Contrary to what many bloggers, colleagues, journalists, and even politicians may claim, in fact it seems clear that it is the European creativity that currently dominates the global Crowdfunding market. This could be verified with the very wide variety of the business models of the platforms which are being launched almost every day, despite the severe legal and political obstacles they face in Europe.

Allowing the multiple forms of Crowdfunding platforms to operate freely across boundaries would be for the European Union the sign of a will to continue the deepening of the Single Market.

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To learn more about Crowdfunding, I recommend the following publication: "Visions on the future of Crowdfunding in Europe", November 2013.

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