



OECD Regional Development Working Papers 2017/02

Civic Crowdfunding: A  
collective option for local  
public goods?

**Claire Charbit,  
Guillaume Desmoulins**

<https://dx.doi.org/10.1787/b3f7a1c5-en>

## OECD REGIONAL DEVELOPMENT WORKING PAPERS

This series is designed to make available to a wider readership selected studies on regional development issues prepared for use within the OECD. Authorship is usually collective, but principal authors are named. The papers are generally available only in their original language English or French with a summary in the other if available.

OECD Working Papers should not be reported as representing the official views of the OECD or of its member countries. The opinions expressed and arguments employed are those of the author(s).

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Working Papers describe preliminary results or research in progress by the author(s) and are published to stimulate discussion on a broad range of issues on which the OECD works. Comments on Working Papers are welcomed, and may be sent to either [gov.contact@oecd.org](mailto:gov.contact@oecd.org) or the Public Governance and Territorial Development Directorate, OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France.

Authorised for publication by Rolf Alter, Director, Public Governance and Territorial Development Directorate, OECD.

-----  
OECD Regional Development Working Papers are published on  
<http://www.oecd.org/gov/regional/workingpapers>  
-----

Applications for permission to reproduce or translate all or part of this material should be made to: OECD Publishing, [rights@oecd.org](mailto:rights@oecd.org) or by fax 33 1 45 24 99 30.

## **Civic Crowdfunding: A collective option for local public**

**goods?** *By Claire Charbit and Guillaume Desmoulins*<sup>1</sup>

### **Abstract**

This paper investigates the potential of civic crowdfunding as an innovative and collective option for contributing to the production of local public goods. It is articulated around two pillars. The first section provides a general understanding of crowdfunding practices and focuses principally on its civic component. Civic crowdfunding should be distinguished from other types of crowdfunding since it pursues an objective of general interest and mainly concerns place-based projects instigated by citizens and civil society organisations. The aim of this section is to better understand this field, from the general principles to the specific characteristics of actors and their motivations. The second section goes a step further towards the analysis of this practice with regards to the provision of local public goods. Crowdfunded local public goods usually belong to a specific category of public goods, “urban commons”, which generate significant challenges in terms of production, governance and sustainability. Building on the theory of contracts to better understand the interaction among stakeholders in this process, a new model of co-production relying on civic crowdfunding is proposed. Subnational governments would have a key role to play in enabling this practice and facilitating citizen empowerment through the mobilisation of platforms assets. Civic crowdfunding can provide opportunities for subnational governments in terms of citizens/user information, funding, communication, trust and territorial attractiveness. This paper outlines a series of key questions to guide policy makers in experimenting this practice.

**Key Words:** *local public goods; civic crowdfunding; citizen engagement; co-production*

**JEL classification:** H40, G20, R10, R50.

---

<sup>1</sup> Claire Charbit, Regional Development Policy Division of the Public Governance and Territorial Development Directorate, OECD, [claire.charbit@oecd.org](mailto:claire.charbit@oecd.org) and Guillaume Desmoulins, Co-city, [guillaume.desmoulins@co-city.fr](mailto:guillaume.desmoulins@co-city.fr).

## TABLE OF CONTENTS

INTRODUCTION.....	5
1. CIVIC CROWDFUNDING: PRACTICES, ACTORS AND RATIONALE .....	7
1.1 How does crowdfunding work? .....	7
a) General principles .....	7
b) Crowdfunding models.....	9
1.2 Characteristics of civic crowdfunding .....	11
a) Project initiators .....	11
b) Crowdfunding platforms and civic activities.....	15
c) The crowd of donors .....	17
2. CROWDFUNDING FOR LOCAL PUBLIC GOODS: CHALLENGES AND OPPORTUNITIES FOR SUBNATIONAL GOVERNMENTS.....	20
2.1. Focus on crowdfunded local public goods .....	20
a) Types of crowdfunded civic projects .....	20
b) From local public goods to local urban commons .....	22
2.2 Civic crowdfunding: A new model for local public goods.....	22
a) Co-production conditions: Synergies, contract theories and incentives.....	23
b) Advantages of civic crowdfunding as a collaborative solution for local public goods .....	29
c) Hurdles to overcome .....	29
d) Opportunities and challenges regarding territorial inequality.....	30
CONCLUSION .....	32
ANNEXE 1. EXAMPLES OF CIVIC CROWDFUNDED PROJECTS ACROSS OECD COUNTRIES .....	35
GLOSSARY .....	36
REFERENCES.....	37

### Tables

Table 1. Different types of crowdfunding .....	9
Table 2. Civic crowdfunding initiators .....	11
Table 3. Types of goods produced on civic crowdfunding platforms .....	20

### Boxes

Box 1. A new legal framework to regulate crowdfunding (France) .....	10
Box 2. Examples of civic crowdfunded projects launched by civil society organisations, residents and urban creators across OECD countries .....	12
Box 3. How can subnational governments be involved in civic crowdfunding? Examples from the France, Portugal, the United States and the United Kingdom.....	14
Box 4. Examples of crowdfunded local public infrastructure .....	21

Box 5. Definition of co-production.....	23
Box 6. Contract theories: “Transactional” versus “relational” contracting? (OECD 2007).....	25
Box 7. The contractual relationship between subnational governments and civic crowdfunding platforms.....	27

## Figures

Figure 1. Crowdfunding dynamics: The successful case.....	8
Figure 2. Crowdfunding relations: A system of contracts .....	26

## INTRODUCTION

Crowdfunding, the practice of project funding by raising monetary contributions from a wide pool of stakeholders, typically via internet platforms, has grown rapidly in the last decade. According to the World Bank (2013) this model emerged in OECD countries as a direct response to the difficulties entrepreneurs encountered in raising funds as a result of the 2008 financial crisis. Expanding by 167%, crowdfunding platforms raised USD 16.2 billion in 2014, which is up from USD 6.1 billion in 2013. The worldwide market was expected to double again in 2015 (Massolution 2015) and is estimated to be up to USD 90-96 billion per year by 2025 (World Bank 2013).

Civic crowdfunding - the crowdfunding practice applied to civic projects<sup>2</sup> - is difficult to quantify due to the definition of civic itself, which can vary. However, it already represents a significant opportunity for citizens, civil society organisations and sometimes subnational governments, to leverage funds for public interest projects, more broadly for projects aiming to improve people's well-being. This practice is in its early stages but it has already contributed to the implementation of a wide range of local public projects, like social, educational, sporting and music events. To date, the majority of completed projects are located in the United States and United Kingdom where the main civic crowdfunding platforms are located. Anglo-Saxon countries took the lead on this practice mainly because crowdfunding is already well established there and they have an important culture of citizens' empowerment. However, the way civic crowdfunding participates to foster citizens' empowerment and cooperation between local stakeholders may depend on the cultural environment of each OECD country.

This study focuses on civic crowdfunding for the production of local public goods<sup>3</sup>. Some impressive examples have attracted attention in this field such as crowdfunding campaigns for a pedestrian wooden bridge in Rotterdam, a flyover urban park in Liverpool or a floating public pool on the east river of New York City. However, so far, large scale crowdfunded local public goods projects remain a minority. Few of them have been successfully completed and most of the successful ones were only partly crowdfunded. Indeed, so far crowdfunding for local public goods has engendered various small-scale regional changes and community projects, such as turning distressed areas into public parks, local facilities, community centres etc. One important characteristic of civic crowdfunding is its "place-based" nature, that is to say, while general crowdfunding relies on web technologies and online communities, civic crowdfunding relies mainly on "offline" communities and contributes to concrete local impact. In these cases, the crowdfunding platform plays the role of intermediary and catalyst for people who have a common stake in the crowdfunded project.

Civic crowdfunding for local public goods is usually instigated by citizens and civil society organisations in an effort to transform their neighbourhood or local area, such as the need for new services and/or infrastructure; and/or a means to bypass lengthy administrative procedures, or indeed the lack of political will. This little known, and constantly evolving, practice enables communities to achieve projects that may never have seen the light of day otherwise.

Citizens and users of public goods and services should be at the heart of public policy, and over the last decade, there has been an increasing trend towards greater citizen participation in OECD

---

<sup>2</sup> Projects related to the duties or activities of people in relation to their town, city, or local area. Oxford Living Dictionaries.

<sup>3</sup> *Local public goods* are public goods which benefit those citizens in the geographical area in which they are located

countries and their local authorities. Some of them have introduced initiatives such as participatory budgeting, where citizens can discuss and prioritise the budget allocation of subnational governments. Civic crowdfunding shifts citizens' role from prioritising public spending, to financing it, resulting in empowerment. In fact, self-organised communities and local collective action have a long history, however, the new era of "sharing economy", relying on digital platforms and peer-to-peer relationships, clearly generates new opportunities and challenges in terms of scale, actors and governance models. The variety of engagement modalities in the public life could be seen today as promising perspective in the context of declining voter participation.

Civic crowdfunding is an opportunity to develop innovative win-win collaborations. If successful, it allows any connected citizen to become an actor in the revitalisation of his/her local environment whilst also pushing forward territorial development for subnational governments in times of fiscal constraint and disaffection of voters. Civic crowdfunding platforms progressively behave as multi-channel agents between citizen initiatives and local governments. However, for such an approach to come about, different elements need to be taken into consideration. So as to clearly identify them, this study aims to:

- Provide a general definition of civic crowdfunding
- Analyse the potential of civic crowdfunding for local public goods
- Review the current state of practice in OECD countries
- Discuss opportunities and challenges for subnational governments

Finally, partnerships between civic crowdfunding platforms (crowdfunding websites that are dedicated to funding civic projects, see 1.2 b) and subnational governments consist of "systems of contracts" between project leaders, the platform, the crowd of donors, the Sub-National Government (SNG) and local users. This study proposes a new co-production model relying on civic crowdfunding platforms, which gives a key role to SNGs and facilitates citizen engagement.

With these goals in mind, the report is articulated around two pillars:

**1. Civic crowdfunding: practices, actors and rationale**, presents the general principles of crowdfunding and its application to the civic field. In particular, it provides an overview of the current state of play of civic crowdfunding, its characteristics, actors involved and their motivations.

**2. Crowdfunding for local public goods: challenges and opportunities for subnational governments**, focuses on the role of subnational governments within this new framework. Using some analytical concepts from public economics (local public goods, urban commons and co-production) and institutional economics (contract theories), this part puts forward a new model of innovation in public services based on the co-production of local public goods through civic crowdfunding platforms.

## 1. CIVIC CROWDFUNDING: PRACTICES, ACTORS AND RATIONALE

### 1.1 How does crowdfunding work?

#### *a) General principles*

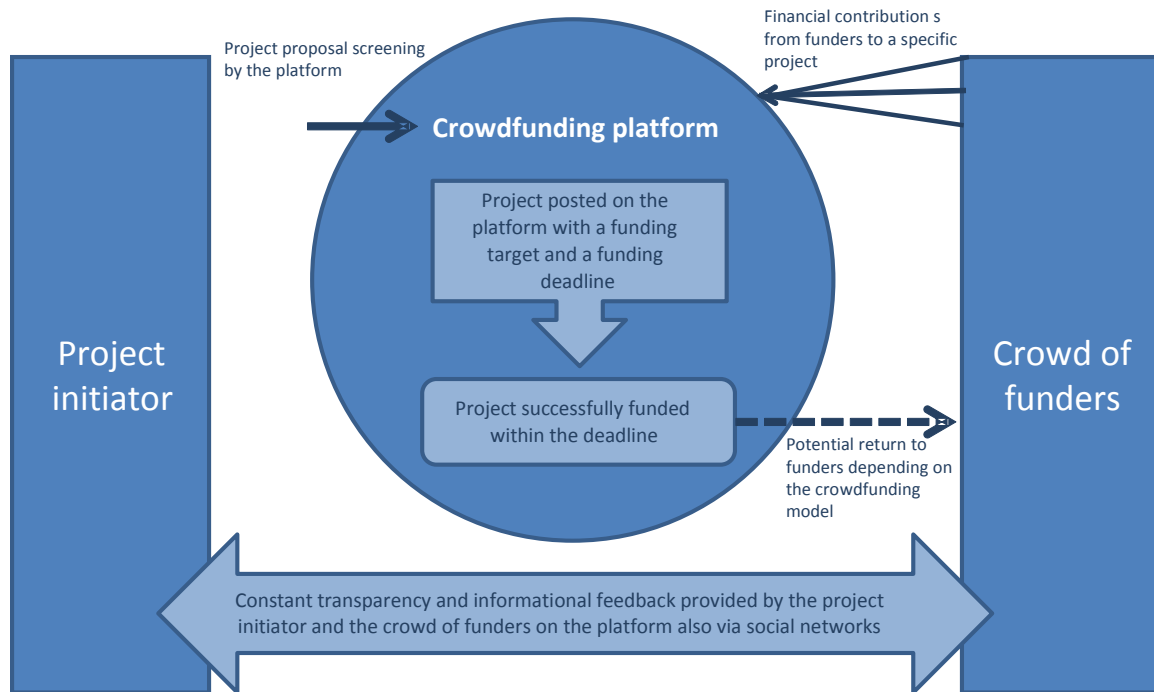
Crowdfunding is based on attracting attention of the crowd - and thereby its money - to a specific project using a web-based technology. What makes crowdfunding different from traditional fundraising (i.e. charity fundraising or the banking system) is the way people interact. This collaborative form of financing projects relies mainly on internet platforms where project initiators and funders find a new space for transactions. These platforms play an intermediary role of catalyst by removing the majority of the usual pre-requirement constraints for project initiators and driving their proposal directly to a crowd of online potential funders.

Crowdfunding platforms have different features but work on the same basic principle. Various elements can explain their recent success:

- First, the internet allows project initiators to reach a wide range of potential donors, particularly through social media. The efficiency advantages of online platforms approach is an important factor for projects' initiators. Crowdfunding platforms are more cost-effective as opposed to going door to door or distributing brochures, doing mass mailings, etc. It is possible to concentrate spending on the project itself and limit administrative costs.
- Second, crowdfunding platforms are relatively easy to use. They generally allow any individual to contribute a small amount of money to any of the projects displayed on the platforms.
- Third, the payment processing and rules that apply to the main crowdfunding platforms allow project initiators and funders to carry out secure transactions.
- Last, a significant characteristic of crowdfunding is the transparency of online fundraising campaigns; donors are constantly updated with informational feedback on the platform throughout the whole process.



**Figure 1. Crowdfunding dynamics: The successful case**



Most crowdfunding campaigns follow a similar dynamic. In short, anyone can post their project on a crowdfunding internet platform along with a video and an explanatory text, with the goal of raising money from potential online funders.

Funders represent a broad range of actors from individuals to private firms or foundations etc. and the project can be any proposal that needs funding for development (from a start-up to a music Compact Disk, a social/humanitarian action, a public park, etc.). There are no explicit restrictions regarding the nature of the project, one can find a crowdfunding platform for any kind of projects. Once the project has been accepted by the platform, it will be posted. Funders can contribute by giving any amount of money within a strict timeframe, and donors are kept continually informed of the project's progress throughout the financing campaign. Finally, when the campaign ends, the transfer of funds from donors to creators is only made if the project reaches its funding target.<sup>4</sup> Generally, platforms charge fees<sup>5</sup> on each funded project and try to reach a critical mass of initiatives to ensure their economic viability.

This practice, which seems fairly simple at first sight, also strongly depends on the ability of project initiators to mobilise “love money” (capital donated by family and friends) and to attract new

<sup>4</sup> In particular cases, a crowdfunding platform can deliver funds to the project initiator even if the funding target has not been reached. This specificity is always mentioned on the platform before the launch of any campaign and it usually depends on the platform's features.

<sup>5</sup> This is the most common business model for crowdfunding platforms but there has been a trend towards diversifying sources of funding over the last few years. Some platforms do not only rely on fees but also on partnerships and sales of services (See section 1-2 b Crowdfunding platforms and civic activities).

funders. The communication strategy, the nature of the project and the model of crowdfunding chosen, are key factors for a successful fundraising campaign.

### ***b) Crowdfunding models***

Contributing to a crowdfunding project can provide different returns for funders. Table 1 below presents main crowdfunding models with respect to funder payoffs.

**Table 1. Different types of crowdfunding**

Crowdfunding models	Investment model			Donation model	
	Equity	Debt-based (or lending)	Royalty-based	Reward-based	Donation without objective reward
Funder payoffs	Shares in crowdfunding businesses	Peer-to-peer lending system with interest	Royalties	Contributors are rewarded by different perks depending on the level of donation and the nature of the project	No explicit payoff

Source: Derived from the typologies suggested by Massolution (2013) and Best et al. (2013).

- **The investment model** is usually associated with financial returns for funders. Crowdfunding is a significant support for entrepreneurs, start-ups and artists that cannot easily reach funding through traditional methods (i.e. banking and stock markets). It also offers new opportunities in the real estate market where small firms can crowdfund from local communities to support their projects. The investment model is divided into three main categories: equity, lending and royalty-based crowdfunding. The most common models are equity and lending. In equity crowdfunding, companies raise money through online investors who receive shares in the businesses in exchange. Debt-based crowdfunding, also known as the “lending model”, allows individuals to lend money for a specific project, with interest. The least common model, royalty based, offers funders a percentage of the revenue generated from the project (once it is generating capital). Finally, the whole investment model is also a way for funders/investors in this model to diversify their investment portfolios.
- With the **donation model** individuals provide a financial contribution to support a project with no expectation of a financial return. This model is divided into two categories: reward-based (or perks-based) and donations without objective reward. The reward-based model consists of contributing in exchange for any kind of reward. Rewards usually take the form of gifts or specific recognition through visible written acknowledgment on the platform etc. Donation without objective reward is driven by other incentives such as community benefits and/or moral issues. Civic crowdfunding relies mainly on the donation model.

These different models present different types of advantages and constraints that regulations are beginning to take into account<sup>6</sup> (see Box 1 for the case of France).<sup>7</sup> The donation model is the less regulated type of crowdfunding since it involves campaign raising under €20 000, on average. In many OECD countries, crowdfunding is still unregulated because of the small size of the market. At present, most crowdfunding campaigns rely on the ethics of projects' initiators about the reliability of the project. Platforms are usually not accountable and backers should understand the risks involved before deciding to contribute (see 2.2).

### **Box 1. A new legal framework to regulate crowdfunding (France)**

With the ambition of becoming a pioneer in the development of crowdfunding, in May 2014 France adopted a legal framework which came into force 1st October 2014. The ordinance (act having the force of a legislative action) aims to develop this practice by reducing legal constraints for project initiators and improving funder protection and transparency. In particular, it introduced a specific legal status for lending and equity platforms as well as some restrictions regarding maximum transactions:

#### **The debt-based model**

- Any crowdfunding platform which proposes loans (either interest-free or interest-generating) must be registered with the new legal status *Intermédiaire en Financement Participatif* (intermediary for participatory financing), and lending platform leaders need to justify their professional skills in this field (i.e. have work experience in this field or a university degree in banking).
- A project initiator can borrow up to EUR 1 million per project.
- A funder cannot lend more than EUR 1 000 per project if the loan is with interest (EUR 4 000 if the loan is interest free)

#### **The equity model**

- An equity platform must register either as *Prestataire de service d'investissement* (investment service provider (EUR 5 000 capital minimum) or with the new status of *Conseiller en investissements participatifs* (counsellor in participatory investment), (no minimum capital required) depending on the complexity of the financial securities issued
- Equity platforms must issue explicit warnings regarding the risk of investing in projects, especially the risk of total or partial loss of capital. Any investor can contribute to a project after accepting these risks and fulfilling an in-depth questionnaire. The platform may be held responsible if it allows someone whose profile does not match to invest in business capital.
- No limit on the amount.

#### **The donation and reward-based model**

- No limit on the amount.

Transparency requirements have increased for all types of platforms.

<sup>6</sup> See “Case Study on Crowdfunding” (OECD 2015) on regulatory framework and European Commission JRC Science and Policy Report “Understanding Crowdfunding and its Regulations” (European Union 2015)

<sup>7</sup> Autorité des Marchés Financiers (2014). « S’informer sur le nouveau cadre applicable au financement participatif (crowdfunding) ».

## 1.2 Characteristics of civic crowdfunding

Civic crowdfunding should be distinguished from other types of crowdfunding since it pursues a goal of general interest and supports place-based projects.

This specific practice relies mainly on the donation model, including both “reward-based” and “donation without objective reward”. While the investment model is mainly based on financial return, the incentives to participate in the donation model, and especially in the case of civic crowdfunding, are very different. This section assesses the different actors involved and their motivations to contribute. These actors can be classified into three main categories: *project initiators*, *the crowd of donors* and *crowdfunding platforms* (which serve as intermediary bodies between the other two).

### a) *Project initiators*

i) Civil society organisations and local residents, ii) urban creators<sup>8</sup> and iii) subnational governments represent the three main types of actors that usually launch crowdfunding campaigns for civic projects.

**Table 2. Civic crowdfunding initiators**

	Project initiators	Main motivations
<b>Civic crowdfunding</b>	<b>Civil society organisations and local inhabitants</b>	Improving people's well-being and quality of life, increase social cohesion within a community/neighbourhood, tackle a public issue
	<b>Urban creators (architects, designers, artists...)</b>	Innovative idea to renew or create a public space
	<b>Subnational governments</b>	Revealing citizens' preferences; offset dwindling financial resources, improve transparency and cost efficiency of local public spending, increase citizen engagement, enhance public trust, motivate businesses investment, other political reasons, etc.

#### *Civil society organisations and local inhabitants*

Most projects are launched by local inhabitants and the third sector (i.e. civil society organisations, Box 2). Civic crowdfunding can be seen as a new instrument for community building through concrete individual implication in common interest projects. In theory, civic crowdfunding allows anyone with a community proposal, and the will to implement it, to look for funding. In practice, running a civic crowdfunding campaign is not so simple. Citizens who successfully raise funds usually belong to a community or an association which provides some additional support such as volunteering or initial financial resources. It requires considerable work and preparation, in particular with respect to the communications strategy (word-of-mouth and emailing to friends and relatives, social media exposure, press relations, etc.). Therefore, well-organised civil society organisations are more likely to succeed in crowdfunding. It allows them to obtain funding for a specific project and also strengthen and expand their existing communities.

---

<sup>8</sup> In this study, the term “urban creators” refers especially to architects, urban designers and artists wishing to contribute to changes in their urban environment.

As it has been observed in initial work on online communities, some actors, already identified as key in offline communities (experts, leaders, etc.) could naturally play similar active roles in online and extended communities (Charbit and Fernandez, 2003). Considering the clear “place-based” dimension of civic crowdfunding, the engagement of participants in existing local associations and networks play a key role. Davies (2014) finds high concentrations of projects in large urban areas, in particular where there are large concentrations of students. This can be explained by the fact that the technology is quite new, and that proximity to social networks helps the initiation of and contribution to civic crowdfunding campaigns.

One must however keep in mind that contributors can be very volatile. This can both facilitate their getting together to support a project, and limit their feeling of long-term responsibility in its achievement or their willingness to repeat the exercise. In practice, participants often show a will to participate collectively which constitutes a motivation to contribute *per se*, but the extent to which they feel their contribution will matter in the long term may be weaker (Davies, 2015).

### *Urban creators*

Both non-profit and for-profit urban creators can initiate civic crowdfunding campaigns (Box 2). Urban creators may be driven by community motivation such as the will to revitalise their neighbourhood by providing their expertise. Many civic crowdfunded projects were originally initiated by urban creators who actually live in the neighbourhood in question. In addition, these urban creators often belong to active civil society organisations and networks making it easier for them to engage the local community. Some urban creators may also launch a campaign with the rationale of an entrepreneur as most civic campaigns do not raise “big money” but can be a good way to gain notoriety.

#### **Box 2. Examples of civic crowdfunded projects launched by civil society organisations, residents and urban creators across OECD countries**

The type of projects and fundraising amounts are quite heterogeneous in civic crowdfunding. However, one can observe common characteristics, such as the will to solve public issues and/or to revitalise distressed areas.

##### **The Lutchsingel pedestrian bridge in Rotterdam (NL)**

The 390 m wooden bridge for pedestrians in Rotterdam is one of the biggest civic crowdfunding projects successfully completed so far. It reconnects a distressed area with the city centre of Rotterdam. Originally planned by the city council, this project was supposed to be completed in 30 years. An architectural firm called ZUS decided to bypass this delay by opening “I Make Rotterdam”, a crowdfunding website dedicated to funding the bridge. Using the slogan “the more you donate, the longer the bridge”, ZUS started the crowdfunding reward-based campaign in February 2011 giving people the opportunity to buy a plank for the bridge with their name on it. The campaign rapidly raised EUR 100 000.

In 2012, the firm won the first EUR 4 million Rotterdam City Initiative for the revitalisation of the city with over 20 000 votes. The grant played the role of catalyst and ZUS decided to build a longer and more ambitious version of the bridge along with a park and rooftop gardens. The completed Lutchsingel pedestrian bridge was officially opened in August 2014.

##### **“Like at Home”, an online platform connecting refugees seeking housing and private hosts (FR)**

Launched by a non-profit organisation aiming to empower refugees in France named “Singa”, this online homestay network for refugees raised EUR 16 175 in November 2015 on the civic crowdfunding platform Co-city (FR). People were able to either donate or host refugees. The non-profit organisation received around 10 000 responses from people willing to host refugees. Due to the humanitarian emergency, the platform also received additional private and public funding to manage this project.

##### **A music and art festival to raise awareness for ecological values in Galicia (ES)**

A non-profit organisation named “Espacio Matrioska” successfully leveraged EUR 5 180 on the crowdfunding platform Goteo (ES) for a music and arts festival in August 2015. The organisation was formed by 11 citizens who studied arts. It began when they discovered an abandoned space in the municipality of Os Banco (a council project that was never finished) where they decided to form a space for cultural and artistic exchange.

### *Subnational governments*

Subnational governments can also initiate or take on significant roles in civic crowdfunding campaigns. There are five main reasons why they may choose this option: scarcity of resources, desire to enhance transparency and cost efficiency of public spending for civic projects, to improve knowledge about citizens' needs, to increase citizen engagement and/or political reasons. The extent of stakeholder consultations and participation in local public action is strongly related to the cultural environment and trust in the influence they can have on public decision making, which can be different not just across countries but also within a country.

Davies (2014) suggests four models to get cities involved in civic crowdfunding. The first two models, the sponsor model and the subnational government platform, present different ways for cities to initiate a civic crowdfunding action, whereas the curator and facilitator models are more partnerships with platforms and other project initiators (examples are provided in Box 3).

- *Sponsor*: The city runs its own campaign for a specific project on an existing civic crowdfunding platform.
- *Subnational government platform*: A subnational government creates its own crowdfunding platform to foster the development of its territory. Subnational governments usually create generic platform which promote both entrepreneurial for-profit projects and non-profit civic initiatives.
- *The Curator model*: The local authority selects a list of projects that reflect their agenda on an existing crowdfunding platform.
- *Facilitator*: Subnational governments can play an important role in facilitating citizen and civil society empowerment. This includes planning permission, financial as well as technical expertise support, co-screening and/or co-designing projects, etc. Basically, it represents a new type of public-non-profit private partnership with citizens/inhabitants and civic crowdfunding platforms. Some subnational governments, mainly in the United States and in the United Kingdom, have already set up partnerships with civic crowdfunding platforms. These partnerships are mainly based on co-financing projects alongside the rest of the crowd. One challenge for subnational governments and civic crowdfunding platforms is inventing innovative matching schemes with the impetus of crowdfunding campaign in order to reach a higher investment impact. This critical role of facilitator will be further developed in section 2.2).

### **Box 3. How can subnational governments be involved in civic crowdfunding? Examples from France, Portugal, the United States and the United Kingdom**

#### **The sponsor model**

*Philadelphia (Pennsylvania, US) and Central Falls (Rhode Island, US): Citizinvestor*

The cities of Philadelphia and Central Falls both launched campaigns on the civic crowdfunding platform “Citizinvestor” in 2013. The Philadelphia Parks and Recreation Department's Youth Urban Agriculture Program collected USD 2 163 for a garden-based education program, and the City of Central Falls, which has explicitly justified this action due to the lack of resources (Central Falls declared bankruptcy in 2011), successfully fundraised USD 10 044 for new garbage bins in the city's main public park.

#### **Sub-national government platform**

*Country Council of La Manche, France: OZÉ*

In France, the County Council of La Manche recently launched a crowdfunding platform aiming to support any type of project located in its area which adds value to the community. The objectives of this initiative were to promote the emergence of innovative projects and reinforce the identity of the county. A subnational government platform can be used as a territorial marketing tool.

*Lisbon City Council, Portugal: Boa Boa*

Launched in May 2016, the crowdfunding platform “Boa Boa” is a unique case in Europe. Boa Boa is a “platform from and for Lisbon, born from the will of a group of entities that are keen in promoting entrepreneurial activities in this city”. Indeed, the platform was created by five different entities each with complementary competences: the city of Lisbon, a foundation, a law firm, a non-profit organization which promotes entrepreneurship and a financial institution. It aims to support any type of products, services or ideas which add value to the city of Lisbon and belong to at least one of these categories: “Entrepreneurship”, “Social entrepreneurship and innovation”, “Science and R&D” and “Culture, Citizenship and Participation”. Relatively new, this platform has supported very few civic projects so far, however, this mix of expertise is an interesting option that will merit further attention.

#### **The curator model**

*New York City council: Kickstarter*

New York City created its own page on the generic crowdfunding platform Kickstarter with the objective of increasing citizen participation and “highlights projects in low-income neighbourhoods”.

#### **The facilitator model**

In 2014, the Michigan Economic Development Corporation (MEDC) partnered with the civic crowdfunding platform “Patroncity” to drive the revitalisation of public spaces. The partnership was mainly based on a matching grant scheme and followed a four-step procedure:

- 1: Citizens identify and create projects they would like to see funded;
- 2: Projects were screened by the civic crowdfunding platform and approved by the MEDC;
- 3: Personalized supports and advises were provided by the crowdfunding platform to the selected projects;
- 4: Projects which hit their funding goals thanks to the crowd received a matching grant from the MEDC.

From June 2014 to October 2015, civic projects leveraged more than USD 2.9 million that activated over 2.2 million square feet of public space and the MEDC more than quadrupled the investment impact per dollar of public spending. The program was renewed and expanded for the following year.

**Box 3. How can subnational governments be involved in civic crowdfunding?**  
**Examples from France, Portugal, the United States and the United Kingdom** *(continued)*

**United Kingdom: Spacehive**

The civic crowdfunding platform “Spacehive” (UK) is working with subnational governments in the United Kingdom. City councils can create their own “hive” page on the online platform in order to co-finance and promote civic projects in a local area or as part of a themed initiative. In 2015, London launched its hive on Spacehive with a pilot themed programme called “The Mayor’s Civic Crowdfunding Programme”. This programme aims to pledge funding alongside the crowd to citizen-led projects seeking to make London local high streets better places to live. The Mayor selected some initiatives and pledged GBP 600 000 towards 37 projects. This pilot programme was renewed in 2016.

**Paris: Co-city**

The municipality of Paris started an innovative partnership with the non-profit civic crowdfunding platform Co-city in September 2016 in order to reinforce the impact of its participatory budget in working-class areas. In this partnership, the civic crowdfunding platform is used as a complementary tool to foster offline residents participation.

Launched for the first time in 2014, the Participatory Budget of Paris consists of 5% of the city’s investment budget dedicated to residents. This program follows a four step procedure: first residents can propose ideas, then the municipality selects some of them, few months later every resident can vote for their favourite projects and the city will implement the winning projects the following year. As part of the partnership with the 2016 Participatory Budget of Paris, Co-city, which strongly relies on offline communities and volunteers, has been working with projects initiators from underserved neighbourhoods to teach them how to run a mobilisation campaign for civic projects (online and offline mobilisations). They organised a dozen of participatory workshops to help project initiators to succeed in the vote campaign. In the 2017 Participatory Budget, Co-city will also organise local events and workshops in the working-class areas to help residents to develop new ideas to improve their neighbourhoods. This experimental partnership aims to reduce territorial inequalities by reinforcing residents abilities to participate in this institutional program.

In general, civic crowdfunding platforms and participatory budgets both share the same objective to empower citizens but present notable differences. Participatory budgets are political and institutional instruments which generally last for two years (from initiation to implementation) in order to finance big investment projects, whereas civic crowdfunding are politically neutral instruments which help to achieve smaller projects in a short timeframe, from a few weeks to a couple of months. Participatory budgets and civic crowdfunding platforms can complement one another by sharing knowledge, expertise and methods regarding online and offline citizens participation.

***b) Crowdfunding platforms and civic activities***

Different types of crowdfunding platforms host civic projects. Civic projects can be hosted on either civic or generic crowdfunding platforms. A small minority of cases of civic projects are proposed on other platforms, such as those focusing on specific issues (platforms focusing on environmental issues, natural disasters, social causes, etc.) or platforms created exclusively for a specific project.

The way these platforms work is very similar to any type of crowdfunding platform in terms of payment processing, transparency and duration of the campaign (generally between one week and a couple of months). To date, generic platforms still host the majority of civic projects, but the number of dedicated civic crowdfunding platforms are likely to increase since this field is very specific (see below) and needs greater offline co-operation with local stakeholders.



*Civic crowdfunding platforms have some particular features*

The term “civic crowdfunding platform” refers to the recently emerged types of platforms dedicated to fundraising for issues of public concern.<sup>9</sup> Civic platforms are usually designed with the goal of empowering citizens and civil society, and can be distinguished from other types of crowdfunding platforms using the following criteria:

- *Posting project constraints*: Civic crowdfunding platforms mainly promote non-profit projects with free access (events, green spaces, facilities etc.). Some civic platforms have specific rules regarding project initiators. For example, Ioby requires that project initiators be residents in the neighbourhood and Citizinvestor only promotes projects that are put forward or supported by subnational governments. Co-city does not allow subnational governments to initiate crowdfunding campaigns, but encourages them to co-operate with citizens.
- *Possibility of contributing by means other than financial*: Some civic crowdfunding platforms (e.g. Ioby, Co-city, Spacehive) offer the option of taking part in projects as a volunteer. Some of them also mix crowdfunding with crowdsourcing<sup>10</sup>. The crowdsourcing option allows users to share and discuss their ideas before starting a crowdfunding campaign.
- *“All or Nothing” versus “Flexible funding”*: Most platforms rely on the “All or Nothing” system, meaning that funds are transferred from contributors to project initiators only if the crowdfunding campaign reaches its funding target within the set timeframe, otherwise, contributors are refunded. Some civic platforms offer flexible funding delivery options which may allow funding to be released even if the crowdfunding campaign has not reached its target (assuming that the project initiator will be able to implement its non-profit initiative with slightly less). This specific case is explicitly mentioned on the platform to the attention of potential funders. Moreover, most platforms allow projects to exceed their funding goal within the timeframe.
- *Types of crowdfunding and business models*: Civic crowdfunding relies on the donation model, including both “reward-based” and “donation without objective reward payoffs”. As with generic platforms, civic crowdfunding platforms usually charge fees (between 4-10%) if the crowdfunding project reaches its fundraising goal within the timeframe. However, civic platforms’ business model is evolving and most of them no longer rely only on fees but also on partnerships. Some civic crowdfunding platforms, such as Spacehive, Patronicity and Co-city offer services for subnational governments and local stakeholders to help them promote projects and/or foster residents engagement in their area. For instance, Spacehive proposes partnerships packages which include services such as personal coaching, a branded page on the platform and strategic consultancy. Civic crowdfunding platforms are more likely to attract institutions and SNGs than any other type of crowdfunding platform since they support community projects and local development. These platforms own a network and an expertise regarding civic practices as well as a database<sup>11</sup> of potential donors for civic

---

<sup>9</sup> Spacehive (UK); Ioby, Citizinvestor, Crowdera (US), Voor je Buurt (Netherlands), Goteo (Spain), Co-city (France)

<sup>10</sup> Crowdsourcing: the practice of obtaining information or input into a task or project by enlisting the services of a large number of people, either paid or unpaid, typically via the Internet. Oxford Dictionary Definition.

<sup>11</sup> The general terms of use indicate what uses are made from information about donors they gather. Generally, there is no commercial purpose allowed. However, as all social networks based economy, some

improvements and quality of life and keep them informed (mainly via newsletters and social networks). Finally, civic crowdfunding organisations take various legal forms across OECD countries (from non-profit to private companies) but most of them belong to the specific category of social enterprise<sup>12</sup> since they combine societal goals with entrepreneurial spirit.

The field of civic crowdfunding is still developing and it is too early to determine whether these characteristics will become rules for civic crowdfunding platforms. Some further options may be developed as subnational governments could play a greater role in this practice.

### *c) The crowd of donors*

Analysis of the crowd is impeded by the lack of empirical evidence and reliable data. However, this part provides a preliminary overview of the crowd's composition and motivations with regards to civic crowdfunding. Further surveys and studies need to be conducted in order to better characterise civic crowdfunders and provide an in-depth understanding of their rationale in participating.

#### *Composition*

The crowd's composition is likely to be correlated with the nature and scale of the project. For example, a crowdfunding campaign to renew a public park in a small city may not attract the same funders as a crowdfunding to restore a historical monument in Paris or to create a floating swimming pool in New York. Small scale projects are usually crowdfunded by individuals belonging to the same neighbourhood whereas large-scale projects could potentially attract a bigger, and more diverse crowd of funders.

Although the scale and the nature of the projects are important factors, the ability to run a fundraising campaign is more so. The partly crowdfunded community centre in the city of Glyncoch in Wales is a good example of a successful crowdfunding campaign which collected contributions far beyond its community, thanks to the support of a well-known celebrity. Glyncoch is an ex-mining village in South Wales which was ranked 39 out of 1 896 areas in an index of Welsh deprivation.<sup>13</sup> The town had been fighting for seven years to build a new community space, offering social facilities and training sessions in a region where half of the population is unemployed. It raised 94% of its funding goal from grants, but they needed to raise a further GBP 30 000 to reach the target of GBP 790 000 by 30 March 2012, at the risk of losing most of the secured grant funding. The charity organisation "Glyncoch Community Regeneration Ltd" turned to the civic crowdfunding platform "Spacehive" to find the missing funding. Author and comedian Stephen Fry backed the campaign and launched an appeal to his four million Twitter followers: "crowd-fund a community centre for the price of a cucumber sandwich". The campaign successfully attracted a crowd of donors along with other high-profile supporters and firms such as Deloitte and Tesco who gave the final donation of GBP 12 000. The ability to capture the crowd through good communication is essential in civic crowdfunding. When successful, crowdfunded civic projects present leverage effect and can attract private investors and businesses.

---

platforms can decide to sell data to private companies for commercial purposes and viral marketing if the terms of use allow them to do so.

<sup>12</sup> « Any private activity conducted in the public interest, organised with an entrepreneurial strategy, but whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has the capacity for bringing innovative solutions to the problems of social exclusion and unemployment" (OECD, 1999).

<sup>13</sup> Welsh Index on Multiple Deprivation, 2011.

To be willing to participate in civic crowdfunding assumes that people are well informed about this practice and the different existing platforms hosting civic projects. This is not necessarily the case. There is a growing attention on the emergence of the so called “collaborative economy” (car-pooling, sub-lease, crowdfunding etc.) but the specific field of civic crowdfunding is still little known and in the early stages. It seems that three main elements need to be reunited for someone to become a “crowdfunder”<sup>14</sup>: a motivation for general interest; a basic technical aptitude for ICT and embeddedness<sup>14</sup> into virtual, and above all, non-virtual networks. Without interaction with others there will be no information sharing or interest for collective action.

#### *The crowd’s motivations to participate in civic crowdfunding*

A minority of crowdfunding platforms offer tax deductions and various reward perks, depending on the level of individual’s donation. These perks usually take the form of gifts or acknowledgement on physical infrastructures that could influence the potential funder’s decision. However, it is unlikely that it would represent the main reason for participating in civic crowdfunding. By definition, civic projects aim to address public concerns and the rationale of civic crowdfunding is more likely to be related to intangible benefits such as better well-being resulting from civic goods or services produced, as well as self-satisfaction at having contributed to the general interest.<sup>15</sup>

Diverse rationales can explain the crowd’s participation in civic crowdfunding. From the current state of play, six main reasons for participation can be divided into three categories: i) motivated by the output, ii) motivated by the action, or iii) communication reasons.

Motivated by the output:

- *The desire to benefit as a user from the future civic project*: civic crowdfunding is mostly a place-based practice where projects are driven by and for a particular community. Being able to benefit from the future civic good or service clearly appears to be the main motivation to participate. For instance, a crowdfunding campaign for a public park is most likely to leverage funds from people who are living in the neighbourhood. However, public parks (and any territory based project) could also create spillovers into other neighbourhoods and sometimes the whole city (depending on the scale of both the project and the city). Therefore, people living outside the project neighbourhood may also be willing to participate for the same reason: to benefit as a regular or occasional user from the project in question.
- *Perks depending on the level of donation (exclusively in reward based crowdfunding)*: this is linked to the above point and depends on the nature of the civic good or service. In the case of crowdfunded physical infrastructures, perks often take the form of written acknowledgment. That is to say, a donor’s name or specific message on the crowdfunded good (creating a sense of recognition and community belonging). In the case of civic events such as music or arts festival projects, perks generally take the form of physical rewards (piece of art, CDs, tickets etc.).

Motivated by the action itself:

---

<sup>14</sup> Granovetter 1985.

<sup>15</sup> Like other types of collective action without clear measurable return on investment and effort, participation to civic crowdfunded projects lays on more complex understanding of individual rationality than the basic homo economicus assumptions. Individuals are all affected by bounded rationality and their aims can be very different from the maximization of their interest (Charbit & Fernandez, 2003).

- *Altruistic and social motivations:* many associations launch civic crowdfunding campaigns to tackle social issues (for instance, educational projects in disadvantaged neighbourhoods) and some individual motivations to contribute are mainly or exclusively driven by altruistic and moral values.<sup>16</sup>
- *“Love money” and networking support:* civic crowdfunding strongly relies on word-of-mouth, that is to say, one can contribute to a project’s fundraising because of a particular relationship or acquaintance has promoted it. Belonging to a group or association motivated by local concerns, is a strong facilitator for engaging crowdfunded actions.

#### Communication:

- *Subnational government political strategies:* co-financing with the support of SNGs could be a good way of re-building trust in public action and increasing citizen participation in a region.
- *Company marketing:* companies may be willing to donate for various reasons; it may be a good opportunity for them to improve their brand image or to create new partnerships with civil society.

The first section explored the general principles of crowdfunding and its application to the civic field, including from the point of view of the various stakeholders and their motivation. The following one will focus the role of subnational government within this new framework and explore the advantages and risks associated with co-production of local public goods through civic crowdfunding platforms.

---

<sup>16</sup> The impact of the crisis and the increase of environmental concerns have led to a growing awareness about the fact that general interest issues should be addressed collectively. In the meanwhile, fiscal consolidation policies and decreasing trust in institutions might have motivated individuals to look for other responses than the ones engaged by public governments.

## 2. CROWDFUNDING FOR LOCAL PUBLIC GOODS: CHALLENGES AND OPPORTUNITIES FOR SUBNATIONAL GOVERNMENTS

### 2.1 Focus on crowdfunded local public goods

#### a) Types of crowdfunded civic projects

Few studies have been done on civic crowdfunding to date that provide quantitative empirical evidence, of which Davies (2014) is one. The dataset used consists of 1 224 civic crowdfunding projects collected between June 2012 and March 2014 of which 771 were successful. These projects come from seven different platforms hosting civic crowdfunding campaigns (both civic and generic platforms)<sup>17</sup> located in four different countries: Catarse (Brazil); Goteo (Spain), Ioby and Spacehive (UK); Neighborly, Kickstarter and Citizinvestor (US). In particular, the dataset shows that the average individual pledge across projects was USD 204.36 and the average amount raised by completed projects was USD 9,502. Civic crowdfunding projects mostly tackle neighbourhood issues and the emerging typical project tends to be “a small-scale garden or park project in a large city that produces a public good for an underserved community”.

Table 3 below from Davies (2014) presents an overview of the types of goods successfully funded from June 2012 to March 2014 on four civic crowdfunding platforms (*Spacehive*, *Citizinvestor*, *Neighborly* and *Ioby*).

**Table 3: Types of goods produced on civic crowdfunding platforms**

Category	Count	%	Mean Goal USD
Garden / Park	140	28.6%	14 165
Event	70	14.3%	8 042
Education and Training	56	11.4%	5 179
Food	35	7.1%	3 060
Environment and Wildlife	28	5.7%	1 516
Maintenance and Renovation	26	5.3%	43 365
Public Art and Monuments	24	4.9%	28 752
Technology	21	4.3%	30 910
Organization	18	3.7%	4 464
Facility	15	3.1%	97 585
Streetscape	13	2.7%	23 220
Media	20	4.1%	3 749
Other	11	2.2%	17 690
Sport	6	1.2%	2 876
Mobility	5	1.0%	146 015

Source: Davies (2014).

The types of projects and fundraising amounts vary greatly. To date, civic crowdfunding has spurred relatively small scale projects, since 78.3% of the projects had an average goal (funding target) of under USD 20 000 commensurate with the donation model.

<sup>17</sup> Four civic crowdfunding platforms (Spacehive, Citizinvestor, Neighborly & Ioby) and three generic platforms (Kickstarter, Catarse & Goteo)

A great majority of projects aim to address social and/or local issues and contribute to local development. Many events have been crowdfunded, however infrastructure projects also represent a significant proportion of successfully funded civic projects. One important factor is the attractiveness of projects and the way they are presented on the crowdfunding platform. For instance, this practice has helped turn distressed areas into attractive community spaces that may never have seen the light of day otherwise (Box 4).

Crowdfunded local public goods are place-based, and backers generally belong to the same community - often made up of local residents. However, this statement must be nuanced since some projects for “great causes” can extend far beyond the local area affected and some communities can also be geographically remote. For instance, big crowdfunding campaigns tackling natural disasters are more likely to find donors way beyond their local community (Box 4). Moreover, the link between members of the diaspora and their country of origin could be strengthened in the future thanks to civic crowdfunding (Box 4). Civic crowdfunding is still an emerging field and, few large projects have been funded and completed. Nevertheless, it already represents a concrete opportunity to create links between and among communities as well as new joint efforts between residents and subnational governments to promote sustainable and inclusive local development.

#### **Box 4. Examples of crowdfunded local public goods**

##### **Turning a concrete flyover into an urban park in Liverpool (UK)**

A social enterprise set up by three citizens who work in design, retail and architecture proposed to transform a deprived existing flyover in Liverpool into an urban walkway/park that cost less than its proposed demolition. They ran a crowdfunding campaign on Spacehive (UK) in 2014 and gained support. They raised GBP 43 809 for the full feasibility study and they are now working in partnership with the city council in order to move to the next steps.

##### **A crowdfunding campaign to fund the first orthopaedic hospital to treat the wounded in Syria (ES)**

The Union of Syrians Abroad raised EUR 13 519 in 2013 on the crowdfunding platform Goteo (ES) to finance renovation work and equipment for a hospital located in Syria, 1 km from the Turkish border. Founded to meet the growing need of the Syrian population, the Union of Syrians Abroad consists of organisations and people of Syrian descent from 21 countries around the world. On their crowdfunding page, the organisation explains that an agreement was reached to open a surgical hospital with an estimated capacity of 12 to 15 beds as well as an emergency service. The crowdfunding campaign reached its funding target within the set time frame.

##### **A crowdfunding campaign for a community designed Skatepark in Memphis (US)**

Self-directed by local residents, a crowdfunding campaign raised USD 3 290 in 2015 on the civic crowdfunding platform lobby (US) to renew and finish the construction of a Skate park in Memphis. The project initiators said “Memphis needs more community driven sites and this is the perfect example of a neighbourhood coming together to build something awesome!”. This is one typical example of small scale region’s transformation thanks to civic crowdfunding.

##### **Crowdfunding for drought relief in California (US)**

In August 2015, during one of the worst wildfire season in the history of California, billionaire climate activist Tom Steyer and his wife, philanthropist Kat Taylor created a temporary crowdfunding site to support three non-profit organizations that serve people affected by drought and wildfires, 100% of funds raised were allocated to local, on-the-ground groups who know best what their communities need. The fund started with \$100,000 in seed money from the billionaire couple and aimed to raise an additional \$150,000 from crowdfunded donations. Coordinated by a coalition of climate group, this campaign also aimed to raise awareness about climate change.

### ***b) From local public goods to local urban commons***

The various projects outlined in the previous section highlight a common characteristic of crowdfunded projects. From the typology of economic goods, most civic goods produced through crowdfunding can also be classified as “commons”. That is to say, goods that are not excludable but rival, individuals cannot be effectively excluded from using these goods, but use by one individual may reduce availability to others. For instance, a relatively small public garden can be used by anyone but sustainability issues such as congestion and degradation may arise if it becomes too crowded and/or overused. Common goods present specific challenges in terms of governance and sustainability.

“Commons” is a term that has for a long time mainly been associated with natural resources which are highly exposed to the risk of depletion when there is a lack of incentive to conserve them. “Commons” issues result both from the characteristics of open access and problems of local governance. In the *“The Tragedy of Commons”*, Hardin described how rational individuals acting in their own self-interest behave contrary to the whole group’s long-term best interests by depleting common resources. Traditional solutions to this problem suggest either exclusive public governance of the resources, or a system of private property rights. In contrast, Ostrom defends the idea of self-organised governance systems associated with specific collective rules. With this approach, communities get together to provide “quasi-public” services that mono-governmental solutions would not have been able to produce, whereas specific, civic crowdfunded projects build on the relationship between citizens and existing institutions. As such, they constitute a new occurrence within the public-private spectrum of relationships (Davies, 2015).

The term “commons” has evolved over time and it now may refer to various types of shared and open-access resources. Hess (2008) provides a general outline and typology of these newly identified resources (commons), as well as the risks and challenges associated with a number of shared resources. This concept has expanded to include commons specific to urban spaces called “urban commons”.

#### ***Urban commons***

“Urban commons” broadly refers to shared resources in an urban setting (Parker & Johanson, 2012). They “range from local streets and parks to public spaces, to a variety of shared neighbourhood amenities”, Foster (2011). Hess (2008) identifies a sub-category of urban commons, “neighbourhood commons”, which are typical targets for local community action, such as the ones motivating crowdfunded projects: homeless, housing, community gardens, security, sidewalks, silence/noise, local landscaping and streets. This list is still preliminary since a larger array of public goods may concern local urban communities, i.e. education, culture and art (see previous section). They all present problems of sustainability and local governance as traditional commons, and as urban commons are not natural resources, the question of their production and maintenance also arises.

Crowdfunded local public goods generally belong to this specific category of goods. They generate concerns regarding production, governance and maintenance, since civic crowdfunding campaigns are usually driven by civil society and/or citizens’ initiatives instead of elected public authorities (see next section).

## **2.2 Civic crowdfunding: A new model for local public goods**

At first sight, civic crowdfunding is more an innovative finance instrument for civic initiatives than a type of co-production between citizens and public actors. However, this practice typically engenders co-operation between project initiators and subnational governments (need for planning

permission, technical expertise and guidance for citizens looking to initiate projects, co-financing etc.). It allows citizens and civil society to rethink their neighbourhood and potentially produce or renew urban commons with the consent of subnational governments. A platforms' flexibility represents a significant opportunity to reduce identification, co-ordination and financial costs. This section proposes a specific approach of co-production based on civic crowdfunding, in which subnational governments play essentially the role of facilitator.

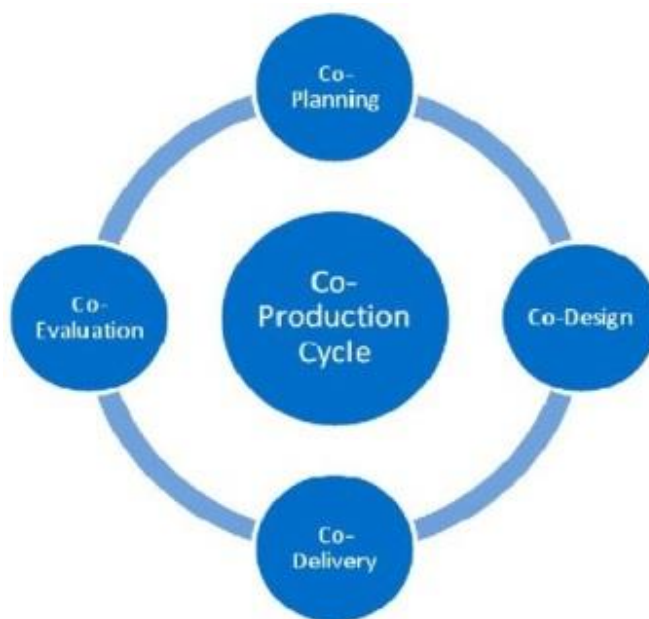
***a) Co-production conditions: Synergies, contract theories and incentives***

The right conditions are necessary for a model of co-production to achieve good results. This section provides insights into the conditions that enable civic crowdfunding to become a win-win partnership and contribute re-shaping a city.

**Box 5. Definition of co-production**

Various definitions of co-production exist, and what they have in common is the idea of partnering citizens and users with governments to improve public goods and services. According to Ostrom (1996), "coproduction implies that citizens can play an active role in producing public goods and services of consequence to them".

Co-production can take place at different stages of the policy process. The OECD defines co-production (of public services) as a way of planning, designing, delivering and evaluating public services which draw on direct input from citizens, service users and civil society organisations (OECD, 2011).



Source: Pollitt, Bouckaert, Loeffler, (2006).

This way of producing goods is particularly relevant regarding urban commons where both local authorities and residents ensure the sustainability of these types of rival but non-excludable goods. Contrary to traditional Public-Private-Partnerships (PPP), co-production relies mainly on non-profit collaboration and could also be a valuable option in times of reduced trust towards politics and decision-making as well as limited financial resources. This alternative approach for local public



goods offers opportunities for governments but also challenges in terms of governance, management and maintenance.

Co-production and civic crowdfunding are driven by the same rationale. In particular, motivation is based on general interest rather than individual, except for the marginal benefit of the platform and the possible “non-monetary” benefit of the project leader and crowd of funders. From its literature review, Loeffler et al (2008) suggests that “shortcomings in government performance or public service provision” and “individual attitudes, values and motivations” are the incentives of co-production”. The theory of coproduction suggests that institutional arrangements fostering citizen involvement play a key role in responding to these challenges (Ostrom 1996, Pammer 1992, Sharp 1980). “Arrangements” here mean: the identification of contributors to the co-produced good (institutional mapping); the nature of their contribution (their role) and the credibility of their commitment (enforcement mechanisms including evaluation).

For Ostrom (1996), coproduction is most likely to be an improvement over traditional local government provision or citizen production alone if the following four conditions are met (conditions 2 and 3 could be grouped under the common issue of “enforcement”):

- *Input and competences are owned by different entities for synergies to occur.*
- *Legal (even in a very basic way) options must be available to both parties.*
- *Participants need to be able to build a credible commitment to one another.*
- *Incentives should help to encourage sharing inputs from both public officials and citizens.*

As shown below, these conditions apply to civic crowdfunding solutions, with some elements related to the system of relations among the different partners:

### **1. Synergy occurs when inputs and competences are owned by different entities**

In the civic crowdfunding model, inputs and competences are governed by four entities: subnational governments, project initiators, the crowdfunding platform and the crowd of donors.

Subnational governments have the decisional power due to elective mandates (i.e. planning permission). Project initiators own ideas and/or solutions to renew their own environment, whereas the donors stipulate their preferences and provide funding to their preferred projects. Finally, the crowdfunding platform plays a key role of intermediary in this co-production model, in providing an online co-ordination tool for all the groups. As such it facilitates potential synergies. Instead of a “one shot” solution, these synergies can be re-exploited again through the database of those who donate to civic project platforms and can be remobilised for other campaigns.

### **2. & 3. Participants need to be able to build a credible commitment to one another and have access to legal options**

In order to assess to what extent civic crowdfunded engagement can be binding; it is advised to consult contractual literature before engaging in this process.

In an “economically ideal world of contracts”, one could solve the issue of enforcement (internally between the two contractual parties or via external legal means in order to make commitments credible) by designing an “optimal” contract linking project initiators, the platform,

subnational governments, and citizens who contribute to the project. The potential for such a situation depends on the complexity of the task at hand, the information/capacity of each party, and the enforcement mechanisms that govern their relationships (Box 7). In order to clarify how agreements between parties (“decision makers”, whether individuals, firms or governments) can lead to an effective implementation of their mutual commitments, two main types of contracts can be considered: transactional and relational (Box 6).

**Box 6. Contract theories: “Transactional” versus “relational” contracting (OECD 2007)**

**Transactional contracting** corresponds to a situation in which all co-ordination problems can be solved *ex ante* (at the time the contract is signed). It corresponds to a contract precisely stating the various tasks to be carried out by the parties and their retribution. Enforcement can be based on external mechanisms.

**Relational contracting** corresponds to a situation in which co-ordination problems are predominantly solved *ex-post* (during the execution of the agreement) because the parties decide on how they should react when confronted with the actual situation. Enforcement needs to be more endogenous, i.e. part of the contract relationship.

With civic crowdfunding, since projects must be defined *ex ante* in order to generate future adhesion, the large majority of arrangements should be transactional ones. Transparency and clear information sharing about the results are key components of the accountability process supporting crowdfunding projects.

However, a civic crowdfunding contract involving subnational governments is rarely a “complete” instrument covering all facets of local public goods delivery. The contract can be a transactional one *per se*, but it cannot be conceived without complementary relational aspects with other communities, related projects, and future consequences of the agreement in question. One key aspect of the crowdfunding contract is its possible repetitive nature which allows to learn about partners over time and scope, and so reinforces their aptitude to clearly lay out the reciprocal commitments based on reputation and increased trust. A broader approach of such a contract leads to consider it as relational one, making its enforcement more subtle and based on the cooperation evolution with time<sup>18</sup>.

One major difficulty in civic crowdfunding arrangements lays in the fact that they do not concern only bilateral agreements, but at least, in the case we are interested in, four different partners: the project initiator; the subnational government; the civic crowdfunding platform and the group of funders. In practice a last but not ultimate category could be added: the “users”, i.e. the beneficiaries of a successful project. This variety of stakeholders is one of the main reasons that make of civic crowdfunding “contracts” so complex, creating challenges for information sharing and incentives to fulfil engagements, and so increasing possible misalignment between contract parties.

Another factor of difficulty is related to the contract “externalities” more than the strict agreement between parties. Consequences of the outcomes achieved, or not, can have an impact beyond the actual contract partners over time. This is particularly the case for projects concerning “long-term” investment results. To date, no crowdfunded contract has yet integrated the possible long-term

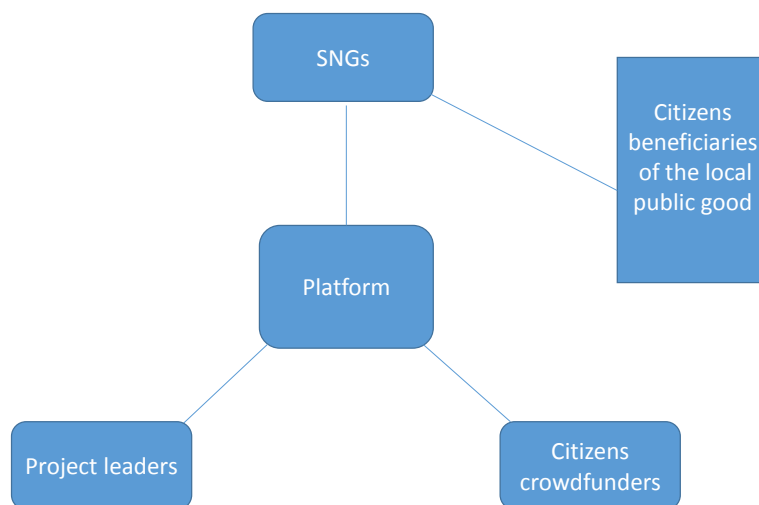
---

<sup>18</sup> For more detail about different types of enforcement mechanisms attached to contracts implementation, see Charbit and Romano, 2016 (forthcoming). Like with other types of social network-based activities, civic crowdfunding platforms could be tempted to exploit the information provided by their users and their behaviour. Generally speaking, conditions regarding the use of personal data are mentioned in the platform’s general terms of use. Regulations related to participative finance should help clarify the commitments of platforms as well as the risks taken by contributors, and support possible external enforcement by a third party/judiciary.

consequences related to maintenance issues for example. The contract should also be accompanied with other types of agreements. This means that crowdfunding must concern only a part of the production of local public goods. This is precisely the type of role that local partner governments could guarantee (where appropriate) in the follow up and complementary actions needed to complete the co-production process. However, such an engagement would need to be strictly monitored in to limit potential long-term liabilities. In practice, an SNG should not be on the “outside” of the production of a local public good, since if a problem emerges, an outside solution may be tacitly considered to be a bailout on the part of the SNG.

In order to address this challenge and the ones facing by other civic crowdfunding partners different contracts should be well adapted:

**Figure 2. Crowdfunding relations: a system of contracts**



Contracts between project leaders, the platform and the civic crowdfunders. As transactions, their satisfactory implementation should be assured through external enforcement mechanisms, and through specific legal options that accompany usual contracting processes. These contracts are subject to the platforms’ general terms of use. Generally, crowdfunding platforms screen project creators and require certain legal documents of protect funders, but they do not guarantee the implementation of the public goods. Project creators are responsible for actual delivery. If very few fraudulent crowdfunding campaigns have been observed so far, the system is not risk free. In the case of civic crowdfunded projects in particular, one risk, in terms of trust, relates to the permeability between databases of “civic campaign contacts” and non-civic campaigns, making donors potential targets for profitable activities (which may be in contradiction to their altruistic motivation to participate).

Contracts between the SNG and the partner platform are first and foremost “transactions” but they can evolve over time to become more co-operative/relational types of agreements or even have more integration among partners. Moreover, SNGs are more likely to contract with crowdfunding platforms specialised in civic crowdfunding since they are generally carried out in the general interest, aim to create synergies at the territorial level and may already own a database of investors willing to contribute to civic projects, and who do not want their personal information to be used for other commercial purposes (see above). Relations between SNG and civic crowdfunding platform can be of different types. For example, they may be based on a type of contribution: the SNG would be also a project funder, alongside the other crowdfunders. This strategy allows SNGs to maximise impact on their spending which is matched through community contributions. The SNG link with the platform can also be based on other types of supports: the SNG website may contain a reference to the platform

site, or conversely, the platform can create specific online spaces for SNGs in order to promote civic projects located in their regions inviting contributions through the platform from crowdfunders for projects validated (but not fully financed) by the SNG, etc.

Contracts between project leaders and the SNG, between crowdfunders and the SNG, and between citizen beneficiary and the SNG are of a strong but more tacit type of arrangement, i.e. a “democratic” one. Here the SNG is the agent to which citizens (principals) give the right and the duty to implement a set of policies for which the SNG has been elected. In this primary and basic sense, they should all be of the “transactional” type. However, it is clear that context matters, and it is uncertainty which dominates the policy-making environment, particularly in crisis/post crisis contexts. While essentially the SNG cannot go beyond the prerogatives that the constitution allows, the delegation by citizens to local policy makers is not based on a continued repetition of consultation to legitimate local public decisions. A certain degree of trust and routine limit transaction costs by allowing “principal” citizens defer the decision making to SNGs without continual consultation. Indeed, the use of crowdfunding mechanisms can even reinforce the visibility and impact of SNG action and then support the evolution of transactional “votes” towards more confident relationships.

These contractual relationships between platforms and SNGs are still in the early stages. Box 7 outlines some initial observations to help define these relationships and identify the necessary conditions for them to evolve from being one-shot actions to stable longer-term partnerships.

#### **Box 7. The contractual relationship between subnational governments and civic crowdfunding platforms**

For the last few years, many partnerships between civic crowdfunding platforms and SNGs have emerged. What makes civic crowdfunding platforms more attractive for SNGs than any other generic platforms are their expertise and their networks related to civic practices.

Two main reasons can explain the development of these partnerships. The financial reason: in times of fiscal constraint for SNGs, it is a new way of developing their territories whereas civic platforms are willing to develop their business model and offer services to local stakeholders because it is not sustainable enough to rely on a critical mass of projects. The second and broader reason is about citizens’ empowerment. On one hand, partnering with civic crowdfunding platforms helps SNGs to reveal citizens’ preferences, re-build trust with local inhabitants and gain new expertise with regards of solving local issues. On the other hand, civic platforms are willing to develop a new type of citizens’ engagement and they depend on local political decisions to use or transform public spaces. As a politically neutral instrument, civic platforms can enhance interactions between inhabitants and local authorities.

Finally, there can be several ways to coordinate SNGs and civic crowdfunding platforms’ actions but some distinctions can be made with regards to the scale of the SNGs and therefore its optimal strategy. Small SNGs are likely to launch civic campaign or thematic competition to solve local issues or renew public spaces with match funding and/or by facilitating planning permission. Big cities or metropolises are more likely to use civic crowdfunding as a way to complement their existing policies such as Participatory Budget.

One can distinguish three main types of contractual relationship between a sub-national government and a civic crowdfunding platform:

- 1) The SNG and the civic crowdfunding platform are two distinct entities which establish first a one-shot partnership to solve specific issues and/or to increase citizen participation in local development. These partnerships usually take the form of a competition. For instance, a municipality may launch a competition in partnership with a civic crowdfunding platform inviting residents re-design their public spaces. The fundraising campaign for their civic initiatives is launched on the platform, and selected projects are awarded additional local public funding that match the donations. These partnerships serve three main purposes for subnational governments: cost efficiency in budget allocation; information about what projects residents are interested in, and communication so as to develop more transparent relationships and possibly strengthen citizen confidence.

- 2) After having tested and evaluated an initial interaction, SNG and civic crowdfunding platforms can experiment with longer-term partnerships to promote innovative civic projects in the area over time. These partnerships create some degree of mutual dependence, since the platform and the SNG are both involved in

**Box 7. The contractual relationship between subnational governments  
and civic crowdfunding platforms (continued)**

different steps of the co-production of local public goods, from co-screening projects on the platform to co-financing initiatives led by citizens. The partnership can be promoted by either entity: the SNG can hold its own page on the platform website or the reverse. In this type of partnership, civil servants and the platform employees are working hand in hand to enhance community engagement over time through communication campaigns, events, local public support and personalised actions for civic projects. These types of partnerships can be more costly to implement and manage than the first type of contractual relationship but it represents a greater opportunity to fulfil the goals mentioned above for SNGs (finance, information and communication) since residents would be more familiar with civic crowdfunding.

3) The SNG could absorb the platform into its own single entity. However, this last scenario is less common. First, relatively small SNGs have no interest in doing so because of the maintenance costs associated with such a web platform but also the difficulty of reaching a large enough group of donors and idea providers for the platform to be sufficiently active. Second, it may be difficult for SNGs to convince their local taxpayers that they are also invited to donate on the same public authority platform where they pay their taxes. The SNG might even be confronted with the awkward situation where civil society organisations are lobbying and raising awareness on the fact that some projects must have been funded by public money instead of the crowd contributions. Therefore, this last merger option will mainly depend on the size, nature of the project and political strategy of the SNG and this system will probably not work without implementing new image strategy as well as incentives for additional contributions to the local public goods. In a sense, different options should be offered to local stakeholders to engage in their common future and it does not seem that there is a clear interest for SNGs to “streamline” project supply by merging access through the platform with other more direct and traditional interactions with SNGs.

**4. Incentives help to encourage input from both subnational governments and citizens through the platform intermediation**

Civic crowdfunding platforms are responsible for finding the right incentives to encourage subnational governments and inhabitants to fully contribute. They must select appropriate projects and project leaders, stimulate participation by mobilising the appropriate networks, and provide a clear assessment of the implementation of successful project campaigns. The benefits of this new type of co-production, and therefore also the incentive to participate in them, largely depend on clear explanations and evaluation being shared with all stakeholders. Platforms must highlight good practices through communication campaigns that have been adapted to the specific characteristics of each actor and region. Crowdfunding has increased hugely over the last few years and there are more and more platforms being set up. However, although the specific field of civic crowdfunding is still underdeveloped and little known, there is already a broad choice of generalist platforms for governments and citizens to contract with. A platform’s reputation and territorial anchorage are key elements to enabling an efficient coproduction system. Lastly, platforms can also encourage input sharing by organising regular offline forums and events where the different local stakeholders can meet (moving them from online to offline meetings). However, for long-term projects, appropriate legal assessment tools should be put in place to limit SNG risk of finding themselves in the situation where they are the remaining responsible party, post project, where the platform and the crowdfunders will no longer be involved.

Aside from the difficulties in designing the “right” contract for the different partners, civic crowdfunding must meet the coproduction conditions defined by Ostrom. This innovative tool can complement traditional subnational government provision or citizen production alone. So, what are opportunities and challenges for subnational governments?

### ***b) Advantages of civic crowdfunding as a collaborative solution for local public goods***

- Citizens are demanding increased participation; trust in public agent capacity is declining (even if it is generally better locally than via the central government and supranational institutions) and SNGs are facing difficulties in addressing complex issues such as inclusiveness and environmental sustainability. These last two are also affected by a contraction in public budgets which often lead them to consider public investment as the adjustment variable (OECD 2015). These different factors result in a need for less transactional and more relational types of interaction between citizens and their elected local authorities. Mobilising a civic crowdfunding platform has become an instrument for engaging citizens in public decision making, in a more direct, participatory way. It also reveals, thanks to citizen-project leader initiatives, options for local development that SNGs may have not identified. The civic crowdfunding model, when associated with the subnational government, is a relevant tool for co-production, information sharing and citizen engagement.
- Developing platform interactions at the local level (city or metropolitan areas) can significantly reduce problems of *adverse selection* and *moral hazards* in relation to the coproduction of local public goods, since supervision is less costly through platforms and each project is screened before the project initiator is allowed to post on the website. Moreover, platforms could introduce incentives to further facilitate and possibly reduce maintenance costs. Indeed, a project's credibility is reinforced through the reputation of and/or repeated interactions between the platform and project initiators. In order to reinforce such "natural" enforcement mechanisms, the crowdfunding platform may implement an additional bonus (such as a "label" for successful projects initiators) beyond the legal obligations.

### ***c) Hurdles to overcome***

Considering the particular nature of contracts which may emerge with crowdfunded projects involving SNGs, and the as yet limited experience we have with them, it is difficult to identify which good practices fit with the range of local public goods and contexts. More research is needed in order to collate information in this area. Each contractual arrangement in relation to civic crowdfunded projects should be set up with a long-term perspective to allow for possible repetition and subsequent learning processes for the different parties. Time is thus required to fully assess the pros and cons of such practices.

- In the short term, the working platform is a powerful tool for "rationalising" and "sharing" the proposed local public targets and those that are selected. Even if the different partners may have different goals in contributing to this co production device, the outcomes are clearly forecastable (hence the transactional character of the initial contract).

- However, once achieved, projects no longer benefit from the platform's intermediation role. Crowdfunders may lose interest after their initial commitment and project leaders may relinquish any specific longer-term responsibility. Because of the democratic nature of the contract, and the tacit responsibility of local authorities *vis-a-vis* local public goods, there is a high risk, in the case of projects that concern infrastructure goods, that the SNGs will become, ultimately accountable for the implementation of the public good and its outcome. In order to address this possible drawback, SNGs must carefully assess the potential outcomes of the co-funded device and use any available information to select projects to be cofounded *ex ante*.
- Another case where subnational governments may be affected by civic crowdfunding is paradoxically related to its success: if a campaign achieves in the provision of local public good in a deprived area, other areas may demand to receive similar treatment. In the absence of further civic crowdfunding campaigns, there is a risk that the SNG may be required to supply the good to other parts of the SNG region at the cost of the SNG if it does not want to create a feeling of injustice among citizens.

Based on these different opportunities and challenges, a preliminary conclusion can be drawn: civic crowdfunding projects seem to be more directly (and less risky) appropriate for “ephemeral” types of public goods (cultural events, specific immediate solutions for urgent needs; initialisation of an area upgrade; etc.) than infrastructure ones. They nevertheless present an interest for longer-term types of engagement: when potential long-term liabilities can be assessed; and when SNGs decide to use this mechanism as a “revelatory” or a “complementary” type financial commitment on the part of citizens, thus reinforcing participation and allowing for co-construction of local public goods.

#### ***d) Opportunities and challenges regarding territorial inequality***

Fair access to a set of comparable public goods is the equitable part of the contract that also links citizens to elected public authorities. However, civic crowdfunding can contribute to creating certain disparities since such a commitment is not included in any platform mandate. On the one hand, if project initiators convince contributors to finance a particular project, they may target specific areas that remain inaccessible to inhabitants from other areas. On the other hand, civic crowdfunded projects can expressly aim to address certain territorial inequalities by providing access to a particular local public good to inhabitants from distressed areas.

What lessons can be learnt from the initial stages of civic crowdfunding development? Is it a tool for local democracy and citizen empowerment that can contribute to creating sustainable and inclusive cities or a threat to territorial equality?

*Does civic crowdfunding represent a threat for public responsibility and territorial equality?*

One could observe that while crowdfunding platforms represent an innovative tool, community fundraising and self-organised collective actions at the local level has existed for a long time.<sup>19</sup> There is no threat to local elected governments in substituting their action with this new mechanism. To date,

---

<sup>19</sup> See the literature on collective action and local public goods, for example: Marshall, M. (2004). Citizen Participation and the Neighborhood Context: A New Look at the Coproduction of Local Public Goods. *Political Research Quarterly* June 2004 vol. 57 no. 2 231-244; Foster, S. (2011). Collective action and the urban commons. *Notre Dame Law Review*, Vol. 87, p. 57

it would seem that civic crowdfunding actually complements SNG provision of local public goods. This practice is neither a privatisation, nor a traditional delegation of public provision or public private partnership. It is a self-organised collective action for projects that otherwise would have met strong co-ordination challenges. Should these projects really be of general interest, subnational governments must then play the role of facilitator.

According to Davies (2015) outcomes of civic crowdfunding on public action, and in particular its goal of equality, should be assessed according to three main analytical questions: the extent to which civic crowdfunding is “participatory”; its impact on social inequality addressing or contributing to it; and its effect on public institutions augmenting or weakening their role.

Observation of civic crowdfunded projects shows that they mostly tackled social/green issues. Taking the example of a typical project such as a community garden in an underserved community, the following questions help assess the equitable nature of the project: Do the project initiator and the group of co-founders come from the distressed area in question? Could other distressed communities manage to run similar crowdfunding campaigns? Generally speaking, crowdfunders are from the local area they wish to develop the project in, however it is possible that a project initiator and contributors be members of a wealthy neighbourhood, benefitting from access to information, technology, skills and financial resources. Therefore, they may not know the actual needs of distressed area’s residents, resulting in a gentrification process. They might also consider appropriate to support the development of a project in order to limit “negative externalities” that can impact their own area (which may contribute to decreasing the value of their own asset or limit the attractiveness of their area to private investment). In this case, is their motivation related to traditional optimisation rationality or to more altruistic reasons?

The extent to which civic crowdfunding is “participatory” can thus be questioned, since those who might benefit from co-funded local public goods, may or may not be involved in their design and production. The willingness of neighbourhoods and individuals who already enjoy the above, who have the average income to be able to contribute to reducing socio-economic inequalities through civic crowdfunding, is of course possible, but may not apply all territories and projects. Civic crowdfunding can spread to other areas in a same city, but may also reinforce intercity disparities, which would then become a concern for higher levels of government. In addition, the availability of financial resources could lead some groups to exercise their influence over project selection and achievement, which would compromise equity *vis-a-vis* public goods.<sup>20</sup> Some authors consider repeated civic crowdfunding campaigns to be a sign of subnational governments’ inability to finance local public goods (Brabham, 2013), rather than the concrete manifestation of an active local community and productive dialogue between local government and their citizens. At this stage, no one single truth emerges, and what could deserve attention is the clarification of the conditions for such a mechanism to lead to positive results.

#### *How can civic crowdfunding ensure territorial equity?*

Civic crowdfunding appears to be a new solution to age old problems. Constructive approaches that do not oppose the “public” vs. “collective” provision of public goods, but rather aim to make the most of both should be recommended. One first goal should be to make civic crowdfunding as participatory as possible and be sure that the “users” of the targeted public good will be involved as

---

<sup>20</sup> Some wealthy communities may use civic crowdfunding to finance private security patrols, a very typical local club good with consequences on neighbour communities and general equity (see Oakland suburb example in Roudman, 2013, <http://techpresident.com/news/24395:oakland-neighbors-crowdfund-private-security>).



well as the project leader, the platform and the group of funders. This could be facilitated by the possibility to be involved either through a cash or in-kind contribution. Another important step should be to develop more “deliberative” processes associated to projects proposals and support instead of the sole possibility of approve it (by contributing) or rejecting it (by not doing so). Civic crowdfunding platforms need to adapt to the different local environment where it operates - and not the reverse - , taking into account inhabitants’ digital practices and financial resources, if it wishes to become a powerful community building instrument. For instance, in low connected territories, such as rural ones, it could develop options to rely more on offline synergies and word on mouth. Furthermore, in poor areas it could be combined with match funding. However, using online civic crowdfunding can always give projects a greater visibility and an opportunity to collect beyond the local community.

In participating in civic crowdfunding, subnational governments could in fact develop incentives to encourage the development of these options (such as deliberative processes and match-funding). A subnational government could identify the political capital to influence the delivery of targeted local public goods in an area. It could then consider the interest and possibility of matching collected funds and achieve the project and also extend a similar approach to other areas in the jurisdiction. If appropriate (depending on the assessment) the government could develop incentives alongside civic crowdfunding platforms in order to ensure territorial equality. One example could be donor tax incentives for civic crowdfunding projects located in specific disadvantaged neighbourhoods, or projects with a strong social impact. In this case subsidiarity effects would push regional or even central/federal governments to take this type of innovation from one city and apply it to others, reinforcing territorial equity on a broader scale.

## CONCLUSION

Civic crowdfunding is in the early stages and relationships with subnational governments are largely yet to be built. This funding method has proven feasible for many small-scale local public goods and some large scale ones, but what are the next steps? This issue concerns not only the scale and scope of civic projects that could be crowdfunded but also their governance and the role of subnational governments if civic crowdfunding for local public goods is to become more efficient and equitable.

### *What civic crowdfunding really is*

Civic crowdfunding is a participatory tool which contributes to the production of local public goods by connecting project leaders and contributors through a platform gathering information and funds. It acts as both a communication and a financing mechanism for civic initiatives. It can be seen as an empowerment tool and a community-building instrument for citizens (who can be involved through either cash or "in kind" contributions), as well as a lobbying instrument (a means of bypassing lengthy administrative procedure and/or a lack of political will). Usually instigated by citizens and civil society organisations, civic crowdfunded projects aim to revive public spaces or tackle social/local issues and seem more appropriate for “short-lived” types of local public goods. Finally, projects are place-based and even if the mechanism is digital, their success strongly depends on offline synergies between local stakeholders.

Voter participation is a good means of measuring civic and political engagement<sup>21</sup>. However a kind of disconnection can now be observed between this indicator, which is declining in

---

<sup>21</sup> See OECD Better Life Index on civic engagement, <http://www.oecdbetterlifeindex.org/topics/civic-engagement/>.

“industrial democracies” (Gray and Caul, 2000), and the appetite of inhabitants to participate in the life of their community. Civic crowdfunding can be understood as a new type of engagement in public life. If governments, including local ones, are looking for ways of re-mobilising collective action, using this device can be appropriate. For it to be effective it should allow not only for “club” approaches (group of partners engaged in the co-production of public goods just for their community) but also for a re-initialisation of citizens' engagement in public life beyond the co-production specifics. However, further investigation using indicators of social capital and trust will be necessary to analyse this issue.

### ***Challenges and opportunities for sub-national governments***

Civic crowdfunding provides opportunities for SNGs in terms of gaining citizens/user information, funding, communication, trust and territorial attractiveness. It is an innovative way to strengthen relationships with local residents and civil society organisations and/or an option to complement existing policies such as participatory budgeting. Moreover, support/validation of local public projects by citizens can also be a powerful incentive for attracting private contributors, such as local businesses or corporate foundations. In its early stages, civic crowdfunding is rapidly evolving and some examples of partnerships between civic platforms and subnational governments have already shown benefits - in Anglo-Saxon countries, for the vast majority. In fact, the partnership not only concerns two parties but consists of “systems of contracts” between project leaders, the platform, the crowd of donors, the SNG and local users. These partnerships are particularly relevant for local public goods, notably “urban commons”, for which the questions of production, governance and sustainability pose significant challenges. Therefore, this paper suggests a new model of co-production based on civic crowdfunding in which SNGs would have a key role in facilitating citizen empowerment. To be effective, this new type of coproduction requires credible commitment from partners - to be clearly assessed *ex ante* - as well as enforcement options to avoid the risks associated with maintenance failures.

### **Some suggestions for public authorities**

Higher-level government (central/federal or regional levels):

An in-depth analysis of these partnerships is impeded by the lack of relevant data due to the only recent development of this practice in OECD countries. Governments (including regional governments aiming to streamline local authority practices) could be in charge of data collection and evaluation of subnational outcomes from partnerships with civic crowdfunding platforms in order to help identify good practices and support their diffusion. They could also create incentives to ensure territorial equity such as co-financing or tax deduction for civic projects located in disadvantaged/distressed areas.

Subnational governments (SNGs):

SNGs could implement testing and evaluation of innovative partnership/collaboration for public goods developed through crowdfunding platforms. SNGs are more likely to partner with civic crowdfunding platforms since the latter are specialised in citizens' participation; own expertise and networks in this field; and have a database of people willing to contribute to the development of civic initiatives in their territory. SNGs can facilitate citizen empowerment and/or initiate projects themselves. The co-production model suggested in this paper essentially gives SNGs the role of facilitator (in terms of planning permission, expertise in regional development, guidance for citizens looking to initiate projects and match-funding). Such a role could be considered a first step in the learning curve towards a deeper engagement on the part of SNGs. Co-production

outcomes resulting from this practice need to be improved through credible commitments and enforcement options for the different parties. SNGs need in particular to measure the risks in being confronted with “fait accompli” situations where they might be the only ones responsible for maintaining long-term investment and follow-up needs in their jurisdiction. Depending on the complexity of the project, and the collective capacity to address it, different types of contracts may be implemented between SNGs and project initiators. Finally, these new partnerships need to be assessed and both users and contributors further mobilised to co-produce local public goods based on civic crowdfunding.

## ANNEXE 1: EXAMPLES OF CIVIC CROWDFUNDED PROJECTS ACROSS OECD COUNTRIES

	OECD country	Funding	Crowdfunding type of online platform used	Project's initiator	Main objective	Civic good produced	Collaboration with sub-national governments
The Lutchsingel bridge in Rotterdam, 2011	NL	Over USD 130 000	Dedicated platform	Urban creators	Offset lack of involvement and resources from subnational governments	Neighbourhood common and infrastructure common	Non-profit private collaboration with financial support from citizen and local public authorities Rotterdam's walkway is built to last only about 20 years. There is no follow up plan yet
Glyncoch community center, 2012	UK	GBP 28 021	Civic crowdfunding platform	Non-profit organisation	Rebuild a community centre in an underserved neighbourhood	Neighbourhood common	Collaboration between the non-profit organisation, local authorities and a construction company. Tax deductible donation.
Online open source platform connecting refugees seeking housing and private hosts, 2015	FR	EUR 16 175	Civic crowdfunding platform	Non-profit organisation	Tackle a social issue	Internet Infrastructure common	Additional public subsidies and tax deductible donation.
A community designed skate park, 2015	US	USD 3 290	Civic crowdfunding platform	Citizens	Scale up concrete work and finish the construction of the skatepark	Neighbourhood common	Planning permission
New Bins in Jenks Park, Centre Falls, 2013	US	USD 10 044	Civic crowdfunding platform	Subnational government	Offset dwindling public resources	Neighbourhood common	Citizens helped subnational government through funding and volunteering. Tax deductible donations Subnational government ensures basic maintenance
Flyover Urban park in Liverpool, 2014	UK	GBP 40, 844	Civic crowdfunding platform	Urban creators	Turn a disused flyover into an urban park	Neighbourhood common	Partnership with the city council
Garden-based education program in Philadelphia, 2013	US	USD 2 163	Civic crowdfunding platform	Subnational government	Supplement public funding	Neighbourhood common	Tax deductible donations

## GLOSSARY

1. *Crowdfunding*<sup>22</sup> is the practice of funding a project by raising monetary contributions from a large number of people, typically via the Internet.
2. *Civic crowdfunding* refers to the crowdfunding practice applied to projects which aim to address issues of public concern, pursuing a general interest objective instead of a private one.
3. *Coproduction of public services*<sup>23</sup> is a way of planning, designing, delivering and evaluating public services which draw on direct input from citizens, users and civil society organisations.
4. *Contracts*<sup>24</sup> refers to the bilateral agreements between two parties (decision makers) - whether individuals, firms, governments, etc.- concerning their mutual obligations to govern their relationship. Contractual arrangements include the identification of objectives to be achieved, each party contribution to reach it and the enforcement mechanism which would be applied in case of need (in particular if a part does not fulfil contract obligations).
5. *Public goods*<sup>25</sup> in economics are goods that are both not excludable and nonrival. Individuals cannot be effectively excluded from use of these goods, and use by one individual does not reduce availability to others. We can distinguish different types of public goods depending on the degree of non-rivalry and non-exclusion:
  - *Pure public* goods are strictly non-excludable and non-rival, such as clean air, national defence, etc.
  - *Common goods* refer to goods that are not excludable but are rival, such as scarce natural resources.
  - *Club goods* are non-rival but excludable such as coded TV broadcast.
  - *Local public goods*<sup>26, 27</sup> are public goods which benefit those citizens in the geographical area in which they are located (which differentiates them from the previous category) but may also have spillovers to other areas.

---

<sup>22</sup> Oxford Dictionary. Definition of Crowdfunding, 2014.

<sup>23</sup> OECD (2011). *Together for Better Public Services: Partnering with Citizens and Civil Society*. OECD Public Governance Reviews, OECD Publishing, Paris.

<sup>24</sup> OECD (2007). *Linking Regions and Central Governments: Contracts for Regional Development*. OECD Publishing, Paris.

<sup>25</sup> Varian, H.R. (1992). *Microeconomic Analysis*, Third Edition, W. W. Norton and Company.

<sup>26</sup> Suzanne Scotchmer (2002), "Local Public Goods and Clubs," chap. 29 in: Auerbach and Feldstein, eds, *Handbook of Public Economics*, vol. 4, Elsevier, Amsterdam.

<sup>27</sup> Besley, T. and S. Coate (2003). Centralized versus decentralized provision of local public goods: a political economy approach, *Journal of Public Economics*, 87, 2 611-37.

## REFERENCES

- Agrawal, A. K., Catalini, C., & Goldfarb, A. (2013), Some simple economics of crowdfunding. Cambridge, MA: National Bureau of Economic Research.
- Bartolini, D. (2013), "The Role of Incentives in Co-operation Failures", OECD Regional Development Working Papers, 2013/09, OECD Publishing, <http://dx.doi.org/10.1787/5k46bj4t4nxs-en>.
- Besley, T. and S. Coate (2003), Centralized versus decentralized provision of local public goods: a political economy approach, *Journal of Public Economics*, 87, 2 611-37.
- Best, Jason; Neiss, Sherwood; Swart, Richard; Lambkin, Anthony; Raymond, Sam. (2013), Crowdfunding's potential for the developing world. *InfoDev*. Washington DC; World Bank Group.
- Boyle, D. & M. Harris (2009), *The Challenge of Co-production – How equal partnerships between professionals and the public are crucial to improving public services*, NESTA.
- Brabham, D. (2013), *Crowdsourcing*, Cambridge, MA: MIT Press.
- Briggs, X. de S. (2008), *Democracy as problem solving: Civic capacity in communities across the globe*. Cambridge, MA: The MIT Press.
- Charbit, C & V. Fernandez (2003), « Sous le régime des communautés : interactions cognitives et collectifs en ligne », *Revue d'économie politique* (113).
- Charbit, C & O. Romano (forthcoming), "Contracts across levels of government for regional development: an international review" *OECD Regional Development Working Papers*.
- Davies, R., (2014), Civic Crowdfunding: Participatory Communities, Entrepreneurs and the Political Economy of Place. *MIT Center for Civic Media*.
- Davies, R., (2015), Three provocations for civic crowdfunding. *Information, Communication and Society*, Vol. 18, Iss. 3, 2015.
- Foster, S. (2011), Collective action and the urban commons. *Notre Dame Law Review*, Vol. 87, p. 57.
- Frischmann, B.M. (2012), *Infrastructure – The Social Value of Shared Resources*, Oxford/New York: Oxford University Press.
- Gabison, G. (2015), Understanding crowdfunding and its regulations, European Commission Joint Research Centre (JRC)
- Granovetter, M. (1985), "Economic Action and Social Structure: The Problem of Embeddedness". *American Journal of Sociology* 91 (November): 481-510.
- Gray, M & Caul, M. (2000), Declining Voter Turnout in Advanced Industrial Democracies, 1950 to 1997: The Effects of Declining Group Mobilization Comparative Political Studies, vol. 33, 9: pp. 1 091-1 122.

- Hardin, G. (1968), Tragedy of commons, Science, New Series, Vol. 162, No. 3859 (Dec. 13, 1968), pp. 1 243-1 248, American Association for the Advancement of Science.
- Hess, C. (2008), *Mapping the new commons*, Syracuse University Library.
- Loeffler et al, (2008), Activating Collective Coproduction for Public Services: Influencing Citizens to Participate in Complex Governance Mechanisms, *International Review of Administrative Science*, 82 (1).
- Loeffler et al, (2015), "Activating citizens to participate in collective co-production of public services" *Journal of Social Policy*, 44 (1): 1-23.
- Marshall, M. (2004), Citizen Participation and the Neighborhood Context: A New Look at the Coproduction of Local Public Goods. *Political Research Quarterly* June 2004 vol. 57 no. 2 231-244.
- Massolution (2013), Crowdfunding Architecture, Customized Research Report Prepared for The American Institute of Architects, Massolution.
- Massolution (2013), 2013CF Crowdfunding Industry Report, Massolution.
- Massolution (2015), 2015CF Crowdfunding Industry Report, Massolution.
- OECD (1999), *Social Enterprises*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264182332-en>.
- OECD (2007), *Linking Regions and Central Governments: Contracts for Regional Development*. OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264008755-en>.
- OECD (2011), *Making the Most of Public Investment in a Tight Fiscal Environment: Multi-level Governance Lessons from the Crisis*, OECD Publishing, <http://dx.doi.org/10.1787/9789264114470-en>.
- OECD (2014), "Recommendation of the OECD Council on Effective Public Investment Across Levels of Government", (2014), OECD, Paris, 12 March 2014, <http://www.oecd.org/gov/regional-policy/recommendation-effective-public-investment-across-levels-of-government.htm>.
- OECD (2011), *Together for Better Public Services: Partnering with Citizens and Civil Society*. OECD Public Governance Reviews, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264118843-en>.
- OECD (2015), *OECD Digital Economy Outlook 2015*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264232440-en>.
- OECD (2015), *New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264240957-en>.
- OECD (2016), *Financing SMEs and Entrepreneurs 2016: An OECD Scoreboard*, OECD Publishing, Paris, [http://dx.doi.org/10.1787/fin\\_sme\\_ent-2016-en](http://dx.doi.org/10.1787/fin_sme_ent-2016-en).

- Ostrom, E. (1996), Crossing the Great Divide: Coproduction, Synergy, and Development. *World Development*, 24/6, pp. 1 073-1 087.
- Ostrom, E. (1990), *Governing the commons: the evolutions of institutions for collective action. Political Economy of Institutions and Decisions*, Cambridge University Press.
- Parker, P., & Johansson, M. (2012), "Challenges and potentials in collaborative management of urban commons", in *Multi-faceted nature of collaboration in the contemporary world* (pp. 92–113). Vega Press.
- Pestoff, V. and T. Brandsen eds. (2008), *Co-production. The Third sector and the Delivery of Public Services*, Routledge, London & New York.
- Scotchmer, S. (2002), "Local Public Goods and Clubs," in Auerbach and Feldstein, eds, *Handbook of Public Economics*, vol. 4, Elsevier, Amsterdam.
- Varian, H.R. (1992), *Microeconomic Analysis*, Third Edition, W. W. Norton and Company.