

# #11 - Limited knowledge on alternative finance

## Definition

Alternative finance is an economic dynamic characterized by specific procedures, particular actors, different timing and budget structure. Crowdfunding, in particular, is a valid form of compensation to the limits of traditional finance. The combination of the two sources, intermediated by public managing authorities and institutions, gives birth to the so-called “Civic crowdfunding”, that can help smooth the limits inherent to usual forms of financing. Still, the solutions resulting from this mix are poorly diffused or put in practice because of a generally-limited knowledge and experience. Preferring or limiting the sources to traditional finance might result in less development opportunities for promising or necessary activities.

## Mitigation strategy

Mainstream knowledge on crowdfunding, by implementing trainings, workshops and dissemination events that can be delivered to different social groups and economic actors. Increasing and spreading the crowdfunding culture is particularly needed as to unlock the full potential of the participation of public authorities as actor in the scenario of alternative finance scheme – with the role of **sponsor, manager, curator or facilitator**. The activation of any public institution within this method of alternative funding brings about a finance-multiplying effect that is realistically accessible to any citizen, organisation, or enterprise. Public authorities have to be seen as the “trainers to train”, territorial ally that help boost the success of any (civic) crowdfunding campaign. In fact, their presence is perceived as a **trustworthy warranty** for the relevance and, thus, the success of any project.

Close dialogue and synergies have to be launched and implemented, in order to design specific funding schemes, that would thematically fall within the scope of regional or local priorities and be technically viable and admissible.

## Focus on: Digital inequality and illiteracy

Being crowdfunding a financial operation happening via internet-based platforms, supporters who are digitally illiterate or with limited access to the internet, can be deprived of the opportunity to participate, unless assisted by intermediate agents. This potential participant category encompasses a significant segment of middle-age and older citizens, especially in territories where digital literacy has not well developed yet. Interestingly, these areas would be the ones in greater need for successful crowdfunding projects. The public authority can mediate and help:

- Anticipate accreditation processes for established and credible local organizations to act as intermediaries between the platform and digitally-illiterate citizens.
- Engage in a certain project, serving as mitigation to create the adequate level of accountability toward alternative forms of financial.
- Organize local workshops and preliminary training on alternative finance tools and procedures, providing for experienced coaches and training centers, in combination with adequate support of objective financial accountants to set the investment capacity.
- Increase the local or regional digital literacy rate, especially in underdeveloped or smaller communities, combining the effort of different social stakeholders