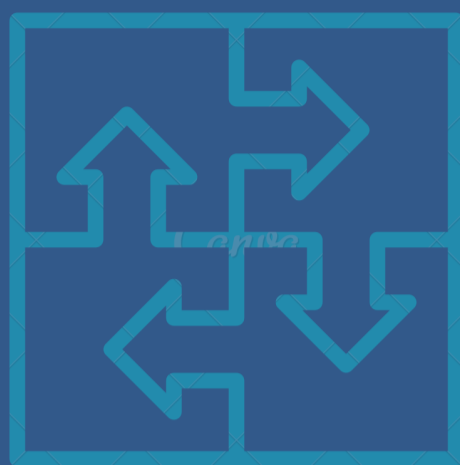


#14 - Regional / National diversified legislation

Definition



Alternative finance lacks of a unique and robust set of laws and rulings of reference. For instance, national or regional legislation may not allow public bodies (such as Regions/municipalities) to manage private funding – including those resources deriving from crowdfunding. Alternatively, in some countries these private funding may be considered as donation to the public sector. Consequently, these may be regulated by restrictive legal ruling and in some cases cumbersome provisions to ensure transparency of the actions.

Such a fragmented and local-specific regulation makes it very difficult and even risky to embrace crowdfunding, as it might be perceived and defined as contrary to the law.

The introduction of financial models of crowdfunding in the partnership might prove more challenging for public authorities, as procedures and timing highly different between traditional institutional finance and the alternative one. Public administrations face stringent limitations to the way public budget is managed, allocated, and reported, and even more so when innovative ways of combining own and private resources must phase-out of the pilot action and move towards a full integration into public budgets.

Mitigation strategy

Crowdfunding platforms and public/managing authorities have to strengthen their collaboration, working together in order to identify areas in which a pilot program can be carried out, as to implement innovative matching schemes that can reach a higher investment impact, and to design specific funding scheme, that would thematically fall within the scope of regional or local priorities and be technically viable and admissible.

Priority areas as those addressed in regional Smart Specialization Strategies might be a solid starting point for the design of the matching scheme, since the listed sectors have already been identified as key in the economic territorial development to provide a long-term framework in which pilots can be tested.

In other words, it is to expand the scope of public partnerships with crowdfunding – designing secure and transparent ways in which to scale up the match-funding mechanism as to also include lending and equity crowdfunding synergies.

In addition, combinations have to be explored with European Structural Investment Funds (ESIF) and the specific thematic priorities and resources, in order to find common strategies and application fields. This process would also enlarge the number of projects that could receive funding without increasing the amount allocated from public budget. Such partnership would also grant increased visibility to the EU and cohesion policy, while allowing managing authorities to be more responsive, better equipped and efficient when investing in territorial and citizens' needs.

The knowledge and narrative of crowdfunding cannot set legal authorities and regulations aside. Civic crowdfunding must be seen as a tool to combine different sources of funding in the name of a common goal. This is particularly true in case of limited budget availability and if the aim is at increasing civic engagement, channeling funds into initiatives that are perceived as priorities by stakeholders in their territories.