

REGIONAL ACTION PLAN

On improving the framework conditions for alternative finance
for start-ups and social enterprises

Austria



Symbolic map

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Austria

Regional Action Plan

(Output 3.1)

1. Introduction

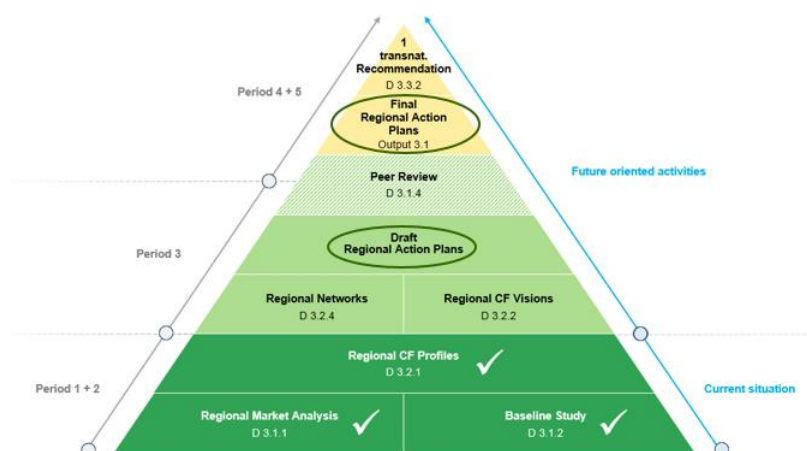
Within the CrowdStream project, each partner region has implemented a process of analysis of local conditions, stakeholder involvement and definition of long-term targets on Crowdfunding. These activities lead to the formulation of the Regional Action Plan (RAP) on the basis of the following inputs (available on <http://www.interreg-danube.eu/approved-projects/crowdstream>):

- Regional Market Analysis on Crowdfunding (D 3.1.1)
- Baseline study (D 3.1.2)
- Regional Profiles (D 3.2.1)
- Regional Stakeholder meetings (D 3.2.3)
- Regional Crowdfunding Visions (D 3.2.2)

The Regional Action Plan provides concrete measures for improving the access to alternative finance for innovative businesses and social enterprises. A peer review process was established to develop the final version of the Action Plans.

RAPs will be linked to the Pilot Actions that will be organized at partner region level in order to showcase solutions how public business support organisations can support CF campaigns of start-ups and social enterprises.

Inputs from the Regional Action Plans of all Danube area partner regions will feed into Policy recommendations aiming at improving the access to alternative finance for innovative businesses incl. social and creative entrepreneurs.



2. Main regional challenges and development needs

Main Challenge #1:

Keeping pace with the diversified market of crowdfunding platforms, offered crowdfunding models and their applicability for different business cases

During the last decade a diversified crowdfunding market has developed in Austria. Based on the Law on Alternative Finance which was first adopted in 2015 as one of the first specific regulatories on crowd-investment in Europe, more than 25 crowdfunding international and national platforms offer crowdfunding models are active in Austria, many of them specializing on different crowd-campaigner target groups.

For newcoming project promoters as well as for public intermediaries it is a huge challenge and continuous task to keep an overview of the situation on the national crowdfunding market in order to select the most suitable approach and available crowdfunding model for a specific project.

Main Challenge #2:

Constantly educating all relevant actors and stakeholders (intermediary organisations, potential crowd-campaigners, potential crowd-backers) about the multifold features of crowdfunding mechanisms and their applicability for promoting and financing innovative and social projects as well as SME expansion strategies

Although crowdfunding represents a highly visible topic in media knowledge about the functioning of this project promotion and financing mechanism is still not sufficiently disseminated among population. This fact does not only inhibit the creation of attractive crowdfunding campaigns. Not less importantly, lack of knowledge hinders the emergence of motivated communities of potential crowd-investors and campaign backers. Therefore, basic education and trainings need to be continuously offered for different target groups of potential future crowd-campaigners and for business support organisations, as well.

Main Challenge #3:

Starting and intensifying crowdfunding activities in a micro-regional context and activating local people to establish “local crowd-communities”

The demand for funding opportunities for bottom-up project initiatives in a micro-regional context has been identified and addressed during CrowdStream project activities. Also representatives from different Austrian crowdfunding platforms confirm that there is an untapped potential in this field which concerns both potential crowd-campaigners and regional people acting as crowd-backers, as well. The creation of crowd-communities in a micro-regional context therefore has been in the focus of pilot activities implemented by the Austrian project team.

3. Visions

Vision #1: Innovative micro-regions through CF

By 2022, local and regional actors across Austria will be able to use Crowdfunding as a tool in order to bring their small-scale, innovative ideas into practice and, by doing so, to contribute to the endogenous development of their micro-region.

As identified in the Regional Profile and SWOT Analysis, despite the numerous institutionalised efforts for supporting both large and small-scale innovations in Austria, there is still untapped potential. Especially regions characterised by small towns or predominantly rural areas could benefit from working on new, innovative ideas in their specific context to build economic and social capital. By using Crowdfunding as a tool, local start-ups and entrepreneurs can implement regionally relevant projects with immediate support from their fellow citizens as well as from the surrounding population, thus strengthening the existing community and further developing its common identity.

A prerequisite for this type of bottom-up initiatives is, however, the establishment of regional structures which have the capacities and know-how with regard to alternative financing mechanisms, especially crowdfunding, and can offer first-hand, impartial guidance to potential campaigners. In this respect, local and regional business support organisations as well as public authorities will play an important role.

Vision #2: BSOs as first information hubs on Crowdfunding

By the end of 2020, each business support organisation in Austria will be able to access basic platform-independent knowledge on alternative financing (Crowdfunding), so that it can provide initial consultation to its target groups on specific crowdfunding mechanisms, the requirements for developing a crowdfunding project and on the suitability of platforms.

Regional SWOT analysis identified a lack of crowdfunding relevant knowledge and skills. Information on crowdfunding in Austria is mainly available on the websites of crowdfunding platforms, which aim at attracting new campaigners. Local businesses often don't have enough independent information on the risks and are indecisive which platform will correspond to their business model in the best way. This often discourages SMEs with limited resources to enter this type of financing.

As an independent first contact point for new and developing local businesses, business support organisations will respond to the raising interest in alternative finance by broadening their thematic consultation portfolio and by providing requested information on crowdfunding as a part of their service offers. Furthermore, they will provide an overview over the platforms on the market and their suitability for a certain business model. In this way, business support organisations will meet the needs of local SMEs and support innovation in the region.

Vision #3: CF as a fundraising instrument to boost social innovation and social entrepreneurship

By the end of 2022, CF will be widely used as a main project-focused fundraising instrument by social initiatives and entrepreneurs. At the same time, the proliferation of “social crowdfunding” and the strong marketing effect of this instrument will foster the development of a clear understanding and support for social innovation in wide population groups.

The importance and huge impact of social innovation is more and more recognized in Austria. Still, many social initiatives, specifically those that exist in a micro-regional or rural context, lack the basic understanding and suitable instruments to enlarge their scope of activities or develop further into real social enterprises. Crowdfunding mechanisms that activate local stakeholder networks as crowds and help promoting social projects and the people behind them, can become a useful instrument to boost social innovation and social entrepreneurship as a whole and to raise the awareness and understanding for social innovation and entrepreneurship in large audiences.

4. Proposed actions to address the regional challenges

Action 1: Transforming intermediary business support organisations that operate in a micro-regional context into first-information hubs on crowdfunding

The proposed Regional Action relates to the abovementioned Challenges #1 -3 addressing at the same time Visions # 1 and 2. Intermediary organisations that operate directly at micro-regional level manage the interaction with local project initiators on a daily basis and, therefore, own valuable knowledge about the specifics of local actor and stakeholder networks. Having acquired knowledge about crowdfunding mechanisms, these organisations are able to form a focal point in the activation of local crowd communities – both project owners and potential crowd-backers or project investors. Therefore, the goal of this proposed Regional Action is to build up the capacities of local BSOs in order to cover the untapped potential of the crowdfunding approach to promote and finance local innovation projects and social initiatives.

Within the CrowdStream project, the approach of Action #1 was tested in cooperation with regional development agencies and LEADER managements from Lower Austria. These institutions showed a lot of interest to learn more about crowdfunding and introduce the crowdfunding approach to their local target groups. Following the implementation of CrowdStream pilot actions in cooperation with one Lower Austrian LEADER action group / management as a pilot action partner, the Austrian project team succeeded in rolling out pilot activities to several other Lower Austrian micro-regions. A first successful crowdfunding campaign proved the effectiveness of crowdfunding for a bottom-up social initiative.

Requests for the transfer of CrowdStream results and developed instruments were also received from other parts of Austria, namely a Tyrolian network of regional development agencies. Further, CrowdStream results were already during project lifetime introduced to a transnational group of LEADER managers from other European countries, including Luxembourg, Estonia, Sweden and Germany.

For a sustainable transfer of CrowdStream results beyond project duration to further interested micro-regional development agencies the following approach is recommended based on the learnings from pilot actions:

- Targeted BSOs operating in a micro-regional context are represented by regional development agencies of innovation centers, offices of regional development programmes (national or European, like the LEADER programme). Also, local offices of chambers of commerces and sectoral agencies could be involved to strengthen networking capacities for motivating local crowd-communities.
- CrowdStream project experience that it is important, first, to implement training workshops and capacity building and coaching activities to educate the addressed BSOs about the basics and specifics of the crowdfunding approach. CrowdStream has developed a comprehensive set of training materials, including also an online course and special materials for BSOs to support this step.
- It is recommended to include crowdfunding into the agenda of regional events, inviting representatives of different crowdfunding platforms or service providers to present the different crowdfunding models and answer questions of the participants. With view to the well-developed Austrian crowdfunding market, it is recommended to invite experts from different platforms to keep a balanced view and show the wide scope of crowdfunding models offered.
- Experience from CrowdStream pilot action shows that the interest of local audiences to learn more about crowdfunding can be fluctuating, depending on the coverage of the crowdfunding topic in media and also on the availability of local good practice examples. Therefore, it is rather recommended to include the crowdfunding topic regularly in ongoing local activities to keep local people's awareness at a certain level and raise the knowledge of local people in this field over a longer period of time. A focal programme of crowdfunding with several events and workshops offered within a short period will probably not be efficient to meet the needs of local audiences acc. to the opinion of BSOs that cooperated with the project team during the CrowdStream pilot action.
- All the more, the role of a qualified BSO to function as a first-information hub for potential crowd-campaigners is highly relevant to cover emerging demand for orientation and information coming from bottom-up project initiators.

As soon as local BSOs will have been trained using CrowdStream training materials, operational resources needed to provide local hub functionalities would be limited to a minimum as the crowdfunding topic will be introduced as one of several knowledge fields offered by the local BSO as a part of its normal operational activities.

- The long-term impact of this kind of local BSO hub will result in a growing number of local initiatives receiving funding from local crowds which will lead to stronger motivation for local projects and network formation within the involved micro-regions.

Action 2: Establishing crowdfunding channels for socially motivated initiatives

The proposed Regional Action relates to the abovementioned Challenges #2 and #3 addressing mainly Vision # 3. A large number of bottom-up projects, especially in a micro-regional context, is socially motivated meaning that these project ideas seek to solve problems occurring in society. Needs of initiators of socially motivated projects as well as expectations of potential backers of social crowdfunding campaigns differ from “business-oriented” crowdfunding in many ways. Therefore, it is the goal of the proposed Regional Action #2 to set a focus on the needs of social entrepreneurs and socially motivated crowd-communities to make better use of the crowdfunding potential in this context.

Within the pilot actions implemented in the CrowdStream project, the Austrian project partners involved an expert organization specialised on crowdfunding of social and civic projects in order to learn more about the requirements for successful crowd-campaigning in this field. Like in Action #2, the focus was set on bottom-up project ideas coming from a micro-regional environment. The basic assumption that the crowdfunding approach would be specifically suitable to motivate local crowd-communities for supporting social initiatives of local or regional relevance was successfully demonstrated by the first crowd-project financed by local people in the pilot action partner region.

For the transfer of CrowdStream results regarding the support for socially motivated initiatives and social entrepreneurial projects beyond project duration the following approach is recommended based on the learnings from pilot actions:

- A wide understanding of socially motivated projects should be applied as many innovative project ideas in their core are oriented towards the solution of societal problems.
- Intermediaries that support the preparation of crowdfunding campaigns should be aware of the specifics of social crowdfunding in order to support potential campaigners to find experienced service providers and platforms that are able to deal with socially motivated projects. The CrowdStream training materials include a chapter on social crowdfunding as a basis for capacity building in this field.
- Potential crowd-campaigners that want to launch a socially motivated projects need specific support to tell their project story in a suitable way to be successfully.

Further, the development of a sustainable operational mode or business plan for the social project in question needs specific support as this aspect is often underestimated by socially motivated project initiators. It is recommended to involve specialised experts on a case-to-case basis to provide adequate coaching and support services.

- Special attention should be paid to the motivation of crowd-backers and to the interaction with supporters in all phases of a social crowdfunding campaign. Setting up a dialogue to inform supporting crowds about the progress and results of “their” social initiative may create sustainable commitment far beyond the actual crowd-campaign.
- To promote and support social entrepreneurship projects and socially motivated initiatives in a sustainable way a combined approach is recommended. BSOs should be trained to identify the social characteristics of potential crowdfunding campaigns and, if relevant, social crowdfunding experts should be involved to provide project owners with specialised support services.
- The expected impact of Action #2, on one hand, will result in a larger number of successfully crowdfunded projects with mainly social targets. On the other hand, beyond the direct effect of promoting and funding a social project, crowdfunding campaigns in this field have a high potential to become useful instruments to trigger stronger commitment and wider involvement of citizens as supporters of social initiatives.

5. Further recommendations to improve regional and transregional framework conditions

With view to the transnational context of the Danubian partner regions, the following activities are recommended to improve regional as well as transnational framework conditions:

- Establishment of transnationally harmonized legal frameworks for Crowdfunding in the Danube countries
- Organisation of a network of practice for BSOs from the Danube countries to support a sustainable exchange of experience regarding the introduction and concrete implementation of crowdfunding instruments in support of local SMEs, start-ups and social enterprises