Crowdfunding campaign as a tool to raise fund for civil society organization.

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INTRODUCTION

At the time in which Gaza started to recover from the last aggression, the idea of this campaign came. When the need of everything appeared in Gaza. Many families lost their homes, others lost members of the family, and many children lost many things. Because of that we thought about the effective role of the crowd and how can we apply the crowdfunding campaign to deal With this new opportunity which brought the need to facilitate the transfer of funds from those who were looking to donate or invest to those who is in need.

This study aims to know the crowdfunding campaigns as a new method of fund raising which depends on the crowd, also it will talk about many definitions of it, and it’s types. In this study we will take about crowdfunding campaign that we applied in Gaza strip called: Make Gaza Children Winter’s warmer. The goal of the campaign is to collect money from donors to buy winter clothes for the children who lost their homes in the last Israeli aggression on Gaza. The three types of crowdfunding are: Donation, sponsoring, and reward. In this research we focused on donation by using a website to advertise a video for a child who lost his home, also this website includes information about Gaza war. By this website donors can contribute from any country.

5000$ was the goal of the campaign in one month, but after that we add another month, started in 28-9 to 28-11. 61 donors contributed from 19 country. During that time we started to prepare credits for the children to buy from some stores which we made agreement with.
Literature review

- WHAT IS CROWDFUNDING
- WHY CROWDFUNDING?
- TYPES OF CROWDFUNDING
- THE RISKS AND CHALLENGES OF CROWDFUNDING

WHAT IS CROWDFUNDING

But first things first. What the heck is crowdfunding and why exactly is it such a wildly successful method of fundraising? Here’s the rundown. Let’s break it down:

Figure (1), what is crowdfunding

But there is a bit more to it, such as:

- Crowdfunding is particularly helpful to raise money for a specific project or campaign. The more specific, the better. Details matter here. You want to sweat the small stuff.
- Crowdfunding is usually time-based, to create a sense of urgency, challenge, and potentially competition. It’s fun with calendars and countdowns.
- Crowdfunding is a great opportunity for extra bells and whistles like prizes and incentives, testing out tiered donation levels, peer-to-peer fundraising, and niche content.(1)

Crowdfunding is a new and evolving method to raise money using the Internet. Crowdfunding serves as an alternative source of capital to support a
A crowdfunding campaign generally has a specified target amount for funds to be raised, or goal, and an identified use of those funds. Individuals interested in the crowdfunding campaign – members of the “crowd” – may share information about the project, cause, idea or business with each other and use the information to decide whether or not to fund the campaign based on the collective “wisdom of the crowd.” Crowdfunding has been used to fund, for example, artistic endeavors, such as films and music recordings, where contributions or donations are rewarded with a token of value related to the project (e.g., a person contributing to a film’s production budget is rewarded with tickets to view the film and is identified in the film’s credits) or where contributions reflect the pre-purchase of a finished product (e.g., a music album). A number of entities operate websites that facilitate crowdfunding in its current form, with some websites specializing in certain industries, such as computer-based gaming, music and the arts, and other websites focusing on particular types of entrepreneurs.

Crowdfunding is a collective effort of many individuals who openly network and pool their resources to support efforts initiated by other people or organizations. This is usually done via or with the help of the Internet. Individual projects and businesses are financed with small contributions from a large number of individuals, allowing innovators, entrepreneurs and business owners to utilize their social networks to raise capital. While collaborative finance is not a new concept or activity, the rise of the crowdfunding industry in recent years is directly linked to the advancement and availability of web and mobile-based applications and services as well as the failure of the financial services industry to answer demand for small business and project financing. Through crowdfunding, entrepreneurs and businesses can now more easily utilize the crowd to obtain ideas, collect money, and solicit input on the product – fostering an environment of collective decision-making and allowing businesses to connect with potential customers.
Crowdfunding generally refers to an open call to the public to raise funds for a specific project. In 2012 about €735 million was raised for all forms of crowdfunding in Europe and the predicted figure for 2013 is around €1 billion. This figure is rather marginal compared to retail bank lending to non-financial institutions (€6 trillion in 2011), but it is promising compared to the financing provided by business angels (visible market segment estimated at €660 million in 2010) or venture capitalists in seed, start-up, later and growth stages (€7 billion in 2012). Crowdfunding is an important source of finance to some half a million European projects each year that otherwise may not obtain the necessary funds to be realized.

There is great potential in crowdfunding to complement traditional sources of finance and contribute to the financing of the real economy. The Green Paper on Long Term Financing of the European Economy initiated a broad debate on the different factors that enable the European economy to channel funding towards the long term investments needed to ensure economic growth. The follow-up Communication outlines a number of priority areas where the Commission intends to take initiatives to help SMEs (small business enterprise) attract funding. Crowdfunding is part of this work plan. It is one of the newly emerging financing models that increasingly contribute to helping start-ups move up the "funding escalator" and contribute to building a pluralistic and resilient social market economy. Crowdfunding has real potential to finance different types of projects, such as innovative, creative and cultural projects, or activities of social entrepreneurs, that have difficulties in accessing other forms of financing.

While crowdfunding is a promising new form of fundraising, responses to the Commission's public consultation on crowdfunding as well as the Startup Europe Crowdfunding Network survey highlighted a number of issues which will be decisive if its potential benefits are to be released. These range from lack of awareness and understanding, challenges of protecting intellectual property, through fraud and consumer protection concerns, to issues of legal uncertainty and burdensome regulatory requirements. Many of these issues relate to other forms of finance as well. In the following, this Communication focuses on those issues that are particularly relevant for crowdfunding.
The term emerged from the field and generally refers to open calls to the wider public to raise funds for a specific project. Often these calls are published and promoted through the internet and with the help of social media, and are open only for a specified time period. The funds are typically raised from a larger number of contributors in the form of relatively small contributions, but exceptions exist. The expression "crowdfunding" refers merely to a channel of financing, which can be used in many different ways. Donations can be collected from people, which would qualify as donation-based crowdfunding if collected for a specific project during a specified time period promoted through internet and social media. But crowdfunding campaigns can also offer contributors something in exchange. We can talk about rewards-based or pre-sales crowdfunding when contributors get in return something symbolic, like the opportunity to participate in the cultural experience they finance (e.g. appearing as an extra in a film), or a product that was developed and produced with the funds raised. All of the above forms of crowdfunding can be described as "crowd sponsoring".

Other crowdfunding campaigns offer some form of financial return. Profit-sharing schemes would promise a part of future profits made by the project that is being financed. Securities based crowdfunding involves issuing equity or debt to contributors. The difference from an IPO for example is that the shares issued are typically not traded on a secondary market and there is no underwriting involved. Profit-sharing and securities-based crowdfunding can be described as "crowd investing". Finally "crowd lending" campaigners borrow money from the people and promise to pay back the capital on specified terms with (or in certain cases without) interests. Examples include consumers borrowing lower amounts of money from the crowd to renovate their home, finance studies, etc., or businesses borrowing to finance some new operations. These are the main models used by crowdfunding campaigns today. But crowdfunding is still in its early stage of development and therefore these models might evolve in the future.
WHY CROWDFUNDING?

Crowdfunding can offer various benefits to a large spectrum of users. This is partly explained by its flexibility, community engagement, and the variety of financing forms it can offer. While donations, rewards and pre-sales models do not entail any financial return to contributors, profit-sharing, lending and investment in securities models involve the prospect of financial return. The first category can be referred to generally as crowd sponsoring, while the latter can be described as crowd lending or crowd investing (including profit sharing). The campaigners collecting funds can include SMEs, startups, micro-entrepreneurs, social entrepreneurs, the self-employed, the cultural and creative sectors, public authorities, innovative or environmental projects, public interest bodies, researchers, consumers or the unemployed. Access to finance is one of the most pressing problems for SMEs who report a deterioration in public financial support (-13%), access to loans (-11%), trade credit (-4%) and the willingness of investors to invest in equity (-1%). Many projects' demand for financing is not met by any existing sources of finance, which is referred to generally as the financing gap. Some segments of the economy, such as social enterprises or the cultural and creative sector, do not find many responses tailored to their needs, due to their specific characteristics including social objectives or the dependence on intangible assets and the high uncertainty of market demand. Crowdfunding matches small - or even bigger – contributors and investors directly with the projects in need of funds, mainly in the early stages. Crowdfunding can foster entrepreneurship not only in terms of increased access to finance, but also as an additional market testing and marketing tool, which can help entrepreneurs acquiring relevant knowledge of customers and media exposure. The experience with such campaigns also build employability skills while successful campaigns provide a valuable role model to other 'entrepreneurs to be'. From the contributors' perspective, this new form of financing offers direct choice over where to put one's money and a sense of involvement with the project. People who contribute might also get a different perspective on - and more direct contact with - entrepreneurs, which may further promote a culture of entrepreneurship. Contributors often also form a community to back the financed project, or might supply non-financial resources in the form of crowd-sourcing. Crowdfunding has also high potential benefits for innovation, research and development, and it could contribute to growth, community development
and job creation while financing innovative projects that do not have the level of maturity that traditional financial market sources require. Compared to other types of finance, it can also reduce costs and administrative burden for enterprises, notably SMEs.

**How does crowdfunding work in the Internal Market?**

Results showed that the internal market for crowdfunding with nonfinancial returns works quite well. 81% of non-financial returns platforms already operate cross-border, while 14% would like to do so in the future. Only about one third of stakeholders expressed support for EU action on non-financial return crowdfunding to facilitate market access (around 35%) or to better protect contributors (below 30%). Those stakeholders who expressed support for EU measures to facilitate cross-border activity for non-financial return models often referred to legal uncertainty as the main obstacle.

3.2.2. **Crowdfunding for financial returns (crowd lending and crowd investing) – market access with a high level of investor protection**

The public consultation seems to indicate that the internal market may work less well for financial-return platforms. Only 38% of financial return platforms answering the consultation operate cross-border while almost half of them would like to extend their business to other EU Member States in the future.

44% of all financial returns platforms claim the lack of information about applicable rules prevents them from operating in more than one EU country. 27% of them also quoted the high costs of getting an authorization in another Member State as a reason for only domestic operations.

Half of respondents recognized the need for EU action on financial return crowdfunding. Market access and investor protection appear to be equally important considerations: 49% called on the EU to promote the single market for financial return crowdfunding and 51% saw a need for EU action to ensure appropriate investor protection for lending and securities crowdfunding. Respondents also highlighted the risks for contributors in the crowd lending and crowd investing models (e.g. loss of invested capital, risk of fraud), as well as the need for transparency on platform charges, interest rates, and on the expected yields.

A large majority of stakeholders' agreed that platform managers involved in lending and investment models should be required to inform contributors of investment and credit risks and provide advice on investment diversification. Potential contributors might not get involved in crowdfunding activity because of concerns over risks. The main issues here include different
individual investment limits in different countries, the exercise of shareholder voting rights, the threshold for prospectus requirements, the rules concerning transparency, investment suitability tests, client money protection and investment advice.

**Promoting crowdfunding through raising awareness and building confidence:**

There is still a general lack of awareness about crowdfunding in Europe. Almost half of respondents favor some form of awareness-raising at EU level. Stakeholders also showed an interest in a single source of information on the opportunities of crowdfunding, to enhance its visibility. Increased awareness is not the only factor needed for crowdfunding to succeed. A good understanding of how crowdfunding works, what it can deliver and what the risks might be is also key to establishing trust with both contributors and campaigners. Sustainable growth in crowdfunding is only possible if users have confidence in it. Running successful crowdfunding campaigns also depends on campaigners having the necessary skills and training, as well as support offered by platforms and other actors.34 Project owners may need education about the use of crowdfunding, about its potential risks, and potentially also about planning or project management. Given that there are certain risks in crowdfunding, in this early stage of development there is also a need to enhance the recognition of platforms. Establishing a quality label would help this recognition and build confidence. A label would signal compliance with certain standards, for example to reduce the risks of fraud, and would build trust with users. In some countries, such as the UK, self-regulatory bodies have already put in place rules that platforms can comply with and obtain the quality label of the association.
**Possibilities for matched (public and private) financing:**

Due to its limited size, crowdfunding cannot be expected to solve all various forms of access to finance issues on its own. Possibilities for public funding alongside crowdfunding could therefore be further explored at both national and EU level in duly justified cases where a market failure can be demonstrated. Matched financing could be provided either in the form of co-investment in projects alongside private contributors, as loan guarantees to crowd lending transactions, or directly to crowdfunding platforms. The newly adopted state aid rules applicable to risk finance extend the scope of eligible undertakings by including SMEs, small midcaps and innovative midcaps to improve access to funding for companies that though viable, are faced with a market failure in accessing the necessary finance. The risk finance rules applicable to alternative trading platforms can, by analogy, apply to certain types of crowdfunding platforms. Any support with state resources shall. (4)
TYPES OF CROWDFUNDING

Crowdfunding can take many different forms. One taxonomy follows the type of exchange between the project owner and the contributor (what contributors get in return for their money):

- Donations,
- Sponsoring (advertising in exchange for financing),
- Rewards (a product or service of lower value than the contribution),
- Pre-selling (collecting funds to develop and deliver a product),
- Lending (the project borrows money from the crowd with or without interest)
- Securities-based investments (where the project issues shares or bonds to contributors to the crowdfunding campaign).

The above typology also shows that most of these forms of fundraising – such as donations are not new. Others, such as lending, take a quite different new form in the context of crowdfunding. The various types are briefly described here.

A. Donations
Crowdfunding can take the form of donations, where people give money to a given project and they are not promised anything in return. The size of this type of crowdfunding campaigns is typically small, an estimated €500 on average in Europe. Despite their small size, this is the most frequently used model of crowdfunding: 62% of crowdfunding campaigns world-wide were donation-based. Successful projects collected a total of €723 million internationally. Given that contributors are not promised to get anything in return, the only risk they take is that the money they give is not used for the stated purposes (fraud), which is a risk present in any other form of crowdfunding as well as in traditional forms of donations and charitable giving.

B. Rewards
Reward-based campaigns offer, in exchange for contributions, some products or services typically of a lower value. The CD of an artist or an autograph are two examples. Rewards based crowdfunding is another popular form of campaign. €285 million was collected worldwide through this form of crowdfunding. Crowdfunding campaign for rewards collects some €3000 on average, according to estimates. The success rate of these projects seem to be lower than that of donations: around 22% in Italy. Social
causes, artistic projects and business ideas seem to be the main beneficiaries of this form of crowdfunding.

C. Pre-selling
We can talk about pre-sales and product development when the campaigner collects funds to develop a future product and contributors can pay in advance to order it. Once the product is ready, the campaigner will ship it to the contributors who take the position of on-line shoppers at a time when the product is not yet developed. Crowdfunding platforms that offer the possibility to launch campaigns for rewards can often be used for pre-sales and product developments. The dividing line between these two categories is thin.

D. Profit sharing
Certain crowdfunding projects will offer a share in the future profits of the business or royalties of the artist. These models of crowdfunding are called profit- or royalty-sharing. Contributors investing money on these terms need to know precisely on what basis the profit share will be calculated and there has to be a reliable mechanism for them to monitor the realized profits. A crowdfunding platform can perform this monitoring role with the appropriate organizational arrangements and rules in place.

E. Lending
Direct lending – also called peer-to-peer lending – is a financial crowdfunding model, where campaigners take the position of borrowers and contributors act as lenders. Borrowers may be businesses or private individuals and their projects can range from social projects to business initiatives and even private consumption. According to international estimates business and entrepreneurship projects collect almost 55% of lending world-wide. Lending can take place at a defined interest rate or at no interest (typically for social lending). It is estimated that lending campaigns raise on average around €4500.
Lending entails some risks. Contributors might find it difficult to verify the creditworthiness of lenders. And since lending platforms are typically not banks, they are not covered by deposit guarantee schemes that would ensure that lenders get back their money in case the borrower fails to pay. Lenders can however diversify their portfolio (spread the intended amount of investment over several projects) in order to minimize the risk of capital losses.
Some platforms have in place tools that ensure diversification of the lent money, but again, practices vary and often there are no mandatory rules in place.

Peer-to-peer lending with interests offers an alternative investment opportunity to contributors. The terms of lending are quite clear, and as long as they are informed about the risks, contributors can make informed decisions about how much money to lend. From the perspective of project owners (borrowers) the advantage of lending is that they do not need to give up decision and ownership rights (as it would be the case if they issued shares). As bank lending has reduced after the crisis, peer-to-peer lending can be a valuable alternative providing easier, faster and potentially also cheaper access to finance.

Figure (2) crowdfunding allocating by sector.
Donation-based crowdfunding:

NGO’s have been using the donation-based crowdfunding model to attract donations for more than ten years. The difference between donation-based crowdfunding and traditional fundraising is that donations are collected and ear-marked for a dedicated project. This helps raise higher amounts per donor, because funders know that their money will be used on a specific project. Such donors also tend to give recurring donations if the NGO keeps them updated about the progress of the project.

Grant making is similar to donation funding and some forms of reward-based crowdfunding, where individuals or projects pitch their ideas through compelling storytelling to secure funding without financial or significant material return. The motivation for the funding is social return. In these cases, the funders are already satisfied when they see that a project can be realized, their motivation is intrinsic.

- Types of projects supported: Non-governmental and non-profit initiatives, disaster relief, cultural, religious and private matters
- Average funding amount (per project): +/- US$ 1,500
- Frequency: Usually one off, but long-term support and recurring funding is possible
- Financing arrangements: Crowdfunding platforms operate as an intermediary, leaving the details of the funding up to the project owners.
- Fees: +/- 2-5%, some platforms have more complex fee structures, plus payment fees via third party operators, some are free of charge.
- Funders: Mostly individuals.
- Due diligence: Pre-set criteria on platform.
- Monitoring & evaluation: Generally not a responsibility of the crowdfunding platform, which acts as an intermediary in bringing two parties together.
- Rate of success: +/- 43% for raising funds.
- Climate or environment proposals: marginal.

Reward-based crowdfunding

This business model is used by project owners who want to collect donations for a specific project and can give (often small) non-financial rewards in return. The rewards are of a symbolic value and provided by the investee. A reward in this context should not be understood as a token of appreciation. In general, the parties do not consider it a legally binding obligation to provide the goods and do not classify it as a sale.
Nevertheless, reward based crowdfunding is increasingly being used as a means of pre-selling products and therefore generating revenues for the business. This form of reward-based crowdfunding has significant potential for the development of customer facing products and services. When the different reward-levels are chosen wisely, it is possible to receive a much higher average donation than with a pure donation-based approach.

- Types of projects supported: Non-governmental and non-profit initiatives and small and medium sized enterprises, commercial pre-sales of products as well as creative and cultural projects
- Average funding amount (per project): +/- US$ 5,000, a large variety exist with many small campaigns and some exceedingly large multi-million US$ pre-sales offers.
- Frequency: Usually one off, but long-term support and recurring funding is possible
- Financing arrangements: Crowdfunding platforms operate as an intermediary, leaving the details of the funding up to the project owners.
- Fees: +/- 3-5% plus payment fees via third party operators.
- Funders: Mostly individuals.
- Due diligence: Pre-set criteria on platform, some use a threshold-pledge system that returns all funds to funders if a pre-set minimum threshold should not be reached within a certain amount of time.
- Monitoring and Evaluation: Generally not a responsibility of the crowdfunding platform, which acts as an intermediary in bringing two parties together. In threshold pledge systems monitoring happens via fundraising amounts.
- Rate of success: +/- 50% for raising funds.
- Climate or environment proposals: marginal.

**Social lending crowdfunding:**

Social lending, as offered on crowdfunding sites, relates to interest free loans. The motivation from the lender side is very similar to donation-based crowdfunding – positive social return. This form of crowdfunding combines the collective interest in social change and the financial needs of the target group. It is very similar to recoverable grant making in the development sectors. It is already used extensively for micro-businesses in developing countries for micro-financing without any interest being paid to the lending party.
Types of projects supported: Micro-loans, development or social aid
- Average funding amount (per project): approx. $420
- Frequency: Usually one off
- Financing arrangements: Crowdfunding platforms operate as an intermediary, leaving the details of the funding up to the project owners or field partners. No interest is paid on the principle; some platforms offer non-financial bonus points that can be re-invested. In some cases, the lending amount can be withdrawn if not already tied to the project.
- Fees: +/- 0%
- Funders: Mostly individuals
- Due diligence: Pre-set criteria on a platform or field partner assessment, such as partner Microfinance Institutions, which will execute their own due diligence prior to listing projects online
- Monitoring and Evaluation: Generally not a responsibility of the crowdfunding platform, which acts as an intermediary in bringing two parties together. In social lending of micro-credit, local microfinance institutions will assume M&E activities as part of their partnership.
- Rate of success: +/- 90%.
- Climate or environment proposals: marginal.

**Lending crowdfunding:**

With lending-based crowdfunding, a company will borrow money from a group of people instead of a bank. The role of the platforms can be diverse. Some of the platforms will act as middle-men and make the repayments to the lenders, whereas other platforms act only as match-makers and the borrower and lenders will be connected when the deal is closed. The main motivation for the funder is a (higher) financial return. The interest-rates in general are based on the risk-factor, which is calculated based on financial data and personal securities.

This model is used by borrowers who are looking for a loan with a lower interest rate than the one they can get from a bank. It can also be used by borrowers who can offer fewer securities. Lenders will though receive a higher interest payment than they would receive on a savings account or similar banking products. Existing data shows that default rates for consumer lending in Europe on average are below 1%, in business crowd lending it is a little higher at around 2%.

Debt crowdfunding is similar in structure to traditional private market financial services and lending schemes available for the development sector. Lenders offer a principle with an expectation of receiving financial gain.
Risk is mitigated according to portfolio theory by providing very small amounts of finance to any given project and therefore distributing the total crowdfunding allocation over a large number of projects.

- **Types of projects supported:** Small business loans, consumer lending, project finance
- **Average funding amount (per project):** +/- US$5,000
- **Frequency:** Usually one off, but long-term support and recurring funding can be created
- **Financing arrangements:** Crowdfunding platforms operate as an intermediary, leaving the details of the funding up to the project owners. Direct lending is also possible, where the borrower organizes the lending without the help of a third party platform. Interest payments are paid out in frequent instalments, for example monthly.
- **Fees:** +/- 3-5%
- **Funders:** Individuals, institutional investors (consumer loans)
- **Due diligence:** Credit checks where available, other background checks
- **Monitoring and Evaluation:** Crowdfunding platform generally will keep lenders updated with progress on loans via comments or similar functions and might collaborate with collection agencies. M&E is however generally not a responsibility of the crowdfunding platform
- **Rate of success:** +/- 50%
- **Climate or environment proposals:** Marginal. However, some financing for renewable energy developments (e.g. solar parks) has been raised via crowdfunding.

**Equity crowdfunding:**

Equity crowdfunding is similar in structure to traditional private market financial services and investment and lending schemes available for the development sector. Equity crowdfunding or crowd investing is when an entrepreneur or business wants to attract an investment from a group of people instead of from a business angel or another private investor. Equity crowdfunding is usually subject to capital markets and banking regulation and is therefore restricted in terms of funding size, geography and marketing possibilities. This may limit the possibility of development initiatives being funded via equity crowdfunding.

Some funders are primarily interested in investing in projects that share their own values, that are locally engaging or that create jobs in their community. Others have a real knowledge of what the market, project, or company is addressing and seek to bring funds and expertise to the success of the
Equity crowdfunding generally includes equity-like arrangements: offering the same payoff as equity (shares) and the funder is a creditor who has a contractual right to receive that payoff. As with debt crowdfunding, risk is mitigated according to portfolio theory by providing very small amounts of finance to any given project and therefore distributing the total crowdfunding allocation over a large number of projects. Still, the risk is usually diversified between financial and emotional motivations. Equity crowdfunding platforms generally exercise a basic business plan screening and legal and financial due diligence in a process derived from what business angels or venture capitalists would normally carry out. The extent and professionalism to which this is done can vary from platform to platform.

- Types of projects supported: Small and medium sized enterprises
- Average funding amount (per project): +/- US$ 150,000
- Frequency: Usually one off, but repetitive funding is possible
- Financing arrangements: Crowdfunding platforms operate as an intermediary. Valuations are proposed by the entrepreneur and checked by the platform
- Fees: +/- 5% listing fees, +/- 3-5% transaction fees, fixed due diligence fees. (5)
THE RISKS AND CHALLENGES OF CROWDFUNDING

The main advantage of crowdfunding is that the funders are also potential customers and ambassadors of the project or business they support and they help to promote it through their own networks. The funder usually identifies with the project, has a mind for change and is happy to help provide the social proof of concept. The risk of failure does not necessarily translate into risk of loss of capital, because success for the funder is usually not defined through financial return alone. While multiple funders share the financial risk and therefore limit the extent of a potential financial loss to individuals, the actual perceived loss is not necessarily financial but linked to expectations of funders and thus correlated to their motivations. In a case of failure, the perceived loss of the funder may therefore be the disappointment with regard to non-financial rewards, including intrinsic rewards.

Different forms of crowdfunding might pose different types of risks. Some of the most relevant issues for all crowdfunding models are:

- risk of fraud (when the money collected is not used for stated purposes)
- advertising and advice by promoters or platforms may be misleading
- how platforms treat payments, whether reclaimable contributions are returned

Concerning those models where contributors expect something in return (rewards, presale, lending, equity):

- Losses from project failure (contributors do not receive what they were promised).

In cases where shares are issued to contributors:

- lack of secondary markets for trading (lack of liquidity)
- potential dilution of investors investment value through further equity sales
- difficulties in exercising shareholder rights in a complex ownership model

For project owners crowdfunding raises the challenge of

- Intellectual property rights protection of business ideas that they have to share with the crowd in order to get financing.
Intellectual property rights protection

The risk in crowdfunding for project owners is that they need to disclose their ideas to the wider public at an early stage where their intellectual property rights may not yet be protected. For instance, if an invention is published before a patent application is filed, the inventor may no longer be able to obtain a patent, as it would lack novelty by the time of the filing of the application.

HOW TO UNLEASH THE FULL POTENTIAL OF CROWDFUNDING?

Crowdfunding is a new phenomenon with numerous promising benefits. The aim of the present public consultation is to identify how to best promote its growth in a safe environment. Is there need for action at European level, and if so in what form and in which areas? Granting access to markets across the Union on clear and non-discriminatory terms, awareness raising and matched public financing are among the options with soft-measures. Providing facilitated market access, enhancing transparency, or setting some basic requirements for platforms are some of the legislative options. (6)
The methodology:

These study is based on actual campaign to test crowdfunding as a tool to raise fund for civil society organization.

Place: Gaza, Palestine,

Implantation method: indiegogo website.

The campaign link: https://www.indiegogo.com/projects/make-gaza-children-s-winter-warmer

Duration:
The campaign started on September 28 and was supposed to end on 28 October, but as the campaign did not reach the goal, so the researcher extended the time to the maximum period to be closed on November 27, 2014. 60 days which is the longest period in indiegogo website.

The association: AlRahma association for relief and development.

The goal:
the goal was 5000$, but the campaign ended with 5210$, 104.2%. 61 donors from 19 country around the world, separated as follow:

Figure (3), campaign contributions 1
The type of crowdfunding which was used in the campaign:
Donations was the type of funding, but there was perks for the donors to select.
The perks include: (Contribution Amount, Perk Name, Perk Description) as follow:

1. 1$ Thank you,
   Thank you very much for your donation.
2. 10$ Thanks Email,
   We will send you a thank email for your donation.
3. 50$ child photo,
   Thank you, your contribution is enough to buy new clothes for 1 child, we will send you the child photo with his/her new clothes.
4. 100$ Thanks photo,
   We will ask the child to write (thanks for Mr/Miss/Mrs) on a paper and send you a photo for the child with the paper and new clothes.
5. 500$ Thanks video,
   we will send you a video for a child thanking you for your great contribution.
6. 1000$ Host in Gaza,
    you are great donors, you will get everything above, also we will
    host you in a family house for 5 days when you visit Gaza one day.

The regular page of a campaign in Indiegogo website includes:

Video, perks, the goal amount raised and the percentage, number of Face
book post, twitter tweets, Google+ posts, Facebook page, twitter account and
website, and other information's and photo you can use it as you want.

Make Gaza children winter warmer campaign page includes:

1. The campaign title: Make Gaza children winter warmer.
2. Story, Updates, Comments and Funders.
3. The video pitching the campaign.
4. The goal, amount raised and percentage.
5. Dates of starting and ending the campaign.
6. The type of funding (fixable funding).
7. Perks: how many still available, and how much were selected.
8. Tagline: crowdfunding campaign to buy new winter clothes for Gaza
    children who lost their homes.
9. Social media which was used: Facebook, twitter, Google+.
10. Place: Gaza, state of Palestine.
11. The type of campaign: community.
12. Other information about the campaign, (the child story, Gaza war in
details, our campaign, who are we, Facebook page of the association,
other ways you can help, and contact us with the campaign Email.
13. Find this campaign, Facebook page and twitter account.

Some information from the website in Figure 5:
Marketing for the campaign:

Marketing of the campaign is the most important part because it’s the way to tell the people that you are existed, and to ask people to donate.

The first step: The marketing started before to publish the campaign on the website by telling the researcher friends from outside Palestine about the campaign and how ready are them to help throw donate and share the campaign link.

The second step of marketing started at the same time of the campaign, by using social media to share the campaign link with 536 Facebook post, 9544 Twitter tweets, and 27 Google+ post. Twitter was the main social media for marketing the campaign. The researcher used the twitter account of the campaign to make 5190 tweets, and 2517 from the researcher’s account.

The third step of marketing: was after receiving the money and buying clothes for the children to publish the children photos with their new clothes on the face book page, twitter account, and in the campaign page in the update sector.
The updates:

3 updates were made in the campaign page:
the first one was to thank the donors and the people who helped in sharing the campaign, and to tell them that we made agreement with clothes store to buy new winter clothes for two children. Payment for the store will be after receiving the money.
The second update was publishing the photos of the two children with their new clothes, and thanks letter for the donors.
The third and last update was after buying the clothes for all children to publish the children photos with their new clothes.

Contact with the donors:

Contacting with the donors via email was in two steps:
the first one was before buying the clothes for children to ask donors who have selected the perks how do they want to write their names on the thanking letters, Mr, Miss, or Mrs.
The first email also was to ask the donor who has selected thanks video if he wants the video in Arabic or English language.
The second: was after buying the clothes for the children to send the perks for the donors.

Pricing & Fees:

indiegogo website have 2 types of funding: fixed, and fixable funding.

Fixed funding: the campaign will not receive any amount of fund if it does not reach the goal in a specific duration.
The website fees: 4% in the fixed campaign.

Flexible funding: the campaign can receive any amount of money even before reaching the goal.
The website fees: the website will take 9% fees in the flexible campaigns, and if the campaign reach the goal, the website will refund it with 5%, which means that the website fees will be just 4%.
Other fees:
there is 3-5% for credit card or PayPal processing (varies depending on your financial institution,
$25 wire fee: Charged once when non-US campaigns have raised funds in USD via Direct Credit Card. The funds are wired in one lump sum to a non-US bank account after the campaign has ended.
Fees as it shown on the website:

Figure (6), website fees

<table>
<thead>
<tr>
<th>Funds</th>
<th>Credit/Debit and other payment methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raised to date</td>
<td>$5,210.00</td>
</tr>
<tr>
<td>Indiegogo fees deducted (5.0%)</td>
<td>$468.90</td>
</tr>
<tr>
<td>Indiegogo fee refund (5.0%)</td>
<td>$260.50</td>
</tr>
<tr>
<td>Payment processor fees deducted</td>
<td>$156.30 (3%)</td>
</tr>
<tr>
<td>Bank Delivery Fees</td>
<td>$25.00</td>
</tr>
<tr>
<td>Disbursed to Date</td>
<td>$0.00</td>
</tr>
<tr>
<td>Not Yet Disbursed</td>
<td>$4,820.30</td>
</tr>
<tr>
<td>Funds disbursed to</td>
<td>Bank Account: KUWAIT INTERNATIONAL BANK (Review &amp; Edit)</td>
</tr>
<tr>
<td>When to expect your funds</td>
<td>Disbursed up to 15 business days after your campaign deadline, if bank information is complete.</td>
</tr>
</tbody>
</table>
Challenges faced the campaign:

1. The Face book page of the association is in Arabic language.
2. One person was the responsible for the whole campaign.
3. The donors’ conference to rebuild Gaza which held in Cairo, Egypt was in 12 October raised 5.5 Billion to rebuild Gaza. This has affected on the campaign.
4. The association website was broken down.
5. There were no PayPal account to use it in the campaign.
6. Lack of confidence that some people have because of scams.
7. Many campaign from Gaza started after the war.
8. Fear that some people have to transfer money to Gaza.

The results:

1. The campaign has achieved 5210$ which is 104.2% of the goal.
2. Through marketing the campaign with social media we have made a partnership with a Britain foundation. Also we got fund to implement another project with around 4000$, which is 76.7% of the campaign goal.
3. With the same account of the campaign on indiegogo website, we can create another campaign. Having a successful campaign on that account enhance the trust with donors.
The Recommendations:

1. To use crowdfunding campaign as a tool to raise fund for civil society organization.
2. Make a plan for the campaign, and set your goals.
3. Start marketing before start the campaign in the website.
4. Build a team to lead the campaign and give everyone a mission.
5. Use the best website for the campaign.
6. Try to make a video to pitch the idea which would be better than photo.
7. Put yourself in the donors place and ask why I should donate.
8. Use the pest time for the campaign.
9. Make sure that your campaign link is posted in the organization website, Face book page, and twitter account.
10. Use enough information in the campaign page and let the people know about how you will spend the money.
11. Motivate people to donate and make the best perks you can.
12. Add updates to inform donors and other people that you are still working.
13. Respond to people questions and comments.
14. If it is the first time to make a campaign use flexible fund in the website.
Reference:

1- How to Plan a Nonprofit Crowdfunding Campaign, The beginner’s guide to creating an impactful crowdfunding campaign for your nonprofit or project. -funding / www.causevox.com .


3- Review of Crowdfunding for Development Initiatives, Oliver Gajda and James Walton July 2013.


5- Review of Crowdfunding for Development Initiatives, Oliver Gajda and James Walton July 2013. EUROPEAN COMMISSION Directorate General Internal Market and Services FINANCIAL MARKETS Securities markets Brussels, 03 October 2013 CONSULTATION DOCUMENT Crowdfunding in the EU - Exploring the added value of potential EU action.