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crowdfunding
culture

The matchfunding model of
CrowdCulture



Name of platform	CrowdCulture
Geographical focus	Sweden
Active since	2011
Crowdfunding model	Reward-based
Type of crowdfunding	All or nothing
Matchfunding partners	Regional public authorities (e.g. from the region of Kronoberg)
Platform website	www.crowdculture.se



Executive summary

CrowdCulture in Sweden is a matching platform with an ambition to modernize cultural funding. The reward-based platform operates with public partners co-financing the funds raised by the crowd. It cooperates on the basis of renewable annual contracts with local and regional authorities. These make available public funds for the match funding. The matching process relies on the number of backers and not on the amount raised by the crowd.

CrowdCulture is fully operational since 2011 and is specializing in cultural projects. The platform initiators expect generating synergies for the project owners of crowdfunding campaigns by their focus on the cultural sector.

Public partners cooperating with CrowdCulture report that this engagement with a crowdfunding platform enhanced their image as modern and innovative regions. Furthermore, the distribution of their public funds gained transparency.

CrowdCulture has a strong cultural policy dimension as it implies changing the mechanisms of distributing public funds available for culture. In this model financing of culture depends on the awareness raised in the public (crowd) which will determine the amount received from public budget. Such a shift of paradigms requires a broad discussion on cultural financing, and the inherent roles of the public and the private sector.



About CrowdCulture's matchfunding model

CrowdCulture is a specific matchfunding platform that aims at providing new forms of financing for the cultural sector in Sweden. The underlying objective is to change cultural financing and to end the practice of under-resourced implementation of cultural projects. Individual cultural fundraising projects coexist on the platform with co-operations called funds. The latter are based on partnership contracts between CrowdCulture and public partners. The reward-based platform involves regional and local partners from the country inter alia in charge of culture. The all-or-nothing model is applied.

Matchfunding with public regional partners

The matching process on CrowdCulture is not based on the amount raised in the campaign but on the number of backers financially supporting the project. The more backers a project gains, the higher the share of the fund (the public support) it will receive. Each campaign for a project lasts 90 days. The platform uses therefore a specific top-up model, a dynamic co-investment. Promoters are convinced that this approach has considerable advantages compared to "traditional" top-up models (50 % of crowdfunding topped with 50 % of public funding).

The main benefit is the fact that the private sector often finances much more than 50%. This reduces the public share to a smaller amount than 50%. In addition, some campaigns on other crowdfunding platforms are supported by a few bigger private financiers which could ease their access to public budgets – a not desirable effect for the promoter of the CrowdCulture platform. After the testing phase (2009-10) of the CrowdCulture platform which was co-financed and supported by strategic partners including VINNOVA – the Swedish innovation agency, a first set of cooperation contracts was concluded with those authorities with indirect accountability. Two types of regional and local authorities co-exist in Sweden: authorities with direct political accountability like Västra Götaland (a) and authorities with indirect political accountability like Jönköping (b). The difference between the two types of authorities are elected (direct political accountability) or non-elected (indirect political accountability) regional decision makers. The manager of CrowdCulture state that this type of authorities with indirect accountability affected positively the duration of negotiations with the crowdfunding platform. Every year, the CrowdCulture platform runs different funds (partnership agreements) with public authorities at the same time. The number of partnerships running on CrowdCulture can vary from year to year.

To date never more than 8 partnerships were active in one year. The contracts are concluded for one or two years and can be prolonged. Some authorities (e. g. the Kronoberg region) have established a long-term cooperation with the platform. The funds always run for one year due to the annual budgetary framework of the regional authorities.

The partnership model of CrowdCulture can be well-illustrated with the region of Kronoberg. The cooperation between the region of Kronoberg and the platform CrowdCulture is now part of the regular cultural support programme of the region. The region invested around € 13.000 of co-funding budget per year for the projects financed on the crowdfunding platform. This financial frame represents 17% of this small region's (192.000 inhabitants) total annual cultural budget. The remaining cultural budget of the region is spent as grants.

The main target groups for the region of Kronoberg are the smaller cultural organizations and cultural project promoters from all cultural and artistic fields. The problem was – before the cooperation with CrowdCulture – that these organizations had only very difficult access to the other culture support schemes in the region. Most of them lack the administrative capacity to handle bigger cultural projects.

In addition, many of the more rural municipalities had to face budget cuts which resulted in the reduction of cultural project support. CrowdCulture offers several services in order to support partners and campaigns. Some contracts with public authorities include training for the creation of campaigns. Furthermore, the launch of a new regional fund on the CrowdCulture platform includes a so-called “launch for a fund” to reach out to potential project owners or to network them.

Rationale for the partnership

The platform CrowdCulture is a financing tool with a strong cultural policy ambition. It is based on the analysis that the cultural sector in Sweden depends on public funding. Promoters are convinced that private financing of the cultural sector in Sweden works only in cooperation with the public sector. When analysing the crowdfunding context, the initiators excluded the establishment of a Kickstarter-type crowdfunding model in Sweden as they are convinced that the business model for such a type of crowdfunding platform cannot be sustainable in a small country with a limited language area. The current status of the CrowdCulture platform confirms this initial analysis as less than 30 % of the platform turnover is generated by the means of percentages from successful crowdfunding campaigns.

From the point of view of the regional authorities the most important benefit of cooperating with CrowdCulture is the know-how-transfer regarding crowdfunding and crowdsourcing. In the example of the Kronoberg region, the regional authority is convinced that small

administrations have insufficient in-house expertise and can learn from partnering with experts and innovators. The Kronoberg region aimed at finding also a way to combine public and private funding and the crowdfunding platform chosen for cooperation needed to provide free access.

Partnership model

Partnership set-up

CrowdCulture is a private initiative founded by Max Valentin, owner of Fabel – a consultancy in the field of innovation and communication. As a matchfunding platform, CrowdCulture has worked with partners from the start. The founding and testing phase in the years 2009 and 2010 included partners from diverse backgrounds and experiences: VINNOVA – the Swedish innovation agency – was a main financier. The City of Stockholm cooperated to run the first campaigns and to gain further experience. The Swedish Institute of Computer Science (SICS) was the research partner. In the starting phase was also considered cooperating with the national cultural ministry. This idea turned out to be too complicated related to public procurement laws. The first negotiations with regional and local authorities – in contrast – were promising from the beginning. CrowdCulture was fully operational in 2011.

The main reasons for the local and regional authorities to cooperate with CrowdCulture were:

- A change in the national cultural policy of Sweden in 2011: Each regional authority needed negotiating individually the regional cultural budget with the national government. Criteria for attributing budgets to the regions are that the regional cultural institutions work professionally and that the audience develops. The platform owner is convinced that a crowdfunding initiative is an excellent tool to reach out to new audiences and that the model proposed by CrowdCulture increases in addition participation and democratic practice.
- The growing importance of the cultural and creative industries: Regional and local authorities have taken up the EU policy priorities in the field of the CCIs. The CrowdCulture platform was a tool to participate in these developments.

A considerable number of Swedish regions have already cooperated with CrowdCulture including Blekinge, Southern Småland, Gävleborg, Jönköping und Västra Götaland.

The cooperation with the region of Kronoberg started in 2011 and the first regional fund was activated on the CrowdCulture platform in 2012. This region detailed also their reasons to partner with the CrowdCulture platform: This crowdfunding platform met the expectations as new forms of cultural financing should be tested. The region needed a partner covering the whole spectrum of cultural and creative projects as well as complying with the legal framework of public spending in Sweden. In addition, the region expected gaining deeper insight in these new types of cultural funding, to learn which impacts and effects are generated in the mid- to long-term.

The establishment of partnerships with the local and regional authorities was a complicated process. The main barriers were on political and legal level. As CrowdCulture proposes a new model to distribute public funds, some decision makers and politicians hesitate implementing this innovative model expecting too much social or too much private influence.

Model of cooperation

The platform applies one single cooperation model with all local and regional authorities running a fund – each one being operational for one year with the option to go for a further turn. Regional funds are related to budget available from the regional authorities who can normally only commit for one year. Most partnership agreements last for one or two years. Only the cooperation with the Kronoberg region lasts already for four years up to 2016. The regions pay Fabel consulting for the services provided to run the regional fund on the CrowdCulture platform. The funds are guided by the following principles:

- The financed projects must benefit the tax payer in the geographical area. Therefore projects in other countries than Sweden are not supported.
- The project needs to comply with the competition law in the sense that the financing of the project must not disturb competition between companies.
- The platform aims at contributing to innovation. Therefore projects should involve new co-operations.
- The logo of the funder must be used on all end products.

The partnership model was not changed after the testing phase. Modifications were minor and influenced not the general model. Cooperation partners from the region of Kronoberg state: “During the last years, the region learned how to innovate their support system and how to find new ways to communicate to the target groups. After the start-up and the implementation phase, the current challenge is how to further innovate in cooperation with CrowdCulture and their next innovation steps.”

Partnerships in the future

The CrowdCulture platform aims at further building on a positive dynamic. A growing strategy is stated to be difficult to be established due to the unforeseeable negotiation processes at the regional and local level. The Kronoberg region plans to continue the cooperation with CrowdCulture and to further use the innovative approach for supporting culture projects, and if possible to enlarge to other areas.



Impact of CrowdCulture's matchfunding model

The impact of CrowdCulture was analysed and the following figures have been provided by the promoters:

Features	CrowdCulture Total (2011-2015)	CrowdCulture Region Kronoberg (2012-2015)
Numbers of crowdfunding projects	Successful: 149 Failed: 123	Successful: 13 Failed: 3
Success rate of the projects	54,00 %	81,25 %
Number of project holders	135	16
Average size of private and public funding raised by the crowdfunding projects	€ 2.550	€ 4.000
Total additional public and private funding obtained by project holders	€ 380.000	€ 52.770
Geographical coverage	Sweden	Different parts of rural region Kronoberg

In the case of the partnership with the Kronoberg region, the average public support is between € 500 and € 2.100 per project.

The platform manager expects the financial impact of CrowdCulture to be lower compared to other reward-based platforms. Promoters are convinced that the added value of the platform relates to the cultural impact and the high credibility due to the close cooperation with public authorities – a real added value in Sweden where the public sector benefits of a good reputation.

The example of the Region of Kronoberg is impressive regarding the high success rates of projects. The regional administration highlights also the added value of the transparent approach and the access to the open source method inviting project holders to talk about their plans and to invite people to join

Impact on the project holders

The impact on project holders is not limited to the access to financial means. The platform owners report that the project holders benefit very much from the fact that the platform is specializing in culture only. The campaigns on CrowdCulture gain specific attention from important cultural stakeholders in Sweden. Max Valentin, CrowdCulture owner states:

“A campaign launched by a small local theatre group was spotted by the director of the national theatre and then invited to perform on one of the experimental stages in Stockholm”.

Successful and unsuccessful project holders report in addition that the CrowdCulture workshops are very useful for the further development of their projects. In addition, the project holders benefit from the crowdsourcing approach, from the need for collaboration and from the requirement to communicate.

Impact on the backers

An in depth analysis of the backers profile on CrowdCulture is not available for the whole platform. The platform owner analysed the profile of the backers in the Kronoberg region: Most of the backers of the projects co-funded by the region of Kronoberg are family members, friends, co-producers and existing clients of the project holders.

The profile of the backers relates to the size of the project and to the regional context. An outreach to more strategic investors becomes not visible.

Impact on the public partners

CrowdCulture generates positive impacts on the regional public partners. The local and regional authorities launching funds on CrowdCulture are proud of being part of the new economy. The cooperation is often highlighted at regional conferences and events contributing to a “fresh” branding of the areas concerned.

The CrowdCulture model is also a tool to contribute to the transparent distribution of public funds.

Due to the positive experience of some regions with CrowdCulture, multiplier effects can be expected in the fields of innovation and business support.

The impact on the involved regional authorities is positive as the partnership contributes to a modernization of the public sector.

Impact on cultural funding

The overall impact of CrowdCulture on cultural funding in Sweden is very small - in terms of budget spent for culture by means of the crowdfunding platform, as well as regarding the geographical coverage – especially when taking into account the five years implementation time. However, each additional private contribution to support creative projects is of added value. CrowdCulture reaches out to mainly small projects with an average volume of € 2.400.



It cannot be expected that these funding volumes will also cover the costs related to the campaign and to the project implementation (e. g. an appropriate salary from the cultural project promoter). This interlinks with the question of how crowdfunding models interfere with good labour practices (Bannermann, 2013) – an especially crucial topic in the cultural sector where low-income situations persist for many artists and cultural workers. The close cooperation with public authorities is of added value in countries where the administration benefits from a good reputation.

Critical success factors of the platform and partnership model

Objectives. CrowdCulture has a strong cultural policy component. The main motivation of the involved partners is a sustainable change in the financing of cultural projects. Participation, transparency and equal access to public means for culture are very important for the platform owner and the partners in the regional authorities. It links therefore to the wider discussion on the merits and limits of crowdfunding and the role public authorities and public financing should play as well as potential market distortions inherent to the different models (Bannermann, 2013). The open administrative culture of the country (Sweden) might play a crucial role for the success of the applied model. It is also an attempt to provide an easy accessible crowdfunding instrument for a smaller country and a limited language area.

Broad engagement of public partners. In order to establish sustainable partnerships CrowdCulture manager is convinced that the cooperation with the public partners requires a broad engagement in the related administrations and at the political level. More than one single person must support the cooperation with the crowdfunding platform.

From the point of view of a regional administration, the policy objectives must be very clear. “In our case,” states Sunny Sandström, Head of department “Regional Development, Sustainable Growth” from the region of Kronoberg, “the cultural policy needed modernization and the funding for small projects and organisations required an appropriate funding model. For us, transparency and open source approaches were pre-conditions for the creation of the new funding tool.”

Duration of the partnerships and sustainability. In order to generate sustainable effects the cooperation between the platform and the regional authority partner should last more than one year. Awareness raising activities about the new funding opportunity, training and dissemination of good practice examples need sufficient time.

The annual changes of co-operation partners generate a context of uncertainty for the cultural sector. The limitation of annual funds due to the annual commitment of the partners in the regional authorities causes high transaction costs.

Trainings for the cultural sector lack a more strategic approach and seem depending on the will and interest of the co-financing partners only. The learning needs of small administrations and local authorities are addressed in a random manner and not specifically targeted by the platform promoters.

The establishment and the sustainability of the partnership contracts depend mainly on the regional decision makers (policy and administration). A longer term cooperation agreement would have the benefit of a more stable framework for project holders. It could also generate a positive context for training and networking. An inter-regional strategy (different from an internationalization strategy being on the agenda of several crowdfunding platforms – RAMOS, 2013) which could mobilise backers from different European regions was not raised as a potential growth strategy for CrowdCulture.

Framework for crowdfunding campaigns. The framework for crowdfunding campaigns on CrowdCulture is strict regarding the duration which can cause disadvantages depending on the nature and related time plan of the cultural project to be financed.

Relying the public match-financing only on the number of backers is a difficult condition: it signals that especially the projects able to mobilise the largest number of backers are those deserving the most of public support.

This is contradictory compared to the cultural policy objective to use public funds for innovative and experimental artistic and creative initiatives that might not be financed by the market, as promoted by many cultural administrations in Europe.

Many matchfunding platforms apply a 50:50 model involving equals parts of private and public support. CrowdCulture promoters argue that their model will generate higher private contribution. This argument is not fully justified as each platform and public funding partner would be free to decide on the percentage to be co-financed from public means. The related share of public support could be therefore also below 50%.

Intellectual property. The question of IP protection of and the public access to the produced cultural outputs is not addressed. As the implementation budget includes public budget, which is the policy to ensure public access to the financed cultural products and services?

Overall conclusions

CrowdCulture's partnership model is an interesting model of involving regional and local authorities with innovation and multiplication potential for the modernization of local and regional authorities. The cultural policy dimension of the project requires further debate. As it changes the overall financing model for culture, this type of cooperation causes considerable fears and barriers from the decision makers and the cultural sector. This new model requires a broad discussion on cultural financing, and the inherent roles of the public and the private sector. Recent related publications from the public sector still question the possibility of a wider impact of crowdfunding on cultural funding (Compendium Cultural Policies, 2015). The Swedish Agency for Cultural Analysis warns "that private funding for culture in Sweden is likely to remain low for the immediate future,

and that all artistic and cultural endeavours do not have the same chances to attract private funding (...). Such funding (sponsorship and crowdfunding) for projects in many cases requires that basic funding is available."

The impact in terms of private funds raised, new backers (beyond the cultural sector) and geographical outreach should be enhanced with an appropriate growth strategy and accompanying activities.

Training needs for the creative sector are to be addressed appropriately and must include measures to overcome gaps in digital skills to ensure an equal level playing field for all potential project promoters. The cooperation with the private platform owner is subject to public procurement which might be a difficult task in smaller countries with only one or few platforms operating.



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Case study author: Sylvie Amann, inforelais

Layout: Jessie Pieters, IDEA Consult

Photos: CrowdCulture, Shutterstock

Do you have questions after reading this case study?
Contact the Crowdfunding4Culture project coordinator:
Isabelle De Voldere (IDEA Consult), isabelle.devoldere@ideaconsult.be