REPORT | OCTOBER 2016

East Africa Crowdfunding Landscape Study

REDUCING POVERTY
THROUGH FINANCIAL SECTOR DEVELOPMENT

fsdafrica

AlliedCrowds

Seven Things We Learned

1

East African crowdfunding markets are on the move.

Crowdfunding platforms (donation, rewards, debt and equity) raised $37.2 million in 2015 in Kenya, Rwanda, Tanzania and Uganda. By the end of Q1 2016, this figure reached $17.8 million – a 170% year-on-year increase.

2

East Africa's platforms report promising progress.

Since 2012 *M-Changa* has raised $900,000 through 46,000 donations to 6,129 fundraisers. *Pesa Zetu* and *LelaFund* are also opening access to their deals on the platform.

3

Crowdfunding risks and the regulatory environment.

In Kenya, for example, Section 12A of the Capital Markets Act provides a safe space for innovations to grow before being subject to the full regulatory regime.

4

There's appetite to do business and to learn more from across East Africa.

Over 65 participants attended the Indaba & Marketplace from all corners of the East African market.

5

East Africa's MSMEs express a demand for alternative finance, but they're not always investment-ready or able to locate financiers.

45% of Kenyan start-ups sampled require between $10,000 and $50,000 growth capital, while c.40% require between $50,000 and $250,000 for expansion/export (22%), marketing (23%) and product development (29%).

6

There are both commercial and development opportunities for crowdfunding platforms in East Africa.

Crowdfunding platforms have the potential to mobilise and allocate capital more cheaply and quickly than the banking industry and development agencies.

7

Global crowdfunding markets are growing fast but also evolving.

Finance raised by crowdfunding platforms worldwide increased from $2.7 billion in 2012 to an estimated $34 billion in 2015. This figure is expected to reach $96 billion by 2025 in developing countries alone.

These seven points are drawn from the Indaba as well as the blog on the link below:

http://www.fsdafrica.org/news/crowdfunding-in-motion-seven-things-we-learned-about-peer-to-peer-finance-markets-in-east-africa

Contents

Abbreviations

API	Application Programming Interface
CFPs	Crowdfunding Platforms
DFID	Department for International Development
FCA	Financial Conduct Authority
FSDA	Financial Sector Deepening Africa
MDGs	Millennium Development Goals
MSME	Micro-, Small-, and Medium-Sized Enterprise
P2P	Peer to Peer
SDGs	Sustainable Development Goals
SSA	Sub-Saharan Africa

Acknowledgements

AlliedCrowds, a data and analytics firm focused on crowdfunding in emerging markets, prepared this document under the direction of founder and managing director Lars Kroijer. The report was researched and written by Anton Root and Molly Caldwell. Malcolm Kapuza provided data analysis and technical support.

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Executive Summary

Crowdfunding is the practice of raising money from groups, typically through an online or mobile platform. It is generally classified in four distinct models: donations-, rewards-, lending-, and equity-based.

Crowdfunding / P2P Lending Flows to East Africa

	Kenya	Rwanda	Tanzania	Uganda	Total
$ raised, 2015	$22.0m	$3.5m	$4.2m	$7.5m	$37.2m
$ raised, Q1 2016	$8.5m	$2.0m	$2.8m	$4.8m	$18.1m
$ raised, 2016 estimate	$46.7m	$9.4m	$16.0m	$30.9m	$103.0m

This study examines the crowdfunding landscape in four East African countries (Kenya, Rwanda, Tanzania, Uganda), and compares it with the crowdfunding ecosystems in South Africa and the United Kingdom. AlliedCrowds forecasts crowdfunding to grow by 177% from 2015 to 2016 in East Africa. Kenya is the leader among the four countries ($46.7m forecast for 2016), followed by Uganda ($30.9m), Tanzania ($16.0m), and Rwanda ($9.4m). This compares with a forecast of $20.6m to be raised in South Africa for 2016.

The biggest source of growth in East Africa is donation- and concessionary lending-based crowdfunding flows from developed nations into the four countries. In other words, the majority of crowdfunding and P2P lending activity follows an outside-in pattern, with donors and lenders in the global North funding campaigns that benefit East Africans. Some platforms focus on specific sectors — Watsi, for example, crowdfunds donations for healthcare in a number of countries in the developing world. The most active campaign categories in the region are healthcare, education, and food and agriculture, pointing to the importance of donations- and lending-based crowdfunding initiatives. Food and agriculture campaigns are especially prevalent on Kiva, and the entrepreneurs who create these campaigns seek to access credit to invest in productive assets for their farms.

AlliedCrowds identified 69 platforms that have run campaigns for Kenya, Rwanda, Tanzania, Uganda, or South Africa in 2016. The vast majority of platforms operating in Africa are headquartered in the global North. South Africa leads the group in the number of platforms that are based inside the country, with 10 'native' platforms.

The East African nations have only four active home-grown crowdfunding platforms (M-Changa, PesaZetu, Akabbo, and Yewou), but they are relatively sophisticated in their functionality. Three of the four platforms accept mobile money — an important innovation that shows the ability of crowdfunding to adapt to the local context. This technology can be implemented in other emerging markets where internet penetration is low but mobile access is prevalent.

The crowdfunding activity in the region has come despite regulatory uncertainty, which has stifled the development of equity- and (for-profit) lending-based crowdfunding in East Africa. Though regulators have worked with specific platforms, there has — until recently — been little proactive effort to create a crowdfunding-friendly regulatory environment. The conference co-hosted by the Capital Markets Authority of Kenya on June 15 is a welcome step in the right direction. Another barrier to the development of the equity- and lending-based crowdfunding models has been the lack of a strong pipeline of deals — potential issuers have required some training from platforms to make their firms investment-ready.

Comparison of Crowdfunding Flows ($ raised, 2015)

South Africa	$10.2m
East Africa	$37.2m
United Kingdom	$4.5b
Global	$34.4b

AlliedCrowds found that South Africa is on track to raise less money via crowdfunding in 2016 than Kenya and Uganda. This is a surprising finding given that the country has a more mature crowdfunding ecosystem — it has more home-grown platforms and a more robust e-commerce ecosystem, which is reflected in more money raised via rewards-based crowdfunding. Though the finding is unexpected, it again reflects the importance of international donations-based platforms in channelling crowdfunding flows to East Africa.

Chapter I:
Introduction to the Study

Background

FSDA is a non-profit company based in Nairobi, Kenya. Created in 2012, FSDA's goal is to promote poverty reduction through financial sector development across Sub-Saharan Africa (SSA). It aims to achieve this goal by building financial markets that are efficient, robust, and inclusive. More specifically, FSDA applies a combination of resources, expertise and research to address financial market failures and deliver a lasting impact; foster collaboration, best practice transfer, economies of scale, and coherence between development agencies, donors, financial institutions, practitioners, and government entities with a role in financial market development; and provides strategic and operational support to the FSD Network, a group of nine financial sector development programs located across SSA.

Objective and Scope

The objective of this study is to establish which CFPs and P2P lending platforms are operating in East Africa. The study specifically looks at markets in Kenya, Rwanda, Uganda, and Tanzania. The study also examines crowdfunding developments in the more mature markets in South Africa and the United Kingdom as a basis for comparison to the East African quartet.

The two key research questions are:

1) **Which CFPs and P2P lending platforms are doing business in Kenya, Rwanda, Tanzania, and Uganda; how, and why?**
2) **How does platform activity in these countries compare to South Africa and the United Kingdom?**

Methodology

In order to answer these questions, AlliedCrowds draws on three sources. The first is its own expertise in the subject. AlliedCrowds has written numerous reports on the topic of crowdfunding within the developing world, and has worked with prominent multilateral organizations to inform their research. The firm's expertise in this area is buttressed by proprietary data and analytics it has collected on crowdfunding and P2P lending platforms across 126 developing countries, excluding China. The data is collected via APIs as well as research conducted by AlliedCrowds analysts. Where APIs were not available, the analysts manually calculated the amount of money raised on platforms operating in East Africa and South Africa in Q1 2016, examining publicly available data and campaigns to see how much they raised, and for what categories. While all efforts have been undertaken to report the most accurate information, given the nature of the data, the totals reported in this report should be seen as best estimates, rather than absolute totals.

The latter category includes, for example, crowdfunding campaigns for NGOs registered in the global North whose work impacts developing countries. Given the variety of platforms available to potential backers, there are still gray areas around what exactly constitutes crowdfunding activity. For that reason, in individual cases, AlliedCrowds had to make subjective decisions on what platforms to include in its estimates and what ones to exclude.

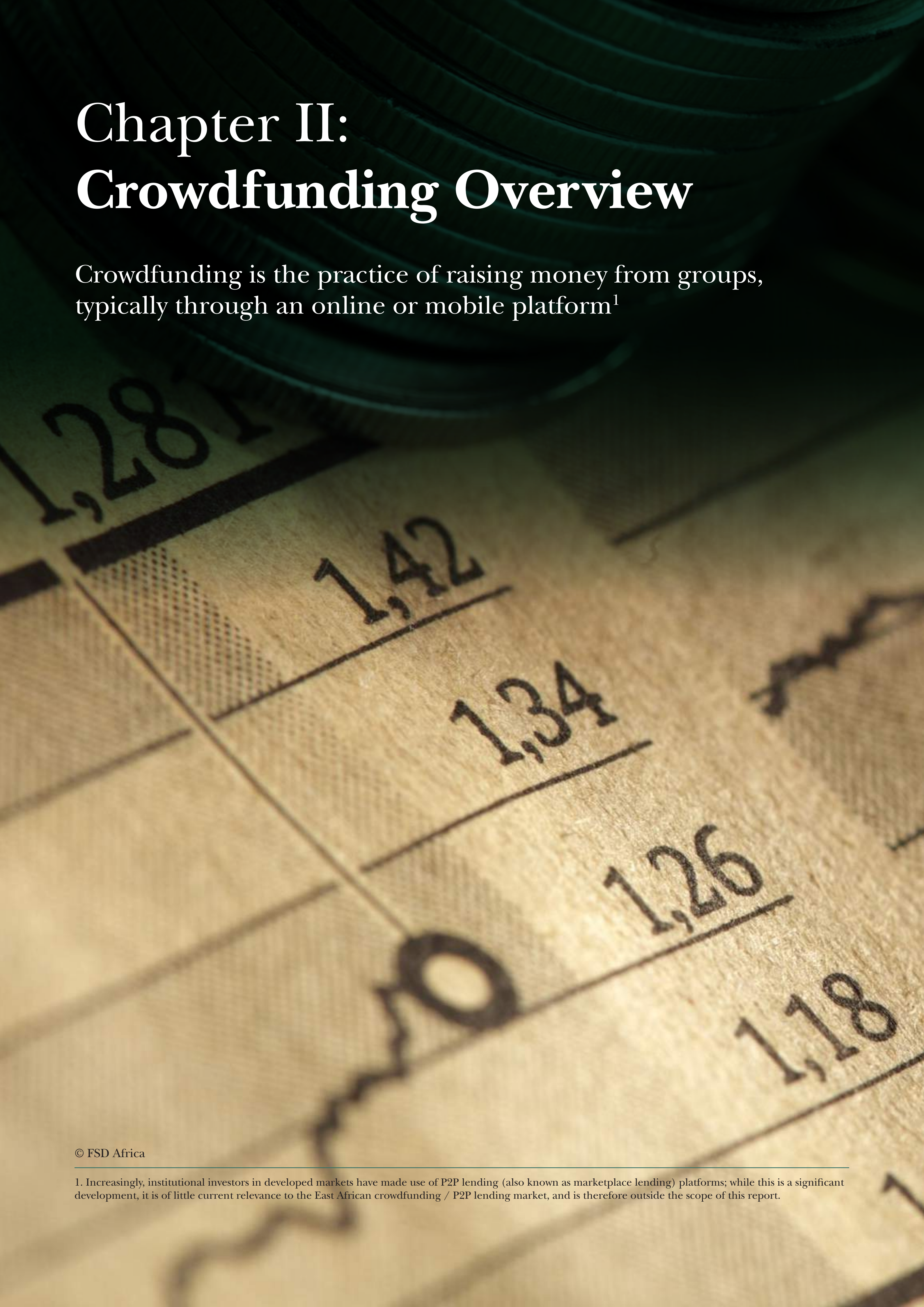
The second source AlliedCrowds draws on in order to answer the key questions is interviews with relevant stakeholders. The firm has identified experts relevant to SME funding, crowdfunding and P2P lending, and digital financial innovation in order to place crowdfunding activity in the countries it has examined into a proper context. The experts interviewed are based both in developed countries, as well as the countries examined in this report. The third source AlliedCrowds relies on is extensive literature review of crowdfunding and MSME funding activity in emerging markets and East Africa.

Structure

The report is structured as follows: having presented the study, its background, objectives, and methodology in Chapter I, Chapter II of this document is devoted to unpacking the general concept of crowdfunding, from its origins, stakeholders, and models, to assessing its value addition. Chapter III examines crowdfunding in East Africa, breaks down the data by country and by category, and highlights emerging trends. Chapter IV examines the crowdfunding markets in the more mature markets South Africa and the UK. Chapter V presents preliminary conclusions about crowdfunding in East Africa.

Chapter II:
Crowdfunding Overview

Crowdfunding is the practice of raising money from groups, typically through an online or mobile platform[1]



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1. Increasingly, institutional investors in developed markets have made use of P2P lending (also known as marketplace lending) platforms; while this is a significant development, it is of little current relevance to the East African crowdfunding / P2P lending market, and is therefore outside the scope of this report.

Background: Crowdfunding Origins

Traditional community-driven financial practices can be considered a precedent to crowdfunding. Examples of traditional informal arrangements around the world include upatus in East Africa, susus in West Africa and the Caribbean, tandas in Latin America, and huis in parts of Asia[2]. Crowdfunding-like projects existed in the pre-internet world. Joseph Pulitzer, for example, 'crowdfunded' the pedestal for the Statue of Liberty in 1885 by publishing a call for small donations in his widely-circulated newspaper The New York World. The campaign raised a total of $101,091 (over $2.5m in today's prices) from 160,000 donors in just five months[3].

> **Crowdfunded like projects in the pre-internet world included the pedestal for the Statue of Liberty in 1885.**

The internet and social media enabled, for the first time in history, the facilitation of the many-to-many form of communication. This ultra-connectivity allows individuals to discuss and share ideas, resources, and projects in an efficient manner. Online crowdfunding portals emerged for individuals to be able to fund campaigns they believed in. One of the earliest examples of crowdfunding took place in 1997, when fans of a UK-based music group raised $60,000 to send the band on a US tour[4]. Since then, as social media has become more prevalent and the number of internet users increased, crowdfunding has continued to grow.

Crowdfunding Stakeholders

Typically, three key agents are involved in crowdfunding: (i) the backers; (ii) the intermediary platforms; and (iii) the campaign owners. The backer provides funding, the intermediary platform is the site on which the transaction takes place, and the campaign owner receives the funds.

While backers tend to have very different motivations for crowdfunding, they do share some characteristics. Importantly, backers of campaigns can make use of 'crowd wisdom', an extension of Linus's Law, which is quoted as, "given enough eyeballs, all bugs are shallow"[5]. This means that large groups of people are more adept at catching potential flaws in a campaign than individuals, and this has prevented potentially fraudulent campaigns from raising money on crowdfunding platforms. Recent research by Saul Estrin and Susanna Khavul of the London School of Economics[6] has lent support for this concept, finding that backers "invest in a rational manner" and do not fall victim to herding or stampede effects. The campaign owners, for their part, are expected to be as transparent as possible, explaining how the money will be used, and providing backers with regular updates during and after the campaign. This helps the campaign owners to build trust with the backers, which is highly important as the vast majority of the backers typically cannot interact with the owners offline.

Like the backers, intermediaries share certain characteristics. Most donations- and rewards-based platforms list campaigns on their home page, allowing potential backers to search the funding opportunities available to them; typically, campaigns are searchable by category or by location. Platforms make it easy to search through the projects to maximize the probability that a potential backer interested in a specific type of project will be able to find the project quickly. Equity-based crowdfunding platforms, on the other hand, may hide the projects, requiring the potential investors to create an account in order to be able to view the deals. This is often done to comply with the regulations of where the platform is registered, as showing the offerings may count as advertising to the general public, which is not allowed in some jurisdictions.

Platforms also lay out the campaign pages in a similar manner: the potential backers first see the visual pitch (video or image) next to the total amount of money raised to date, the funding goal, and the deadline

2. All of these are examples of rotating savings and credit associations (ROSCAs), a form of group lending. These organizations have typically formed on a village or family level, with individuals contributing to a money pool at regular meetings. At each meeting, one ROSCA member receives all of the money contributed to the pool, enabling that individual to spend the money as they see fit. Source: Armendariz, Beatriz, and Jonathan Morduch. The Economics of Microfinance. Cambridge, MA: MIT, 2005. Print.
3. BBC News. "The Statue of Liberty and America's Crowdfunding Pioneer." BBC, 25 Apr. 2013. Web. <http://www.bbc.co.uk/news/magazine-21932675>
4. Golemis, Dean. "British Band's U.S. Tour Is Computer-Generated."Chicagotribune.com. The Chicago Tribune, 23 Sept. 1997. Web. <http://articles.chicagotribune.com/1997-09-23/features/9709230071_1_music-fans-newsgroup-marillion>
5. Raymond, Eric S. "Release Early, Release Often." Cathedral and the Bazaar. Eric S. Raymond, n.d. Web. < http://www.catb.org/esr/writings/homesteading/cathedral-bazaar/ar01s04.html >
6. Estrin, Saul, and Susanna Khavul "Equity Crowdfunding: A New Model for Financing Entrepreneurship?" CentrePiece. LSE, Winter 2015/16. Web. <http://www.lse.ac.uk/newsAndMedia/news/archives/2016/02/Equity-crowdfunding.aspx>.

date. Further down the page is the description of the campaign, as well as any updates or comments on the campaign (which help to facilitate the spread of crowd wisdom by encouraging discussion among the potential backers). Some platforms allow campaign owners to keep whatever money they raise, regardless of whether they meet their stated goal ('flexible funding' model), while others require the campaign owners to meet or exceed their goal ('fixed funding' model). Nearly all platforms, however, require the campaign owners to set a monetary goal. This not only helps the owners to budget their needs and announce a realistic target, but it also gives the campaign a sense of urgency, encouraging potential backers to support it.

The campaign owners are heterogeneous, as crowdfunding has evolved into a funding mechanism for many different activities and projects. Still, they do share some characteristics. Most successful campaign owners will typically have a strong existing social media presence, which allows them to attract early backers and builds online social currency. The successful campaign owners will also be able to convince not just those in their immediate (friends and family) or secondary (friends of friends) social circles to donate money, but will be able to reach the tertiary (friends of friends of friends) social circle, and beyond.

Models

There are four models of crowdfunding: donations-, rewards-, lending-, and equity-based. The first two are non-financial (they do not carry with them the expectation of making profits), while the latter two are financial.

Potential Value Addition in East Africa

Crowdfunding offers benefits on both a micro and macro level; the benefits can be broken down by the type of model. Broadly speaking, on the micro level, crowdfunding promotes transparency, helping to alleviate market failures associated with information asymmetries and lowering transaction costs. On a macro level, this can help to increase aid and capital flows to East Africa, and

Crowdfunding models

Crowdfunding Model	Characteristics
Donations	• Often used for charitable goals; • Campaigns typically attract < $10,000 in funding; • Campaigns can be set up rapidly; • Used globally.
Rewards	• Often used by early-stage entrepreneurs; • Campaigns typically attract < $1m in funding; • Allows entrepreneurs to market-test ideas and market product; • Shipping rewards is logistically difficult; • Used primarily in middle- and high-income countries.
Lending	• Used for personal and business loans; • Campaigns typically attract < $500,000 in funding; • Fast application process; • Used globally.
Equity	• Often used by startups; • Campaigns typically attract < $5m in funding; • Risky, but allows individuals to invest in potentially high-growth companies; • Used primarily in middle- and high-income countries.

promote entrepreneurship within the region.

Something that can benefit all four models is that crowdfunding promotes agency among backers, leading to word-of-mouth marketing, and creates a group of funders with an interest in seeing the project, person, or company they backed succeed. The larger the crowd of backers, the bigger the potential for one of them (or someone in their social circles) to provide the campaign owners with introductions to potential partners, mentorship and guidance, or other non-financial benefits. One example of this is Wanda Organic, a Kenya bio-organic soil technology company that ran a crowdfunding campaign on Indiegogo. Though it fell short of its $45,000 goal, it was able to secure new partnerships as a result of the exposure the campaign offered.

More relevant for donations- and concessionary lending-based platforms, crowdfunding promotes a stronger relationship between donors and beneficiaries, helping to leverage in aid flows to the countries. Campaign owners are encouraged to provide updates about their project as a way to show how the funding is used; these updates can serve as a preliminary evaluation mechanism. As this report shows, crowdfunding in East African countries is primarily conducted via donations- and concessionary lending-based platforms, with the majority of funding coming from outside the region. This means crowdfunding can be a catalyst for a new model of aid, which more directly benefits the recipients and bypasses layers of intermediaries.

More relevant for equity- and lending-based platforms, the transparency encouraged by crowdfunding enables individuals to find and support entrepreneurs and startups who may not have been able to access funding in the past. This means a company has access to more funding options, which should reduce the cost of capital. It can also open up a new investment opportunity for individuals who wish to invest in emerging market entrepreneurs, but cannot do so easily today. Unlocking this latent demand can help to promote capital flows to East Africa.

As micro-, small-, and medium-sized enterprises (MSMEs) are responsible for a high percentage of jobs in both the developed and the developing world, enabling entrepreneurship can help to promote competition and stimulate job creation. In addition to promoting competition among potential investors and lenders, it can also lead to more competition among entrepreneurs, leading to higher productivity and stronger long-term prospects.

Crowdfunding promotes a stronger relationship between donors and beneficiaries.

Related to MSME funding, crowdfunding can also be used to engage members of a country's diaspora. This can serve to reduce the effects of capital flight and brain drain, as backers from abroad can help to mentor entrepreneurs. Members of the diaspora can also play an important role in crowding in investment to MSMEs in developing nations, which may otherwise be perceived as highly risky by foreign investors. The current global economic conditions can help to facilitate this phenomenon — as investors in developed nations face low yields, they are exploring emerging markets as a source of high returns.

Members of the diaspora are already making an impact in the East African countries studied as part of this report. In 2015, remittance inflows[7] to the four East African countries we examined totalled $3.7b, indicating potential for diaspora engagement[8]. Today, sending remittances is expensive and can cost as much as 12% in fees[9]. Crowdfunding platforms typically charge 5 to 10% fees on the money raised, meaning there is potential for remittances to be pooled on crowdfunding platforms and transferred to developing countries more affordably than what is currently available to individuals.

Platforms like Homestrings — which operates in a number of countries throughout the developing world — are already actively targeting diaspora investors. Diaspora-focused crowdfunding is also being trialled in other regions — ISupportJamaica is a platform set up by one of the country's largest financial institutions, the Jamaica National Building Society, which got its start after seeing diaspora interest in using crowdfunding as a way to donate and lend to projects back home.

7. Previous research by AlliedCrowds has identified a relationship between remittance and crowdfunding flows. See: "Developing World Crowdfunding: Diaspora Crowdfunding." AlliedCrowds, Oct. 2015. Web. <https://cdn.filestackcontent.com/LW8v7hifQ0aMhIKeEdx8>.
8. "Migration and Remittances Data." World Bank. 24 Sept. 2015. Web. <http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>
9. "Sending Money from United Kingdom to Kenya." Remittance Prices Worldwide. World Bank, Web. <https://remittanceprices.worldbank.org/en/corridor/United-Kingdom/Kenya>.

Chapter III:
Crowdfunding in East Africa

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Background

Due to the microeconomic benefits mentioned above, crowdfunding has strong potential to increase MSME financing in the East African markets of Kenya, Rwanda, Tanzania, and Uganda, which are home to 146 million people. There are, however, a number of serious obstacles the crowdfunding industry must overcome in order to be able to capitalize on its potential.

Today, most of the crowdfunding flows channelled to East Africa are transmitted via platforms based in the global North, who tend to attract backers and campaign owners who are also based in developed nations. Donation-based platforms like YouCaring and GoFundMe collect money for religious mission and medical trips to East Africa; fund education costs for students in East Africa; and help NGOs to fundraise for their activities in the region. Kiva, a lending-based platform that allows individuals (who are primarily based in developed nations) to make loans to entrepreneurs in developing nations via a network of field partners, is highly active in the region.

There are a small number of native crowdfunding platforms that have emerged in the region, including M-Changa and Akabbo. These platforms are highly important for the development of crowdfunding in the region, as they address local needs (namely, the lack of internet penetration) that international platforms do not. M-Changa has developed technology to enable individuals to create a campaign, send out a call for donations, and collect the funding at the campaign's end, all through a feature phone. If crowdfunding is to grow in the region, innovative initiatives like this must be supported.

The crowdfunding activity taking place, especially on concessionary lending-based platforms like Kiva and Zidisha, is partially going toward addressing credit gaps for MSMEs (It should be noted that while Zidisha offers direct zero-interest loans to borrowers, Kiva lends at zero interest to microfinance institutions on the ground, who charge interest on the loans they make to borrowers). This is an important function, as entrepreneurs in the region are often unable to access the funding they need through traditional channels. According the IFC, the combined credit gap in the quartet of countries is over \$9.8 billion, with Kenya alone accounting for \$6.3 billion[11]. This is despite the countries' relatively high rankings on the World Bank's Access to Credit index, with the exception of Tanzania, which is ranked 152nd out of 189.

Investors and start-up experts AlliedCrowds spoke with have identified a great potential for equity- and lending-based crowdfunding to fill the gap that exists between early-stage financing, which can be obtained with help from incubators and accelerators, and VC rounds, which are targeted at more mature firms. Furthermore, the stakeholders identified a general lack of mentorship for the MSMEs. Crowdfunding can also help to ease this constraint by connecting a start-up with a crowd of investors to back the company; given that the investors have an incentive in seeing the company do well, they are more willing to volunteer their time and help expand an entrepreneur's network, making it more likely that the start-up succeeds. The stakeholders also identified unaccommodating regulations as a barrier to growth, along with a lack of awareness and understanding among investors of crowdfunding possibilities in the region. Regulatory difficulties — including constraints on advertising deals to potential investors, onerous registration requirements, and limits on the number of shareholders allowed — and a general lack of awareness will both be difficult to overcome in the near future; however, they are not insurmountable challenges.

The equity crowdfunding platforms that currently operate in East Africa are, like their donation- and lending-based peers, located outside of the region. This is due to the unaccommodating regulations mentioned above. As equity crowdfunding regulations have been enacted in developed countries like France, the UK, and the US, niche platforms focused on impact investing in East African startups have sprung up. The platforms have had to work closely with regulators both in their home countries and in countries where they wish to operate in order to ensure that the deals being offered are within the legal framework. This is expensive and has stifled equity crowdfunding activity in the region.

Another bottleneck to date has been the lack of investment-ready projects. One equity platform looking to launch in the near future, for example, has identified over 300 companies to due diligence; only six of those companies have made it past the process, and only two or three of those will be invited onto the platform. This suggests that crowdfunding platforms in the region will potentially not only need to facilitate the deals, but also provide help for entrepreneurs and MSMEs that may require guidance. This will likely make the cost of due diligence and deal sourcing higher in East Africa than in developed countries.

Crowdfunding can also be used to fill gaps in gov-

11. "IFC Enterprise Finance Gap." IFC. Web. <http://www.smefinanceforum.org/data-sites/ifc-enterprise-finance-gap>.

ernment budgets. As an indication of the potential of crowdfunding to respond to budget gaps in the region, a recent demise of Uganda's only radiotherapy machine brought calls to crowdfund the $1.85m piece of equipment[12], though, ultimately, nobody set up a campaign to collect the donations. There are, however, platforms that are effectively crowdfunding for campaigns that are going toward services that are not being funded by governments. Kangu, for example, crowdfunds donations for pregnant women in Uganda and Kenya to ensure that both the mother and the child are treated properly before, during, and after birth to help cover gaps in healthcare coverage. Such initiatives are supplementing existing aid flows to the region, and are giving small donors abroad a better understanding of how their money is being used; this helps to build a stronger connection between donors and the beneficiaries, encouraging the former to give more. As crowdfunding continues to grow globally, AlliedCrowds expects more donations- and concessionary lending-based platforms to channel funds to the region.

According to AlliedCrowds data, on a global level, crowdfunding activity in East Africa is relatively small, with only $37.2m raised in 2015, out of a total of $430m raised in the developing world (excluding China). In 2016, AlliedCrowds forecasts the total crowdfunding flows in and to East Africa to rise to $103.0m, representing 177% growth. The forecast for the year is based on the growth of crowdfunding in Q1 2016 over amounts raised in previous quarters, extrapolated out over the full year. International donations- and concessionary lending-based platforms are driving most of the growth.

In 2016, AlliedCrowds forecasts the total crowdfunding flows in and to East Africa to rise to $103.0m.

The region's high growth rate is encouraging; however, the growth trajectory is in line with global crowdfunding trends, suggesting platforms based in the global North are driving the growth — Massolution, for example, identified 167% growth in global crowdfunding activity from 2013 to 2014[13]. Donation-based crowdfunding in developed nations is growing very rapidly; in the UK, for example, donation crowdfunding volumes grew from $2.8m in 2014 to $17m in 2015, according to Nesta[14], representing 507% growth. This suggests that the quartet of countries benefits from greater awareness of crowdfunding as a fundraising tool in developed nations. While this is likely to increase awareness of crowdfunding in East Africa as well, it does not necessarily mean that the native industry is growing as rapidly as the numbers may indicate. Overall, the projected funding totals for 2016 are still relatively small in comparison with crowdfunding activity taking place in developed

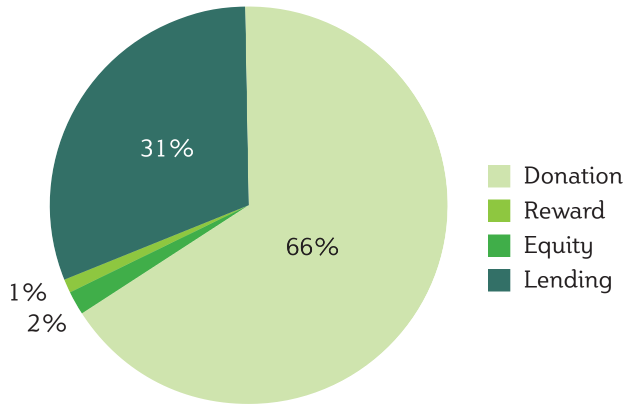
Amount of Money Channelled to East Africa via Crowdfunding / P2P Lending

	Kenya	Rwanda	Tanzania	Uganda	Total
$ raised, 2015	$22.0m	$3.5m	$4.2m	$7.5m	$37.2m
$ raised, Q1 2016	$8.5m	$2.0m	$2.8m	$4.8m	$18.1m
$ raised, 2016 estimate	$46.7m	$9.4m	$16.0m	$30.9m	$103.0m

12. Kagumire, Rosebell. "Uganda's Radiotherapy Machine Has Broken – but Crowdfunding Isn't the Fix." The Guardian. Guardian News and Media, 12 Apr. 2016. Web. <http://www.theguardian.com/world/2016/apr/12/uganda-mulago-radiotherapy-machine-crowdfunding>.
13. "Global Crowdfunding Market to Reach $34.4B in 2015, Predicts Massolution's 2015CF Industry Report." Crowdsourcing.org. 7 Apr. 2015. Web. <http://www.crowdsourcing.org/editorial/global-crowdfunding-market-to-reach-344b-in-2015-predicts-massolutions-2015cf-industry-report/45376>.
14. Zhang, Bryan, Peter Baeck, Tania Ziegler, Jonathan Bone, and Kieran Garvey. Pushing Boundaries: The 2015 UK Alternative Finance Industry Report. Rep. Nesta, Feb. 2016. Web. <http://www.nesta.org.uk/sites/default/files/pushing_boundaries_0.pdf>.
15. Gallagher, David. "2014: The Third Quarter in Numbers." Kickstarter. 9 Oct. 2014. Web. <https://www.kickstarter.com/blog/2014-the-third-quarter-in-numbers>.

nations; as a comparison, Kickstarter, one of the leading crowdfunding platforms in the US, raised $139m in Q3 2014 alone, the last time it published its quarterly figures[15].

East Africa Crowdfunding Model Breakdown

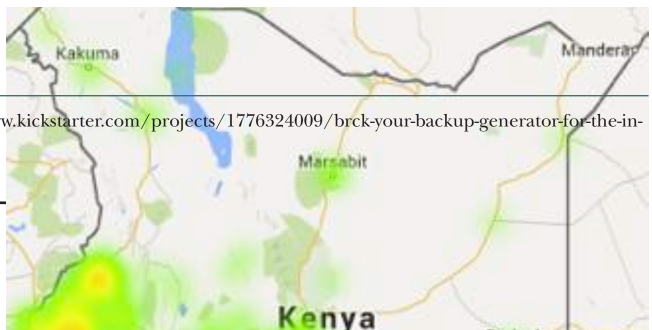


The category that received the most funding in 2015 was food and agriculture. This reflects both the importance of agriculture in East African economies — in all four countries, agricultural products are a major export, and the sector employs a large numbers of workers — and the dominance of concessionary lending-based platforms like Zidisha and Kiva, which have supported thousands of farmers with loans. In Q1 2016, AlliedCrowds found that food and agriculture campaigns slipped to third place ($2.8m raised), with health ($3.7m) and education ($3.6m) campaigns coming out on top. This reflects the high growth in donation-based campaigns channelling funding to the region, and we expect to see campaigns for charitable causes continue to grow over the rest of the year.

The map to the left shows the distribution of crowdfunding campaigns around Kenya, tracking where the projects originated. Data collected from Kiva, GlobalGiving, Watsi, and BetterPlace. The chart below shows the distribution of funds raised in Kenya in Q1 2016 across the four major crowdfunding models.

Data Breakdown

Kenya

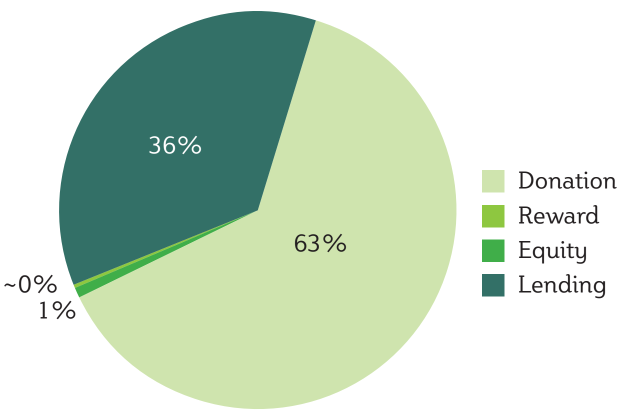


16. "BRCK - Your Backup Generator for the Internet." Kickstarter. Web. <https://www.kickstarter.com/projects/1776324009/brck-your-backup-generator-for-the-internet>.

Kenya is the region's most active crowdfunding nation. In 2015, the country raised $22.0m, and is on pace to raise as much as $46.7m in 2016, representing 112% growth. That the country leads the quartet in crowdfunding activity is unsurprising given its relatively advanced economy and infrastructure — it is the largest economy out of the four; it has the highest per capita GDP, and is a leader in both internet connectivity and mobile money use in the region.

According to AlliedCrowds data, the most funded categories in Kenya are food and agriculture ($1.63m raised in Q1 2016), education ($1.59m), and health ($1.40m). Food and agriculture campaigns are especially prominent on lending-based platforms Kiva and Zidisha, with the other categories appearing on donations-based platforms. As the chart above shows, donation- and lending-based models see the most activity, representing 63% and 36% of total amount raised, respectively. There is very little reward-based crowdfunding; one of the most successful reward-based campaigns out of Kenya was the BRCK, a 'backup generator for the internet' developed by Ushahidi, which raised $170,000 in June 2013[16], and remains Kenya's most successful Kickstarter campaign.

Kenya Crowdfunding Model Breakdown



Platform Profile: Pesa Zetu

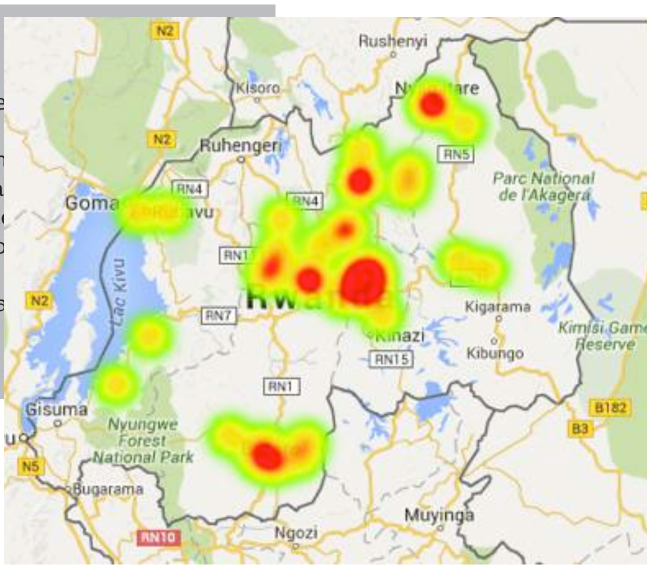
Pesa Zetu is a mobile P2P lending platform based in Nairobi. The pla
let individuals borrow money cheaply and quickly. The platform uses
ods to determine the creditworthiness of loan applicants, and ranks
can either lend money directly to individuals, or put their money in a
allocates automatically, given the lender's risk preference. The tean
working with a range of partners on improving the borrowing and
limited its testing to over 1100 Kenyans. Typical loans to date have r
The platform makes money by splitting the fees with the lenders — if
month, Pesa Zetu and the lender earn 3% each.

Platform Profile: M-Changa

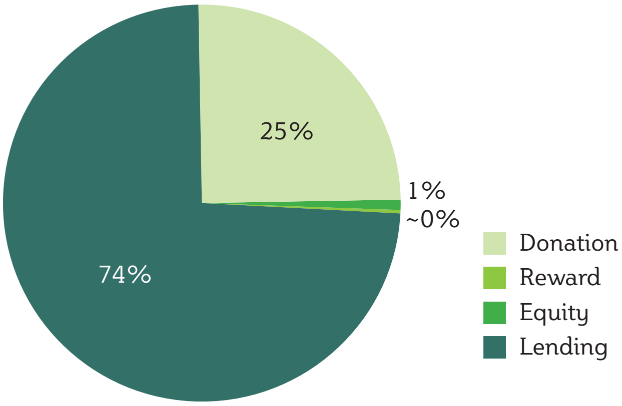
Nairobi-based M-Changa is an online and mobile money crowdfunding platform founded in 2014. In addition to allowing individuals to set up a campaign online, it also enables users to create a campaign via a feature phone. For example, texting STATUS to M-Changa's number shares a real-time summary of the money raised on an owner's campaign, while texting ALL to the same number invites all of the fundraiser's contacts to contribute.

Campaigns on the platform are eclectic, ranging from medical procedure payments and wedding fees, to funding for social entrepreneurs and non-profits. M-Changa charges a 4.25% fee on all money raised; payment processing fees also apply, varying by payment method used. To date, it has channeled 46,000 donations to over 6000 campaigns. M-Changa forecasts it will raise $1.2 million in 2016, making it the most successful crowdfunding platform based in East Africa.

Rwanda



Rwanda Crowdfunding Model Breakdown



The map above shows the distribution of crowdfunding campaigns around Rwanda, tracking where the projects originated. Data collected from Kiva, GlobalGiving, Watsi, and BetterPlace. The chart on the following page shows the distribution of funds raised in Rwanda in Q1 2016 across the four major crowdfunding models.

Though Rwanda is the smallest country out of the four surveyed, both in terms of population and GDP, the nation is relatively active in crowdfunding. The majority (74%) of funding is channelled via the concessionary lending-based platforms, with Kiva a clear leader in the country. Money channelled via donation-based campaigns came in second place, accounting for 25% of the total amount raised. There is virtually no rewards-based crowdfunding activity in the country.

The government has made it a point of emphasis to improve the business climate in the nation, and its efforts have led to it ranking second in the world in terms of access to credit, according to the World Bank[17]. These efforts have not yet translated into substantial equity crowdfunding inflows; however, the government officials interviewed identified crowdfunding as a way to close the gap in MSME financing, especially during the pre-VC stages. There are signs of interest in crowdfunding in the nation; in 2012, a crowdfunding platform prototype was a finalist at the Start-up World competition in Kigali[18]. An equity crowdfunding platform targeted at diaspora investors called Yewou is also in the process of launching. This is in line with the government's call for greater diaspora investment as a way to cut reliance on more traditional aid flows[19].

The top campaign categories in Q1 2016 were education ($369,000), food and agriculture ($362,000), and health ($325,000). This is representative of the wider trends in the region, with donations coming from the global north to support social development initiatives, and lending activity to support food and agricultural efforts of entrepreneurs.

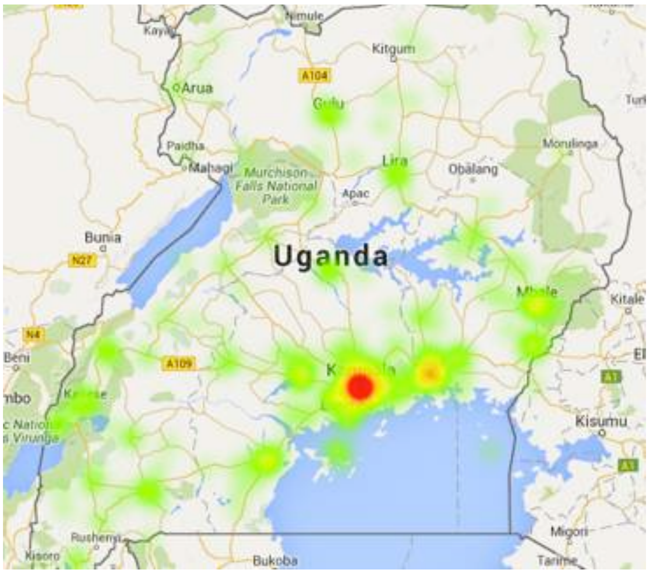
Platform Profile: Akabbo

Like M-Changa, the Ugandan platform Akabbo allows individuals to donate to campaigns online or via a mobile phone. In addition to fundraising capabilities, Akabbo also offers its campaign owners a guidebook on best crowdfunding practices, emphasizing the need to have a clear goal in mind and reaching out to social networks.

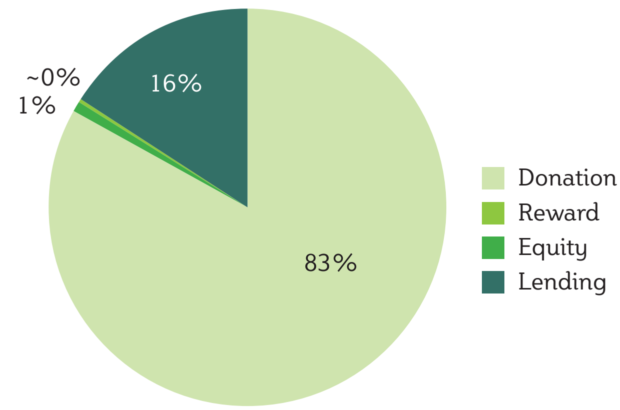
Most of Akabbo's campaigns have been for philanthropic causes — orphanages or schools raising money for projects, for example. To cover operational costs, Akabbo charges a 7% fee on projects that meet their goal, and 8% on those that fall short of the target but wish to keep the funds raised.

17. "Economy Rankings." World Bank Group, Web. <http://www.doingbusiness.org/rankings>.
18. MigishaKalisa, Claude. "Startup World Contest, Rwanda Winner Ara Nashera's Journey as kLab Tenet" KLab. 25 Oct. 2012. Web. <http://klab.rw/public/blog/post/10>.
19. Provost, Claire. "Rwanda Seeks Diaspora Investment to Cut Reliance on Foreign Aid." The Guardian. Guardian News and Media, 11 Oct. 2012. Web. <http://www.theguardian.com/global-development/2012/oct/11/rwanda-diaspora-investment-foreign-aid>.

Uganda



Uganda Crowdfunding Model Breakdown



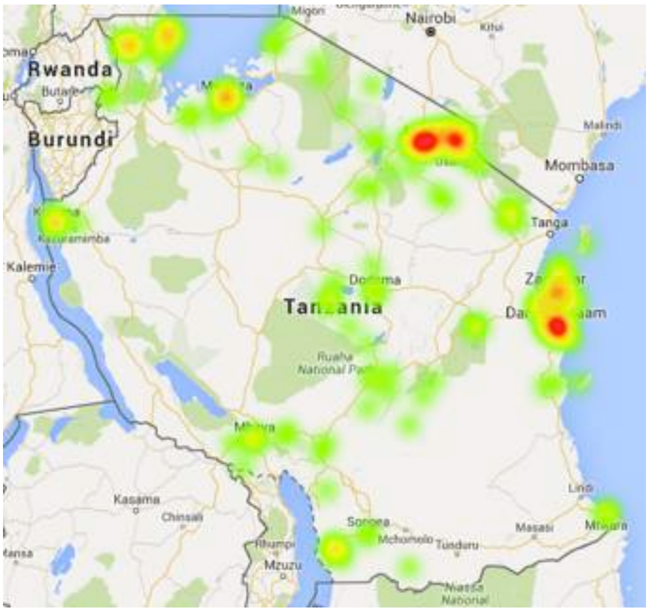
The map above shows the distribution of crowdfunding campaigns around Uganda, tracking where the projects originated. Data collected from Kiva, GlobalGiving, Watsi, and BetterPlace. The chart below shows the distribution of funds raised in Uganda in Q1 2016 across the four major crowdfunding models.

AlliedCrowds forecasts Uganda's crowdfunding totals to grow rapidly this year, from \$7.5m raised in 2015 to \$30.9m in 2016. The vast majority (83%) of crowdfunding activity taking place in Uganda is channelled via donation platforms, primarily those based in developed countries. The very high growth rates in donation-based crowdfunding in the developed world help to explain why we project Uganda's crowdfunding flows to grow by 312% over 2016.

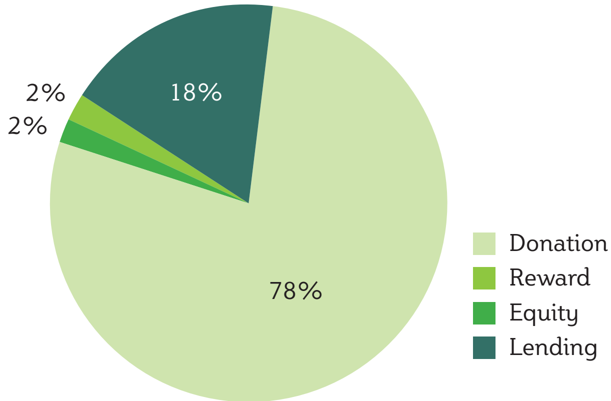
Uganda has very little home-grown crowdfunding activity. One notable exception is Akabbo, which allows individuals to "collect funds for the things [they] care about." The platform is versatile, supporting rewards as well as donation campaigns, and offering both credit card and mobile money payments, which allows it to market its campaigns to both international and Ugandan backers.

The top three campaign categories in Uganda in Q1 2016 were health (\$1.34m), children (\$791,000), and education (\$733,000). Given the majority of funds are channelled via international donation platforms, it is not surprising to see these categories emerge as the leaders.

Tanzania



Tanzania Crowdfunding Model Breakdown



The map above shows the distribution of crowdfunding campaigns around Tanzania, tracking where the projects originated. Data collected from Kiva, GlobalGiving, Watsi, and BetterPlace. The chart below shows the distribution of funds raised in Tanzania in Q1 2016 across the four major crowdfunding models.

Despite Tanzania's relatively large population and GDP, today, the country is underachieving in crowdfunding relative to its neighbours. In 2015, only $4.2m was raised in and for the country, and AlliedCrowds projects the total funding amount raised to grow to $16.0m in 2016, representing 281% growth. There are currently no home-grown crowdfunding platforms operating in the country, which may in part be attributed to the country's low internet penetration rates — the World Bank[20] estimates that only 4.9% of the population uses the internet (though some estimates[21] place this figure higher).

As in Uganda, donation-based campaigns dominate the crowdfunding market in Tanzania, accounting for 78% of the total amount raised; the top three campaign categories in Q1 2016 were education ($907,000), health ($804,000), and children ($474,000).

Emerging Trends

East Africa, and especially Kenya, is an important source of crowdfunding innovation. The home-grown crowdfunding platforms are highly important to the long-term growth of crowdfunding in the region, as they work to solve localized problems global platforms have not addressed. The platforms are especially pioneering in the field of mobile money crowdfunding; as mobile money use continues to grow outside of East Africa, their trailblazing efforts can make a big impact outside of the region. With 58% of Kenyans and around 35% of Ugandans and Tanzanians[22] reporting having a mobile money account in 2014, mobile money crowdfunding is an important subsector to nurture if the industry is to continue growing. Mobile money is also important in that it is being used by many individuals outside of urban areas, where crowdfunding activity is currently concentrated.

According to AlliedCrowds estimates, donation-based campaigns are driving a significant portion of the region's crowdfunding growth. Many of these campaigns are being started by young people looking to go on mission trips in the region, as well as not-for-profit organizations. Though this form of crowdfunding is the least directly beneficial to East Africa, it does point to an increased interest in using crowdfunding as a driver of aid to the region.

20. "Internet Users (per 100 People)." World Bank Group. Web. <http://data.worldbank.org/indicator/IT.NET.USER.P2>.
21. "Country Comparison: Internet Users." Central Intelligence Agency. Central Intelligence Agency, Web. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2153rank.html>
22. Demirguc-Kunt, Asli, LeoraKlapper, Dorothe Singer, and Peter Van Oudheusden. "The Global Findex Database 2014: Measuring Financial Inclusion around the World." World Bank Group. Web. <http://wwwwds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/10/19/090224b08315413c/2_0/Rendered/PDF/The0Global0Fin0ion0around0the0world.pdf#page=3>.

Chapter IV:
Comparison to More Mature Markets

Image: P2P Indaba in Nairobi. Photo by Joe Huxley

South Africa

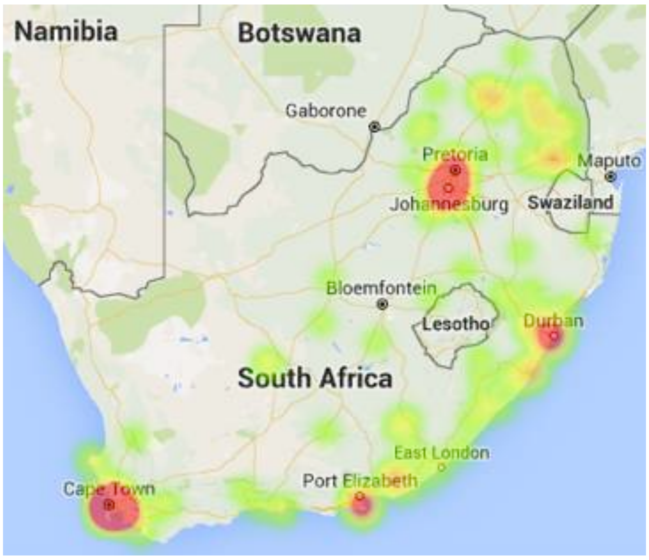
Though South Africa is a more mature crowdfunding market — with more native platforms, more rewards-based campaigns, and an emerging P2P lending ecosystem — this has not yet translated into much higher crowdfunding amounts raised; in Q1 2016, we found that crowdfunding in Kenya and Uganda raised more money than in South Africa. This is due to less activity of concessionary lending-based platforms like Kiva, as well as fewer dollars pledged to the country via donation-based campaigns on sites like GoFundMe and YouCaring, though these platforms still play an important part in South Africa's crowdfunding landscape.

Despite the relatively low total funding numbers, the crowdfunding market is more mature in South Africa, with more funding being raised within the nation when compared to the East African quartet. A strong sign of the market's maturity are the ten native crowdfunding platforms launched in the nation. This points to a greater awareness of crowdfunding, and shows that the nation is on the way to building a strong national crowdfunding ecosystem. The country's entrepreneurs are also experimenting with bitcoin as a way to fundraise — though their efforts have not yet taken off, the platforms' willingness to experiment with innovative solution is encouraging.

Another important sign of maturity is the share of rewards-based crowdfunding dollars raised, with 34.4% of crowdfunding activity taking place on rewards-based platforms. Rewards-based platforms are subject to fewer regulations than lending- and equity-based platforms, as they do not involve any investment activity; however, they also require an advanced ecosystem in order to succeed, for two reasons. First, rewards-based campaigns are often used by entrepreneurs who are looking to test the market for their ideas and to increase their cash flow by offering pre-sales of products. This requires trust among backers that the potential logistical hurdles to delivering on a campaign promise can be overcome. Second, the success of rewards-based campaigns is typically indicative of a healthier ecommerce ecosystem, which develops trust in ordering or pre-ordering products online. While ecommerce in South Africa is not as advanced as it is in more developed markets[23], it is ahead of the East African nations. In other words, while East African nations first need to cultivate ecommerce in order for rewards-based crowdfunding to become viable, South Africa has already made progress towards building a foundation for rewards-based crowdfunding to grow.

Finally, South Africa's P2P lending is not done via just concessionary lending-based platforms like Kiva. While the level activity is still quite small in total funding numbers, the platform Rainfin suggests that there is an appetite for crowd-lending with a return. The platform has developed features like a secondary market in order to enable the lenders to get their capital back early. When it launched, the platform was supported by Barclays, which enabled it to build credibility with both lenders and borrowers. The partnership with Barclays shows the potential importance of established institutional players to play a role in helping the crowdfunding industry to develop.

Data Breakdown



The map above shows the distribution of crowdfunding campaigns around South Africa, tracking where the projects originated. Data collected from Kiva, GlobalGiving, Watsi, and BetterPlace.

As explained below, the fact that crowdfunding in South Africa is projected to raise less money than Kenya and Uganda in 2016 does not indicate that the market is less mature than it is in East Africa. In total, the country raised $10.4m in 2015, and is projected to nearly double to $20.6m in 2016, representing 95% growth.

23.Thomas, Stuart. "7 Fast Facts about the South African Ecommerce Space - Memeburn." Memeburn. 07 Sept. 2015. Web. <http://memeburn.com/2015/09/7-fast-facts-about-the-south-african-ecommerce-space/>.

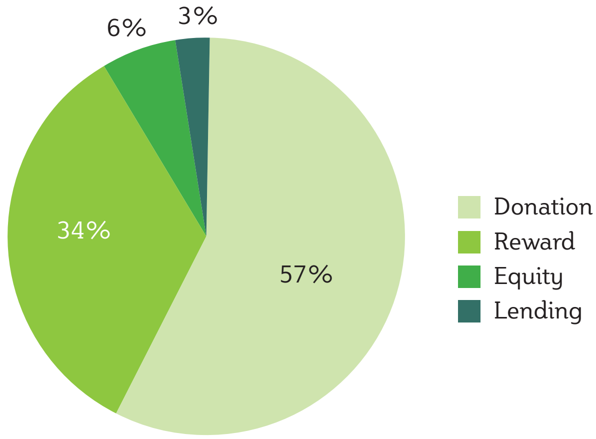
Amount of Money Channelled to South Africa via Crowdfunding / P2P Lending

	South Africa
$ raised, 2015	$10.4m
$ raised, Q1 2016	$4.1m
$ raised, 2016 estimate	$20.6m

Though more than half of the crowdfunding activity in the nation comes via donation-based platforms, South Africa differs from the East African nations in that it has active native platforms, including Different.org and BackABuddy, which has raised $1.9m since its launch in 2007. These platforms are important in that they channel funding directly to the beneficiaries, rather than indirectly as on international platforms like GivenGain and JustGiving, which typically raise funding for volunteering and mission trips.

The most popular categories in Q1 2016 were children ($859,000 raised), education ($757,000), and arts and culture ($538,000). This reflects donation-based campaigns' importance within the nation, though the fact that a significant portion of the funding is going toward cultural campaigns again points to South Africa's maturity relative to the quartet of East African nations.

South Africa Crowdfunding Model Breakdown



Emerging Trends

South Africa is still in the early stages of building a crowdfunding ecosystem, but the early results have been promising. The stakeholders AlliedCrowds interviewed as part of this study reported regulatory hurdles as a key barrier to overcome for the growth of equity crowdfunding platforms like LelapaFund, which has performed due diligence on hundreds of startups but is currently unable to fund the handful promising ones. To that end, a consortium of platforms launched the African Crowdfunding Association at the end of 2015[24], in an attempt to work with regulators across the continent on appropriate crowdfunding regulations. Lobbying efforts like this are important in order to present a unified voice for the industry; one of the platforms that is part of the association stated that within two weeks of its founding, the South African regulators have agreed to study equity crowdfunding.

In addition to efforts being made to advance equity crowdfunding within the nation, AlliedCrowds also identified a trend of South African entrepreneurs listing their firms on angel investor platforms. One example of this is the Angel Investment Network, which is based in the UK but also operates in Kenya and South Africa, where it raised over $4m in Q1 2016. Unlike more exclusive angel investor groups, Angel Investment Network allows anyone to view the deals listed on its platform, which is similar to a crowdfunding platform; the deals, however, take place exclusively offline. This type of platform represents the intersection of traditional angel networks and equity crowdfunding, and can play an important role in building confidence among international investors of the offerings being made in emerging markets.

24. "Home." African Crowd. Web. <http://africancrowd.org/>.

United Kingdom

The UK has arguably the most developed crowdfunding ecosystem in the world. A Nesta report found that crowdfunding activity in the country raised $4.5b in 2015, growing by 84% over the previous year[25].

Amount of Money Raised in the UK via Crowdfunding / P2P Lending

	UK
$ raised, 2013	$995m
$ raised, 2014	$2.5b
$ raised, 2015	$4.5b

Source: Nesta

Donation-based crowdfunding is the fastest growing crowdfunding model, expanding by 507%, from $2.8m in 2014 to $17m in 2015. The second fastest growing model is equity-based crowdfunding, growing by 295%, from $119m in 2014 to $471m in 2015.

Peer to peer business lending is by far the most funded model in the nation, raising $2.1b in 2015; it is followed by peer to peer consumer lending ($1.3b). The high transaction volumes and growth in lending- and equity-based crowdfunding reflect two distinct developments.

First, the UK's lending- and equity-based crowdfunding ecosystem is becoming increasingly institutionalized, with established players looking to the crowdfunding platforms as a way to discover potentially lucrative investment opportunities; Nesta found that institutional investors accounted for 32% of P2P consumer loans and 26% of P2P business loans in 2015. The institutionalization of the crowdfunding industry benefits the sector not just through more funding being channelled through the platforms, but also through increased dealflow. The Royal Bank of Scotland, for example, formed partnerships with Funding Circle and Assetz Capital in early 2015[26], committing to refer SMEs it is not able to finance to the P2P platforms; Santander had formed a similar partnership with Funding Circle in the past[27].

Second, the growth of lending- and equity-based crowdfunding can be attributed to the regulatory regime in the UK. Unlike in many other developed nations, which have passed and are enacting crowdfunding-specific regulations, the UK regulators took a more hands-off approach to overseeing the crowdfunding industry. More specifically, the regulators allowed the industry to develop in the nascent stages and worked to tailor existing regulations specifically to the crowdfunding industry. The regulations, formed by the Financial Conduct Authority in March 2014[28], followed a consultation started in late 2013[29]. Since then, the regulators have conducted a preliminary review of the regulations put in place, concluding that the Authority saw "no need to change our regulatory approach to crowdfunding, either to strengthen consumer protections or to relax the requirements that apply to firms"[30]. The FCA plans to conduct a full review of crowdfunding regulations this year. The lending- and equity-based crowdfunding platforms Nesta surveyed as part of its report found that over 90% of respondents found the current regulations to be appropriate.

The UK's crowdfunding market is also showing maturity in the rise of support services for crowdfunding activity. This includes aggregation platforms, which make it easy for backers to find campaigns they are interested in, and crowdfunding consultants, who specialize in creating, marketing, and running campaigns[31].

It will be difficult for East African nations to emulate the success of the UK's equity crowdfunding ecosystem in the near future, given the UK's financial sophistication. Instead, crowdfunding evangelists in the four nations should look to South Africa as a more realistic target by building awareness of crowdfunding and encouraging more home-grown platforms.

25. Zhang, Bryan, Peter Baeck, Tania Ziegler, Jonathan Bone, and Kieran Garvey. Pushing Boundaries: The 2015 UK Alternative Finance Industry Report. Rep. Nesta, Feb. 2016. Web. <http://www.nesta.org.uk/sites/default/files/pushing_boundaries_0.pdf>
26. "RBS to Become Biggest Player in the Peer-to-peer Lending Referral Market." RBS to Become Biggest Player in the Peer-to-peer Lending Referral Market. Royal Bank of Scotland, 22 Jan. 2015. Web. <http://www.rbs.com/news/2015/january/rbs-to-become-biggest-player-in-the-p2p-lending-referral-market.html>.
27. Jones, Natasha. "Funding Circle & Santander Announce Partnership to Support Thousands of UK Businesses - Funding Circle Blog." Funding Circle Blog. Funding Circle, 18 June 2014. Web. <https://www.fundingcircle.com/blog/2014/06/funding-circle-santander-announce-partnership-support-thousands-uk-businesses/>.
28. "The FCA's Regulatory Approach to Crowdfunding over the Internet, and the Promotion of Non-readily Realisable Securities by Other Media Feedback to CP13/13 and Final Rules." Financial Conduct Authority, Mar. 2014. Web. <http://www.fca.org.uk/static/documents/policy-statements/ps14-04.pdf>.
29. "The FCA's Regulatory Approach to Crowdfunding (and Similar Activities)." Financial Conduct Authority, Oct. 2013. Web. <http://www.fca.org.uk/static/documents/consultation-papers/cp13-13.pdf>.
30. "A Review of the Regulatory Regime for Crowdfunding and the Promotion of Non-readily Realisable Securities by Other Media." Financial Conduct Authority, Feb. 2015. Web. <https://www.fca.org.uk/static/documents/crowdfunding-review.pdf>.
31. Collins, Liam, and Peter Baeck. "The Rise of the Crowdfunding Consultant." Nesta, 16 July 2015. Web. <http://www.nesta.org.uk/blog/rise-crowdfunding-consultant>.

Chapter V: **Preliminary Conclusions**

Based on the research conducted, AlliedCrowds has drawn several preliminary conclusions about the East African crowdfunding landscape.

Image: Happy trader © Kristina Just

Importance of International Crowdfunding Platforms

The vast majority of crowdfunding activity takes place on international platforms, with non-profits and individuals raising money on platforms based in the global North for projects in East Africa. This means there is much scope to ramp up activity within the four countries. Today, relatively low internet penetration rates and a lack of awareness is limiting the growth of the industry. While there is scope to increase equity- and lending-based crowdfunding activity in the short to medium term by crafting crowdfunding-friendly regulations, the fact that campaigns are limited in the number of people they can reach places a serious constraint on the prospect of crowdfunding taking off before more people are able to access the internet. This means, in the short term, entrepreneurs and campaign owners will need to continue looking abroad to attract the crowd.

Need for Early-Stage Support

The East African platform owners AlliedCrowds interviewed as part of this study explained that aid from national and international organization has been crucial. At this point, the platforms have not reached critical mass in terms of transactions flowing through the platform, meaning without the support of aid organizations, they would be financially unviable. Though the platforms have done well with the support they've received thus far, there is more scope for the platforms to grow and new ones to fill gaps — pointing to more support needed from domestic and international organizations in the early stages of the crowdfunding sector's development. Likewise, the entrepreneurs in the region need support to help them make their startups investment-ready. There is scope for platforms to partner with existing entrepreneur training organizations to ensure that the startups have the knowledge necessary to create a compelling crowdfunding campaign.

East Africa as a Source of Crowdfunding Innovation

Though internet penetration rates are low, crowdfunding has the potential to reach potential backers via mobile phones. This is an important and innovative technology that should be nurtured going into the future, as it can open up not only crowdfunding, but can also be used to promote further innovation and increase financial inclusion in the region. Furthermore, early-stage startups like PesaZetu are looking to combine crowdfunding with more innovative models like mobile credit scoring. Such initiatives could be boosted with the right partnerships (for example, innovative and traditional credit scoring firms in developed nations) to increase their chances of success. Credit scoring and due diligence is an especially big problem in developing nations, meaning there is huge potential for platforms like PesaZetu to make a difference, not just in East Africa, but across the world.

There is more scope for the platforms to grow and new ones to fill gaps.

Regulatory Uncertainty

Equity- and lending-based crowdfunding platforms looking to expand into East Africa have run into regulatory uncertainty that has prevented them from operating. While individual platforms have reported a strong willingness among government officials to work with the emerging platforms — for example, by authorizing the activities of individual platforms — there has (until recently) been little action to facilitate the crowdfunding sector as a whole. In order to help facilitate conversations with the relevant government agencies, an industry body (the African Crowdfunding Association) has been formed, though its current activities are primarily focused on South Africa. A conference on crowdfunding regulation co-hosted by the Kenyan Capital Markets Authority (and attended by regulators from Rwanda, Uganda, and Tanzania) is a welcome step in the right direction, as is a forthcoming report on crowdfunding regulation for the region commissioned by FSD Africa.

South Africa's Emerging Crowdfunding Ecosystem

Though AlliedCrowds forecasts South Africa to raise less money via crowdfunding than Kenya and Uganda, there is significant scope for growth in the country. This is due to a more mature ecommerce market (which can be used as a rough proxy for rewards-based crowdfunding), a more accommodating regulatory environment that has supported lending- and equity-based crowdfunding, and wider awareness of crowdfunding as a fundraising mechanism. The country's strong crowdfunding foundations are reflected in its ten home-grown platforms, compared with just four in East Africa. South Africa's platforms have also explored using bitcoin for fundraising. These platforms have not much success to date, but it does indicate that the country's entrepreneurs are comfortable with using innovative financial technology for fundraising.

Solar Energy Crowdfunding

With electrification rates below 25% according to the IEA, East African nations are in need of an energy revolution. Crowdfunding platforms and projects dedicated to solar energy are offering a way for communities to access electricity in a novel way, with newly-formed platforms like Trine issuing loans to entrepreneurs in the region, and more established platforms like SunFunder mixing accredited investor crowdfunding contributions with matched funding from organizations like OPIC.[32]. Lendahand, a Netherlands-based P2P lending platform for entrepreneurs in the developing world, has also recently begun to offer solar energy deals in Kenya due to lender demand. ●

32. "OPIC Approves $15m Loan for SunFunder Project." ESI Africa. 4 May 2016. Web. <http://www.esi-africa.com/news/opic-approves-15m-loan-for-sunfunder-project/>.

Appendix 1 – Platforms interviewed

In total, AlliedCrowds tracked 69 platforms operating in Kenya, Rwanda, Tanzania, Uganda, and South Africa. Of these, 14 were headquartered in the countries we examined, with the rest based outside of the region, predominantly in the US and Europe. South Africa has the largest number of native crowdfunding platforms with ten.

Kenya

Uganda

Rwanda

South Africa

Appendix 2 – Platforms by Country

Platform	Countries of Operation
2aid.org	Uganda
4just1.com	South Africa, Kenya, Tanzania
Akabbo	Uganda
Ammado	South Africa, Tanzania, Kenya, Rwanda
Awesome Foundation	Uganda, Kenya
Babyloan	Uganda
BackaBuddy	South Africa
Better Place	South Africa, Rwanda, Kenya, Tanzania, Uganda
Bid Network	Rwanda, Tanzania, Uganda, Kenya
Bit Bond	Kenya
BTC Jam	Kenya
Buck4Good	South Africa, Kenya
Change Heroes	Kenya
Chuffed	Kenya, Tanzania, Uganda
Common Sites	South Africa, Tanzania, Kenya
CrowdRise	Rwanda, South Africa, Uganda, Tanzania, Kenya
Crowdfunder	Rwanda, South Africa, Tanzania, Kenya
Different.org	South Africa
Emerging Crowd	South Africa
Freudon	Kenya, Uganda
FundedbyMe	Tanzania
FundFind	South Africa
Fundly	South Africa, Rwanda, Kenya, Tanzania, Uganda
FundSurfer	Tanzania
Generosity	South Africa, Rwanda, Tanzania, Uganda
Give Forward	South Africa, Kenya, Uganda
GivenGain	South Africa, Rwanda, Kenya, Tanzania, Uganda
Givology	Rwanda, Kenya, Tanzania, Uganda
GlobalGiving	South Africa, Rwanda, Kenya, Tanzania, Uganda
GoFundMe	Rwanda, Kenya, Tanzania, Uganda
GridShare	Kenya
Homestrings	Uganda
Hubbub	Kenya
Indiegogo	South Africa, Rwanda, Tanzania, Uganda
IndieVoic.es	Kenya
Invest Realty Africa	South Africa
Jumpstarter	South Africa
JustGiving	South Africa, Rwanda, Kenya, Uganda
Kangu	Kenya, Uganda
Kickstarter	South Africa, Kenya, Tanzania, Uganda
KissKissBankBank	Kenya
Kiva	South Africa, Rwanda, Kenya, Tanzania, Uganda
Kopernik	Kenya

Appendix 2 – continued

Platform	Countries of Operation
Lendahand	Kenya
Lendico	South Africa
M-Changa	Kenya
Malaik	South Africa
Mtoto-RLabs	South Africa
OnePercentClub	South Africa, Rwanda, Kenya, Tanzania, Uganda
Patreon	South Africa, Kenya
PesaZetu	Kenya
PifWorld	South Africa, Kenya, Tanzania, Uganda
RainFin	South Africa
Razoo	South Africa, Rwanda, Kenya, Tanzania, Uganda
RocketHub	South Africa, Kenya
SeedGrants	Kenya
Solvesting	Kenya
StartMe	South Africa
StartSomeGood	Kenya
Sun Exchange	South Africa
SunFunder	Rwanda, Kenya, Tanzania, Uganda
ThundaFund	South Africa
Trine	Kenya, Tanzania, Uganda
Ulule	South Africa, Rwanda, Kenya, Tanzania
Watsi	Kenya, Tanzania
WealthMigrate	South Africa
Yewou	South Africa, Rwanda, Kenya
YouCaring	South Africa, Rwanda, Tanzania, Uganda
Zidisha	Kenya

Appendix 3 – List of Interviews

Samir Satchu, Pesa Zetu
Kyai Mullei, M-Changa
Nanjira Sambuli, iHub
Martin Kiilu, Intellicap Impact Investment Network
Patrick Huang, Umati Capital
Josephine Nyiranzeyimana, Rwanda Ministry of Youth and ICT
Vias Lustig, Malaik
Patrick Schofield, Thunda Fund
Elizabeth Howard, LelapaFund
Ed Stephens, Angel Investor Network
Jes Colding, MY4C
Will Tindall, Emerging Crowd
Ojijo Pascal, GoBigHub
Lysanne Denneboom, FundraisingAfrica
Tobias Grinwis, Lendahand
Weldon Kennedy, Enda Sportswear
Erik van Eeten, RealtyAfrica

FSD Africa

FSD Africa is a non-profit company, funded by the UK's Department for International Development, which promotes financial sector development across sub-Saharan Africa. FSD Africa is based in Nairobi, Kenya. It sees itself as a catalyst for change, working with partners to build financial markets that are robust, efficient and, above all, inclusive. It uses funding, research and technical expertise to identify market failures and strengthen the capacity of its partners to improve access to financial services and drive economic growth. It believes strong and responsive financial markets will be central to Africa's emerging growth story and the prosperity of its people.

FSD Africa also provides technical and operational support to a family of ten financial market development agencies or 'FSDs' across sub-Saharan Africa called the FSD Network.

FSD Network

The FSD Network is an alliance of organisations or 'FSDs' that reduce poverty through financial sector development in sub-Saharan Africa.

Today, the FSD Network:

- Comprises two regional FSDs in South Africa (est. 2002) and Kenya (est. 2013) and eight national FSDs in Ethiopia (est. 2013), Kenya (est. 2005), Moçambique (est. 2014), Nigeria (est. 2007), Rwanda (est. 2010), Tanzania (est. 2005), Uganda (est. 2014) and Zambia (est. 2013).
- Is a leading proponent of the 'making markets work for the poor' approach.
- Specialises in a number of themes from agriculture finance and savings groups to payments, SME finance and capital market development.
- Represents a collective investment of $450+ million by DFID; Bill & Melinda Gates Foundation; SIDA; DANIDA; Foreign Affairs, KfW Development Bank; the MasterCard Foundation; RNE (Netherlands); Trade and Development Canada; and the World Bank.
- Spends $55+ million per year, predominantly through grant instruments
- Employs over 150 full time members of staff and uses a wide range of consultants

FSDs do not deliver financial services to the poor directly. Instead, they deploy financial resources, expertise and insights in collaboration with a range of public and private sector actors – from central banks and commercial banks to specialist training providers, telecommunication firms and microfinance networks - to create the market conditions that deliver financial inclusion, not only during the FSD intervention, but also beyond.

fsdafrica

FSD Africa, Nairobi, Kenya
info@fsdafrica.org
@FSDAfrica
fsdafrica.org

UKaid from the British people

Department for International Development
enquiry@dfid.gov.uk
@DFID_UK
gov.uk