ENI
CBCMED
Cooperating across borders
in the Mediterranean

Project funded by the
EUROPEAN UNION

REGIONE AUTÒNOMA DE SARDIGNA
REGIONE AUTONOMA DELLA SARDEGNA

EMAE
EURO-MEDITERRANEAN
ECONOMISTS ASSOCIATION

🚀 INVESTMED

A Practical Guide:
Crowdfunding for CCI Projects in the South Mediterranean Region

November 2023

Authored by Verkami, the leading reward crowdfunding platform in Spain for the INVESTMED Project.

INVESTMED (InNoVativE Sustainable sTart-ups for the MEDiterranean)

To support the development of sustainable entrepreneurship and business initiatives, by creating a backing environment and facilitating access to new markets with the final goal of generating increased economic opportunities and jobs for young people and women in Egypt, Tunisia, and Lebanon.

VERKAMI
CREATIVE CROWDFUNDING

This practical guide has been prepared during 2023 by Verkami, the leading reward crowdfunding platform in Spain and one of the largest in Europe.

Born in 2010 in Barcelona, as a result of the passion for art and creativity of a father and his two sons, Verkami means 'Love for creation' in Esperanto, and it serves as the meeting point for creators and patrons to bring creative and cultural projects to life.

To date, Verkami has brought more than 11,000 projects to life, raising over €58 million with the support of over 1 million users. With a success rate of 74%, one of the highest in the world, 3 out of every 4 projects published successfully achieved their set goals.

Table of Contents

1. What is Reward Crowdfunding

Various types of crowdfunding have become popular in recent times. Reward crowdfunding was the first to establish itself, with the first platforms offering this type of funding around 2007 in the United States.

In essence, it involves a person who has a project to create a **new product or service** and needs a certain budget to carry it out. The idea is to cover this budget by pre-selling the product or service that they want to produce or launch.

Through a webpage, usually hosted on a platform that provides this service, they offer the product or service that has not yet been introduced in the market and followers have the opportunity to purchase it in advance.

There is a specific timeframe to achieve this goal, typically ranging from **30 to 60 days**, during which the campaign creator has to **promote the campaign to reach the target audience** and have them make **contributions in exchange for the rewards offered** (mainly the product or service).

If, during the campaign's duration, they gather enough contributions to cover the established financial goal, the campaign is successful. All contributions are collected, and the creator receives the funds raised after deducting the platform's service fees, which are usually a percentage of the total amount raised. Typically, this percentage is between **5% and 10%** of the total amount raised.

If the goal is not met, there is usually no cost associated with running the campaign, and the contributions from backers who participated in the campaign are either not collected or refunded.

This **'All or Nothing'** model is the most common among reward crowdfunding platforms, ensuring that if the creator reaches the financial goal, they will have sufficient resources to carry out the project and deliver the rewards. It provides assurance to backers that the project will move forward, and they will receive the rewards they paid for.

Once the campaign concludes, the funds raised are transferred to the campaign creators, and they are responsible for **correctly declaring this amount** as income from their activities and **fulfilling the commitments** made to their project's backers.

The platform typically provides tools to manage the delivery and fulfilment of the rewards acquired by the backers.

However, there are other crowdfunding models today, such as crowdequity, where a company, through a specialized platform, offers shares in exchange for financial contributions. The difference from traditional models is that any individual can invest in the company, and the investment can be small. Capital is raised by the company by combining many small or large investments.

There is also crowdlending, where a company or project seeks a loan, not from an institution but by offering anyone the opportunity to be a lender in exchange for interest. Anyone can review the proposal and become a lender.

In both cases, 'All or Nothing' also applies, where a financial goal is set, and contributions are only confirmed if this goal is met.

Finally, there is also donation crowdfunding, in which a project, typically with charitable or personal purposes, is presented to the public to receive donations without offering anything in return.

These models may be useful for other kinds or stages of a project, but the aim of this guide is not to delve into them.

According to the Cambridge Centre for Alternative Finance 2nd Global Alternative Finance Market Benchmarking Report[1] the European online alternative finance market volumes have been growing consistently from $1.5 billion in 2013 to $22.6 billion in 2020. In 2020 the total volume raised by the different crowdfunding sectors in Europe (excluding the UK) was as follows: Donation-based Crowdfunding $296 million, Equity-based crowdfunding $280 million, Reward-based crowdfunding $262 million and Crowd-led microfinance $18 million. Reward-based crowdfunding is mostly used by CCI actors and industries, so it is saved to attribute most of this amount as raised by CCI industries. To provide context, the Creative Europe program, which is dedicated to the support of Cultural and Creative Industries, has a budget of €2.44 billion for the period 2021-2027, which translates to approximately €348 million per year.

According to the results of the same study for the MENA region, alternative financing has also experienced significant growth, increasing from $36 million in 2013 to $595 million in 2020. In 2020, the various types of crowdfunding accounted for the following amounts: Equity-based crowdfunding at $12.5 million, Crowd-led Microfinance at $5.2 million, Reward-based crowdfunding at $3.3 million, and Donation-based crowdfunding at $3.0 million. Taking a closer look at the results for reward-based crowdfunding, the top three countries contributing to the $3.3 million raised in 2020 were Israel with $3.1 million, Lebanon with $0.06 million, and the UAE with $0.03 million. This indicates that, in 2020, and from what we have observed, until present days, reward-based crowdfunding is relatively minor in MENA countries, except for Israel, which has a market comparable to European countries.

[1] Ziegler, T., Shneor, R., Wenzlaff, K., Suresh, K., Paes, F.F.D.C., Mammadova, L., Wanga, C., Kekre, N., Mutinda, S., Wang, B. and Closs, C.L., 2021. The 2nd global alternative finance market benchmarking report.

2. What Types of Projects and at What Stage are Best Suited for the Reward Crowdfunding Model

2.1 Types of Projects

As mentioned in the previous section, reward crowdfunding involves offering a product or service in pre-sale to secure funding for its production or launch. Projects that are best suited for this model are those that have a **clear product or service** that they can offer in exchange for contributions.

For example: An author or a publishing company wants to publish a book. They have a printing budget, and instead of risking their savings or taking out a loan, they decide to validate their idea with reward crowdfunding. They offer rewards such as a signed copy of the book, acknowledgment in the book, the book along with an exclusive cover illustration print, attendance to an exclusive author presentation. Fans and followers they can reach through their communication can reserve a copy with various advantages – a signed copy, acknowledgment, the exclusive print – and with their reservation, they make it possible for the book to come to life.

Examples of projects and main rewards:

- Board game: The board game
- Clothing collection: T-shirts and sweatshirts from the new collection
- Designer lamps: The lamps
- Theatre production: Tickets to the premiere and dress rehearsal
- Educational app: Subscriptions to the app
- Documentary: Exclusive screening and credits mention
- Projects that offer a product or service are the best fit for this model.

It is also possible to run a crowdfunding campaign for projects where the result cannot be offered directly as a reward. In this case, it is key to be imaginative when considering incentives to encourage people to contribute.

There are usually **no limitations on who can launch a campaign** in most crowdfunding platforms; it can be an individual, a company, or an institution.

There are also **no restrictions on the amount that can be set as a funding goal**. The goal you can reach will primarily depend on the community you can mobilize and persuade contributing. There is no specific limit to the funding goal you can set or reach.

2.2 Stage of Project

The project does not have to be completed, as the goal is to secure funding to bring it to life. However, it should be in an **advanced pre-production stage**. At this point, upon obtaining the funding, you should be able to kickstart the project. In other words, you have a defined product, production budgets, a functional prototype, and can demonstrate what it will be like, ensuring the product's specifications.

You should have a clear understanding of the financial requirements, as well as production timelines and needs.

This is necessary to guarantee certain features to backers, provide detailed information about the product, and ensure that production and deadlines can be met with the funds raised.

Crowdfunding can be **the sole financing method** or a **complement to traditional financing methods**. If there are other funding sources, it is important that they are confirmed before launching the campaign, as the campaign commits to delivering rewards to backers, and you must ensure that the project can move forward with the funds raised.

3. Reward Crowdfunding Benefits and Limitations

Reward crowdfunding aims to secure funding for projects with the support of an interested community. In addition to funding, it offers other benefits:

Market Testing: Before investing in the production of something, a campaign allows testing whether the yet-to-be-produced product generates interest, whether the selling price is attractive, etc. If there is enough interest, you will have the funding for production. If funding is not achieved, you haven't lost anything, and you have valuable information about what people liked or didn't like, who the project appealed to the most, which will be useful for reconsidering the project.

Community Building: A well-executed crowdfunding campaign can create a sense of belonging and attachment to the supported project. People can experience the creation process until they have it in their hands. This generates a sense of community among the backers. If they are satisfied with the result and stay in contact, they can become a community that continues to support future projects. Building this initial community is the most challenging part, but if it solidifies, it can ensure the success of future projects. Nowadays, having a community around any project is one of the most valuable assets for its sustainability.

Reducing Production Risk: If you reach the goal, you can cover the production and delivery costs to backers. If you don't reach the goal, you don't have any expenses. There are no loans to repay, and if you can't sell the surplus production, you don't lose anything because the production costs are already covered. In other words, any sales of surplus production become pure profit for the project.

Economic Benefit: In general, with the goal achieved, you can produce more units of the product than you need to fulfil the rewards for backers since you're selling directly to the end consumer without intermediaries. Each sale generates a significant margin. Therefore, with a few hundred backers, you can produce, for example, a thousand units. The profit for the project comes from selling the surplus. While you could include profit in the budget, the higher the goal, the more people you need to contribute to the campaign to reach it, increasing the risk of not achieving it. It's more advantageous to ensure you can have surplus to sell than to risk not making any profit from the campaign.

Team Consolidation: A crowdfunding experience strengthens the project team. It requires dealing with all the aspects necessary for the success of any project, such as planning a tight budget, crafting an appealing project communication, and executing a communication campaign to reach the target audience. It serves as a litmus test for any team, and the experience is valuable for the future.

As for limitations and requirements for conducting a crowdfunding campaign:

Limited starting community: The amount you can achieve largely depends on your starting community, the community you can reach through communication, and the success of your communication campaign. Without a community or the ability to reach the final audience, this funding model may not be very successful.

Associated Work: All funding methods involve a certain degree of effort to obtain them. In the case of reward crowdfunding, running a campaign represents work in creating the campaign page, intense promotion during the campaign, and ongoing communication with the community and reward fulfilment after the campaign concludes.

Online payments with credit card: A crowdfunding campaign primarily involves mobilizing your network, contacts, and followers to get involved in our project. These campaigns take place on a website, and backers make their payments online, primarily through credit cards. It is essential to assess the level of online payment adoption within our network, as well as the availability of credit cards for online payments. The infrequent habit or lack of trust in making online payments, or if only a small percentage of our network has access to credit cards for online payments, can be a limitation to the successful execution of a campaign.

4. Step-by-Step Guide: Setting Up a Reward Crowdfunding Campaign

4.1 Calculate your Funding Goal

Calculating your crowdfunding campaign's funding goal correctly is fundamental to your project's success. It's important to consider all associated expenses, not just those related to executing your project, but also factors like delivering rewards and platform fees. This ensures that, once your campaign ends and you receive the funds, you can meet all the commitments made with the money raised.

In most cases, crowdfunding campaigns serve as a pre-sale of a product or service to the public. With the funds from this pre-sale, you can finance the production of enough units to fulfil backers' pledges and even have a surplus that can generate profits through later sales or distribution via traditional channels.

Illustrative Example of Calculating your Campaign Goal

Let's consider, for example, a campaign aimed at financing the publication of a book.

Project Production Budget, Additional Rewards, and Shipping Costs

The primary expense in this scenario is the printing of the book. You've contacted a printing company, and they have provided a quote:

- €5,000 for printing 1,000 copies

This means that the cost per unit (each book) is €5. In general, the retail price (RRP) of a product is typically set at around three times the cost price. So, in this case, the price at which the book would be sold in stores is approximately:

- RRP of the book = 3 x cost price = 3 x €5 = €15

As an extra reward, we want to offer a limited edition print with one of the book's illustrations, available only during the campaign. Allowing backers to contribute a bit more to the campaign in exchange for a compelling reward can increase the average contribution and reduce the number

of backers needed to reach the goal. We've obtained a quote from a specialized printer for these prints:

- **200 units** of the print for **€600**
- **Cost price of the prints** is **€3**
- **RRP** of the prints is **€9**

We'll need to deliver these copies and prints to the backers, so we've reached out to a shipping company for their shipping costs:

- **€3** per book for domestic shipping.
- **€4** per book + print for domestic shipping.

In the campaign, we'll set the prices for the basic rewards as follows:

- **RRP of Book €15 + Shipping €3 = €18** for the **dedicated book + acknowledgment + domestic shipping included**.
- **RRP of Book €15 + Print €9 + Shipping €4 = €28** for the **dedicated book and acknowledgment + Limited Edition Verkami Print + domestic shipping included**.
- **Other rewards:** In the campaign, we'll offer more rewards such as 2 books, one for the backer and one as a gift, a reward for booksellers with 5 or 10 copies, exclusive attendance to a book presentation for backers, etc. For simplicity, we are focusing on these two basic rewards.

We're adding value to the reward compared to purchasing it online or in stores without adding costs to the project. Backers would pay the same amount later, but they wouldn't get the dedication, acknowledgment, or the chance to obtain the print without contributing to the campaign. We can also offer a small discount, e.g., €17 for the book during the campaign, to encourage people to purchase the product during the campaign and not wait until later.

With this, it's reasonable to estimate that the **average contribution to our campaign** will be at least around **€25**, ranging from €18 to €28 since contributions will be divided between the two rewards and some higher ones we'll have.

Platform and Payment Processing Fees

To calculate the goal, you need to set to cover the necessary budget for your project and deliver rewards while considering platform and payment processing fees, you can use the following formula. For a platform that charges a 5% platform fee and 1.5% payment processing fee, the calculation is as follows:

Amount to set as the crowdfunding goal = Amount needed for the project x 1.086

For example: Amount to set as the crowdfunding goal = €3,000 needed for the project x 1.086 = €3,258

This way, with a goal of €3,258, after deducting the Verkami fee, the author will receive the €3,000 they needed.

Multiplying the needed amount by 1.086 accounts for the platform's fee.

You should adjust this calculation to match the specific conditions of the chosen platform, but it serves as a good guideline.

Backers to Reach the Goal

To roughly estimate the total shipping expenses, we first need to estimate the **number of backers required to reach the goal**.

To do this, we need to use the previously obtained data on project production costs and rewards, platform fees, payment processing fees, average shipping costs per unit, and the expected average contribution to the campaign:

Approximate Backers Needed to Reach the Goal = Sum of Production Costs (excluding shipping) x 1.086 Campaign Expenses / ((Average Contribution to the Campaign - Average Shipping Cost per Unit) x 1.086 Campaign Expenses)

In our example:

(€5,000 printing + €600 posters) x 1.086 / ((€25 average contribution - €3.5 average shipping) x 1.086) = €6,081.6 / €23.3 = **260 backers or contributions to achieve the goal**.

Total Shipping Expenses

Once we've calculated the approximate number of backers we'll need, we can calculate the **total shipping expenses** as follows:
Total Shipping Expenses = Approximate Backers Needed to Reach the Goal x Average

Shipping Cost per Unit

In our example:

260 backers x €3.5 average shipping cost per unit = **€910 in shipping expenses**.

We could also make a more conservative estimate where nobody purchases the poster, and all contributions go to the basic reward (€18 average contribution).

Campaign Goal

The total of our budgets (Our book + the extra rewards we will produce + the shipping costs for these rewards to backers), multiplied by the coefficient of 1.086 to include platform and payment processing fees, will give us the final goal to set for the campaign:

Total Goal = (Project Production Costs + Production Costs of Rewards + Total Shipping Expenses) x 1.086 Campaign Expenses

€5,000 printing + €600 posters + €1,001 shipping costs = €6,601 x 1.086 campaign expenses = **€7,168**

- **The total goal for this campaign should be €7,168, and we can round it up to €7,200 to account for any unforeseen expenses.**

- Approximately **286 contributions** are needed to achieve this goal with an average contribution of **€25**.

If we reach the campaign goal within 40 days, we can produce our 1,000 book units and 200 posters, deliver rewards to backers by mail, and cover the Verkami campaign and payment processing fees.

Take into account!

Add Up the Budgets with VAT Included

To calculate your budget, sum all amounts from suppliers with **VAT included**. For example, the €5,000 budget from the printing company already includes VAT, and the budget for shipping at €3 per shipment also includes VAT. This way, VAT is not an extra expense you have to add to your campaign. You will be invoiced and pay bills for the same amount with VAT included, so it is not an additional cost for the campaign.

Adjust your Budget to the Bare Minimum Necessary. Profits Come from Selling Surpluses

It would be advisable to set the **bare minimum as the campaign goal**. This should **cover the project's costs and allow you to deliver all rewards** within the anticipated timeframe.

You could include the time invested in preparation or a profit margin in your campaign budget. However, the higher the goal, the more visits, and backers you'll need, and the greater the risk of not reaching the objective. In a campaign, you're typically producing more products than you'll deliver to backers, as we've seen in the example (286 backers fund an edition of 1,000 copies). This means you'll have surplus items that you can sell or distribute later to generate profits and recoup your investment.

If you don't reach your goal, you will not be able to recover the funds, and your project, unfortunately, won't become a reality.

There's No Problem with Exceeding the Goal; Each Reward Significantly Covers its Production Cost

If you've already surpassed the €7,149 goal set in the example, there's no issue with selling more books. You're producing 1,000 copies, so once the goal is met, you have a surplus. You're already pre-selling the surplus, thereby generating a profit, as all production-associated expenses are covered.

It's also not a problem if you exceed the 200 units of posters because once you've met the goal, each reward easily covers the production cost.

People are contributing €28 for a reward that has a cost price of €5 for the book + €3 for the poster + €3.5 for shipping = €11.5. This leaves you with an approximate profit margin of €16 for each reward once you've reached the goal. So, you can produce more rewards without any issues since each contribution comfortably covers the production and shipping cost.

The Fundraising Goal doesn't need to be the Total Budget of Your Project

As we've discussed, the objective of crowdfunding is to set a funding goal that is tailored to the minimum requirements for the project to proceed. This doesn't mean it always has to be the full cost of the project. Here are some scenarios where you might set a lower funding goal:

- You already have part of the necessary budget, whether through a grant, a loan, an investor, etc. In this case, crowdfunding can be used to fill the remaining gap.

- The project creator is able to contribute a portion of the total budget. For example, you may calculate that your project needs a total of €5,000, but if you can raise at least €3,500, it would be worthwhile, and you can contribute the rest yourself. In this scenario, you should set your funding goal at the minimum of €3,500 to ensure a successful campaign, with the intention of trying to reach €5,000 or more during the campaign.

Whenever the fundraising goal is **less than the total needed**, you should **ensure that you will have access to the remaining funds**.

Otherwise, you might find yourself in a situation where you've achieved your crowdfunding goal, but the rest of the financing doesn't materialize, putting the project in jeopardy. This is precisely what you aim to avoid with the **all-or-nothing** approach and the minimum funding goal.

Summary of Expenses to Consider

- **The cost of producing the cultural product you want to bring to life with the project.** This can include book publishing, music recording, film production expenses, game development costs, etc.

- **Production expenses for rewards.** This refers to items or rewards you plan to offer backers, apart from the specific product already calculated in the previous section. For example, if you're publishing a book and offering bookmarks and illustrations as rewards in addition to the book, the book's production costs are already factored in, but the bookmarks and illustrations are additional expenses. Similarly, if you're producing a music album and offering merchandise like T-shirts, picks, tickets, etc., these are separate expenses from the album production.

- **Shipping costs.** Calculate the expenses associated with delivering rewards, including national, European, or international shipments if you expect international backers. Add these shipping costs to the price you plan to set for each reward and estimate the total cost.

- **Campaign and payment processing fees** on the crowdfunding platform.

- **Taxes.** Depending on your personal tax situation or the entity or institution handling the campaign funds and associated expenses, consult with a tax professional to determine if there are any tax-related expenses associated with managing project income.

These expenses should be carefully accounted for to determine the total funding goal for your crowdfunding campaign.

4.2 Tailor Your Production and Goal to Your Community

In the case of a book, for example, you may have budgets for both 1,000 and 500 units.

- To produce **1,000 units**, we've calculated that we need around **286 backers** contributing an average of €25 each.

- For **500 units**, you can do the same calculation using the budget for this quantity from the printing company, and it turns out that you'll need **180 backers** with an average contribution of €25 each.

Conversion rates in crowdfunding campaigns are typically around 3%. In other words, out of every 100 visits you get to your campaign page, approximately 3 will result in contributions.

Number of page visits during the 40 days = Number of backers needed to reach the goal x 100 / 3

This means that to reach **286 backers**, you'll need a minimum of 286 x 100 / 3 = **9,500 visits** to the campaign page during the 40 days.

To reach **180 backers**, you'll need approximately **6,000 visits**.

With these results, you can make a more **informed decision about the initial production run of your product**. Analyse your communication campaign, the number of direct followers you have, your typical sales volume during a similar timeframe, and whether it's realistic to achieve the required number of backers and page visits. This will help you decide between the two production quantities.

If your contacts, networks, mailings, WhatsApp contacts, and collaboration connections are close to 5,000 or 6,000, opting for the 500-unit run will give you a better chance of achieving your goal more comfortably.

With a 1,000-unit run, the campaign would become riskier, and you might end up not reaching the goal. Bear in mind that crowdfunding often operates on an all-or-nothing basis.

Keep in mind that you can always exceed your goal, and with the extra funds, you can produce a larger run.

4.3 Ideas and Recommendations for Creating Your Rewards

The core idea of reward crowdfunding is to offer products or services in pre-sale, which you aim to produce or launch with the campaign's proceeds. The funds raised are invested in the production, and afterwards, you fulfil the promised rewards to the backers.

Crowdfunding flips the traditional consumption order by initiating a pre-sale to secure the necessary funding for production. Instead of creating a product first and then seeking customers to buy it, crowdfunding allows project creators to present their idea or prototype to potential backers and offer them the opportunity to pre-purchase or pledge support for the product or service.

The main reward should be the core product or service you intend to implement.

From there, you can offer additional extras related to the campaign and relevant to your target audience.

By providing higher tiers with appealing incentives, some backers may contribute at higher levels, increasing the overall average contribution and reducing the number of backers needed to achieve the goal.

You're working directly with your community, without intermediaries, which allows you to offer the product or service at an equal or lower price than what it would be available for in stores, with a significant margin that can be used to make the project a reality.

Through pre-selling, for instance, 150 books, games, vinyl records, etc., at the retail price, you can produce many more, leaving you with surplus once the campaign is completed that you can sell and generate a profit.

- **Set your main reward**
  Base your rewards around the primary product or service that is the project's goal.

- **Make them enticing**

  Think of **incentives that make contributing attractive**. Keep in mind that backers must place trust in the project before it becomes a reality and wait months to receive their reward. Therefore, a key tactic is to explain that delaying a contribution until after the campaign means that they will not have access to the **exclusive unique rewards** e.g.

  - ¤ Discount on the future selling price
  - ¤ Name in the credits or acknowledgments
  - ¤ Dedication or signature
  - ¤ A free postcard, print, exclusive item for backers

  It's important to include the option to obtain the basic or main reward of the project:

  - ¤ Viewing + credits
  - ¤ Signed book
  - ¤ Game + unlocked extras
  - ¤ Show ticket + mention at the end of the performance
  - ¤ without additional extras – only with the incentives for the campaign mentioned earlier.

  without additional extras – only with the incentives for the campaign mentioned earlier.

- **Start by creating a list of rewards**

  A good strategy to create a well-structured reward tier is to prepare a **list of things you can offer**, products, and subproducts of your project. Then, organize them into various packages and assign them a price, considering the cost price, selling price, and shipping costs.

- **Establish different packages**

  The idea behind packages is that backers can complement the main reward with other project-related extras that might be interesting, exclusive to your followers and potential interested audience:

  - ¤ Book + illustrated print
  - ¤ Book + stickers and activity notebook
  - ¤ Viewing + exclusive t-shirt
  - ¤ Viewing + becoming an extra
  - ¤ Game + playmat

  to encourage backers to contribute a bit more to get an exclusive reward.

Having more than 10-12 rewards can complicate backers' decision-making. Try to strike a balance between a **diverse and attractive offer without excessive variations and alternatives**.

- **Consider all types of audiences**
  The more audiences your rewards cater to, the more likely someone visiting the campaign will identify with it. For example: Fans, superfans, groups, and organizations, stores…

- **Not all reward levels need to be cumulative**
  Rewards don't always have to be cumulative. In other words, you don't have to offer everything in each higher level that was offered in the previous one. Sometimes it makes sense, and sometimes it results in some interesting rewards being at very high levels with many other things, making them inaccessible to many potential backers.

  For example:

  - ¤ Download of the album
  - ¤ Download of the album + exclusive t-shirt
  - ¤ Download of the album + print
  - ¤ Download of the album + t-shirt + print.

  So, depending on their interest, backers can contribute for one, the other, or both.

- **Set a price for the rewards**
  To set a price for the rewards, as a rough guideline, the selling price is usually about three times the cost price of the reward.

- **Take into account the shipping costs**
  Remember to include shipping costs when setting the price for the rewards.

- **A picture is worth a thousand words**
  It's essential that we can display the physical rewards we will offer. If backers can't see the t-shirt design, the book illustrations, the lamp design..., it's challenging for them to get the idea and contribute.

4.4 Campaign Description

All communication efforts during the campaign will be focused on attracting visitors to our campaign page. The goal of the page is to convey our project and what backers can get in the rewards in a clear, concise, and attractive manner, so that these visitors end up contributing and becoming backers.

Title, Cover Image, and Video

The title and cover image will be the first things that campaign visitors will see, and they will also be what is seen when sharing the link on social media. Therefore, it's important that these two elements succinctly and effectively **summarize and convey the project's goal**. They should be descriptive and inviting to click or continue reading.

In projects related to design, books, comics, it's useful to showcase the primary product on the cover. You can also include some text in this cover image to support the message.

As for the video, it is not a mandatory element for the success of a campaign, but it can be very helpful for:

- Showcasing our product in detail
- Building empathy and trust with visitors by having the creator present it
- Summarizing in a minute or a little more the key features of the product and the benefits of participating in the campaign.

How to Structure and Write the Campaign Description

Begin the description by explaining in one or two paragraphs the campaign's objective and the product you want to bring to life. Those two paragraphs, together with the title and cover image, should be almost enough information for the visitors to already go to the rewards section and choose from the different options offered.

Next, provide a detailed description of the product you want to create:

- The project description should be **complete but concise**.
- Address your audience in a **friendly manner** to build trust and rapport.
- Organize the information into **different sections, each with its own title**. It will be easier for the visitors to find the desired information.
- Use **short paragraphs** and abundant line breaks for better readability on various devices.
- To facilitate skimming, highlight some names, ideas, or concepts in **bold or italics**.
- **Insert images** to illustrate each section. The more visual the better.

Next, fill in these essential sections that a reward crowdfunding description should contain:

Get Exclusive Rewards

Use this section to separately describe and display the various elements that make up the rewards for your backers.

- **Explain the advantages** of obtaining these items by backing the campaign, such as discounts, dedications, limited editions for backers, only available during the campaign, etc.
- **Provide detailed information about these items**: how they are, who designed them, where they are manufactured, how visits will be organized, etc.
- **Include images of these items**, even if they already appear in the images included in the rewards column. Displaying them here in the description will allow backers to see them in greater detail and examine the printing, the print...
- **Do not copy all the rewards** as they are in the rewards column in this section.

Who We Are

It will help build trust to put a face to the project's creators. Explain your story and how you got here to connect with potential backers.

- You can mention team members and link to your personal profiles.
- A team photo can help put faces to the project and build trust.
- If you include a bio, keep it short and informal, not a full resume.

How Your Contributions Will Be Used

To build trust with the project, it's important to broadly outline how the raised money will be spent. Creating a visual graph to support the text can help convey it in a straightforward manner.

Planned Timeline

Detail the expected development and production timeline of the project once the campaign is completed. Remember to estimate and indicate when backers who contribute to the campaign are expected to receive their rewards. Set a timeline you can adhere to.

+ More Information

Include relevant links for the campaign here such as links to the project's social media for following and interacting, websites for more information about the project and the team, etc.

4.5 Communication Campaign

It's one of the most crucial aspects to make your campaign a success. Once the campaign is live to start receiving contributions, you should use all available means to reach potential backers.

Plan your communication campaign. Before launching the campaign, you must have a clear strategy for how you'll approach it, which channels you'll use (email, Facebook, Twitter, specialized blogs that can feature your widget and write blog posts, promotions, contact local press, etc.), and how to reach the circles interested in your creation.

Choose your dissemination channels wisely. Don't create new social media accounts or blogs solely for campaign promotion. They won't have followers, resulting in minimal impact and wasted efforts. Use established channels that you already have or ask friends with a substantial following to assist in spreading the word.

Consider encouraging your closest contacts to make **contributions from the very beginning** and during the first few days to energize the campaign, start building trust around it, and establish a strong fundraising pace.

During the campaign, **dedicate time each day to interact with potential backers**, create content, and promote the project. It can also be useful to create a schedule of promotional activities, both online and offline, to be carried out during the campaign.

Remember to include the campaign link in all your communications. Don't assume that everyone already knows what you're talking about when posting on social media. Keep in mind that on some social media platforms, only about 20-30% of your followers will see your posts organically, so always include a brief reminder of what you're doing.

Start with the assumption that not everyone knows what crowdfunding is. Make it clear that this is a funding campaign to bring your project to life, that there are a limited number of days to achieve it, that special rewards are available, and that together, they can make it possible. Ensure that people understand it's not just a link to buy a product you already have; they need to help you bring it to fruition.

Don't just share the campaign link. Create engaging content for your followers and potential backers that generates interaction, shares, etc., and include the campaign link within it.

Personalize the campaign. Convince the entire team, collective, group, actors, participants to individually engage in promotion during the 40 days instead of relying solely on the official production or collective account, for instance. It can be much more effective.

Encourage everyone interested in your project to **at least help with promotion**. A well-connected backer who gets involved in making your project a reality can be a significant asset.

4.6 After the Campaign

When your crowdfunding campaign ends successfully, a new phase for your project begins. Now you can proceed with it as planned and finally deliver the results to your backers to complete the cycle.

During the time that passes between the campaign's conclusion and the backers receiving their rewards, it is vital to **keep them informed**. There's nothing backers enjoy more than receiving updates and news on how the project is progressing, being able to exclusively witness the process, and enjoying the updates sent by the creators.

This is part of the crowdfunding experience and what makes this form of collaboration on creative projects so special. Backers get to **experience the creative process first-hand**, something that is impossible in traditional cultural consumption processes.

Here's how to keep backers informed:

1. **Periodically update the backers** using the platform means to contact them directly. This is important because not all backers follow you on social media, and a significant portion may remain uninformed if you rely solely on social media for updates.

2. These projects often involve both creative and logistical components, and delays or setbacks can occur. If you communicate these issues to backers at the right time and provide new estimates, the community that has supported the project will understand and support you as much as possible. What causes dissatisfaction is not informing backers until the project is already delayed compared to the estimated delivery date.

When backers receive their rewards, if they have been able to follow the gestation and production process, their experience will be much more intense and different from typical cultural consumption. They will feel even more a part of the result and become ambassadors and advocates of the project, becoming part of your community.

So, to the best of your ability, document and share the project's progress with your backers on the project blog. The benefits will far outweigh the effort!

5. Taxation and Crowdfunding

Once the campaign is finished, the collected funds are transferred to the designated account. **The funds raised should be considered as income generated from activities**. As you are offering products and services related to your main activity, treat these contributions as payments from backers in exchange for your products or services.

It is just a commercial exchange between author and patron, there is no difference because it is done through a crowdfunding platform, and thus, **all the legislation that applies is exactly the same as the one for the sales of products or services**.

There is no regulation in Europe or the United States, where the reward crowdfunding has been around for more than a decade, that regulates reward crowdfunding since it does not need a specific regulation, since it is and is considered a sale.

Consult your regular tax advisor to determine the best way to report these income sources.
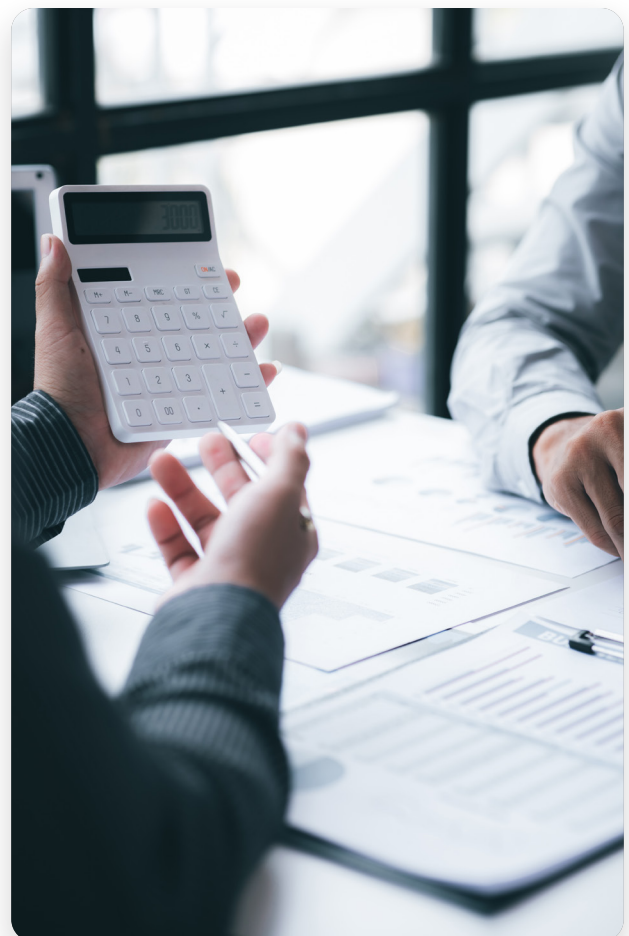
6. Available platforms

6.1 Reward crowdfunding platforms in the MENA region

After conducting thorough research and consulting with local INVESTMED partners, no active local reward crowdfunding platforms were found in the MENA region (October 2023).

6.2 International Reward Crowdfunding Platforms

Verkami - Based on our tests, contributions can be made with credit cards from Egypt and Tunisia. The project can be presented in Arabic and English, with all menus available in English.

LaunchGood - An American crowdfunding platform focused on the Muslim community. Although primarily designed for donation campaigns, there is an option for reward-based campaigns, though there are only a few campaigns using it at the moment. It appears to be available only in English, and further confirmation from their support team for availability in the specific country is advisable.

Major American reward crowdfunding platforms are not accessible to creators in the MENA region.

There may be European crowdfunding platforms like Ulule or KissKissBankBank (French platforms) that could potentially serve MENA region projects. However, confirming their support for the region is essential before proceeding.

6.3 Other Types of Crowdfunding

Local Donation crowdfunding platforms

Shakaka - Headquartered in Tunisia, this platform focuses on donations and does not currently offer reward-based campaigns. It accepts credit card payments, and there are active donation campaigns, indicating a potential for reward crowdfunding success concerning payments in the country.

Yallagive - Based in the UK and registered in both the UK and the UAE.

It is exclusively for registered charities and has a significant amount of donations, indicating potential for reward crowdfunding in certain MENA region countries.

Note: These platforms might not be suitable for reward crowdfunding projects, as they do not offer the option to provide rewards. They are primarily geared towards charitable projects with no reward offerings.

Crowdequity Platforms

Eureeca - Soon to be available in the UAE to attract retail investors for businesses.

Crowdlending Platforms

NasLink - Based in Egypt, offering interest-free loans for businesses and individuals.

Amwal - An Egyptian crowdlending platform that enables retail investors to fund short-term loans for small and medium-sized businesses.

7. Campaign examples

Below are a few examples of successful campaigns run on Verkami.

- **Books** - Terror Anthology
- **Technology** - Trustto Team x Open Arms
- **Documentary** - Documentary: "Urpa, a cool sip to help save the Montagu's Harrier"
- **Film** - Condom Hunters
- **Cosmetics** - SIWID: Sérum that changes everything
- **Design** - Production of Woman'sBack®, the first backpack for women with breast cancer
- **Music** - VerdSions: Album + Novel

8. Factors Affecting the Development of Reward Crowdfunding in the MENA Region

8.1 Online Payments

Crowdfunding is based on promoting a web page online to gather contributions in exchange for the rewards offered. These payments are generally made through cards and online platforms. It is essential that there is card availability among the population and trust in conducting online transactions.

In most countries in the region, there has been an increase in e-commerce following the COVID-19 pandemic. However, it remains a minority choice compared to traditional commerce and other markets such as Europe.

There is still some scepticism regarding online payments in most of these countries due to fear of being defrauded, a situation that Europe experienced 10 or 15 years ago.

Entrepreneurs we have spoken to also highlight the difficulty, for instance in Tunisia, in obtaining a card due to a lot of bureaucracy and a complex process, causing many people to opt not to have one.

Additionally, Tunisia and Egypt have restrictions on using non-local e-commerce, which may lead the local audience to believe they cannot contribute if the platform used is not local.

And even if e-commerce usage is not restricted, there are often limitations on the maximum amount that can be paid in foreign currency.

We have conducted tests, and currently, contributions can be made from Tunisia and Egypt on Verkami. However, the situation may change in the future.

Lebanon is facing a significant banking crisis. A country that once had extensive online banking adoption among its population, the crisis has led to an exodus from the banking system, with almost all transactions now conducted in cash, making it impossible at the moment to run a crowdfunding campaign relying on contributions from the local community.

In countries like Egypt or Tunisia, we believe there is a growing environment for reward-based crowdfunding to thrive. An increase in e-commerce, along with the increasing penetration of card usage, could pave the way. Some donation-based crowdfunding platforms with online payment gateways have active projects that are raising funds. Among digitally engaged and culturally

active communities, when properly executed, crowdfunding can become a genuine alternative to traditional financing.

However, the situation in previous years was quite different, which may be one of the reasons for the limited success and survival of local reward-based crowdfunding platforms.

In some countries like Lebanon, without access to the banking system, it is currently almost impossible for the model to function. In Verkami, we have had two successful campaigns from Lebanon. The first one in 2012, titled 'A kufi octave: contemporary calligraphy,' took place before the country was affected by the banking crisis. In this case, the artist already had a community of followers for her art on social media, which included local, expatriate, and international supporters. The 35 contributions obtained also came from these three groups: local, international, and expatriate.

A more recent case is the audiovisual project 'Condom hunters' in 2023, initiated by two young filmmakers, one Spanish and the other Lebanese. Both have studied and have contacts in Europe and the United Kingdom. Contributions to the campaign came from these international contacts outside the country. In this case, all the rewards were already designed to be digital, eliminating the need for shipping costs, anticipating that contributions would come from outside the country.

In this instance, with a good network of international and expatriate contacts, it would be possible to propose a successful campaign from Lebanon. Nowadays, there are no borders for creators, and they can gain followers from anywhere in the world by sharing their work, for example, on social media.

So, it would be feasible for someone residing in Lebanon to launch a campaign on an international level. It would pose a challenge, especially if it were a project with physical rewards. It would be crucial to thoroughly examine shipping costs and carefully plan how the delivery process could be executed.

8.2 Crowdfunding Regulation

We've also observed the emergence of equity crowdfunding platforms in the region, following the success of platforms operating in Europe. In Europe, the regulation of this type of crowdfunding has begun in recent years, both at the European and national levels.

This development has prompted countries in the region, such as Tunisia and Egypt, to consider their own legislation to regulate equity crowdfunding, primarily to protect small investors who now could invest in companies and startups.

Based on our experience in Spain, there was some debate when discussions about crowdfunding regulation first began. However, it quickly became clear that only investment crowdfunding was being regulated, not reward-based crowdfunding. Reward crowdfunding is simply a purchase in exchange for a product or service made through the internet, which is already adequately regulated and does not require any special regulation. There is no specific regulation for reward-based crowdfunding in Europe, and it has been in existence for over a decade.

Nevertheless, the fact that there is a discussion about regulating crowdfunding without specifying which types of crowdfunding will be covered under this legislation can create uncertainty among potential entrepreneurs, as they may not be sure if their crowdfunding will fall within the country's legal framework.

Based on our experience in Spain, there was some debate when discussions about crowdfunding regulation first began. However, it quickly became clear that only investment crowdfunding was being regulated, not reward-based crowdfunding. Reward crowdfunding is simply a purchase in exchange for a product or service made through the internet, which is already adequately regulated and does not require any special regulation. There is no specific regulation for reward-based crowdfunding in Europe, and it has been in existence for over a decade.

Nevertheless, the fact that there is a discussion about regulating crowdfunding without specifying which types of crowdfunding will be covered under this legislation can create uncertainty among potential entrepreneurs, as they may not be sure if their crowdfunding will fall within the country's legal framework.

8.3 Economic Situation

The inflation being experienced in countries such as Egypt can also impact the establishment of this financing model. It is challenging to plan a budget for a project that ensures you can produce a series of products with a specific funding amount. And when the campaign ends, and it's time to start production, the production costs may have significantly increased.

As a result, you may no longer have the necessary funds for production, putting the project's viability at risk. Inflation forecasts must be considered at the pricing stage and before the start of the crowdfunding campaign.

In addition, crowdfunding tends to perform better during periods of economic prosperity because the community has a budget to spend on non-essential products. If the country is going through a challenging situation due to inflation and economic crises, it becomes even more challenging for crowdfunding to succeed.

The present report gives a practical step to step guide to launch a crowd-funding campaign in the South Mediterranean countries, it also provides a mapping of the existing crowd-funding platforms both at regional and country level. We stress that entrepreneurs should consider very carefully the economic context and various risks associated with the launch of the campaign before diving into this incredible experience.

9. Concluding Remarks

The present report gives a practical step to step guide to launch a crowd-funding campaign in the South Mediterranean countries, it also provides a mapping of the existing crowd-funding platforms both at regional and country level. We stress that entrepreneurs should consider very carefully the economic context and various risks associated with the launch of the campaign before diving into this incredible experience.

INVESTMED

Thinking and acting for the future of the Mediterranean

The Euro-Mediterranean Economists Association (EMEA) is a Barcelona-based regional think-tank that serves as a leading independent and innovative policy research institution; a forum for debate on the political and socio-economic reforms in Mediterranean and Africa; and promoter of actions and initiatives that fulfil objectives of sustainability, inclusiveness, regional integration and prosperity.