

Crowd equity, Sweden

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1. Who developed the tool?

Local Investment Companies (LIC), the public and projects.

Leo Padazakos developed the tool and can be seen in this video clip from 55 minutes in <http://lokalekonomerna.ning.com/video/financial-tools-for-living-local-economies-hillevi-helmfrid-ylva>

2. Why was the tool put in place?

LICs are a tool used to create local capital for investment at a local level. This financing can be used to support projects and entrepreneurs which have been unable to secure funding through traditional sources and acts as match funding for RDPs and through LAGs LDSs.

3. What does the tool do?

Crowd equity allows businesses and individuals in a community to come together through a web based platform to provide financial support to local entrepreneurs to start or expand their businesses. A community forms a LIC around a specific geographical area, then a small business can present its start up or expansion business plan to that LIC and if the LIC feels the plan is solid and good for the community it establishes a web based campaign through the platform to start raising funds. Members of the community can then invest directly in the business by purchasing one of its value share certificates for a set amount which provides access to special offers. This could include coupons and discounts for individual investors or other special offers to bring them closer to the business and entrepreneur they've supported. Once the business is making a profit it pays the individual investors back along with a pre-determined premium.

4. What was the main impact on the financing of LEADER and on which level was this impact achieved?

The crowd equity process enables LAGs to attract additional private resource to match fund enterprising project activity. The crowd funding approach could also be used more widely to support non enterprising projects or enable communities to invest directly in to the LAGs LDS. This encourages LAGs to think more creatively about their LDS and support activity not solely related to the RDP whilst also secure private funding to aid the delivery of their strategies.

5. What was needed to be able to design and implement the tool?

The LIC needs to include individuals with enterprise experience who are able to assess the business plans of those entrepreneurs seeking support. A robust local campaign which raises awareness amongst local communities and businesses of the LIC, its purpose and how to engage is vital to ensure entrepreneurial ideas receive the support requested.

6. What are the lessons learnt and relevance for LEADER 2014-2020?

This approach is transferable throughout member states and provides LAGs with further opportunities to secure financing to support the delivery of their LDSs.

7. Is there any further information on the practice?

www.crowdequity.com

Several country specific crowd funding websites are also available for example: <http://www.nordiclokalkapital.se/>