Alternative Finance – and how to use it for development?

Robert Pašičko, PhD
UNDP Alternative Finance Lab
robert.pasicko@undp.org
Lately, the language of funding has gotten very strange.

- equity-based crowdfunding;
- person-to-person lending;
- crypto currencies;
- mobile money;
- blockchain technology;

new players are disrupting the field of financing!

How to use it for development? And why?
UNDP Alternative Finance Lab

- Led by K&I team from Istanbul Regional Hub (Millie, Marina, Robbie + others);
- Currently supporting 20+ countries (across all the globe) on designing and running a variety of alternative financing;
- Mobilized USD 3 million in 2016 for projects;
- Crowdfunding pilots in 2016 raised USD 500,000;
- Forecast based finance prototype;
- Blockchain applications in several countries (focus on remittances, diaspora, green energy);
- Different crowdfunding business models in developing world;
- Social impact bonds and impact investment...
How can alternative finance be new solutions to the old problems?

• WHAT is crowdfunding?
• WHY using it?
• HOW?
• BLOKCHAIN – and how can it help?
WHAT IS CROWDFUNDING?
TRIUMPHANT COMPLETION OF THE WORLD’S FUND FOR THE LIBERTY PEDESTAL.


N O T H I N G  N E W!
Crowdfunding is a public call via the Web 2.0 with the aim to mobilize financial resources for a certain project with and without returns.

Source: Karsten Wenzlaff, German Crowdfunding Network
CROWDFUNDING MODELS

- Group financing
  - Crowdfunding
    - Donation
      - Donations
    - Rewards
      - Rewards
    - Lending
      - Peer-to-peer lending
    - Equity
      - Equity

Community

Investors
1-2-6-16-34 billion $/y...
Numbers

Global Crowdfunding

Venture Capital

2012 2013 2014 2015
Global crowdfunding

By sector, $bn

- Business and entrepreneurship [2013: 1, 2014: 7]
- Social causes [2013: 1, 2014: 3]
- Films and performing arts [2013: 1, 2014: 2]
- Property [2013: 1, 2014: 1]
- Music and recording arts [2013: 1, 2014: 1]
- Science and technology [2013: 1, 2014: 1]
- Art [2013: 1, 2014: 1]
- Publishing [2013: 1, 2014: 1]

Source: Massolution

Economist.com
Growth by crowdfunding region prediction for 2015 in millions of USD (research based estimate)
Online Alternative Finance Volume per Capita in Europe

Source: Sustaining Momentum - The 2nd European Alternative Finance Benchmarking Report – Cambridge University
WHY is crowdfunding important?
Crowdfunding is a new normal

• ...and is here to stay.
• Has gone mainstream and changes the way entrepreneurs think about raising money for business.
• The European alternative finance market grew by 144% in 2015;
• The global impact investment market is projected to grow over $3 trillion in the coming years;
Apart from money, crowdfunding is...

- A campaign instrument
- Community building
- Marketing instrument (media, visibility)
- Political instrument (to make pressure towards important actors)
- Innovation tester
HOW?
WHO ARE WE? WHAT ARE WE DOING?
Crowdfunding Academy
Supporting Indiegogo campaigns since 2015

$161,148 USD raised across all campaigns

12 Campaigns

20 campaigns in 2016 worth USD 500,000!
Crowdfunding Academy – how does it work?

- Public call for teams
- Teams selection (criteria)
- Webinars with homework OR
- LIVE work with teams 3-4 days sit together
- Individual work with teams (skype, email)
- Mentoring and finishing a campaign
- Preparation of campaign
- Launching!
Fabula Organic Pencil
The most sustainable pencil in the world!
with Crowdfunding Academy
$17,758 USD
InDemand

Solar Retro Sailboat - Solarni retro jedrenjak
Solar sailboat project for cleaner Adriatic Sea - Solarni jedrenjak za... with Crowdfunding Academy
$20,814 USD
InDemand

Guzgef Solar School
Help us improve education facilities in rural Tajikistan and provide better education for children.
with Crowdfunding Academy
$8,092 USD
InDemand

STEM! - A Robot You Can Make On Your Own At Home
STEM! is a Hexapod Robot you can make on your own at home. Create...
with Crowdfunding Academy
$36,816 USD
InDemand

Lighten the Load of Syrian Mothers
Let’s get baby slings to support mothers carrying babies to a safer life
with Crowdfunding Academy
$13,289 USD
75%
No time left

Brlog. A cooperative brewery on the Croatian coast
First women run cooperative craft brewery in Croatia.
with Crowdfunding Academy
$11,856 USD
148%
No time left

Subversive Festival: Create Freedom
Prompt Education, Activism & Social Awareness: Support Subversive...
with Crowdfunding Academy
$6,442 USD
72%
No time left

Taste of Home: A Kitchen Run by Refugees
Taste of Home (Okus doma) is a social cooperative run by refugees...
with Crowdfunding Academy
$19,649 USD
112%
No time left

Help us repair the elderly center in Balykchy city
It is the only center left in the region.

Make apples cool!
Help us provide sliced, attractive fresh fruit snacks for school kids in

Balkan Waters
Children’s comics against floods, books for clean rivers.
STEMI

DIY kit + Video Tutorials =

$35,168 USD total funds raised
Brlog

$11,856 USD raised by 302 backers
148% of $8,000 flexible goal
Taking Responsibility!

**STEMI hexapod/early bird**
+ education  
$235  
SOLD OUT

**STEMI hexapod/2nd early bird**
+ education  
$249

**STEMI hexapod**
+ education  
+ robot cover  
$279

**STEMI hexapod**
+ education  
+ robot cover  
+ Skype tutoring (total 6 hours)  
$339

**STEMI Angel**
Meet us in Croatia and we’ll make together custom hexapod robot.  
$4000

---

**Iterating on robot**
- DFMA optimization
- Third prototype production
- Beta testing

**Production preparation**
- Mold production
- Sheet finish optimization
- Pick & place tooling
- Package optimization
- Production run setup

---

**Start of full scale production**

**SUBPHASE: Small batch**
- First batch components
- Production
- Quality check
- Packaging and shipment

**SUBPHASE: Big batch**
- First batch components
- Production
- Quality check
- Packaging and shipment

**Educational content development**
- Content creation
- Instruction design
- Multimedia production
- Beta testing

**Website development**
- Wireframing
- Front end development
- Back end development
- User testing

---

**Timeline**
- Dec
- Jan
- Feb
- Mar
- Apr
- May
- Jun
- Jul
- Aug
- Sep
Easy as a walk in a park!?  

Hmmm…

It’s more like a tough football match!

You need:

– Strong team
– Good game plan
– Loads of supporters
Integration od IDP/refugees with a help from crowdfunding
The UN Refugee Agency is working to relieve a global crisis. You can help.

$1,465,163

Contributed

22,557

Donors
Taste of Home (Okus doma) is a social cooperative run by refugees, migrants and volunteers!

#refugees #food #catering #migrants #integration
Non–financial gains:
- Huge visibility in media (even published in yahoo.com)
- Over 500 online contributors + hundreds more offline
- Already created market through pre-orders, contributors
- Positive example of integration of refugees / migrants attracts like-minded people around the same action

Positive example for others to follow:
- Social cause before profit
- Alternative financing possibilities
- Using the power of the crowd
Lighten the Load of Syrian Mothers

Let's get baby-slings to support mothers carrying babies to a safer life

Marko Gregović
Zagreb, Croatia

$13,289 USD raised by 442 backers
OUR „BUSINESS” MODEL

1. Several people (1-3) get together over their idea
2. They start including others to see their interest
3. If support works, they set up an SME / cooperative to move it further
4. SME/Cooperative prepares crowdfunding campaign
5. Crowdfunding campaign includes several hundred supporters, to get media attention and to build up a larger tribe
6. Project / Business is being developed as plan, and it is working
Blockchain and how can it help?
Blockchain technology

Centralized (A)

Decentralized (B)

Distributed (C)
The blockchain is radically changing the future of transaction-based industries.

- E-commerce
- Global Payments
- Remittance
- P2P Lending
- Microfinance
- Healthcare
- Title Records
- Ownership
- Voting
- Intellectual Property

Smart Contracts
- Digital Rights
- Wagers
- Escrow

Digital Currency
- Equity
- Private Markets
- Debt
- Crowdfunding
- Derivatives

Record Keeping
- Voting
- Intellectual Property
SOLUTIONS from BLOCKCHAIN

1. VIRTUAL IDENTITY CARD
2. VIRTUAL WALLET TO SEND AND RECEIVE MONEY
3. HUMANITARIAN AID TRANSFER
4. REMITTANCES/DIASPORA TRANSFER
VIRTUAL IDENTITY CARD

WORLD CITIZEN ID & EMERGENCY ID

- BIOMETRICS
- ESDCA SIGN
- BLOCKCHAIN TIMESTAMP
- GENERATE QR CODE & PDF

BITNATION
BLOCKCHAIN ID

PHOTO

IDENTITY DATA

<table>
<thead>
<tr>
<th>Name</th>
<th>MARINA PETROVIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Birth</td>
<td>19831026</td>
</tr>
<tr>
<td>Height</td>
<td>158cm</td>
</tr>
</tbody>
</table>

WITNESSES

1st witness: VIKTORIJA KUNSTEFK
2nd witness: LJUSE JAKOVCEV

QR CODES

JSON ENCODED DATA ENTERED BY USER:

```
{name: "Susanne Tankoweil Tempelhof", dateOfBirth: "19831026", height: "158cm", witness1: "Christoph Tempelhof", witness2: "Elizabeth Tankoweil", "imageHash": "P3kthKUIkUuUZK3085W8w55mQ7Xm9n5mdVRJn6UouJTkKmKHo+HbQWqQ.pLOW4dWY2yZY2yYJQfA=="}
```

VERIFICATION DATA (ENCODED AS BASE56):

```
"publickey": "XYewl+2s48loGjzMc3E3xzv9A7bOPWyQz2s6B4E="; "signature": "mnmKCM7SaBkXQ4kaPDMemh4f8mgj7CZqalRuK/xMeBzZGyC7Fem1G1kxGC56WUShEag6hNP/YkTvFyOeAQ=="; "rnhkFk".
```

Save as PDF (only works on large screens like laptops)
AID:Tech
To Empower Through Transparency
Blockchain Technology For Integration of IDPs and Refugees
UNDP Serbia & AID:Tech are Conducting a Project in Serbia Where Diaspora will Be Able To Send Remittances To a Recipients via Digital ID and Blockchain Technology
Blockchain Digital Identity

Blockchain Technology enables a Digital ID to be Created and issued to IDPs and Refugees

Universal Identity That Works Across Countries and Continents

Reduce Need For IDPs & Refugees To Re-Register at Each Crossing

Promote Financial and Social Inclusion
Promote Integration

Blockchain and Digital ID Enables NGOs to Distribute Aid & Services Directly to IDPs and Refugees

Enable IDPs & Refugees to Build Credit Profile

Obtain Health Care & Social Services

Empowerment Via Modern Technology
Example - IDP/Refugee Obtains Product From Supermarket using Blockchain Digital ID

Real Time, Transparent Record of Event Stored on Blockchain

AID:Tech Digital ID
Bitspark project
Transfer of remittances from Russia to Tajikistan
Thank you!