

MEMORANDUM

Re: Crowdfunding in Ukraine: Trends and Figures

From: Pact Inc

To: Interested parties

Date: February 8, 2017

Executive Summary:

Ukrainians have been actively using international crowdfunding platforms, such as Kickstarter, IndieGogo and GoFundMe, since crowdfunding gained popularity worldwide as a tool for raising funds for various causes and ideas. Domestic platforms were established as early as 2011, including the Ukrainian Philanthropic Marketplace and Spilnokosht, which provided new opportunities for civil society initiatives, social entrepreneurship, and people in need to reach out to Ukrainian audiences. Since the Revolution of Dignity, crowdfunding in Ukraine has gained popularity as a fundraising tool for diverse issues, from humanitarian relief for people affected by the military conflict through platforms such as families.org.ua and People's Project, to community development and social innovation.

Internationally, four types of crowdfunding are defined as:

1. ***rewards-based crowdfunding***: backers contribute an amount of money in exchange for an item produced (pre-order option);
2. ***donation-based crowdfunding***: money is raised for charity or a specific cause, like drilling a well or building a school in a needy community or for a personal campaign like an individual's medical treatment;
3. ***equity crowdfunding***: investors invest large amounts of money in a company in exchange for a small piece of equity in the company;
4. ***investment crowdfunding***: lenders make a loan with the expectation to earn back their principal plus interest¹.

In Ukraine, the latest developments in crowdfunding indicate various societal segments are consolidating to solve pressing issues, and that trust within the society towards one another has grown. Thus, the new type ***community-enhancing crowdfunding*** has emerged, distinctive from other types, which maximizes donor engagement for a positive impact on society.

International Platforms Supporting Projects in Ukraine

Ukrainians used international crowdfunding platforms, such as Kickstarter, IndieGogo and GoFundMe, before Ukrainian platforms were developed, and they continue to use them. International platforms are rewarding since they help target Ukrainian diaspora as well as the broader international community. Kickstarter and IndieGogo are rewards-based platforms mainly used by start-up businesses, although

¹ Many sources, such as <http://crowdfundinghacks.com/different-types-of-crowdfunding/>

they also support charity campaigns. GoFundMe, a donation-based crowdfunding platform, gained popularity for raising funds during EuroMaidan and in response to the crisis in eastern Ukraine.

KickStarter, launched in 2009, has supported over 119,000 projects all over the world, primarily focused on artistic and business projects. KickStarter projects have raised \$2.9 billion from 12 million backers². The projects in Ukraine can be found in categories from technological know-how (Gooli) to support for up and coming artists (United People First). One the most successful Ukrainian Kickstarter campaigns is Ohhio chunky knits, which raised over \$300,000, received extensive media coverage, and was a huge hit in the "Made in Ukraine" movement.

Indiegogo supports creative and entrepreneurial ideas of all shape and size, as well as non-profit and humanitarian projects. Established in 2008, the platform has supported the launch of 650,000 projects, helping them raise over \$1 billion and engage over 11 million backers³. The platform gives special attention to non-profit projects, offering 0% fee for non-profit projects focused on social causes. Indiegogo hosted the crowdfunding campaign of Ukraine's Hromadske Radio and campaigns for Ukrainian students raising funds to study abroad.

Ukrainian Crowdfunding Platforms

In recent years, several Ukrainian crowdfunding platforms have developed focusing on diverse issues, such as humanitarian relief for victims of Maidan and the conflict in eastern Ukraine, and innovative civil society and community development projects. Ukrainian crowdfunding platforms can be defined according to their specialization: support humanitarian issues, non-profit projects, or social entrepreneurship.

1. **Charity-giving crowdfunding** (more commonly referred to as donation-based crowdfunding outside of Ukraine) helps raise funds for targeted assistance to people in need or to resolve pressing issues mainly of individual concern. Examples of charity-giving crowdfunding include fundraising for an individual's medical treatment or long-term medical care, renovation of a damaged building, or funds for university fees. Several charity-giving crowdfunding platforms were established after EuroMaidan, such as families.org.ua and People's Project, while others like Ukrainian Philanthropic Marketplace (UBB) and Tabletochki existed before.

UBB was launched in 2012 to raise funds for charity issues such as surgeries and treatment for children with serious diseases, injured soldiers and IDPs, financial assistance to orphans, and the purchase of medical equipment.

2. **Community-enhancing crowdfunding** employs philanthropy to bring value to a given community and contribute to the development of open society incentives which go beyond direct benefits to project creators and backers⁴. Projects focus on urban development and infrastructure, information sharing or educational projects, public broadcasting, etc. Community-enhancing platforms include Spilnokosht, Moy Gorod (for urban development projects in Odesa) and GoFundEd (new platform for educational projects).

² <https://www.kickstarter.com/about>. Accessed 7 February 2017.

³ <https://www.indiegogo.com>. Accessed 7 February 2017.

⁴ Definition by Iryna Solovey, Spilnokosht founder, President of NGO "Garage Gang"

Spilnocosht is a platform for community development projects in the sphere of urbanism, art, media, human rights, technology, and education. Founded in 2012 on the basis of the social innovation platform “Biggg Idea” and supported by Pact under the UNITER project, Spilnocosht was one of the first and the most well-known Ukrainian crowdfunding platforms for social innovations and community development projects.

Despite relatively lower levels of fundraising, Spilnocosht is an example of how community funding impacts complex transformation processes in Ukraine. For example, Hromadske Radio campaigns on Spilnocosht demonstrate the public's willingness to pay for unbiased information and support reform in public broadcasting. Hromadske Radio's first campaign on Spilnocosht opened in 2013, before the start of EuroMaidan. A turning point in the Ukrainian culture of giving followed, with Hromadske TV's 1 million hryvna fundraising campaign. Since 2013, Spilnocosht has hosted three campaigns for Hromadske Radio targeting the Ukrainian diaspora.

Spilnocosht developed a special approach to crowdfunding in which the success of a campaign is the responsibility of its creators, and the focus of a campaign should be the interests of campaign donors. Spilnocosht promotes the development of a culture of giving, whereby the donor cares about quality project implementation by holding the creator accountable for spending the funds donated (so-called strategic philanthropy). With its recent modifications, Spilnocosht now provides opportunities for initiatives to fundraise for institutional support to enhance the sustainability of non-profit innovative solutions. Institutional crowdfunding can now be managed through Spilnocosht, or via a special button “donate” on the website of many Ukrainian NGOs.

GoFundEd is a new crowdfunding platform for educational projects that allows teachers to raise funds for their innovative projects at schools to develop schoolchildren's key skills. As of January 2017, the platform has hosted 20 successful campaigns and raised over 300,000 UAH.

3. **Rewards-based crowdfunding** platforms of the Kickstarter type, which offer pre-order options for backers and start-up funding for creators, are still developing in Ukraine. One example is Komubook, the Ukrainian platform for crowd-publishing. In return for contributing funds for a book's publication, backers are provided a copy of the book in return. Na Starte is also built on the idea of group buying as a means to fund innovative entrepreneurial ideas.

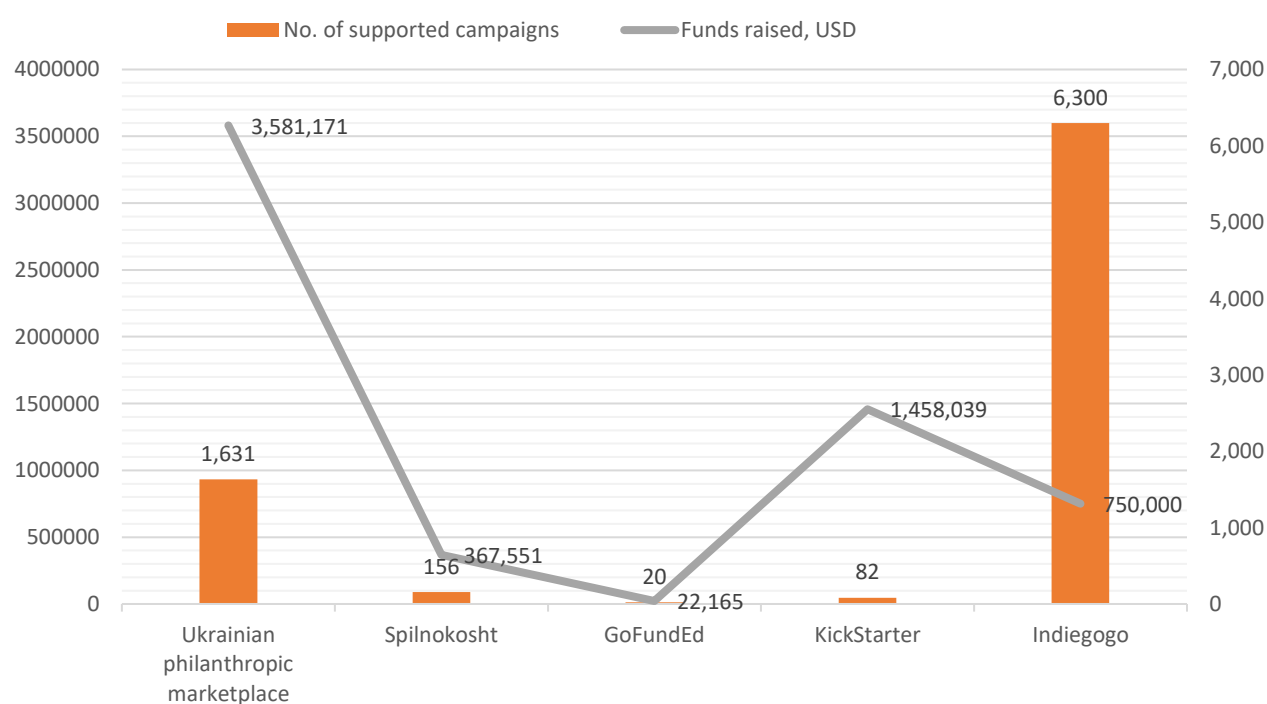
Ukrainian and International Crowdfunding Platforms Funding Causes in Ukraine

The table and figures below present statistics from Ukrainian fundraising campaigns on various platforms, both international and Ukrainian.

Table 1. Crowdfunding platforms for Ukrainian fundraising campaigns: campaigns supported, funds raised, number of givers.

Platform name	No. of supported campaigns	Funds raised, USD	No. of givers/ supporters	Year platform was established
Ukrainian philanthropic marketplace ⁵	1631	3,581,171 ⁶	514,512	2011
Spilnokosht ⁷	156	367,551	21,448	2012
GoFundEd ⁸	20	22,165	550	2015
KickStarter ⁹	82	1,458,039	n/a	2010
Indiegogo ¹⁰	6,300	750,000	4,500	2008

Figure 1. Funds raised and number of campaigns supported by Ukrainian and international crowdfunding platforms for Ukrainian projects.



⁵ <https://ubb.org.ua/>. Accessed 2 February 2017.

⁶ <https://bank.gov.ua/control/uk/curmetal/detail/currency?period=daily>. Accessed 4 February 2017.

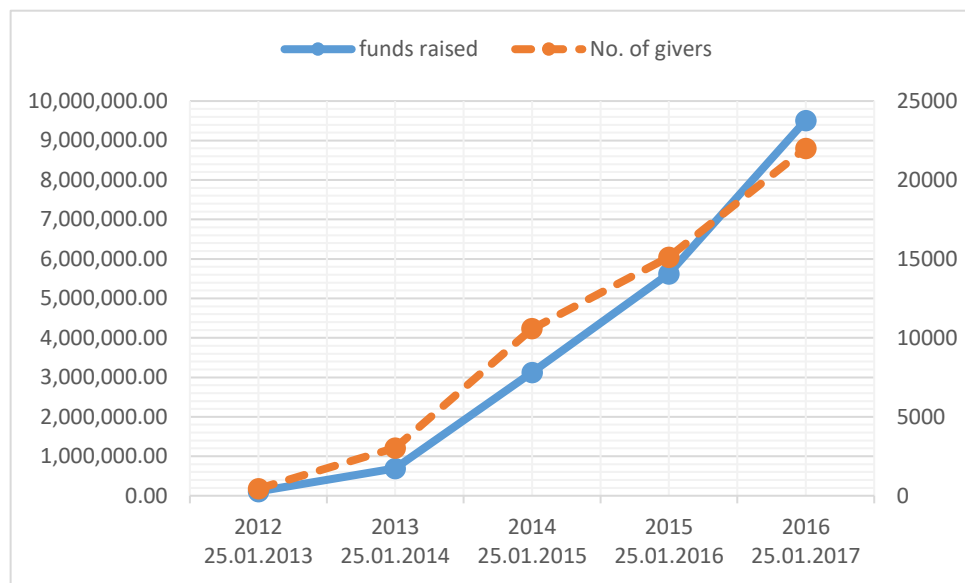
⁷ <https://biggggidea.com/>. Accessed 2 February 2017.

⁸ Data provided by Gofunded upon request.

⁹ Self-calculation based on KickStarter data. Accessed February, 4 2017.

¹⁰ Data provided by Indiegogo upon request.

Figure 2. Fundraising via Spilnokosht: amount of funds raised (USD) and number of givers.



Analysis and conclusion

- According to available data, Ukrainian Philanthropic Marketplace (UBB) is the leading platform in terms of funds raised for Ukrainian campaigns, with over USD 3.5 million raised over the 5 years since the platform's creation. This Ukrainian platform outpaces both the international leaders in crowdfunding – Kickstarter and Indiegogo – with funds raised for Ukrainian issues. However, the number of campaigns supported through Indiegogo is higher than through any other platform. A comparison of platform statistics is still rough due to the specialization of each platform.
- Spilnokosht and the newly established GoFundEd, representing the third type of platform distinctive for Ukraine, community-enhancing philanthropy, were able to fundraise smaller amounts and support fewer campaigns. However, the data (Figure 2.) indicate that the funds raised via Spilnokosht almost doubled each year compared to the previous one.
- Data on Ukrainian crowdfunding platforms portray certain values driving the activity of average Ukrainian philanthropists. Data show that consolidation and mutual trust within the society grew since the EuroMaidan events. However, they also indicate that more Ukrainians are eager to donate for pressing issues that require immediate response than for systemic changes offering complex transformations.
- The tendency of Ukrainians to fund pressing issues rather than community solutions points to the need to develop a culture of giving within Ukrainian society. This involves comprehensive research on the audiences and education of donors that will help promote a culture of smart giving within the society and ensure effective community consolidation for change-making solutions. Within these tasks, platform specialization would help develop targeted approaches to the community of donors.

Links

Families.org.ua: <http://families.org.ua>

GoFundEd: <https://gofunded.org/>

Hromadske Radio: <https://biggggidea.com/project/gromadske-radio-v-tvoemu-misti/>

Indiegogo: <https://www.indiegogo.com>

Kickstarter: www.kickstarter.com

- Gooli: <https://www.kickstarter.com/projects/2055154151/gooli>
- United People First:
<https://www.kickstarter.com/projects/1568538152/united-people-first-album-and-trip-to-festival-in>
- Ohhio: https://www.kickstarter.com/projects/1163965827/ohhio-braid-unique-craft-material-for-chunky-creat?ref=nav_search and
https://www.kickstarter.com/projects/1163965827/ohhio-gorgeous-chunky-knits?ref=nav_search

Komubook: <http://komubook.com.ua/>

Moy Gorod: <https://mg.od.ua/>

Na Starte: <http://na-starte.com/>

People's Project: <http://www.peoplesproject.com/>

Spilnokosht: <https://biggggidea.com/project/edcamp-ukraine-2016/>

Tabletochki: <http://tabletochki.org>

Ukrainian Philanthropic Marketplace: <https://ubb.org.ua/en/>