

The benefits & challenges of matched crowdfunding

Lessons learnt from Trust for London and City Bridge Trust's Improving Life for Londoners fund - Summary Report

The Social Innovation Partnership 2018

Introduction

Crowdfunding websites provide a platform through which individuals and groups can raise money for projects from the general public. By enabling individuals to contribute directly to causes they support, it has the potential to democratise funding and to localise decision-making. This potential has attracted interest from institutional funders, including charitable trusts and local authorities. Recently, several institutional funders have begun channelling grants through crowdfunding websites by setting up designated match funds for projects that are crowdfunding. This is in the hope that it will make the grant funding process quicker, more accessible and more transparent. But are these benefits borne out in practice?

Improving Life for Londoners (the Fund) was a £100,000 joint fund between Trust for London (TFL) and City Bridge Trust (CBT) on Crowdfunder.co.uk for projects tackling poverty and inequality in London. This pilot project offered grants of up to 50% of a project's crowdfunding goal up to a maximum of £10,000 per project. The Fund ran from March -December 2017. It was a light-touch approach which both Trusts hoped would reach new groups and new ideas. Trust for London was the lead funder.

What we funded



Key findings: At a glance

1. Did the Fund attract innovative projects?

Only a few grantees exhibited the kinds of innovation the Trusts were hoping to see (e.g. bringing together groups who wouldn't usually work together; or using new technology or approaches to address entrenched problems, but most were able to highlight ways in which their projects were distinct.

2. Did the Fund reach groups that would not otherwise have applied to either Trust?

For the most part, yes. A large proportion of grantees had never heard of either Trust.

3. Did the Fund reach projects that would not otherwise have been eligible for the Trusts' small grants?

Yes, around half of the grantees. The Fund had broader eligibility criteria than either Trust's regular grants programmes.

4. What were the benefits and challenges of piloting a more light touch approach to funding decisions?

Benefits of a more light touch approach to funding decisions included the opportunity to experiment with a different way of working, the way it encouraged a focus on essential grantee information and due diligence, and the opportunity to simplify the application process for grantees. Challenges included making decisions based on less information, working within existing processes and protocols and sometimes poor quality applications.

5. Did working through a crowdfunding platform speed up the small grants process?

It may not have saved the Trusts' time (due to learning new processes, timing of applications etc.) but the length of time from application to decision was notably faster, and grantees heard back quickly.

6. What were the benefits and challenges of making grants via a crowdfunding platform?

Benefits of making grants through a crowdfunding platform included the ability to partially rely on projects' crowdfunding pages and the 'wisdom of the crowd' to simplify the application process, the visibility of the fund online, and the ability to target projects that might be suitable. Challenges included the time it took to get the fund setup, and working with the platform's functionality.

7. How did grantees experience the matched crowdfunding process?

Grantees found the matched crowdfunding process challenging but positive. Most were crowdfunding for the first time and found it required a lot of time and skill.

Conclusion

Improving Life for Londoners offered Trust for London and City Bridge Trust a chance to experiment with matched crowdfunding and learn from the process. The Trusts hoped to reach groups that would not naturally approach either Trust, to support projects that might not qualify for their other funding streams and to generate new and innovative ideas for tackling poverty in London, while piloting a more light-touch approach to grant-making. On these fronts the fund had some limited success, although it was not without its challenges.

Recommendations

Charitable trusts should continue to experiment with matched crowdfunding, as there are ways it could complement their regular grant-making activities including:

1. As a means of continuing to reach and support early stage projects and innovative ideas that are increasingly drawn towards crowdfunding platforms.
2. As an option for projects that would otherwise fall between their funding streams.
3. As a way of stimulating community activities in isolated areas.

However, there is also a need to invest in capacity building support to ensure small groups have the skills and confidence to develop good crowdfunding campaigns.

