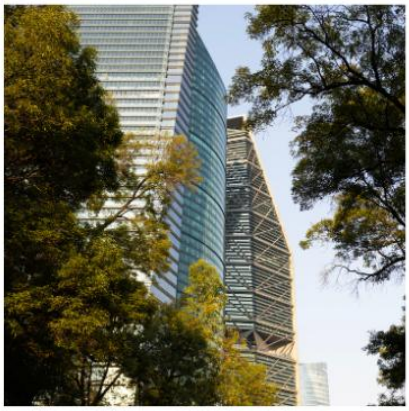
PROSPECT





Learning Handbook on Crowdfunding for Citizen Financing

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About the project

PROSPECT aims to strengthen the capacity of local and regional authorities (LRAs) across Europe to implement sustainable energy and climate actions by reducing reliance on public funding and increasing the use of innovative financing schemes (e.g., one-stop-shops, energy agencies, energy communities). The project offers a peer-to-peer Capacity Building Programme (CBP) tailored to the needs and time constraints of LRAs, available in multiple languages and structured in adaptable learning modules. Through large-scale outreach, including very small and remote LRAs, PROSPECT CUBE acts as an entry point to EU programmes and financing opportunities for authorities with limited experience in the field.

PROSPECT CUBE builds upon two successful Horizon 2020 initiatives: PROSPECT (2017–2020) and PROSPECT+ (2022–2025).

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List of abbreviations

Abbreviation	Description
CBP	Capacity-Building Programme
EE	Energy Efficiency
EIB	European Investment Bank
EPC	Energy Performance Contracting
ESIF	European Structural and Investment Funds
ESMA	European Securities and Markets Authority
EU	European Union
ICLEI	Local Governments for Sustainability
LRA	Local and Regional Authority
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
P2P	Peer-to-Peer
PV	Photovoltaic
RES	Renewable Energy Sources
SME	Small and Medium-sized Enterprise
URBACT	European Territorial Cooperation Programme for sustainable urban development
ZEZ	Zelena Energetska Zadruga (Green Energy Cooperative – Croatia)

1. Introduction

Local and regional authorities (LRAs) across Europe are facing increasing pressure to deliver ambitious energy, climate and sustainability objectives while operating under constrained public budgets and growing social expectations. In this context, citizen-led financing has emerged as an important complementary approach to traditional public funding, enabling communities to actively contribute to the financing and shaping of local projects.

Building on this broader concept, crowdfunding has become one of the most accessible, flexible and scalable citizen financing mechanisms available today. By mobilising small contributions from a large number of individuals through digital platforms, crowdfunding allows public-interest projects to attract financial resources while simultaneously strengthening citizen engagement, transparency and trust.

1.1. Purpose of this handbook

This handbook focuses specifically on crowdfunding for citizen financing, with particular relevance to energy, climate and sustainability projects led or supported LRAs. Its purpose is to introduce crowdfunding as an enabling, innovative tool, rather than as a substitute for existing public funding, grants and/or traditional forms of finance. It therefore aims to demonstrate how crowdfunding can be used strategically and selectively, as part of a broader mix of financing, participation and engagement approaches, and under which conditions it can add value to public-interest and citizen-led initiatives.

The handbook builds on the experience, good practices and lessons learned developed through the previous PROSPECT initiatives, and updates and expands this knowledge base by integrating recent case studies, evolving policy frameworks and new implementation insights from across Europe. In doing so, it reflects the growing maturity of crowdfunding in the public sector, as well as its increasing interaction with EU funding instruments, regulatory frameworks and local governance practices.

1.2. Target audience

This handbook is relevant for a broad range of public-sector practitioners involved in the planning, financing and implementation of local and regional projects, providing guidance on how crowdfunding can be applied in practice. It is addressed in particular (but not limited) to:

- Local and regional authorities exploring new ways to support local projects, strengthen citizen engagement and advance energy, climate and sustainability action.
- Policy officers and practitioners who wish to better understand the opportunities, limitations and risks associated with crowdfunding and citizen financing.

- Community groups and citizen-led initiatives looking for funding, visibility and support to turn local ideas into concrete projects.
- Energy communities and cooperatives interested in citizen finance, community investment and participatory energy models.
- Intermediary organisations, NGOs and project developers supporting local transitions and working at the interface between public authorities, citizens and investors.

In addition, it can be also useful for practitioners from the private and civil society sectors who collaborate with public authorities on crowdfunding initiatives.

1.3. How to use this handbook

The handbook adopts a flexible learning approach, moving from conceptual explanations to practical guidance and lessons learned, and can therefore be consulted either in a linear or more targeted manner, depending on individual needs or stage of engagement with crowdfunding. In this way, readers may refer to it as needed for their own context, to:

- build a solid understanding of crowdfunding as a citizen financing mechanism,
- identify when and where crowdfunding is an appropriate solution,
- follow a step-by-step approach to designing and implementing a crowdfunding campaign,
- anticipate benefits, risks, barriers and success factors, and
- access further resources, tools and references.

Readers may also return to the handbook at different moments throughout the life cycle of a project.

2. Understanding crowdfunding for citizen financing

Citizen financing, referred to also as citizen funding or community financing, encompasses a range of mechanisms that enable individuals to financially support projects that generate public or collective benefits. Within this broader landscape, crowdfunding stands out due to its low entry barriers, flexibility and ability to combine financing with engagement (OECD et al., 2018).

Compared to other citizen finance models - such as cooperatives or energy communities[1] - crowdfunding typically: (i) requires lower minimum contributions, (ii) is easier and faster to launch, (iii) relies heavily on communication, storytelling and social networks, and (iv) allows for experimentation and piloting before larger investments are made. Especially for public authorities, it can act as both a financing and participatory tool, enabling citizens active involvement and trust-building in public action (Charbit & Desmoulins, 2017; Mayer, 2016; Todeschi et al., 2025).

2.1. Crowdfunding as a form of citizen financing

Crowdfunding is a non-traditional financing mechanism that connects project initiators directly with a large number of individuals (the “crowd”) who contribute small amounts of money to support a specific project. Contributions are typically made through online platforms that provide the technical, legal and organisational infrastructure for collecting funds, communicating with contributors and, where relevant, managing returns (Jenik et al., 2017; Lenart & Chen, 2021).

At its core, crowdfunding is characterised by:

- Open calls to the public to contribute financially to a defined project.
- Digital platforms acting as intermediaries between project owners and contributors.
- A large number of small contributions rather than a few large investors.
- Clear project narratives, funding targets and timelines.

While crowdfunding originated primarily as a tool for entrepreneurs and creative industries, it has increasingly been adopted in the public and non-profit sectors, where it is often referred to as civic crowdfunding or public-interest crowdfunding (ECN, 2016).

[1] Energy communities and cooperatives are addressed in a separate, complementary learning handbook dedicated to collective and community-based citizen finance models.

In this context, crowdfunding is used not only to mobilise financial resources, but also to support citizen engagement, co-creation and the delivery of local public goods (Charbit & Desmoulins, 2017; Lenart, 2021; Mayer, 2016; Todeschi et al., 2025).

2.1.1. How it works in practice?

Compared to traditional financing methods such as bank loans, crowdfunding offers a more accessible and flexible way of mobilising capital. Traditional finance often relies on strict requirements related to credit history, collateral and stable cash flows, which can create significant barriers for innovative, entrepreneurial or small-scale initiatives and lead to well-documented problems of credit rationing. Crowdfunding addresses these constraints by enabling projects to reach a large number of potential contributors quickly, with relatively low administrative burden, while allowing direct interaction and regular feedback between project initiators and participants (Miglo, 2021). In this way, the potential risk for managing authorities of financing unsuccessful projects can be mitigated through the "wisdom of the crowd" principle, whereby a diverse mix of individual, professional and institutional contributors effectively act as a sounding board for project ideas (European Commission & EIB, 2020).

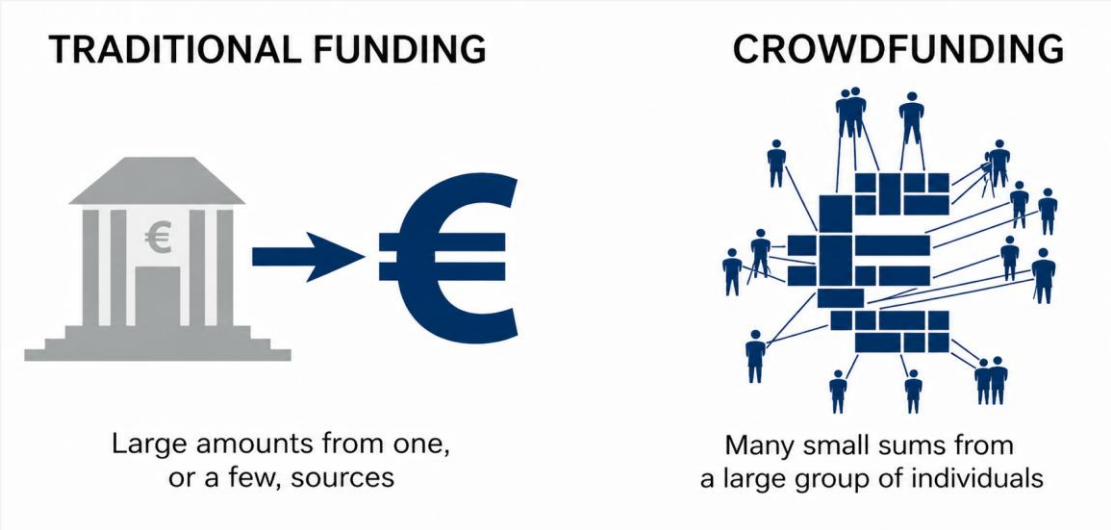


Figure 1. Comparison between traditional and crowdfunding funding logics (Source: European Commission, 2015)

2.1.2. Arrangements, types and characteristics

Crowdfunding encompasses a range of models that differ in the way financial relationships between contributors and project owners are structured, while relying on a shared framework based on platform-mediated, campaign-driven funding. This section provides an overview of the main crowdfunding approaches and their core characteristics, with a particular focus on their relevance and potential use by public authorities, including LRAs.

2.1.2.1. Arrangements

From a governance and financing perspective, crowdfunding operates through structured arrangements that temporarily aggregate dispersed financial contributions and allocate them to defined projects. Financial flows are structured around a campaign-based logic, whereby contributions are pooled over a defined period and typically released only once the pre-set thresholds or conditions - such as reaching a funding target - are met. This conditionality introduces an element of collective validation, linking financial mobilisation to demonstrated support and social endorsement, particularly in contexts involving public authorities (Charbit & Desmoulins, 2017; CrowdFundRES, 2018). In this sense, crowdfunding embeds participation within funding decisions, strengthening the legitimacy of public-interest projects (Mollick, 2014).

At the implementation level, communication and engagement activities allow contributors to follow project developments and, in some cases, provide feedback during or after the crowdfunding campaign. In parallel, crowdfunding platforms plays a central role as intermediaries between project initiators and contributors.



Figure 2. Simplified crowdfunding arrangement showing the intermediary role of the crowdfunding platform (Source: Author's own elaboration / AI-enhanced)

From a technical and organisational perspective, crowdfunding platforms provide the infrastructure needed to structure the necessary interactions between project initiators and contributors. Beyond mediating financial transactions, they support communication, information disclosure and project visibility. In some cases, depending on the crowdfunding model, they may also provide mechanisms for accountability and risk allocation, managing repayments and/or supporting compliance with contractual arrangements and reporting requirements (Charbit & Desmoulins, 2017; ECN, 2016; Jenik et al., 2017; Lenart & Chen, 2021).

Although legal and regulatory requirements may vary across jurisdictions and models, the platform-mediated structure is what fundamentally defines crowdfunding.

2.1.2.2. Types

Crowdfunding encompasses a number of distinct models that differ mainly in terms of:

- the financial relationship between contributors and project owners,
- the nature of expected returns, and
- the level of regulatory oversight involved.

On this basis, four main crowdfunding models are most commonly distinguished in both policy and practice: donation-based, reward-based, lending-based and equity-based crowdfunding (European Commission, 2015; European Commission & EIB, 2020; ECN, 2016; Jenik et al., 2017; Miglo, 2021).

Table 1. Donation-based crowdfunding model

Donation-based crowdfunding model
Short description
Donation-based crowdfunding relies on voluntary financial contributions provided without any expectation of financial or material return. Contributors are motivated primarily by social, environmental or community objectives, and funds are typically directed towards projects with a strong public-interest or charitable dimension.
Relevancy
This model is particularly relevant for community initiatives, cultural projects and small-scale social or environmental actions, including some energy and climate awareness activities. Platforms operating under this model generally emphasise storytelling, transparency and impact reporting rather than financial performance. From a public-sector perspective, donation-based crowdfunding can support citizen engagement and visibility for local initiatives, although its capacity to mobilise larger investment volumes is limited (Miglo, 2021).

Table 2. Reward-based crowdfunding model

Reward-based crowdfunding model
Short description
In reward-based crowdfunding, contributors receive a non-financial reward in exchange for their support. Rewards may range from symbolic recognition to early access to products or services linked to the project. Financial returns are not expected, and the primary relationship remains transactional rather than investment-oriented.
Relevancy
Reward-based platforms are widely used for innovative, pilot or demonstrator projects, including sustainable energy solutions, mobility services or local digital tools (Lam & Law, 2016). For public authorities, this model can serve as a testing and validation mechanism, allowing project promoters to assess demand and refine concepts before scaling up or combining crowdfunding with other funding sources (European Commission & EIB, 2020).

Table 3. Lending-based crowdfunding model

Lending-based crowdfunding model
Short description
Lending-based crowdfunding, also referred to as debt-based crowdfunding or peer-to-peer (P2P) lending, involves contributors providing loans to project owners with the expectation of repayment, usually with interest. Compared to donation- and reward-based models, this model introduces clearer financial obligations and risk-sharing arrangements.
Relevancy
Platforms specialising in lending crowdfunding typically operate under more stringent regulatory requirements and perform credit assessments, repayment management and risk allocation functions. In the public and energy sectors, lending-based crowdfunding has been used to finance renewable energy (RES) installations, energy efficiency (EE) investments and social enterprises, sometimes in combination with public guarantees or co-financing instruments (Aubert-Tarby & Silvestre, 2019; Jenik et al., 2017).

Table 4. Equity-based crowdfunding model

Equity-based crowdfunding
Short description
Equity-based crowdfunding allows contributors to invest in a project or company in exchange for ownership shares or similar equity instruments. Contributors become investors and may benefit from dividends or capital gains, while also bearing higher financial risk.
Relevancy
Equity crowdfunding platforms are typically subject to the highest regulatory scrutiny and are more frequently used for commercial or revenue-generating projects, including energy infrastructure and innovative clean-tech ventures. In a wider public-sector context, equity crowdfunding may be relevant where local authorities act as facilitators or co-investors, or where projects are implemented through special-purpose vehicles involving private and community stakeholders (European Commission & EIB, 2020; Miglo, 2021). In the energy sector particularly, RES and EE projects can be well suited to equity-based crowdfunding, as their revenue-generating nature can support shared ownership and long-term citizen involvement (Aubert-Tarby & Silvestre, 2019; CitizEE, 2021).

2.1.2.3. Linking models, platforms and public-sector use

In practice, the choice of crowdfunding model is closely linked to platform specialisation, regulatory frameworks and the role of public authorities. Crowdfunding platforms typically focus on one or a limited number of models, which influences project selection, governance arrangements and the risk profile for contributors (European Commission, 2015; ECN, 2016).

For LRAs, understanding these interconnections is essential when assessing how crowdfunding can complement public funding, support citizen participation and align with policy objectives (De Crescenzo et al., 2021; Van Montfort et al., 2021)

At the same time, crowdfunding models are not mutually exclusive. Hybrid configurations - such as combining reward-based campaigns with lending instruments or public co-financing - are observed, particularly in energy and sustainability projects, where financial viability must be balanced with public value and broader policy goals (CitizEE, 2021; CrowdFundRES, 2018; ICLEI, 2023).

To help practitioners navigate all available options, Table 5 presents a comparative overview of the key features and typical use cases across the four crowdfunding models, highlighting where each is most commonly applied and how it can support different project needs.

Table 5. Comparative overview of crowdfunding models: key features and typical use cases

Dimension	Donation-based	Reward-based	Lending-based	Equity-based
What contributors provide	Voluntary contributions	Contributions in exchange for non-financial rewards	Loans	Investment capital
What contributors receive	No financial return	Symbolic or in-kind rewards	Repayment of capital, usually with interest	Ownership shares and potential financial returns
Typical motivation	Supporting a cause or community project	Supporting an idea and receiving a reward	Earning interest while supporting a project	Sharing risks and returns of a business or project
Typical project stage	Early-stage or community initiatives	Early-stage, pilot or demonstrator projects	Revenue-generating or operational projects	Growth-oriented or investment-ready projects
Typical project types	Social, cultural, environmental or community projects	Innovative products, services or pilot solutions	RES, EE, social enterprises	Energy infrastructure, clean-tech, scalable ventures
Financial risk for contributors	Low (no financial expectation)	Low to moderate	Moderate	Higher
Regulatory complexity	Low	Low to moderate	Moderate to high	High
Role of citizen engagement	Very strong	Strong	Moderate	Moderate
Typical relevance for public authorities	Engagement, visibility, community mobilisation	Testing ideas, demand validation	Complementing loans or public guarantees	Co-investment, facilitation of shared ownership

2.2. Why crowdfunding matters? Benefits and added value for LRAs

For LRAs crowdfunding is recognised as a complementary instrument that can add value to public policy objectives, rather than a replacement for traditional forms of financing. Its relevance lies not only in its capacity to mobilise additional financial resources, but also in its ability to strengthen citizen participation, enhance trust and local ownership and support new forms of collaboration between public authorities, communities and market actors (ICLEI, 2023; URBACT, 2025).

COMPLEMENTING PUBLIC FUNDING AND MANAGING FINANCIAL RISK. Crowdfunding can help LRAs diversify their financing mix, particularly for small- to medium-scale projects that may struggle to access conventional finance. By mobilising citizen contributions and leveraging additional co-financing, it can help validate public interest early in the process and reduce financial risk before larger public resources are committed.

STRENGTHEN CITIZEN PARTICIPATION, TRUST AND LOCAL OWNERSHIP. Due to its participatory nature, crowdfunding allows citizens to engage directly with public-interest projects, strengthening the connection with local initiatives. This helps make community support visible, fosters local ownership and longer-term commitment, and is particularly valuable in areas where public acceptance is critical, such as energy transition, climate action or urban regeneration (Petex & Cogan, 2025).

SUPPORTING INNOVATION AT LOCAL LEVEL. Crowdfunding offers LRAs a flexible space for experimentation, especially for innovative or pilot initiatives that may not yet qualify for mainstream funding (Hoque, 2024; Nigam et al., 2018). Donation- and reward-based models can be used to test ideas, assess demand and refine project design before committing larger public resources, supporting learning and innovation at local level (Jenik et al., 2017).

ENABLING BLENDED AND HYBRID FINANCING APPROACHES. Crowdfunding can be used as part of blended and hybrid financing structures, combining citizen contributions with public funding, loans, guarantees or private investment (CitizEE, 2021). For LRAs, such approaches can help align projects with national or EU funding instruments while maintaining a strong community dimension and public value orientation.

When appropriately embedded in local governance frameworks, crowdfunding can strengthen local value creation by keeping financial flows, decision-making and benefits closer to communities. Moreover, it can support LRAs in advancing their climate, social, and development goals in line with broader EU policy priorities, while reinforcing trust in public institutions with (De Crescenzo et al., 2021).

2.3. Sector-wide application: When and where crowdfunding can be used

Crowdfunding tends to be most suitable and effective in situations where:

- projects are small- to medium-scale or require partial rather than full financing,
- project objectives can be communicated clearly to citizens,
- implementation timelines are relatively short and well-defined, as crowdfunding is better suited to time-bound campaigns
- community engagement, acceptance or co-ownership are important policy objectives,
- governance arrangements and long-term responsibilities are clearly defined, and
- rapid mobilisation of funds and visibility can provide added value, benefiting from the speed and direct communication enabled by online platforms.

While crowdfunding is commonly applied across a wide range of sectors, including culture, sports, social innovation, urban regeneration and environmental initiatives, it is also gaining relevance in the energy sector, reflecting a growing interest in citizen participation and decentralised financing of clean energy projects. Energy crowdfunding in this context typically focusses on RES projects, supporting investments across technologies such as solar photovoltaics, wind, biomass and hydropower. At operational level, it mostly relies on financial or investment-based platforms, using lending, equity or hybrid crowdfunding models, while a small share applies non-financial approaches, such as donation- or reward-based models, to support environmentally oriented campaigns, including small-scale RES projects or socially driven initiatives (Candelise, 2015).

With regards to the financial crowdfunding platforms, they allow citizens to invest in RES or EE projects either by providing loans, which are repaid through project revenues, or by acquiring equity or community shares in the project-owning entity, often a company or a cooperative. Equity-based and hybrid models, in particular, are widely used to support community-based and geographically anchored projects, enabling citizens to participate more directly in both the financing and governance of local RES or EE initiatives, thereby acting as co-investors and, in some cases, co-owners of local energy assets (Mukherjee et al., 2024).

Across all models, energy crowdfunding is frequently combined with other financing instruments -such as public grants, loans or energy performance contracts (EPCs) - to help address upfront investment needs and implementation-related risks (CitizEE, 2021).

2.4. Main stakeholders involved

Civic, including energy-related, crowdfunding involves a limited number of stakeholder groups, each with a distinct role within a project. In addition to those listed in Table 6, crowdfunding platforms are key partners to LRAs, influencing campaign design, visibility, risk management and compliance requirements.

Table 6. Main actors involved in a civic, including energy related, crowdfunding project

a. Project initiators (Project owners)			
Entities that design and implement the project, and launch the campaign.			
Actors	LRAs Public agencies SMEs Social enterprises NGOs Community groups Energy cooperatives	Responsibilities	Define project objectives. Prepare campaign content. Engage with contributors. Deliver the promised outcomes, rewards or financial returns. Ensure alignment and compliance with local policy objectives and standards
b. Contributors (the "crowd")			
Individuals or organisations that provide financial support to crowdfunding campaigns. Often small in size but large in number, and motivated by a mix of financial, social and local interests.			
Actors	Local residents Community members Local businesses	Responsibilities	Depending on the model, they may act as donors, backers, lenders or investors
c. Public agencies, including LRAs			
Can be involved in multiple ways, from project initiators to facilitators, co-funders or strategic partners. Their involvement can enhance trust and visibility while helping align crowdfunding initiatives with broader public objectives such as climate action, social inclusion or territorial development.			
Actors	Public agencies LRAs	Responsibilities	Launch their own campaigns Co-finance successful initiatives Select projects aligned with policy priorities Support platforms through promotional, regulatory or financial instruments
d. Financial and institutional partners			
Stakeholders particularly relevant in lending- and equity-based crowdfunding, or where crowdfunding is combined with public financial instruments or match-funding schemes			
Actors	Banks Promotional institutions ESIF managing authorities Payment service providers or insurers	Responsibilities	Provide co-financing, guarantees, grants, technical assistance or regulatory oversight, and help build trust and credibility for contributors.

3. Setting up a crowdfunding campaign: A quick step-by-step guide

At first glance, setting up a citizen-financing initiative may appear complex, given the number of choices related to project design, financing structure, governance and communication. In practice, however, the process becomes manageable when approached in a structured and phased manner, where each stage builds on the previous one.



Figure 3. Step by step diagram of a crowdfunding project
(Source: Author's own elaboration / AI-enhanced)

To support this approach, this section presents a clear, step-by-step guide to navigating the key steps involved in preparing and implementing a crowdfunding campaign. It follows the typical progression from early assessment and preparation through to fundraising, implementation and follow-up, focusing on the main decision points and considerations - rather than operational detail- that will help LRAs and project promoters organise the process effectively and align it with their project objectives and institutional context.

3.1. Pre-phase: Assessing suitability and selecting the approach

Before launching a crowdfunding campaign, it is essential to assess whether this financing approach is suitable for the project and, if so, which model is most appropriate. This is a highly contextual decision influenced by factors such as project scale, sector, funding needs, risk profile, available public resources and implementation capacity. Since crowdfunding is rarely used in isolation, this assessment should also consider how it can be combined with other financing instruments. Conducting this analysis early in the project preparation phase is therefore important to ensure coherence both at project level and with broader local planning and engagement processes

To support this initial preparatory phase, this handbook refers to two decision-support tools: (i) a typical Decision Tree and (ii) the online PROSPECT Recommendation–Decision Matrix.

The proposed Decision Tree (see Figure 4) provides a structured, visual way to assess whether citizen-financing mechanisms are appropriate for a given initiative. In essence, it presents typical funding dilemmas encountered in sustainable and climate-related projects and guides users through key questions related to project characteristics and financing constraints. The decision route is not binding; rather, it reflects the reality that financing solutions are often hybrid, combining different instruments and tools. By integrating multiple situations within a single framework, the intention is to help LRAs and practitioners explore when crowdfunding may be a viable option - particularly where municipalities face limited resources or where projects are small-scale and well suited to campaign-based funding.

The online PROSPECT Recommendation–Decision Matrix is a self-assessment tool that supports LRAs in evaluating the suitability of innovative financing schemes, including crowdfunding, across different sectors and project types. It guides users through a structured set of questions covering key project and contextual conditions. Based on the responses, the matrix highlights how different financing options align with the specific project context and illustrates when crowdfunding may be a viable option - particularly for small-scale, well-defined projects or where public resources are limited. Rather than prescribing a single solution, the tool brings together multiple influencing factors within a single framework, reflecting the fact that financing challenges and solutions are rarely stand-alone. Its main value lies in supporting informed decision-making and encouraging the combination of citizen financing with other instruments, such as public grants or loans, in line with real-world practice.

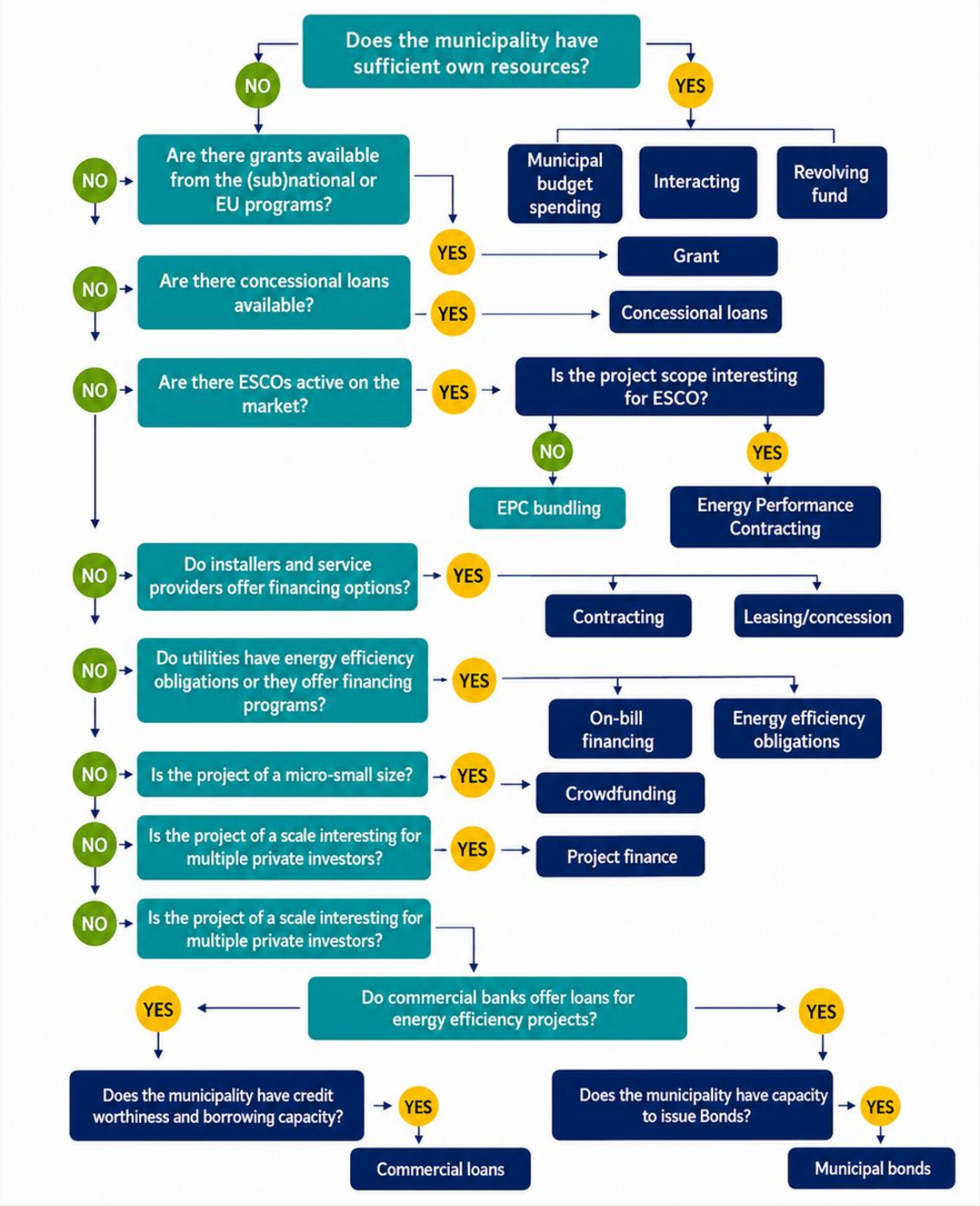


Figure 4. Indicative decision tree process
(Source: Adapted from Gallerand, et al., 2022)

3.2. Main phase: Campaign design and implementation

Once crowdfunding is identified as an appropriate option, the main phase of the process begins. This phase covers the design and implementation of the campaign and typically consists of five sequential steps, from formal arrangements and project listing to fundraising, contracting and implementation.

Step 1 – Establish contractual arrangements with the platform

The first operational step involves formalising the relationship between the project owner (or developer) and the selected crowdfunding platform. This typically includes:

- Agreeing on the scope of services provided by the platform.
- Defining fees and costs (e.g. listing, handling or communication-related fees).
- Clarifying roles, responsibilities and applicable conditions governing the campaign.

These arrangements provide the contractual basis for launching and managing the campaign.

Step 2 – Prepare and list the project

Once contractual arrangements are in place, the project is prepared for listing on the crowdfunding platform. Typical activities to that regard include:

- Defining the campaign duration and funding target.
- Preparing a clear project description, including objectives, expected outcomes and implementation timeline.
- Presenting relevant risk information, warnings and applicable terms and conditions.
- Publishing the project on the platform in line with agreed requirements.

Clarity and transparency at this stage are essential to build trust and support informed participation.

Step 3 – Launch and manage the fundraising campaign

The fundraising phase unfolds in several stages:

- Pre-launch communication, introducing the project and upcoming campaign.
- Campaign launch, opening the fundraising period to contributors.
- Ongoing campaign management, including regular updates on fundraising progress and project milestones.
- Final mobilisation, aiming to reach or exceed the funding target before the campaign closes.

Active communication throughout this phase helps maintain momentum and engagement.

Step 4 – Pledging, verification and contracting

During this phase, contributors formally commit funds to the project:

- Financial pledges are collected through the platform.
- Regulatory and compliance checks may be carried out, depending on the crowdfunding model and national framework.
- Investment, loan or contribution agreements are concluded between contributors and the project owner or platform, as applicable.

If an all-or-nothing approach is applied, funds are only released once the funding target is reached.

Step 5 – Project implementation and follow-up

Following a successful campaign:

- Crowdfunded resources are transferred to the project account.
- Funds are used to implement the project as planned.
- Project progress and outcomes are communicated regularly to contributors.
- Where relevant, repayments, returns or rewards are managed according to the agreed arrangements.

Ongoing communication during implementation supports transparency, accountability and longer-term engagement.

4. Case study: Crowd-investing for solar roofs in Križevci (Croatia)

The crowd-investing initiative in Križevci (Croatia) was launched to support RES deployment on public buildings while increasing citizen participation in the local energy transition. Developed by the Green Energy Cooperative (ZEZ) in partnership with the city, the project introduced an innovative and replicable model for community-based financing.

GENERAL CONTEXT. In 2018, ZEZ partnered with the city of Križevci to launch Croatia's first crowd-investing initiative for RES installations on public buildings. The project involved installing a 30 kW solar PV system on the administrative building of the city's Development Center and Technology Park, primarily covering its electricity needs, while surplus energy was fed back into the grid.

HOW CROWDFUNDING WAS APPLIED. The project used a crowd-investing (micro-loan) model, through which 51 citizen-investors fully financed the €30,000 installation in just 10 days. Individual investment amounts were capped between €130 and €1,300 to encourage broader community participation.

ZEZ, as the system owner, manages the installation and leases it to the city, using the resulting energy savings to repay investors. The latter signed 10-year loan agreements with a fixed annual return of 4.5%, set to be more attractive than average commercial bank rates and inflation.

At the end of the 10-year repayment period, full ownership of the PV system is transferred to the city.

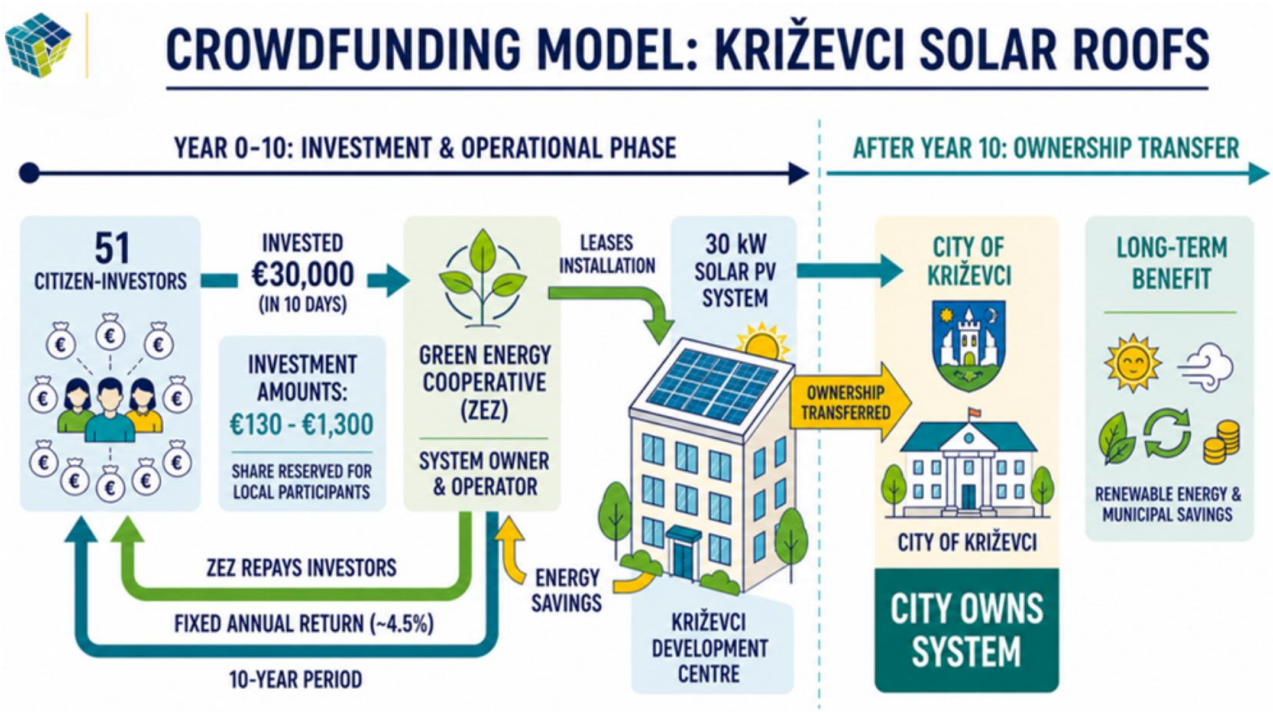


Figure 5. The Križevci crowdfunding model for the Solar Roofs project
(Source: Author's own elaboration / AI-enhanced)

KEY TAKEAWAY. The Križevci project demonstrates how crowdfunding can succesfully mobilise local capital for RES investments while strengthening public engagement and local ownership. By enabling citizens to contribute directly to sustainable energy projects through financial participation, the initiative combined community involvement with practical project delivery.

Success was driven by a transparent financial structure, attractive returns and strong municipal cooperation, ultimately helping pave the way for further community energy initiatives in the region, including the creation of the local KLIK energy cooperative to support future community-led transitions.

READ MORE ABOUT THIS PROJECT. For deeper insights on the Križevci Solar Roofs project visit the official ZEZ project website.

PROSPECT initiative enhances the capacity of LRAs to design, implement innovative financing schemes for their energy and climate projects, through a dedicated repository of proven success Stories.

5. Critical conditions influencing a crowdfunding campaign

Successful crowdfunding requires the right enabling conditions, an awareness of structural limitations and active risk management. For LRAs, recognising these factors is key to deciding when crowdfunding is appropriate, how it should be designed, and how risks can be anticipated and managed.

5.1. Drivers and success factors

Crowdfunding initiatives are more likely to succeed when the following conditions are in place:

- Projects are clearly defined and realistically scoped, with well-articulated objectives, timelines and funding needs suited to time-bound, campaign-based financing.
- Strong local relevance is combined with clear, well-designed and targeted communication, ensuring visibility, transparent information and narratives that resonate with local communities and build trust among potential contributors.
- Clear institutional commitment and governance arrangements are in place, including internal alignment within the LRA and well-defined roles, responsibilities and accountability.
- An appropriate crowdfunding model and platform are selected, aligned with project characteristics, risk profile and regulatory context.
- Legal and regulatory compliance is ensured, with the initiative being structured in a way that is appropriate, recognised and accepted by relevant national or competent authorities, which is particularly important in contexts where crowdfunding models are less familiar.
- Crowdfunding is integrated into a broader financing mix, allowing citizen contributions to leverage public or private co-financing.

5.2. Barriers and limitations

Crowdfunding implementation may be constrained when:

- Project scale or capital needs exceed the typical capacity of crowdfunding, making it unsuitable as a standalone solution for large or capital-intensive investments.
- Communication, outreach or internal capacity are limited, reducing the ability to attract contributors and manage campaigns effectively.
- Citizen engagement is uneven or difficult to sustain, due to local socio-economic conditions, digital divides or participation fatigue.
- Regulatory and administrative requirements are complex, particularly for lending- and equity-based models.

- Long-term ownership, operation or maintenance responsibilities are unclear, especially once the crowdfunding campaign has ended.
- Campaign failure or underperformance affects credibility and public perception.

5.3. Key risk dimensions

Crowdfunding involves certain key risk dimensions that should be considered early in project design to ensure effective campaign implementation:

- Financial risks, including failure to reach funding targets, repayment risks or lower-than-expected returns.
- Operational risks, related to delays, cost overruns or challenges in delivering the project after the fundraising period.
- Governance and legal risks, arising from unclear roles, decision-making authority or non-compliance with applicable rules.
- Reputational and social risks, including loss of trust, unequal participation or unmet expectations among contributors.

5.4. Synthesis of critical conditions affecting EPC implementation

Table 7 synthesises the main success factors, barriers and risk dimensions affecting crowdfunding implementation, supporting LRAs in assessing feasibility, design choices and risk exposure.

Table 7. Critical conditions influencing the crowdfunding campaign success in practice

Dimension	Drivers/Success factors	Barriers/Limitations	Key risks (if not addressed)
Project design & scope	Well-defined, realistically scoped projects suited to time-bound campaigns	Unsuitable project scale or overly complex scope	Non-delivery or underperformance
Financing structure	Appropriate model and platform selection; Integration with other financing instruments	Limited funding volumes; Dependence on campaign success	Failed campaigns, (Financial and/or repayment risk)
Governance & institutional setup	Institutional commitment, governance and accountability	Unclear long-term ownership arrangements or responsibilities	Governance and compliance risk
Communication & Stakeholder engagement	Strong local relevance; Clear, targeted communication	Uneven participation; Limited outreach capacity	Reputational and social risk
Regulatory & operational context	Alignment with regulatory requirements and internal capacities	Regulatory complexity; Administrative burden	Compliance and operational risk

6. Summary of key takeaways

Crowdfunding can serve as a valuable complementary instrument for LRAs when used strategically and in alignment with project objectives, governance arrangements and local contexts. The main takeaways from this handbook are summarised below.

WHAT IS CROWDFUNDING ABOUT? Crowdfunding is a citizen-financing mechanism through which LRAs and project promoters mobilise small financial contributions from a large number of individuals, typically via online platforms. Rather than replacing traditional finance, it functions as a complementary instrument that combines financial mobilisation with citizen engagement, visibility and local ownership.

This approach enables LRAs to support public-interest projects while strengthening trust, participation and co-creation. In doing so, crowdfunding contributes not only to financing needs but also to broader policy objectives related to energy transition, climate action and sustainable local development.

HOW IS CROWDFUNDING STRUCTURED IN PRACTICE? In practice, crowdfunding operates through campaign-based structures supported by digital platforms that mediate interactions between project initiators and contributors. Financial contributions are collected over a set period and released once predefined conditions, such as funding targets, are met.

From an operational perspective, crowdfunding campaigns follow a structured process that includes project preparation, platform selection, campaign launch, fundraising, contracting and implementation. Communication and stakeholder engagement play a central role throughout the process, ensuring visibility, transparency and continuous interaction with contributors.

WHAT ARE THE MAIN CROWDFUNDING MODELS AND HOW THEY ARE APPLIED ACROSS SECTORS? Crowdfunding encompasses four main models, differentiated by the financial relationship between contributors and project owners, expected returns and regulatory complexity. In practice, these models are not mutually exclusive and can be combined within hybrid financing approaches, allowing LRAs to tailor crowdfunding strategies to different project types, sectors and local contexts.

Table 8. Summary of the main crowdfunding models and their application across sectors

Model type	Core idea	Typical use for LRAs
Donation-based crowdfunding	Voluntary contributions with no financial return, motivated by social or environmental objectives	• Community initiatives and awareness campaigns • Small-scale social or environmental projects • Citizen engagement and visibility

Reward-based crowdfunding	Contributions in exchange for non-financial rewards (e.g. recognition, services, early access)	• Pilot and demonstrator projects • Testing innovative solutions • Demand validation and community engagement
Lending-based crowdfunding	Contributors provide loans with expected repayment, usually with interest	• RES and EE projects • Revenue-generating initiatives • Complementing loans or public co-financing
Equity-based crowdfunding	Contributors invest in exchange for ownership shares and potential financial returns	• Energy infrastructure and clean-tech projects • Community ownership models • Co-investment with private or cooperative actors

WHO SHOULD USE CROWDFUNDING? Crowdfunding is particularly suitable for LRAs and project promoters, including communities, cooperatives and local partnerships that:

- seek to complement public funding with alternative financing sources,
- aim to strengthen citizen engagement, participation and local ownership,
- support small- to medium-scale, place-based or community-oriented projects,
- operate in contexts where visibility, acceptance and stakeholder involvement are critical,
- want to test, pilot or validate innovative solutions before scaling up investments.

It is especially relevant where LRAs act as initiators, facilitators or partners, rather than sole financiers.

WHEN IS CROWDFUNDING MOST EFFECTIVE? Not all projects are suitable for crowdfunding; it performs best when financial mobilisation is combined with strong engagement and clear project design. Its effectiveness is enhanced when:

- projects are well-defined, time-bound and suited to campaign-based financing,
- communication strategies are clear, targeted and capable of mobilising public interest,
- local relevance and community ownership can be actively built or demonstrated,
- governance arrangements and long-term responsibilities are clearly defined,
- legal and regulatory conditions are well understood and properly addressed,
- sufficient institutional capacity exists to manage the campaign and follow-up activities,
- the scheme is integrated into a broader financing mix (e.g. grants, loans or hybrid structures).

Under these conditions, crowdfunding can act as both a financing and participatory instrument, supporting the implementation of energy, climate and sustainability projects while strengthening local ecosystems and trust in public action.

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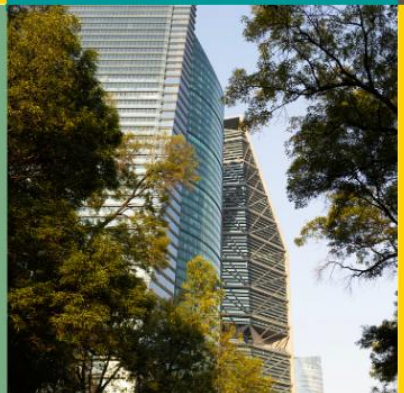
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