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Civic crowdfunding: A financial *kickstart* to urban area development?

An analysis of the institutional structure in which civic crowdfunding in urban area development is embedded

Tim van Veelen



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PREFACE

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Enjoy reading!

Yours sincerely,
Tim van Veelen

SUMMARY

Since the post 2008 financial crisis, there is a lack of financial power from the traditional public and private institutions to fund urban area development. An important task to continue the improvement of the urban environment is to find new ways to raise capital. As the traditional market fails to fund these improvements, bottom-up initiatives emerge. However, the funding element of this civic participation lacks. In the light of the position that public participation has nowadays in the Netherlands and the lack of financial power from public and private institutions, using crowdfunding as funding method in the urban area development seems to fits seamlessly.

Crowdfunding is a relatively new way of raising capital and can be defined as: ''Raising up front capital by receiving a small amount of money from external individuals in a large audience: the *crowd*, while doing an open request using an online platform as transparent market place to network and pool resources in a fixed time limit'' (Belleflamme, Lambert et al. 2013, Hol and Daamen 2014). Crowdfunding has proven its applicability in different fields such as the creative sector, charity and start-up financing. Recently, crowdfunding has been introduced to a new domain: initiatives that focus on the development of community assets. This is called: civic crowdfunding.

Even though crowdfunding research matures, civic crowdfunding has not been subject to a great amount of research. With civic crowdfunding a new potential funding method might be forthcoming to improve the liveability in urban areas. There is however a lack of knowledge about how this is, or should be, coordinated by the current institutions; particularly with regard to the long-term implications and dynamics which are linked to civic crowdfunding in urban area development projects.

The system in which urban area development takes place can be seen as a complex system because of the following elements (Spaans 2000);

- there are a large number of different actors with different (conflicting) interests
- there is an interrelation between different (sub)systems of decision-making
- there is uncertainty about the nature of the problem
- there is a difficulty of accurate and timely information acquisition and processing
- the short- and long-term decisions are interchangeable
- the taken decisions are irreversible

These complex systems require an institutional structure that coordinates the positions, relations and behaviour of the parties within these systems; rules of the game that guide and coordinate the behaviour of actors (Koppenjan and Groenewegen 2005). These public and private rules of the game, or arrangements, can be formulated in formal rules, as the aforementioned Dutch financial legislations or zoning plans etc., but can also be informal rules, like norms and attitudes in urban area development.

The goal of this research is therefore to generate insights in the institutional structure in which crowdfunding is embedded, and on how this structure should be designed in order to provide the use of crowdfunding in urban area development.

The twofold research question of this thesis therefore is the following:

(1) How does the institutional structure influence the applicability of donation-based civic crowdfunding in urban area development from a neo-institutional economic perspective, and (2) how should the institutional arrangements be designed in order to create an institutional environment which provides the applicability of donation-based civic crowdfunding in urban area development?

In this research the institutional structure is analysed using the Institutional Analysis and Development framework of Ostrom and the Transaction Costs Theory. What is studied is the vision and expectations of key informants, regarding the institutional structure in which civic crowdfunding is embedded. A key informant is an expert source of information. These key informants are able to provide information and deep insight in what is going on around them, based on their personal experience, or position within a society (Marshall 1996).

THE EFFECTIVENESS OF THE INSTITUTIONAL STRUCTURE

In the crowdfunding process, the actors in this research (citizens, private actors and public actors) can hold three different positions:

- *Initiators:* The project owner who has a specific goal
- *Funders:* Individuals who want to invest money or in-kind in a project
- *Platforms:* The online market place which acts as intermediary between the initiator and the funder

THE ACTORS IN CIVIC CROWDFUNDING

Although the citizens become more empowered, their resources and information processing capabilities often are insufficient to develop a civic crowdfunding project in the public space, without extensive support of the platform during the phase before the funding campaign. A difference between non-civic crowdfunding and civic crowdfunding can be found in *human asset specificity*. Individuals accumulate specific human capital that makes it possible for them to produce goods and services more efficiently. In civic crowdfunding the often inexperienced citizens have little of this necessary accumulated specific human capital. The difference with non-civic crowdfunding and civic-crowdfunding is that for the latter the human asset specificity in the period before the crowdfunding campaign is high. In current practice this expensive expertise is provided by the platform, while their business case is success-fee based. This brings great risks to civic crowdfunding platforms which in some cases end-up in termination of the platform itself.

For platforms it is important to understand the business case around their platform. Platforms need to get out of their comfort zone and reconsider their added value to the crowdfunding process. This research suggests three directions that might be promising for civic crowdfunding platforms:

1) Remain success-fee based but better cooperation with third parties

In this proposed direction the civic crowdfunding platform continues the success-fee based business case and focuses its activities on the second action situation; the actual crowdfunding campaign. In order to ensure the continuity of the platform the needed expertise in the first action situation will be provided by third parties; private experts, public experts, or the crowd, by crowdsourcing.

2) Charging no success-fee at all or combine success-fee with additional revenue models

In this proposition the initiatives need to be seen as leads and a revenue model can be developed around the leads based on the additional services the platform can offer. In order to do so platforms need to become conscious of what kind of resources they have and what their added value can be. This can be found in supporting the initiators, but it can also be found in supporting local authorities by for example selling expertise.

3) A role as incubator

For platforms a position as incubator can be promising in order to deal with two important issues:

i. The incubator can take, in symbioses with local authorities, the position of curator. The curating role local authorities seem to appreciate with regard to the initiatives can be executed by platforms. This way the platform acts as incubator to detect promising projects and redirect them to local authorities and their resources. In this way the aforementioned criticism of the interviewees on the reflex of local authorities to act as platform or curator is refuted and the initiative still lies with the initiator.

ii. In order to create large(r) scale projects, public or private added funding is needed. In current practice a civic crowdfunding platform mainly acts as intermediary between initiators and (crowdfunding) funders. As incubator platforms can act as intermediary between initiators and different financial flows; not only civic crowdfunding but also traditional (public or private) financial flows.

A LEARNING COMMUNITY

The actions of civic crowdfunding platforms are extensively linked to the characteristics of initiators; the more experienced initiators and the communities around the initiatives become, the less platforms need to invest in the first action situation, and vice versa. Platforms in that case can focus on the campaign itself, comparable with the actions of commercial platforms such as Kickstarter and Indiegogo. In this way platforms primarily will function as showcase and cash register.

Also the role of incubator will be better suitable with regard to learning communities. When platforms need to focus less on the period before the campaign, they can add value by acting as intermediary between initiators and different private and public money flows. It is important for platforms to adjust their activities to these learning communities.

THE ROLE OF LOCAL AUTHORITIES

Where the past few years the authorities retreated from bottom-up initiatives, the next step to be made is to come back. Civic crowdfunding is no alternative for traditional financing structures used in urban area development; it is an addition. Citizens want responsibility for their urban area, but the authorities are still needed. Not only with permits, but also with their resources, other than financial: information, expertise and their network. The potential of the civic economy is high. For local authorities it is important to get used to the fact that citizens want to deploy their added value in this civic economy, which asks for a different role of the local authority. With civic crowdfunding projects, it is important to include local authorities from the start and make arrangements where possible. However, when initiators want to approach local authorities two problems arise:

1) The initiator does not know where to go to with their civic crowdfunding initiative.

2) The authorities do not know how to handle the initiative and the initiator. It is not just a permit application, it is asking for help; local authorities are often not prepared for this and are inexperienced in functioning as informing agent.

Civil servants need to be trained to detect projects that are suitable for civic crowdfunding and to know where the information about crowdfunding can be found. This can face difficulties because this asks for a different way of working. The interviewees however indicate this as the *low hanging fruits*, since these quickly trained civil servants can practice the role of redirector immediately.

Local authorities act from their policy goals and minimum quality assurance, which can be seen as a rational and traditional course of action assigned to their position as warden of the public interest. This research shows that local authorities have this reflex of acting as crowdfunding platform, or as curator on an external platform. However, this influences the dynamics of donation-based civic crowdfunding. With this hierarchical governance structure, the bottom-up element disappears and it becomes a top-down initiative developed by citizens. This changes the rules of the game in such a way that initiators, but also funders will not join this *game*. The policy goals and minimum quality assurance can be secured in different ways; not via a hierarchical safeguard but through permits and prioritizing:

i. The minimum quality assurance can be secured by permits. It is important that the criteria with which local authorities assess the initiative are as least discretionary as possible: the permits should be granted on functional preconditions, with minimized arbitrariness. This way the criteria are assessable by both local authorities and initiators. This however asks for a different, more pragmatic way of working. The initiator should get permission to start with the civic crowdfunding campaign, but since local authorities have to do with their legal deadlines, the project may need to be adjusted later in the process. So in this situation the actual permit will be granted when the campaign is finished and the funding is either realized or not. This way the initiatives do not stuck in the first action situation due to the permitting process.
ii. Instead of acting as platform, local authorities should act as facilitator or redirector. With regard to the fact that they have policy goals and they want to make sure that the initiatives support them; prioritizing is a conventional task of local authorities. By offering support as facilitator and redirector to initiatives that serve a selected policy goal, instead of selecting initiatives that serve policy goals, the initiative lies with the citizens. This way the mandate is still at the initiator and thus the bottom-up principle is still respected. In current practice however, the reaction of local authorities is to be either fully clutching the initiative, or fully letting go of the initiative.

THE MANAGEMENT OF PUBLIC SPACES

The management of public spaces too needs a more pragmatic way of working. Even though it can hamper the homogeneity of the area or invokes a certain risk of future opportunistic behaviour, they should be more receptive for ideas for long-term costs savings through endogenous civic initiatives. This however asks for a different attitude from both initiators as the management of public spaces. Initiators have to show where the value for public space management and maintenance is created. The management of public spaces seem stubborn and often refuse to think about the long-term savings on their expenses which can be derived from bottom-up initiatives and they need to dare taking this in consideration.

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1. INTRODUCTION

Since the post 2008 financial crisis, urban redevelopment is under pressure; there is a lack of financial power from public and private institutions to fund urban area development. Finding new ways to raise capital become an important task to continue the improvement of the urban environment. A worldwide trend is the emerging popularity of a new promising form of raising capital: crowdfunding. With crowdfunding, capital is raised by a large amount of (external) investors that donate a relatively small amount of money.

From both the Dutch government as well as the Dutch citizens a second trend is noticeable: more participation from the citizens in urban area development. However, the funding element of this civic participation lacks. In the light of the position that public participation has in the Netherlands and the lack of financial power from public and private institutions, using crowdfunding as funding method in the urban area development seems to fit seamlessly. Of all the crowdfunding projects, a rising number are projects in the public sector. However, both the public as the financial institutions lack in participation. This might result in an institutional structure that is not effective and efficient for the applicability of crowdfunding in urban area development.

1.1 INTRODUCING URBAN AREA DEVELOPMENT AND CIVIC CROWDFUNDING

A NEW VISION ON URBAN AREA DEVELOPMENT

Since the seventies a tendency was perceptible in the Netherlands as well as the rest of the Western part of Europe in which the citizens got a greater say in the decisions of (local) governments. In recent years this public participation is evolved in a different form of participation (Blom 2010, Specht 2012, van Vliet 2012, Verdoolaege 2013). Blom (2010) defines three generations of public participation: 1st - legal right for public participation, 2nd - interactive policy making and the 3rd - facilitating public initiatives. So, in the past fifty years the role of the government has changed "from a prescribing and nurturing to a connecting and facilitating" government (Blom 2010: 8).

In 2008 Nicis organized a seminar in which a "fourth generation" of public participation was the main topic. In addition to the three generations of Blom (2010), this fourth generation is characterized by the fact that public participation is seen as a fully accepted policy instrument. The interpretation of how this instrument can be translated into practicable tool is not yet fulfilled. There is for example no clear policy on how to finance public participation. Early in 2013, Início developed a method which stimulated and facilitated initiatives from local citizens based on the principles of crowdfunding. With crowdfunding, initiators develop an idea or an initiative, and this initiative is presented on a crowdfunding platform. Through this platform funders can be attracted who invest a certain amount of money to realize this initiative. With the method developed by Início, citizens receive a voucher of five or ten euro and they can spend that on liveability initiatives developed by other citizens that are presented on an online platform (Início 2013). These cheques are financed by the conventional funders; housing corporations, investors and the government.

Thus, the difference between the initiative of Início and crowdfunding is the funding element. For decades the housing and commercial real estate market acted as the financial motor behind development in urban areas. Now that the money flow of both the private companies as the public organizations is cut short, the focus of the local governments in urban area development is on developing sufficient realization- and financing strategies (IPO 2012).

The method of Início seems successful to create public support among citizens and is a democratic way to invest public funding and it enables more participation. However it does not overcome the issue of funding. As de Buysere, Gajda et al. (2012) show, crowdfunding on itself can be applied in different sectors for different projects. In this light, crowdfunding seems promising in order to create funding for different urban area development. There are some examples in the Netherlands where crowdfunding is used in urban planning. However, not much research is done on this matter. The question then arises whether crowdfunding can contribute to shaping the responsibility of local authorities for public facilities and public space when they no longer can be paid from land-use?

CROWDFUNDING

Crowdfunding is a relatively new way of raising capital. Belleflamme and Lambert define crowdfunding as followed: "With crowdfunding, an entrepreneur raises external financing from a large audience (the "crowd"), in which each individual provides a very small amount, instead of soliciting a small group of sophisticated investors" (Belleflamme, Lambert et al. 2013). The most important element in crowdfunding is the use of networks. Therefore crowdfunding can be defined as a "collective effort of many individuals who network and pool their resources to support efforts initiated by other people or organizations. This is usually done via or with the help of the Internet. Individual projects and businesses are financed with small contributions from a large number of individuals, allowing innovators, entrepreneurs and business owners to utilize their social networks to raise capital." (de Buysere, Gajda et al. 2012)

Definition of crowdfunding in this thesis:

''Raising up front capital by receiving a small amount of money from external individuals in a large audience: the *crowd*, while doing an open request using an online platform as transparent market place to network and pool resources in a fixed time limit''

Extracted from (Belleflamme, Lambert et al. 2013, Hol and Daamen 2014)

THE START OF CROWDFUNDING

The origin of crowdfunding can be found in crowdsourcing. In 2006, a publication of Howe and Robinson in the Wire launched this marketing term *crowdsourcing* worldwide by defining it as "*the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call. This can take the form of peer-production (when the job is performed collaboratively), but is also often undertaken by sole individuals. The crucial prerequisite is the use of the open call format and the wide network of potential labourers."* (Howe 2006). So the main element in crowdsourcing is the outsourcing of labour to external parties (Howe 2006, Schenk 2011, ter Kuile 2011, Belleflamme, Lambert et al. 2013). This can take place in different phases in the production process and it gives the firms access to a great pool of labour. Therefore these processes can be executed in a smaller amount of time, against a smaller amount of costs (Whitla 2009).

With crowdfunding it is not (only) about sourcing out labour, but about raising capital: the funding of a phase or phases of a production process. Where crowdfunding started as a way to support politicians and charities, at the end of 2011 about 200 crowdfunding platforms could be found only in Europe, active in a wide range kind of businesses and business models (de Buysere, Gajda et al. 2012).

In the crowdfunding process, three primary positions can be distinguished: 1) initiators, who are the initiator of the project, 2) funders, who are the investors and 3) the platforms, which can be seen as the online marketplace on which the creators and funders interact. In this thesis, the interaction must find place on an online platform in order to be considered as a crowdfunding project.

Financially speaking, crowdfunding can be based on four different grounds as can be seen in figure 2:

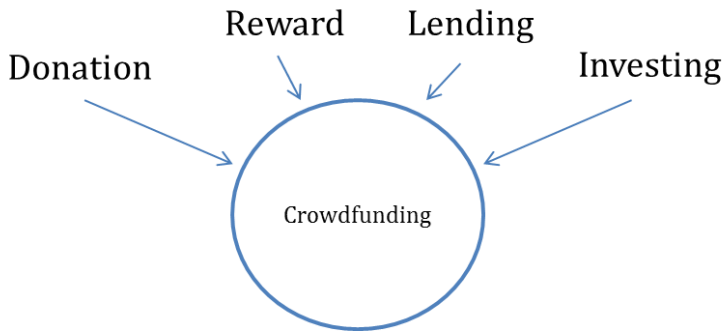


Figure 1 Models of crowdfunding

With donation-based crowdfunding there is no direct immaterial or material return on the financial support. The funders however often have a direct view on where their money is going. With reward-based crowdfunding, or *presale*, investors invest in order to contribute financially to the project and get a material, often the product, in return. With both lending- and investment-based crowdfunding the main goal of the funder is to obtain financial return. With lending this financial return is the interest on the loan (debt-based), while with investing (equity-based), the funder can get this through shares and profit-sharing.

The main difference of crowdfunding relatively to the traditional investment forms are the following (Ordanini, Miceli et al. 2011, de Buysere, Gajda et al. 2012, Belleflamme, Lambert et al. 2013, Davies 2014):

- There is a high sense of urgency. The typical timeframe used in most of the assessed crowdfunding platforms is a period of six weeks. If the funding is not completed in six weeks, it has failed and will be taken of off the platform.
- There is a diverse range of funders.
- Almost all of the assessed crowdfunding platforms, platforms operate by pledges rather than donations. The investors make a pledge that they will invest and the money transaction will take place when the project will go through. This means that crowdfunding allows an entrepreneur to fail before he has started, without the risk of seriously harming himself or the investors financially.
- In most of the cases the investors get a form of reward for *joining the processes*. This ranges from things like a bumper sticker to a dinner with the CEO.
- The investors experience a sense of ownership pertaining to the project.

THE FOURTH GENERATION OF CROWDFUNDING: CIVIC CROWDFUNDING

Crowdfunding initiatives show a broad and divergent range of application. These types can be broadly clustered in four generations (figure 2): 1) charitable crowdfunding, 2) creative crowdfunding, 3) start-up crowdfunding and 4) civic crowdfunding.

Research of Massolution (2013) has shown that crowdfunding for a financial return is most effective for digital goods, and film, music and literature: the second generation of crowdfunding. The donation- and reward-based crowdfunding seemed to be more appealing to the personal beliefs of the funders. This resulted in funding projects considering the environment and the community: civic crowdfunding, the fourth generation. With civic crowdfunding, projects are developed that are focusing on the development of community assets (Douw 2013, Davies 2014).

	1st generation: Charity	2nd generation: Creative	3rdgeneration Start-up	4thgeneration Civic
Description	Non-commercial initiatives from a charity perspective	Cultural and creative initiatives from semi-commercial motives	Commercial Start-Up projects	Initiatives focussing on the development of community assets
Target Group	Charity, microcredits, political campaigns	Music, art, literature, film, design	Start-Ups, commercial enterprises	Urban area developments, infrastructure, agriculture
Possible return	No intended material return	Mostly a non-monetary reward	Financial return	Financial return, no intended material return, non-monetary return
Examples	1% club (charity), Cordaid (microcredits)	Sellaband (music), Amsterdam Museum van Bree (art), Tenpages (literature), Indigogo (film)	Peerbackers (srat-up), CrowdAboutNow	HKBU (spatial development), Voor je Buurt(civic), Luchtsingel (DIY)

Figure 2 Four generations of crowdfunding initiatives (Capgemini 2012, Davies 2014)

Definition of Civic Crowdfunding in this thesis:

A civic crowdfunding project can be defined as "a project who develops a shared resource that is accessible to the community either as a public asset, a community - owned resource or a public - private partnership, and may or may not involve government." (Davies 2014: 29).

Even though crowdfunding research develops, civic crowdfunding has not been subject to a great extent of research. As Davies indicates, a limitation of current research into crowdfunding is that it ''rarely considers particular genres of projects as being shaped by distinct institutional or political-economic circumstances of the industry concerned'' (Davies 2014: 19). Civic crowdfunding is inextricable linked to institutions as governments and non-profits. Besides the work of Davies (2014), and Hol and Daamen (2014) little research can be found which consider civic crowdfunding as a distinct subgenre of crowdfunding.

DONATION-BASED CIVIC CROWDFUNDING IN URBAN AREA DEVELOPMENT

In the recent decades, local governments seem to integrate tool that enable civil participation in the urban planning frameworks. By using these tools, the relationship between citizens and their urban environment seems to be more direct (Correia de Freitas and Amado 2013). Brabham (2009) shows that ''the crowdsourcing model … is an appropriate model for enabling the citizen participation process in public planning projects.'' (Brabham 2009:242). Urban regeneration can be seen as a process to kick-start a more holistic regeneration of a certain urban environment. This has increasingly been used in the public policies (Correia de Freitas and Amado 2013). Public spaces can be seen as an example which can improve the attractiveness of the area as a whole and attract investors to the area (McDonald, Malys et al. 2009). Besides this urban regeneration, which is mostly performed with public investments, also private developers invest in underused buildings to kick-start the area by using flagship development (Correia de Freitas and Amado 2013).

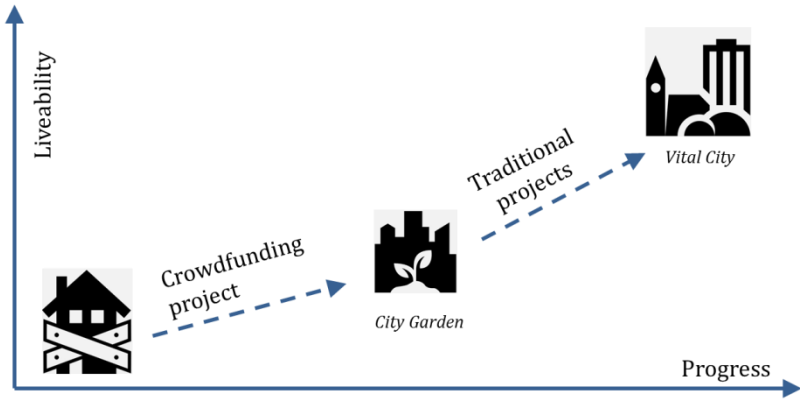


Figure 3 The value chain of urban area development. Based on Hol (2012: 73)

Hol and Daamen (2014) show that by using donation-based civic crowdfunding as funding method to realize small scale liveability projects, the area might become attractive for other investors (figure 3). This way crowdfunded liveability projects can improve an urban area without bringing direct financial gain. Since public parties lack financial power and private parties lack in motivation because of the open-ended business case, civic crowdfunding can become important.

Thus, with civic crowdfunding a new funding method might be forthcoming to improve the liveability in urban areas. In the light of the position that public participation has nowadays in the Netherlands, using crowdfunding as funding method in the urban area development seems to fits seamlessly with the current trend in the Netherlands. With civic crowdfunding, both the position of public participation and the crowdfunding concept merge. In the Netherlands, different civic crowdfunding projects can be identified in the field of urban area development. The total sum of requested credit between 2012 and 2014 in the Netherlands in area development is around eight million euro (Silvester 2014). The most well-known project is the Luchtsingel in Rotterdam (www.luchtsingel.org), which is an example of a community-based urban area development. The Luchtsingel is a wooden bridge that connects the North of Rotterdam with the centre of the city (Hol 2012, Douw 2013, Economist 2013). This bridge should improve the liveability in the Rotterdam Central District by enhancing pedestrian flows (Hol and Daamen 2014).

There are a couple of advantages when it comes to crowdfunding in civic projects. Davies (2014) among others defines the following three most frequently named advantages (Ordanini, Miceli et al. 2011, ter Kuile 2011, de Buysere, Gajda et al. 2012, Gajda 2012, Hol 2012): (i) Because of the ostensibly inexhaustible pool of potential investors, you can raise more money in a shorter amount of time, with less effort; (ii) It becomes possible to create a network and even a

community. (iii) You have a chance to reach a new audience, people that were ruled out when it came to large amounts of funding, yet interested in the project if they could participate with a smaller amount of investment money. The relevance of the second advantage seems evident looking to the Luchtsingel project. A year after the launch of this civic crowdfunding project, the Luchtsingel won the '*Stadsinitiatief*' by collecting most of the votes of the Rotterdam citizens. This resulted in the award of 4 Million euro of public fund which resulted in securing the realization of the project financially. The network around this project was so tight that it became a community. The dynamics of crowdfunding resulted in a large public support towards this project.

Nevertheless, besides the well-known Luchtsingel, the application of civic crowdfunding in the Netherlands is to the greater extent for small scale neighbourhood initiatives. These projects are maybe less impressive, but the impact of these small scale developments on the liveability in neighbourhoods might be likely (Douw 2013).

1.2 Problem Definition: institutional insufficiency and community questions

The literature shows a large variety on pros and cons considering the use of crowdfunding[1]. These findings are to a large extent relevant for the use of crowdfunding in urban area development. However, there is little scientific literature about the applicability of crowdfunding in the urban area development since the use of this funding type is novel and moderately applied.

Urban area development project:
"An urban development project refers to a framework of concrete material interventions inside a geographically distinct urban area"
(Daamen 2010: 18)

Correia de Freitas and Amado (2013) stressed the need for new funding methods in the urban area development since the post 2008 financial crisis and the lack of financial power of the (local) governments and private enterprises. According to Correia de Freitas and Amado, the main obstacle for the success of the use of crowdfunding in urban area development is the lack of rules and regulations. These are necessary for crowdfunding to become an effective market. Or, as Gajda (2012) stated: "However, the full potential of crowdfunding will only be reached if regulation and legislations are drawn up with a global and enabling view rather than a local or disabling one". Besides the insufficient institutional structure, Correia de Freitas and Amado also place uncertainty in the sustainability of the crowdfunded projects which improve the liveability. "As the amount of funded endeavours increases so does the municipal maintenance expenditure." (Correia de Freitas and Amado 2013: 13). The process towards realization of a civic crowdfunding project might be moving nevertheless the long-term public space management and maintenance might not.

Hol and Daamen (2014) did research on the instrument *crowdfunding* itself as well as to provide more insight in the way this instrument can be applied in urban area development. They show that crowdfunding cannot replace the conventional financing of real-estate and urban area

[1] In the European Crowdfunding Framework, de Buysere, Gajda et al. (2012) elaborated on the most common disadvantages in the current approach of crowdfunding. Agrawal, Catalini et al. (2013a) on the reasons why creators, funders and platforms would be incentivised but also disincentivized to use crowdfunding to fund their project.

development projects and realize public works that otherwise would be paid by local authorities. The instrument can however be used to providing a strategic contribution to this conventional financing, for example to fund small scale projects (Hol and Daamen 2014). They show that a role is reserved for local authorities in order to facilitate crowdfunding. At this moment local authorities do not support sufficiently for civic crowdfunding.

CIVIC CROWDFUNDING: INSTITUTIONAL DECLINE AND AS COMMUNITY AGENCY?

As aforementioned, in this research the focus is on the use of crowdfunding for civic projects. The rise of civic crowdfunding has provoked a wide range of competing visions on what civic crowdfunding represents and how its underlying dynamics can be grasped. After analysing data from different civic crowdfunding platforms, Davies (2014b) described three possible theoretical framings of civic crowdfunding that help to contextualize the above and to draw out its underlying dynamics: (i) civic crowdfunding as evidence of the triumph of individual agency[2], (ii) civic crowdfunding as an expression of community agency[3], and (iii) an alternative explanation of the rise of civic crowdfunding: the erosion of public institutions, or institutional decline. The latter is from the perspective that civic crowdfunding is an "outgrowth of financial strain among local authorities, and serves a libertarian agenda seeking the reduction of the role of government" (Davies 2014).

In this thesis the latter two framings are leading. Both the implications of the community and the implications of the institutional decline are relevant. Citizens perform tasks and develop projects, like the Luchtsingel, that traditionally were initiated by (local) governments and financed by private institutions because of the aforementioned lack of financial strength. However, it is also an expression of the community agency and crowdfunding can be referred to as a *tool for the commons*; a way to fund community-based projects. Following Davies in his line of reasoning that civic crowdfunding is an expression of community agency, which is reflected in the fact that both i) the investors share common goals and interest and that they behaving as communities, and that (ii) the crowd funded projects increase the ability of the community to influence the development of the built environment and the planning process (Davies 2014).

In classic economics lingo (section 3.1.2), civic crowdfunding is mainly used for projects producing public goods, club goods or common pool resources (Ostrom 2003, Davies 2014). Using crowdfunding for community goods brings along certain complexity. One example can be illustrated along the concepts of property rights. If a good is communal property, the property rights are assigned to a specific community. Members of this community can provoke property rights. This matter brings along incentive problems since an unwillingness is possible among members of the community to undertake the appropriate resource conserving activities or investments (Musole 2009). Institutional instruments are necessary to overcome these problems (eq. by a communal tax authority). When communities grow, the demarcation between an open access regime and a communal regime diminishes. A community resource is often seen as inefficient form an economic view. As Libecap (1999) states: "when there is no clear definition of ownership over valuable assets, then parties will wastefully compete for them and under-invest in them. Third-party effects or externalities will result. In the most extreme case, the value of the asset will be fully dissipated through competition for control and lost opportunities for

[2] Civic crowdfunding is driven by individuals seeking ownership of their environment for the purposes of entrepreneurial advancement, and reflects the increasing tendency of individuals to want to bear the responsibility and risk previously held by institutions (Davies 2014).

[3] Civic crowdfunding is based around collectives, brought together by geographic or interest-based ties that pool economic and social capital to effect change (Davies 2014).

investment and exchange." This is just one example of a long-term implication that comes with communal goods.

Summarized, by looking at the applicability of crowdfunding in urban area development from the perspective of civic crowdfunding as a community agency and from institutional decline, long-term implications and dynamics need to be identified. Second, prior research of Correia de Freitas and Amado (2013), Hol (2012) and Hol and van der Velde (2013) show that the application of crowdfunding in urban area development is rather difficult. Although there an increasing number of civic crowdfunding projects in the Netherlands, the Luchtsingel (funded in 2012) is still, three years later, the only large-scale civic crowdfunding project everybody quotes when it is about civic crowdfunding. The rules of the game do not seem to be adequate for the crowdfunding market to be effective.

KNOWLEDGE GAP: THE INSTITUTIONAL FRAMEWORK

Crowdfunding can be seen as a nascent industry. Because of this there is a lack of rules and regulations that are necessary to let the market develop (Correia de Freitas and Amado 2013). Oliver Gajda, the co-founder of the European Crowdfunding Network, claims that the "full potential of crowdfunding will only be reached if regulation is drawn up with global and enabling view (Gajda 2012). Where Gajda puts forward a global vision on European legislation around crowdfunding, also nationally much gain can be achieved concerning the rules and legislation around crowdfunding. Although it seems that the Dutch financial legislations do not counteract the development of crowdfunding, the current financial legislation does not provide crowdfunding either (Hol 2012).

The system in which urban area development takes place can be seen as a complex system because of the following elements (Spaans 2000):

- there are a large number of different actors with different (conflicting) interests
- there is an interrelation between different (sub) systems of decision-making
- there is uncertainty about nature of the problem
- there is a difficulty of accurate and timely information acquisition and processing
- the short- and long-term decisions are interchangeable
- the taken decisions are irreversible

These complex systems require an institutional structure that coordinates the positions, relations and behaviour of the parties within these systems; rules of the game that guide and coordinate the behaviour of actors (Koppenjan and Groenewegen 2005). These, public and private, rules of the game, or arrangements, can be formulated in formal rules, as the aforementioned Dutch financial legislations or zoning plans etc., but can also be informal rules, like norms and attitudes in urban area development. As Koppenjan and Groenewegen (2005: 244) define: "The public, private, formal and informal arrangements can be regarded as institutions necessary for the system to function. Institutions or institutional arrangements are thus a set of rules that regulate the interaction between parties involved in the functioning of a system".

There is a lack of knowledge about how the institutional structure with regard to civic crowdfunding in urban area development works and about its alignment with the long-term implications and dynamics that are linked to civic crowdfunding in urban area development projects. Important is to assess what institutions play a role in the projects and what the effect of the institutional structure is on the projects. The question is: does the project take place within

these institutions? And if the project needs to be developed: which institutions are needed? These institutions can have the effect that stakeholders join the process (e.g. because it prevent free riding behaviour) but it can also block the participation of stakeholders (e.g. because the businesses get the feeling that they are paying for governmental tasks (Berndsen, Doornbos et al. 2012). Coordination of the behaviour of parties is necessary to make the civic crowdfunding function. This coordination is organised through institutional arrangements that regulate the positions and relations between parties (Koppenjan and Groenewegen 2005).

Problem statement

- There is no clear view on the nature of the current institutional structure and on how this structure should be designed in order to provide the use of crowdfunding in urban area development, considering the long-term implications and dynamics in regard to civic crowdfunding -

RESEARCH GOAL

The goal of this research is to (1) generate insights in the institutional structure where crowdfunding is embedded in, and on how this structure should be designed in order to provide the use of civic crowdfunding in urban area development, by (2) analysing the relevant current institutional structure and (3) the effectiveness and efficiency of the structure concerning civic crowdfunding in urban area development.

These insights will contribute to the (4) understanding of which institutional arrangements will improve this effectiveness and efficiency, and provide recommendations on how to increase the applicability of civic crowdfunding.

1.3 RESEARCH QUESTIONS

In this section the questions are shown which concerns the knowledge that is necessary to achieve the research goal. Firstly the central research question is shown. Next the sub-questions are defined which structure and answer the central research question.

1.3.1 CENTRAL RESEARCH QUESTION

The previous sections resulted in the following twofold research question:

Central research question

(1) How does the institutional structure influence the applicability of donation-based civic crowdfunding in urban area development from a neo-institutional economic perspective, and (2) how should the institutional arrangements be designed in order to create an institutional environment which provides the applicability of donation-based civic crowdfunding in urban area development?

1.3.2 The central research question divided into sub-questions

In order to develop the framework which illustrates the institutional structure in which civic crowdfunding is embedded, the context need to be clear. Therefore the first sub-question is dedicated to both urban area development and civic crowdfunding. Since both concepts are subject to high dynamics, it is important to explain the context from the current state.

1. What is known about the structure and effectiveness of donation-based civic crowdfunding in the context of urban area development?

When the thorough description of donation based civic crowdfunding and community based urban area development is shown, it can be studied how this institutional structure is influencing the applicability of civic crowdfunding in current practice. This leads to the following question:

2. What is the effect of the current institutional structure on the effectiveness of civic crowdfunding in current practice?

After the (in)-effectiveness is known; it becomes possible to set out which changes can lead to an improvement of this applicability. To conclude and formulate recommendations, the following sub-question is relevant:

3. What arrangements need to be improved in order to increase the applicability of donation-based civic crowdfunding in the context of urban area development?

1.3.3 UNDERSTANDING THE LEVEL OF ANALYSIS

To specify the analysis of an institutional structure, the four-layer model of Williamson (1998) can be used to define the level of analysis, see figure 4. With this model, Williamson provides a framework that distinguishes four different levels of social analysis of institutions (Williamson 1998, Koppenjan and Groenewegen 2005, Künneke, Correlje et al. 2005, Künneke 2008). These levels are ranging from the individual actors and their interactions (level 1), the institutional arrangements (level 2), the formal institutions at the level of formal legislation (level 3) and the level of culture, values, norms and attitudes (level 4) (Williamson 1998, Koppenjan and Groenewegen 2005).

Besides the institutions itself on the different levels, the model also specifies different relations between those levels. As Koppenjan & Groenewegen (2005: 247) define: ''between the levels, a vertical relation exists in which the higher level constrains and shapes the lower ones and in which lower levels have an influence on the development of the higher ones.''

To denote this thesis in the four-layer model of Williamson, the following can be considered:

- The research goal is to enhance the outcomes influenced by the interactions of the individual actors (layer 1)
- The analysis of the institutional structure is performed by focussing on the formal institutions (layer 3) and the formal and informal arrangements (layer 2)
- The final recommendations can be considered in layer 2

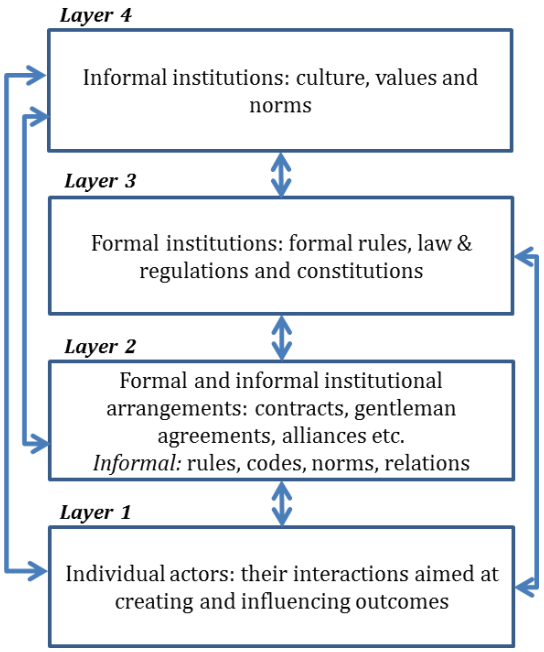


Figure 4 The four-layer model: levels of institutional analysis
Adapted from Williamson (1979, 1998)

2 RESEARCH METHODOLOGY

In this section more insight is provided in the methodology that is leading in this research. The research methodology will consist of the research approach and the methodology.

2.1 METHODOLOGY FRAMEWORK

In table 1 the key *methodological dimensions* are clarified. The dimensions consists of the "overarching philosophy and conceptual model that connect the more concrete methods, techniques and subsequent aims and questions of each dimension" (Heurkens 2012: 112). Heurkens (2012) developed this framework with a certain hierarchy. First the philosophical dimension points out the underlying purpose of the research; thus, a thorough understanding of civic crowdfunding with a focus on the long-term dynamics and complexity considering community-based urban area development. To study both issues the philosophy need to be operationalized into a conceptual analytical model: the IAD-framework. Hereafter through the use of different methods, supported with different research techniques, the central research question will be answered. These elements are shown in table 1.

The Methodological Framework		
Philosophy	Crowdfunding as civic agency & community-based urban area development tool	
Aim	Comprehensive understanding of civic crowdfunding and urban area development	
Question	**1.** Which approach is suitable to study civic crowdfunding in complex urban development projects?	
Concept	The Institutional and Development Framework	
Aim	Analysis/understanding of institutional structure, its stakeholders and relations	
Question	**2.** Which framework can be used to understand the institutional structure?	
Methods	Study crowdfunding in the literature	Effectiveness of the institutional structure
Aim	Data collection, analysis & comparison	Empirical observations
Questions	**3.** What is the internal structure of an action situation and what external variables and interactions are relevant?	**4.** What approach can be used to obtain empirical data?
Techniques	Literature & Document review	Interviews
Aim	Documented information	Practical experiences
Questions	***5.*** *What literature sources provide information & insight in civic crowdfunding in urban area development?*	***6.*** *What are possible key informants in the field?*

Table 1 The methodological framework. Extracted from (Heurkens 2012)

2.2 THE RESEARCH APPROACH

In this section, a brief explanation is given on each of the methods and their contribution to the research. The research approach that is applied in this research is the key informant analysis approach.

2.2.1 THE KEY INFORMANT ANALYSIS

Crowdfunding as a concept can be seen as a novel phenomenon. A qualitative, case-based approach facilitates the exploration of a phenomenon within its context, using a variety of data resources (Yin 2003). In order to addressing *how* and *why* questions, a case-study approach is an appropriate one when the purpose of the research is from an explanatory perspective (Yin 2003). The usefulness of the case-study approach is to a greater extent when the objective of the research is to "achieve deeper understanding of a novel phenomenon, the concepts and context pertaining to which are ill-defined because of a lack of previous theory, and when the phenomenon has not yet received adequate coverage in the extant literature" (Ordanini, 2011; 12). The case-study approach is applied often in the applied academic field of urban planning since it "examines contemporary real-life situations" (Heurkens 2012). Thus, because of the above, the case–based strategy is suitable.

However, the phenomenon is such novel that no representative cases could be selected. At first the researcher selected the *Luchtsingel* as case to perform a single case-study. After the preliminary literature review it seemed that very little is known on civic crowdfunding in the urban area development context. This resulted in the decision to not perform a cross-cases study since the "learned lessons will more likely advance knowledge & understanding of the topic" (Yin, 2009). In-depth study of a single case is to shed light on a larger class of cases. This will make it easier to choose follow-up cases and to understand their significance (Gerring, 2007). To investigate the mechanism of civic crowdfunding in its context, an in-depth single-case study is perfectly appropriate, and might form the initial basis for causal inferences (Yin, 2009). This way, this research can form a basis for further research.

But, after the researcher interviewed two leading informants[4] about the Luchtsingel, it soon became clear that this case was not appropriate to use in answering the research questions. This had two reasons:

1) The initiators behind the project were professionals from an architectural firm and therefore had characteristics that are incomparable with citizens (section 4.2.1).
2) The Luchtsingel won the *Stadsinitiatief*, a 4 million worth prize powered by the municipality of Rotterdam. This did not only enlarge the funding significantly, it also changed the level of control the local authority and the public could exert on the initiative and the initiators.

More information on this matter can be found in chapter 8.2, the reflection on the methodology.

What is studied in this research is the vision and expectations of key informants, regarding the institutional structure in which civic crowdfunding is embedded. A key informant is an expert source of information. These key informants are able to provide more information and better insight in what is going on around them, based on their personal experience, or position within a society (Marshall 1996).

[4] MSc Barry Hol who graduated on this case and dr. ir Gert-Joost Peek, fellow researcher of a report about the Luchtsingel: "Perspectieven op de Luchtsingel: verkenning naar de effecten van een Stadsinitiatief"

According to Marshall (1996), the ideal key informant is characterized by the following five characteristics:

1) Their role in the community
2) Knowledge; not only access to information, but also meaningful processing capabilities of this information
3) Willingness; to cooperate with the researcher
4) Communicability; ability to communicate the knowledge in a intelligible manner
5) Impartiality; the informant need to be objective and unbiased. Any relevant biases should be known to the interviewer

In appendix A the list of key informants can be found.

2.3 THE RESEARCH METHODS

In order to collect the data needed as input for the aforementioned research methods, two research techniques are used. As shown in table 1, the research techniques used in this research are:

1) Literature and document review — *documented information*
2) Semi-structures interviews — *practical experiences*

LITERATURE AND DOCUMENT REVIEWS

"A literature review provides a meaningful context of your project within the universe of already existing research" (Obenzinger 2005). It will "justify the research in a theoretical way and show where the research fits into the existing body of knowledge. In this case it is used to expose the lack of knowledge. The review will describe, summarize and evaluate the available literature" (Yin, 2009).

In order to explore the context of civic crowdfunding and urban area development, a review is performed on academic and practitioner literature, open documentation, digital databases and other digital web sources. Crowdfunding is a relatively new subject. A significant part of the literature on crowdfunding is published online[5] and therefore the reliability of the information could be at stake. Thus, these sources need to be examined individually on its reliability.

SEMI-STRUCTURED INTERVIEWS

In the theory of interviews one can differentiate three different forms of interview forms: (i) open interviews, (ii) semi-structures interviews and (iii) structured interviews.

The interviews are semi-structured; a conversation in which only the outline of the question is formulated, not the questions itself. By semi-structuring the interview, the communication is two-way. This way the researcher can be more adaptive and flexible and thus are newly encountered situations an opportunity instead of a threat (Yin 2003). The interview will start with some general questions or topics, whereupon some relevant topics are initially identified and the possible relation between these topics and issues become the basis for more specific questions. These could be roughly prepared beforehand, but the majority is created during the interview. The interview should be guided by a framework of general topics & expected relationships, to stay flexible and to probe for details or discuss issues more in-depth' (D'Arcy Davis-Case, 1990).

[5] blogs, opinionated websites, platforms like 'twintangibles', 'www.crowdsourcing.com' and many others

3. THE THEORETICAL BASE OF THE RESEARCH

This chapter shows the internal logic of the research. Using this logic, which consists of the theoretical framework and the conceptual model, the validity of the drawn conclusions is secured. First is described that the neo institutional economics is a suitable approach in this research. After describing the relevant elements in this approach, the Institutional Analysis and Development framework is explained. This framework is used in chapter 4 and 5 to answer the research questions.

3.1 THE THEORETICAL FRAMEWORK

The theoretical framework within a research determines the perspective the researcher takes while performing this research. Verschuren and Doorewaard (2010) describe the theoretical framework as the pair of glasses through which the researcher looks at the research objects and all factors related to these research objects. This will contribute to a better demarcated research.

CROWDFUNDING AS MARKET

As Heertje (1970) defines: a market is "the coherent whole of supply and demand of a good". Lindblom (2001) describes a market as "not a place but a web, not a location but a set of co-ordinating performances" (extracted from Segeren, Needham et al. (2005: 19). Taking these definitions into account, one can argue that crowdfunding can be seen as a market. The relevant science to look at a market is the science of economics. As aforementioned there is a lack of rules and regulations concerning the applicability of crowdfunding, which are necessary to reach maximum economic effectiveness (Correia de Freitas and Amado 2013, Gajda 2011, Hol, 2012). A school within the science of economics that focuses on the rules and regulations that influence the behaviour of the stakeholders within markets is the neo institutional economics (Menard 2005, Segeren, Needham et al. 2005, Geraldi 2007).

3.1.1 NEO INSTITUTIONAL ECONOMICS: THE BASICS

The (neo) institutional economic approach (NIE), introduced by Oliver E. Williamson in 1975, got its roots in the work of Ronald Coase (Buitelaar 2004). The neo institutional economics focuses on the following question: which organizational structure leads to the maximum economic efficiency? (ter Bogt 1998). Central in this theory is the search for the explanations to "economic (in)-efficiency in institutional arrangements that regulate and protect property rights, contract fulfilment and efficient organizational arrangements" (Wendschlag 2009).

The NIE approach is applicable to the issue of crowdfunding because it focuses on the behaviour of stakeholders within the institutions. The institutions are the "written and unwritten rules, norms and constrains that humans devise to reduce uncertainty and control their environment" (Menard 2005: 1). These include: (i) the boundaries of rules and agreements that govern contractual relations and corporate governance. (ii) constitutions, laws and rules that govern politics, government, finance, and society more broadly, and (iii) unwritten codes of conduct, norms of behaviour, and beliefs (Menard 2005: 1). NIE studies how these institutions interact with organizational arrangements, described by Menard (2005) as: "the different modes of governance that agents implement to support production and exchange". These arrangements include the various combinations of forms that economic actors develop to facilitate transactions with its contractual agreements and the behavioural traits that underlie the arrangements

chosen. Relevant is how the rules and norms and the economic functioning mutually influence each other. Besides to rules and regulations, in the realization of a transaction, the institutional economy distinguishes two other important mechanisms: price and trust (Needham and de Kam 2004, Segeren, Needham et al. 2005). The transactions are established in a certain structure. Buitelaar (2003) defines three structures in which these transactions can take place: a market, a hierarchy and a network. Each of these structures determines to which extent the aforementioned mechanisms (price, trust, and rules and regulations) are relevant during the establishment of the transactions (Segeren, Needham et al. 2005).

3.1.2 Neo Institutional Economics: The theories

The neo institutional economy consists of three theories: (i) Transaction cost economics, (ii) Property Rights and (iii) Principal Agent Theory (Menard 2005, Geraldi 2007). These theories can contribute to the development of the conceptual model since they help to characterize the nature of the formal and informal institutions, or relations. First the three theories are explained.

Transaction cost economics

The development, application and enforcement of the institution bring along costs: institutional costs (Buitelaar 2004). These costs, together with the other costs that are necessary to execute a transaction, are the so called *transaction costs* (Williamson 1989, Buitelaar 2004, Menard 2005, Segeren, Needham et al. 2005, Geraldi 2007). Lai (1994: 84) defines transaction costs as "all costs other than the costs of physical production".

Firms exist and seek to minimize transaction costs (Williamson 1989, Buitelaar 2004). These transaction costs include (Dyer 1997, Stevenson and Letwin 2013):

- *Contracting costs*, which refer to costs that are associated to negotiating and writing an agreement
- *Search costs*, which include the costs of gathering information to identify and evaluate potential partners
- *Monitoring costs*, refer to the cost associated with monitoring the agreement
- *Enforcement costs*, refer to the costs associated with the ex post bargaining and sanctioning between the partners when a partner does not act according to the agreement

The transaction costs can occur ex ante; e.g. drafting, negotiating and safeguarding contracts, or ex post: e.g. maladaptation, setup and running costs (Stevenson and Letwin 2013).

Williamson (1989) defines three factors that influence the transaction costs related to economic exchanges: frequency, asset specificity and uncertainty. These three components are interrelated as the combination of these characteristics and their values amplifies or dilutes (Haase 2009):

- *Frequency* – when a transaction occurs regularly it might be favourable to let the transaction be part of a firm. Because of the information asymmetry between the seller and buyer, and the search-, negotiation- and information costs, the transaction costs are otherwise too high.
- *Asset Specificity* – when a specific type of asset is required, it might be more efficient to start a firm. Asset specificity refers to the degree to which "an asset can be redeployed to alternative uses and by alternative users without sacrifice of productive value" (Williamson 1989: 142). Williamson (1989: 143) distinguished, without purporting to be exhaustive, five kinds of assets specificity: (1) site specificity, as where successive stations are located in a cheek-by-jowl relation to each other so as to economize on inventory and transportation expenses; (2) physical asset specificity, such as specialized dies that are required to produce

a component; (3) human asset specificity that arises in a learning-by-doing fashion; (4) dedicated assets, which are discrete investments in general purpose plant that are made at the behest of a particular customer; and (5) brand name capital.

- *Uncertainty* – The uncertainty associated with transaction costs are derived from asymmetric and incomplete information: information costs. Uncertainty refers to behavioural and environmental uncertainty. An actor can decrease this asymmetric and incomplete information. This however increases the transaction costs. Also monitoring costs are relevant. When the uncertainty among a transaction is high, it is more efficient to let the transaction be part of a firm, than to conclude a contract. Because the stakeholders can behave opportunistic, the monitoring costs of these contracts are high.

From the view of the transaction costs theory, as the investments in specialized assets increase, transaction costs increase. The principal factor that is responsible for transaction cost differences among transactions is variations in asset specificity (Riordan and Williamson 1985). Transaction costs increase when asset specificity increases due to opportunism (Dyer 1997). Opportunism can be defined as: "self-interest seeking with guile" (Williamson 1985).

Behavioural uncertainty is deducted from the fact that humans are limited in their capacities to process information and may further behave in an opportunistic way. Behavioural uncertainty refers to ex post opportunistic behaviour by one contracting partner (Haase 2009).

In order to protect against the hazards of opportunism, safeguards (or governance structures) can be developed. A safeguard provides, at minimum costs, the control and trust that is necessary for the actors to participate in the transaction (Dyer 1997). The presence of frequent transactions under conditions of uncertainty and asset specificity helps determine which mode of governance is regarded as best suited (Haase 2009).

The most applied safeguard in the Western economies is the legal contract. A legal contract specifies the obligations of each party and allow the parties to go to third parties to sanction an opportunistic trading partner (Dyer 1997). As the asset specificity increases, the complexity of the contract does too[6]. Hence, the received theory predicts that ''as asset specificity increases, so does the full array of transaction costs (i.e., contracting, monitoring, and enforcement costs)'' (Dyer 1997: 537). When a certain threshold is met with regard to the asset specificity, the costs of contracting become prohibitive, parties seem to move to a hierarchy governance structure (Dyer 1997).

Property Rights

The theory of property rights describes that besides the value of the good or service itself, also the value of the property rights should be considered. These rights[7] can be recognized as the product of rules[8] (Schlager and Ostrom 1992, Ostrom 2003). Property rights consists of: (i) the right to use, (ii) the right to change, (iii) the right to make profit or losses, and (iv) the right to transfer (Menard 2005, Geraldi 2007). Schlager and Ostrom (1992) however described property rights as a bundle of rights rather than physical entities and describe the following five property rights (table 3): The right to: (i) access, (ii) withdrawal, (iii) management, (iv) exclusion, and (v) alienation (Coase 1960, Schlager and Ostrom 1992). Instead of focussing on one right from the bundle of rights, the five rights can also be categorized in five types of property rights holders

[6] Uncertainty is in this research considered to be always present in some degree. Without uncertainty, even highly specialized assets may be protected contractually (Dyer 1997).

[7] Rights refer to particular actions that are authorized (Ostrom 1976).

[8] Rules refer to the prescriptions that create authorization (Commons 1968).

(Ostrom 2007). The individual or collective "may hold well-defined property rights that include or do not include all five of the rights defined" (Ostrom and Hess 2007: 12) (table 2)

	Owner	Proprietor	Claimant	Authorized User	Authorized Entrant
Access	X	X	X	X	X
Withdrawal	X	X	X	X	
Management	X	X	X		
Exclusion	X	X			
Alienation	X				

Table 2 Bundles of rights associated with positions. From Ostrom (1998)

Musole (2009) established a thorough literature review in which he discussed both the legal view and the economical view on property rights. He states that the literature draws a distinction between both these rights as "legal rights are rights defined by the state and recognised by law. Economic rights, on the other hand, are the ability of individuals to exercise their rights over an asset" (Musole 2009: 53). He states that in so far as ownership and the aforementioned related property rights that are distracted from them, legal frameworks are important but not the only defining institutions. There is a broader, non-legal, framework within which property rights are exercised. The ability of an individual to exercise the property rights is what matters and this is also affected by non-legal contracts such as informal relations between stakeholders or general norms and values.

Taking the discussion on the legal and non-legal perspective into account, it is however generally understood that property rights are basically the rights that belongs to ownership (Musole 2009). Still property rights are difficult to define. Besides the legal and non-legal discussion, Tarrant (2008) states that there are two theories as to how property rights should be described: they are rights between persons or they are rights between a person and a thing. He concludes that every property right should be individually examined to determine whether there is a thing that is subject to that right. This thing can be either a tangible or intangible. Tangible things like a bridge or a park are easily recognized as objects that can obtain property rights. However, intangible things are a lot more difficult to define. The question is what criteria can be adopted to identify which intangible things exist. Tarrant (2008) demonstrates an intangible thing as a relationship between two persons when the property right correlates with the duties of others in the society not to interfere with things that are the object to the property rights. For these types of property rights there is no direct relationship between a person with a property rights to a thing and other members of society.

Ostrom (2010: 645) defines an overview of four broad types of tangible things, or goods that "differentially affect the problems individuals face in devising institutions to enable them to provide, produce, and consume diverse goods." (table 3).

		Substractability of use	
		High	*Low*
Difficulty in excluding users	*High*	Common Pool Resource	Public Good
	Low	Private Goods	Toll Good

Table 3 Overview of goods that affect problems in devising institutions (Ostrom 2010)

The issue of these different types of goods is a relevant one when it comes to the use of crowdfunding in urban area development. Civic crowdfunding is mostly used for projects producing public goods, toll goods or common pool resources (Ostrom 2003, Davies 2014). In devising institutions, the problems regarding to each of the types of goods need to be taken into account.

For analytical purposes, property rights can, according to Brandäo and Feder (1995), be categorised into four other basic types: open access; communal property; private property; and state property. In an open access regime, the ability to exclude individual for using the property is practically zero. In this absence of excludability, the free-rider problems may arise.

In the second type, the communal property, the property rights are assigned to a specific community. Members of this community can provoke the property rights. This matter brings along incentive problems since an unwillingness is possible among members of the community to undertake the appropriate resource conserving activities or investments (Musole 2009). Institutional instruments are necessary to overcome these problems (eq. by a communal tax authority). When the community grows, the demarcation between an open access regime and a communal regime diminishes. A community resource is often seen as inefficient from an economic view. As Libecap (1999: 35) states: "when there is no clear definition of ownership over valuable assets, then parties will wastefully compete for them and under-invest in them. Third-party effects or externalities will result. In the most extreme case, the value of the asset will be fully dissipated through competition for control and lost opportunities for investment and exchange."

With private property rights, the third type, the property is assigned to specific individuals or corporate entities. However, the state or the community can still enforce certain formal or informal limitations to the property rights. If the specific individuals or corporate entities lack in enforcing their property rights, the private property rights may assume the characteristics of an open access regime. With private property, the owner has exclusive rights of access and withdrawal and there is a free transferability of the ownership rights (Musole 2009).

With the last type, the state ownership, the state or extension of the state, possesses the property right. The authorities however are in the position to transfer some of the rights to individuals or communities. This only concerns the right to access and withdrawal, since the rights to manage, exclude and alienate retains to the rights of the state, in most of the cases (Schlager and Ostrom 1992, Musole 2009). Each of the characteristics can contribute to the examination of property rights. The literature suggests that transaction costs rise (Barzel 1989, North 1990a) and market failure results (Coase 1960, Cole 2000, Cole 2002), if the property rights are not defined properly (Musole 2009).

Principal Agent Theory

The agent theory studies the problem of delegation between the principal, who motivates the agent to do something costly to the agent itself, and is interesting for the principal (Geraldi 2007). This delegation however, takes place in an environment with information asymmetry, uncertainty and risks in which both the agent and the principal have conflicting interests, as both strive for individual maximum gain, which results in incomplete contracting (Geraldi 2007, Correljé 2012). Since the contracting element in crowdfunding is unique, this theory might be relevant concerning crowdfunding.

3.1.3 Neo Institutional Economics: The framework

A framework has been used for over three decades as the main theoretical structure to examine the common: the Institutional Analysis and Development framework (IAD). This framework is developed by Ostrom (Ostrom 1994, Ostrom and Hess 2005, Ostrom 2010) and can be used as organizing tool to understand systems that are composed of multiple variables, each of which can then be "unpacked multiple times depending on the question of immediate interest" (Ostrom 2010: 646).

Ostrom (1994, 2010) states that if one performs theoretical work that is related to the study of rules, this should proceed on at least three different levels: frameworks[9], theories[10] and formal models[11]. In this research, due to limited time, only the first step is performed: the development of the framework. In the IAD framework, the working parts and their posited relationships are identified that can be derived from a physical world, a cultural world and a set of rules (figure 6 on the next page). The framework ''is a meta-theoretical device that help provide a general language for describing relationships at multiple levels and scales'' (Ostrom 2010: 559). Or as Ostrom and Hess (2005: 1) posit: ''The IAD framework is a diagnostic tool that can be used to investigate any broad subject where humans repeatedly interact within rules and norms that guide their choice of strategies and behaviours.''

The Institutional Analysis and Development Framework

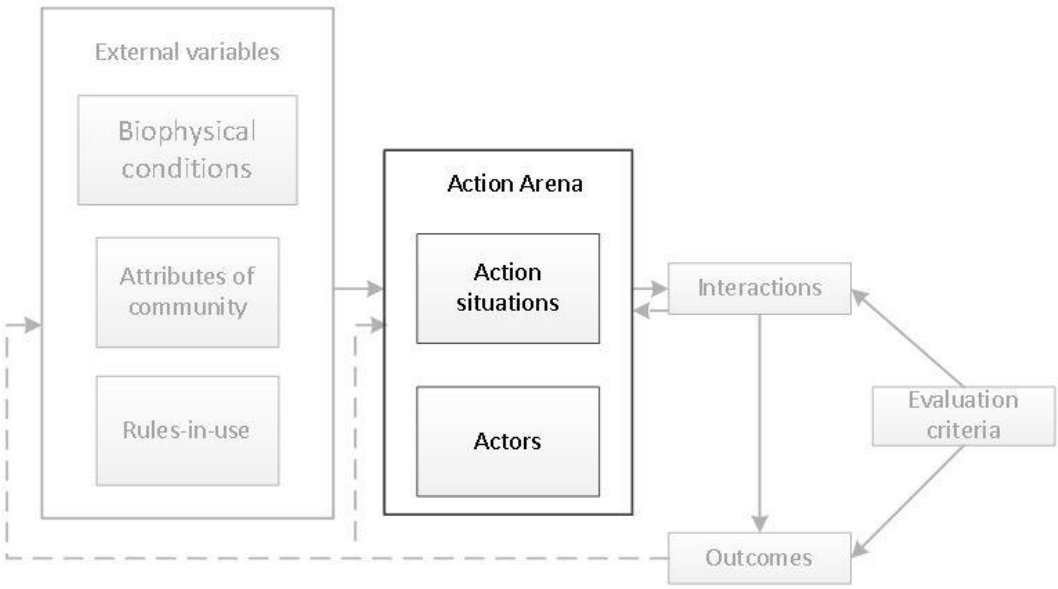


Figure 5 The IAD framework for institutional analysis, the action arena. Extracted from Ostrom 2010: 646

[9] Frameworks are intended to contain the most general set of variables used to examine a diversity of institutional settings including human interactions within markets, private firms, families, community organizations, legislatures, and government agencies. It provides a meta-theoretical language to enable scholars to discuss any particular theory or to compare theories (Ostrom 2010: 646).

[10] A conceptual level which is used to specify which working parts of a framework is considered useful to explain diverse outcomes and how they relate to one another (Ostrom 2010: 646).

[11] Make explicit assumptions about the elements and structure of a particular situation and use the logic tools of a theory to derive predictions about the likely outcomes of a particular set of parameters (Ostrom 1994: 23).

Performing an institutional analysis using the IAD framework, the first step to be taken is the identification of the action arena (figure 5). The action arena is composed of an *action situation* and an *actor component* which consists of the stakeholders that are involved in the action arena (Ostrom and Hess 2005). Ostrom (1994) visualized this action arena in her later work (2005, 2010) with the stakeholders included in the action situation. The structure of the action situation is not solely influenced by the actors, but the characteristics of the actors involved, specifies the structure (Ostrom 2010). This results in the internal structure as visualized in figure 6. The framework is composed of three clusters of variables that are affecting the institutional structure and the patterns of interaction: (i) the external variables, (ii) the actions situations and its internal parts, and (iii) the evaluation criteria & outcomes, as can be seen at the right hand side of figure 6.

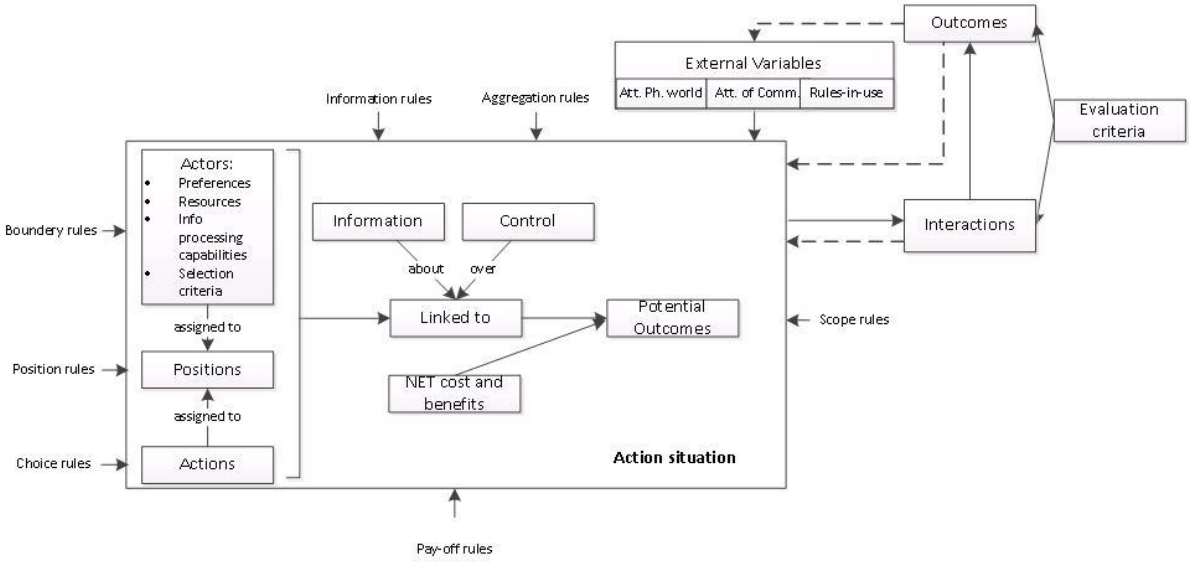


Figure 6 Internal structure of an action situation in action arena. Based on Ostrom 2010: 648 & 651

The internal working parts of the IAD framework

The action situation, that can be seen as the core of the framework, is affected by external variables that will result in varying patterns of interactions and outcomes (Ostrom and Hess 2005: 20) that are evaluated by participants in the action situation and feedback on both the external variables and the action situation (Ostrom 2010: 647). The external variables are divided into three broad categories: (i) Biophysical conditions, which are attributes of the physical world such as artefacts and facilities, (ii) Attributes of the Community: users, providers and policymakers, which may include the history of prior interactions, and (iii) Rules-In-Use: operational, collective choice and constitutional, which are shared normative understandings about what a participant in a position must, must not, or may do in a particular action situation, backed by at least a minimal sanctioning ability for noncompliance. (Ostrom and Hess 2005: 15). The rules-in-use include the earlier mentioned property rights, since property rights are "national and international formal rules as well as informal rules-in-use" (Ostrom and Hess 2005: 18). If one holds, for example, the right of access, this give the authority to enter a resource. Rules specify the set of requirements others must meet in order to exercise this right (Schlager and Ostrom 1992).

The internal working parts of the action situation are derived from the same elements as theorists used when designing a game (Ostrom 2010: 647). These variables are:

Needed variables used to specify a game and predict outcomes
Characteristics of the actors that are involved in the situation
The positions the actors hold
The set of actions that each of the actors can perform at specific nodes in a decision tree
The amount of information that is available at each of these decision nodes
The outcomes that actors jointly affect
A set of functions that map actors and actions at decision nodes into outcomes
Benefits and costs assigned to the linkage of actions chosen and outcomes obtained

Table 4 Variables in the IAD framework

External rules -> internal parts -> rules-in-use -> internal parts

The internal parts of the action situation are influenced by other, external, rules. Ostrom (2010: 652) detected seven broad types of rules that affect the working parts as external variables. As illustrated in figure 6, these are position rules, boundary rules, choice rules, scope rules, aggregation rules, information rules, and pay-off rules.

- *Position rules*: Specify the positions in the action situation.
- *Boundary rules*: Specify the conditions to enter and to leave the positions
- *Choice rules*: Affect the set of actions that is assigned to each position
- *Scope rules*: Specify the set of outcomes and the actions linked to these outcomes
- *Aggregation rules*: Affect the control each actor has on the actions that lead to potential outcomes
- *Information rules*: Affect the available information to each position
- *Pay-off rules*: Establish the incentives and deterrents for action by affecting the costs and benefits related to these actions. In other words: the costs and benefits related to certain actions.

The action situations can be seen as different moments in time: after action situation 1, action situation 2 occurs and after action situation 2, action situation 3 occurs.

The external rules are a general framework of rules. Within this universal framework an action situation occurs. In this action situation the actors, in combinations with the other internal parts, will configure arrangements. With these arrangements, the actors in the action situation will *enter* subsequent action situations. The arrangements from the previous action situation are the *rules-in-use* in the next situation (see figure 7). These *rules-in-use* are visualized as external variables since they are a result of arrangements made in the previous action situations. The internal parts *information* and *control* are in their turn the resultant of the *external rules* and the external *rules-in-use*. The problem with the *rules-in-use* is that many are not written down. Many of the rules-in-use are not even conceptualized by actors as rules (Ostrom 2011).

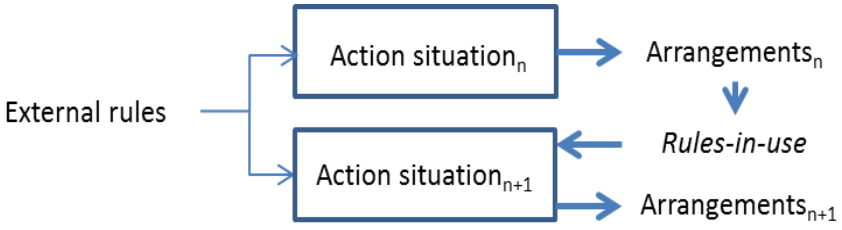


Figure 7 Schematic representation of the relation between the rules

THE CONCEPTUAL MODEL

In this research the IAD framework of Ostrom (figure 6) is understood as the conceptual model (figure 8) that is used to describe the institutional structure in which civic crowdfunding in urban area development is embedded.

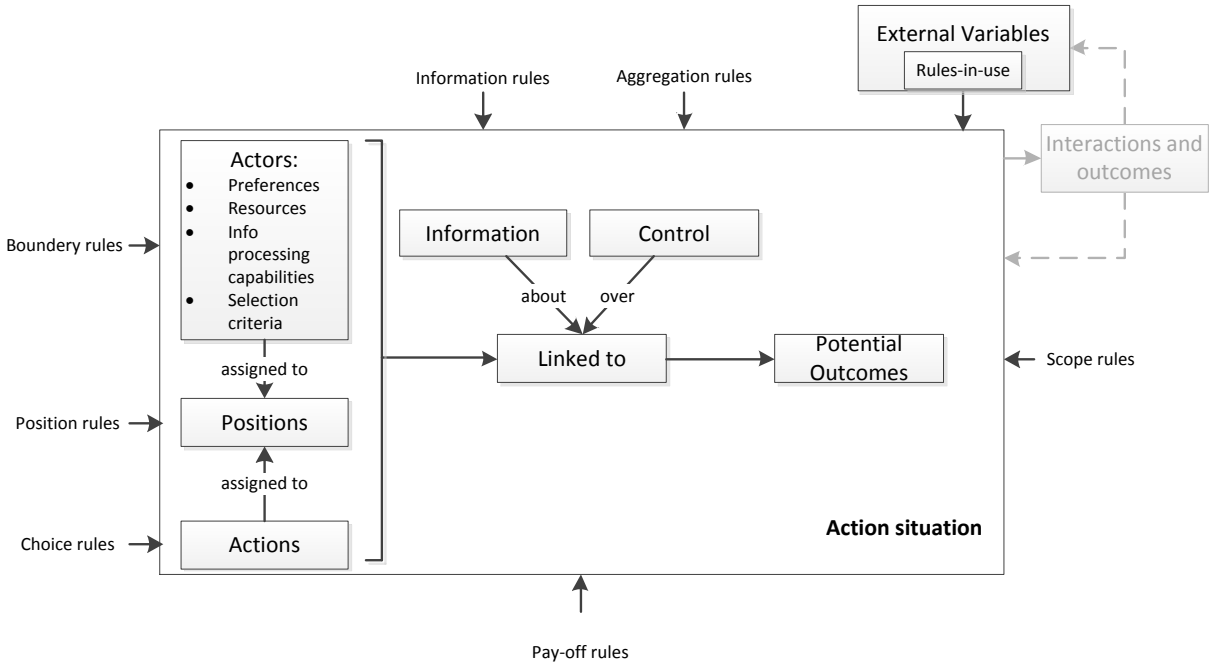


Figure 8 The conceptual model: internal structure of an action situation in action arena. Based on Ostrom 2010: 648 & 651

The elements in the IAD framework left out in this research

The IAD framework of Ostrom does not provide a roadmap how to use the framework. Every analyst conceptualizes action situations in a different way. Underlying to these choices, Ostrom (2011: 17) argues, are assumptions about the "rules individuals use to order their relationships, about attributes of states of the world and their transformations, and about the attributes of the community". An analyst can for example focus particularly on these underlying variables, or choose to only focus on one or more action situations and leave the external variables out of scope. Where sociologists tend to focus on the attributes of the community and environmentalists tend to focus on the wide diversity of physical and biological variables, policy analysts seem to focus more on how rules affect each of the variables of an action situation.

In this research both the external attributes of the physical world and the community as external attribute is left out of the research. In the recommendations (chapter 6) directions are given on how this sociological and environmental approach can contribute to the understanding of civic crowdfunding. In this research however, the focus will lie on the external rules and how the arrangements in each action situation are affected by this rules and will result in *rules-in-use*.

The interaction and outcomes element is visualized in grey in figure 8 since it needs to be taken in consideration because it symbolizes the subsequent loop in the action situations, but it will not be analysed specifically in this research.

3.2 THE THEORETICAL PERSPECTIVE USED WITH REGARD TO THE FRAMEWORK

The theoretical perspective can be used either to structure the operationalization of the conceptual model, or, as is the case in this research, to explain the observations when analysing current practice. Through applying the conceptual model, which is based on the IAD framework, the working parts and their posited relationships can be identified. This framework however can be seen as an empty frame which can be completed by a theoretical perspective. In this research, in order to operationalize the conceptual model in chapter four, the state-of-the art literature on civic crowdfunding is used. This operationalized framework is subsequently used to structure the interviews in chapter five. The theoretical perspective is going to be used to explain the issues with regard to the effectiveness of the institutional structure with regard to the applicability of civic crowdfunding in urban area development. As described in the previous section 3.1.2, the neo-institutional economics consists of three theories: (i) Transaction cost economics, (ii) Property Rights and (iii) Principal Agent Theory. After the interviews with the respondents it seemed that the perspective of transaction costs theory is most applicable to the issues that are observed (Section 4.2.8). However, since the civic crowdfunding projects are developed in the public space the property rights theory is needed to explain certain elements (section 5.2). The principal agent theory will not be taken into account in this thesis.

4. THE OPERATIONALIZATION OF THE IAD FRAMEWORK

In this chapter the conceptual framework is operationalized. Firstly, the relevant action situations, the internal working parts and the external rules are defined (section 4.1). Hereafter each of the components in the framework is operationalized on the basis of the first action situation (section 4.2). Each of the components described in chapter three is outlined into the context of civic crowdfunding in urban area development. To do so, a thorough literature research on the current state of crowdfunding, and civic crowdfunding in specific, and crowdfunding in urban area development is performed. This chapter results in a comprehensive description of the institutional structure. This operationalized framework is used in chapter five to explore the influence of the current institutional structure on the effectiveness of civic crowdfunding in this context in practice.

4.1 THE DIMENSIONS IN THE CONCEPTUAL FRAMEWORK

The conceptual framework in this research consists of three main dimensions: the action situations, the actors and the positions the actors take. The actions belonging to these positions will, while influenced by control and information, result in potential outcomes (figure 9).

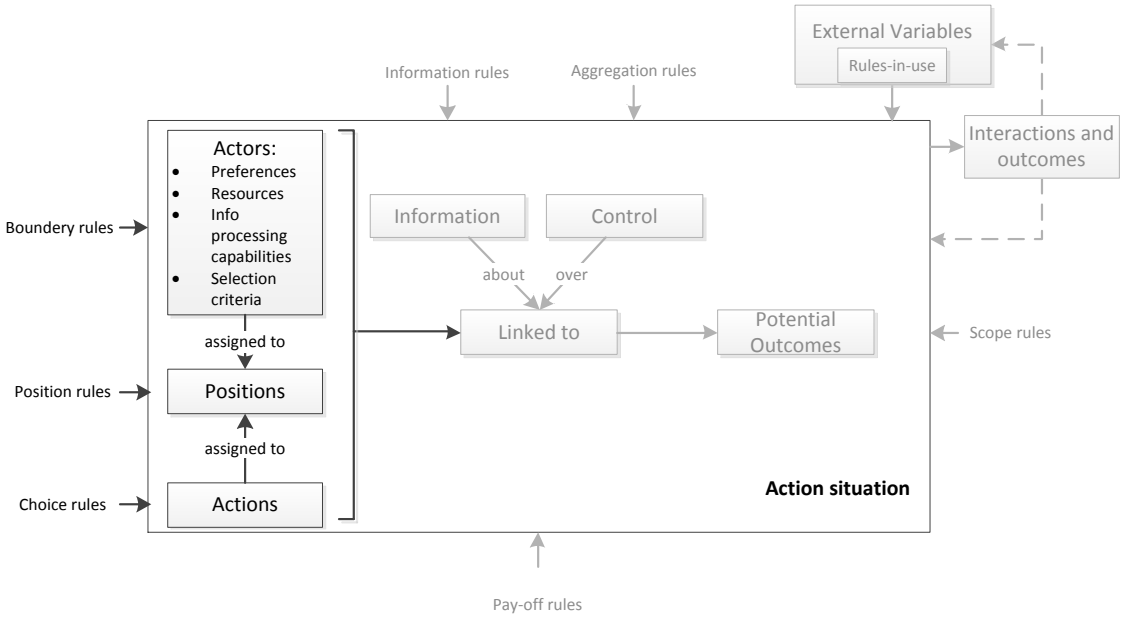


Figure 9 The conceptual model with focus on the actor aspect. Based on Ostrom (1995, 2010)

4.1.1 ACTION SITUATIONS

The overall and comprehensive action situation in this research is 'a' crowdfunding project. By distinguishing different action situations it becomes possible to explore the variety in the characteristics of the internal parts in the conceptual model. By doing so, more insight can be given on the consistency between the characteristics and capabilities of the actors in their specific positions and the rules related to it, of each action situation.

Considering the literature on crowdfunding, three main phases can be defined which lead to a crowdfunded project (Ordanini, Miceli et al. 2011, de Buysere, Gajda et al. 2012, Gajda 2012, Agrawal, Catalini et al. 2013a, Danmayr 2014, Hol and Daamen 2014, Lin, Boh et al. 2014):

Action situation 1) The process before the campaign is launched and the project put on a crowdfunding platform

Action situation 2) The period that the campaign is active on a crowdfunding platform

Action situation 3) The process after the campaign period is due

The first action situation

Before the crowdfunding campaign is operational on a crowdfunding platform, there is a process in advance. The initiator chooses to search for capital through crowdfunding; the funder chooses to fund a particular crowdfunding project; and the platform does or do not accept the initiative on its platform. As described in section 4.2, in this action situation civic crowdfunding distinguishes itself from non-civic crowdfunding since this phase seems to be more complex in comparison with the first phase in commercial crowdfunding. In the admission requirements of most civic crowdfunding platforms the formal matters (permits etc.) need to be taken care of beforehand. In the preceding process before the campaign, initiators gradually run into all kinds of hurdles in which they need the participation of actors with understanding of urban area development. This asks for a different type of arrangements between actors in comparison with non-civic crowdfunding.

The second action situation

Once the initiator has chosen a crowdfunding platform, fulfilled the preconditions and is accepted at a crowdfunding platform; the campaign can start. These crowdfunding campaigns typically involve relatively small contributions of many individuals over a fixed time limit. This time limit is generally a few (6 on average) weeks (Hol 2012, Kuppuswamy and Bayus 2014, Mollick 2014).

Realize public attention and obtaining feedback on the project offered is seen as equally important as the funding element (Bellefamme, Lambert et al. 2010). This marketing purpose can create interest in the project in the early stage of development (Mollick 2014). The importance of this matter seems great when it comes to civic crowdfunding projects in urban area. By involving the local citizens early in the process together with a high participation rate the potential of hindrance will decrease because they experience that the plan was developed with their involvement (de Wit 2006).

The third action situation

When the campaign period is due the funding goal is either accomplished or not. Even if the goal is not reached, the resources of the initiator are increased because crowdfunding can be seen as an informative type of marketing research (Agrawal, Catalini et al. 2013a). This additional feature of crowdfunding, which enhance the resources of the initiator extensively, is showed by Hol and Daamen (2014) with reference to the business complex VechtclubXL. This business complex is located in a former vacant warehouse in Transwijk, Utrecht. The goal of the VechtclubXL is to house different disciplines in order to create multidisciplinary cooperation between the renters. When the initiators tried to arrange funding from the bank, the bank rejected it based on their business plan. After a successful crowdfunding campaign, the amount of funders and potential renters was perceived by the bank as proof of concept. This resulted in a commitment by the bank for further funding (Hol 2012).

If the funding goal is accomplished the project can be developed since the realization costs are covered. A pitfall however can be found in the sustainability of projects in an initially under-

resourced community (Davies 2014). Looking at the financial resources, in comparison with realization costs, public space management and maintenance costs are more difficult to cover on a long-term basis with crowdfunding. The hype associated with the crowdfunding campaign as well as the newsworthiness decrease over time. This raises questions about the sustainability of projects in under-resourced communities (Davies 2014).

In the third action situation, platforms can distinguish themselves by either stop the collaboration with the initiator because the campaign is due, or continue with the collaboration to support the process in this phase. When the campaign is due, the financial obligations between the initiator, funder and platform need to be fulfilled by the platform. If the goal is reached the platform can, besides handling the financial obligations, also act as expert to support the initiators with the development of the project,

The importance of the first action situation with regard to the other two

From the interviews the researcher has performed with leading individuals[12] active in civic crowdfunding, it soon became clear that considering civic crowdfunding, the process before the campaign is launched and the process after the campaign period is due have a significant influence on whether the civic crowdfunding initiative can be developed or not, irrespectively if the funding goal is reached or not. The institutional structure appeared to have a significant influence on the first and the third action situation, and a far lesser influence on the second action situation.

The do's, don'ts and other dynamics during the campaign, action situation 2, are thoroughly described in research from other scholars like marketing (Ordanini, Miceli et al. 2011, Burtch, Ghose et al. 2013, Kuppuswamy and Bayus 2014), comprehensive media studies (Gerber and Hui 2013, Davies 2014, Hui, Greenberg et al. 2014), and innovation and entrepreneurship (Agrawal, Catalini et al. 2011, Ahlers 2012, Agrawal, Catalini et al. 2013a, Agrawal, Catalini et al. 2013b, Colombo, Franzoni et al. 2014, Mollick 2014) and will not be covered in this research from an institutional approach.

While operationalizing the conceptual model in this chapter and while analysing the data from the interviews (see chapter 5), it became clear that the actions and outcomes that structure the third action situation are generally developed in the first action situation. This makes, considering the research question, the first action situation the most challenging in comparison with the second and the third action situation with regard to the institutional structure. In order to scope the research due to time limitations, it is chosen to focus on this first action situation; the period before the campaign is launched; this to avoid hampering the in-depth quality of the research by keeping the focus in the research to widely. Considering the third action situation, a contribution to the scientific research on civic crowdfunding can be realized by answering the question how the arrangements are being enforced on a long-time basis. Since there are no practical long-term examples in the Netherlands there is no proof of concept with regard to the durability of the projects and the institutional arrangements made around these projects. Taking this in consideration the short-term institutional arrangements that influence the third action situation are constructed in the first action situation, while in the third action situation the major implication lies with the long-term enforcement of the arrangements made in the first action situation. Thus, in this research the focus of the analysis will be on the first action situation.

[12] See appendix A

4.1.2 ACTORS AND POSITIONS

When conducting a crowdfunding project in the context of urban area development, the actors, acting on its own or as agents of organizations, together with their possible actions, are assigned to certain positions.

Urban area development consists of complex interactions between different parties because (Spaans 2000):

- There are a large number of different actors with different (conflicting) interests
- There is an interrelation between different (sub) systems of decision-making and uncertainty
- There is uncertainty about nature of the problem
- There is a difficulty of accurate and timely information acquisition and processing
- The short- and long-term decisions are interchangeable
- The taken decisions are irreversible

In urban area development a distinction can be made between actors in the public and private sectors. The main public actor in urban area development is the local authority since it is the local authority that makes decisions regarding the area in which the urban development take place. This is executed through private law (land-use plans, permits, etc.) and active land policy. Higher authorities, such as the provinces and the central government can also involve in urban area development in case of for example larger area developments and subsidies for so called key projects (van 't Verlaat and Wigmans 2011). In this research the focus is on small scale developments and thus on local authorities.

'The' local authority does not exist; there are 403 different municipalities each with different characteristics (size and geographical location, average age, population density, cultural identity, etc.). Besides these characteristics also the structure can differ because of for example partnerships between local authorities, or a difference in the amount of resources and tasks imposed by the higher authorities (Peters, van Stipdonk et al. 2014).

However, in political and administrative view, local authorities have a lot in common. The legal and institutional framework they are functioning in is the same and they have the same legal duties and standards in comparison with each other (Peters, van Stipdonk et al. 2014). This increases the uniformity between local authorities. Because of the limited research data in this thesis, the external validity of the observations with regard to the different local authorities is a point of interest. In order to deal with this matter there has to be a continuous estimation whether the data from the interviewee is general enough to speak of a general trend or not.

Besides local authorities, citizens and private actors need to be taken into account. The citizens in the context of urban area development are for example residents, local retailers and but also residents associations and other forms of interest groups The private actors in the context of urban area development are the parties that use area development as a means to make money, such as developers and real estate investors (Hol 2012).

This lead to the following actors considered in this thesis (van 't Verlaat and Wigmans 2011, Hol 2012):

- Citizens
- Private actors
- Local authorities

As shown in figure 9, Ostrom (1994) has described four clusters of attributes that are related to an actor:

- *Preference:* The value actors assign to states of the world and to actions
- *Information processing capabilities*: The way actors acquire, process, retain, and use information and knowledge contingencies
- *Selection criteria*: The processes actors use for the selection of particular course of action
- *Resources*: The capabilities that an actor can apply within the action situation

In the crowdfunding process, three primary positions can be distinguished (Bellefamme, Lambert et al. 2010, Ordanini, Miceli et al. 2011, Agrawal, Catalini et al. 2013a, Kuppuswamy and Bayus 2014):

- *Initiators:* The project owner who has a specific goal
- *Funders:* Actors who want to invest money or in-kind in a project
- *Platforms:* The online market place which acts as intermediary

To execute a successful crowdfunding campaign the initiators need to foster sympathy, urgency and trust among the funders (Hol 2012: 79). Besides through the level of transparency and information sharing, a great extent of sympathy, urgency and trust can be identified from the whether the initiator is a citizen or not. Hol (2012) developed an overview on which crowdfunding form is more promising per position of an actor, civilian, public or private, shown in table 5.

	Role of the citizen	Public role	Private role
Donation	X		
Lending	X	X	X
Investing	X	X	X
Reward (pre-sale)	X	X	X

Table 5 Crowdfunding types considering the role of the actor. From Hol and Daamen (2014)

Shown in table 5 is that both the public- as the private parties will not be likely to execute a crowdfunding campaign bases on donation successfully. The reason for this can be attributed to the aforementioned sympathy, urgency and trust (Hol and Daamen 2014).

Hol and Daamen (2014) show that the urgency of the crowdfunding project based on donation will not be recognized by the crowd when the initiator is a functionary that serves the interest of its public function rather than a personal one. The budget of the public party will be sufficient if the urgency of the project is high. Thus the fact that the initiator needs a donation based crowdfunding campaign to fund the project can be seen as a signal that the project is not that urgent. Another possibility is that the crowd will reckon on the fact that if the campaign is not successful, this budget will seem to be sufficient after all. The same goes with market parties. The final goal of market parties is to make profit with the project. Without a monetary reward, the crowd will not be interested in joining the process (Hol 2012). Next to this, research of Douw&Koren shows that potential funders were less triggered to fund a project which was initiated by a public party (Douw 2015).

With a donation-based crowdfunding campaign initiated by a citizen, the interest is from a personal interest. When the campaign is not successful, the project will not be executed. Thus the crowd can develop certain sympathy for the initiator or its initiative. The project is more likely to become urgent (Hol 2012).

The non-profit status on individual projects provides a much higher success rate and overall funding amount than its for-profit counterparts on similar crowdfunding platforms

(Schwienbacher and Larralde 2010). By signalling a non-profit status individual projects convey that they do not have for-profit motives. Thereby they establish both trustworthiness and confidence in a project's relative quality with platform contributors (Read 2013). Thus in this research only the civilian and civic societies are taken into account as initiator. The previous described choices are visualized in the following table 6.

External rules regarding the actors: Boundary rules

Online crowdfunding makes it possible for anyone, with available internet, to promote any

AS 1	The process before the campaign is launched and the project is put on a crowdfunding platform		
Initiator	Citizen and civic societies		
Funder	Citizen and civic societies	Public parties	Private parties
Platform	Citizen and civic societies	Public parties	Private parties

Table 6 Scoping the research with regard to the actors and the positions

project or idea, regardless of size or ambition. It offers the opportunity for expressions of individuality and diversity (Hollow 2013). Legally, both private as public actors can take the position of initiator, funder or platform. There are however rules that limit the initiators on certain points. These rules are imposed by both the crowdfunding platforms and the authorities. The rules that platforms and local authorities impose are described in section 4.2.5: *information and control*, since platforms and local authorities are understood as internal positions and actors. The rules of the higher authorities can be seen as external rules and will therefore be approached as boundary rules.

The overall motivation for rules and regulation from the higher authorities are mainly focused on protecting the funders and their investments (Agrawal, Catalini et al. 2013a). For each project in which a funder participates there is the risk that the trust of the funder is being misled. Lending and investing based crowdfunding have a higher risk of public deception then donation and reward based crowdfunding. This because the funding amounts of the latter are often much lower and there is no commercial interest. The crowdfunding initiatives are usually under supervision of the Dutch Act on Financial Supervision (AFM 2011).

The Dutch Authority for Financial Markets (Autoriteit Financiële Markten: AFM) and the Dutch National Bank (De Nederlandsche Bank: DNB) have addressed the question as to whether crowdfunding falls within the Act on Financial Supervision (Wet op het financieel toezicht: Wft*)*. Their conclusion is that the legislation that is applicable depends on the crowdfunding-form that is used (lending-, investing-, reward- or donation-based crowdfunding). The main element comes with the prohibition to act as bank without a banking license. This has the effect that in the Netherlands it is forbidden to raise, receive or have availability of, callable funds outside the restrict circle[13]. The crowdfunding platforms therefore need to take this in consideration with regard to the period of time the platform reserves the money.

In the Netherlands there can be three different regulatory regimes[14] (AFM 2011):

1) License for credit broker

[13] http://www.afm.nl/layouts/afm/default.aspx~/media/files/publicatie/2011/dnb-afm-orientatie-crowdfunding.ashx

[14] See http://www.afm.nl/~/media/Files/crowdfunding/interpretatie-dnb-afm.ashx for the Roadmap Crowdfunding of the Dutch Authority for Financial Markets.

2) Exception for broking in claimable money
3) License for the transmission of orders in financial instruments.

In case of donation or gift none of the above applies, thus in this thesis these boundary rules are not influencing the action situation.

Potential funders need to consider the risks before participating in the crowdfunding campaign. They can check easily whether the platform is in the possession of a license of DNB or the AFM. When the platform is in the possession of such a license, then the legal requirements regarding expertise and reliability, management, complaints regulation or professional liability insurance are applicable. Additional the legal requirements regarding transparency and the duty of care are applied.

Research of Douw&Koren (2013) shows that platforms are often not certain which rules and regulation are applicable on their specific situation. On this matter more effectiveness and clarity is required (Douw&Koren 2013). This research however was executed on crowdfunding for start-ups and SMEs. No research is performed on this with regard to donation-based civic crowdfunding yet.

The main point of departure for urban area development policy is at the level of local authorities (van 't Verlaat and Wigmans 2011). The role of the higher authorities considering legislation with regard to spatial developments is marginal. The state has assigned the responsibility for spatial planning at the lower authorities; the provinces and local authorities.

The province determines structural concepts to benefit the proper spatial planning for the entire territory of the province[15]. The municipality does the same for the territory of the municipality. In this research only the influence of the structural concepts of the local authority is considered. The structural concepts of the provinces do not cover crowdfunding. One can argue that if the province for example commit to the development of wind energy, the success rate of a crowdfunded wind turbine increase. In this research however this is left out since examples like this are marginal and the high abstract documents stimulate spatial developments generally highly aggregated.

External rules regarding the positions: Position rules

The rules that influence how an individual moves from being for example a citizen to act as an initiator, funder or platform are the position rules.

The platform acts as an intermediary for the financial transaction between the initiator and the funder(s). The platform is in most cases responsible for the contractual nature of the transaction, its implementation, the collection of interest or dividend on behalf of the provider of funds and in the case of a loan for repayment (AFM 2011). In order to act as platform its initiator should submit the initiative to DNB or the AFM concerning the legislation with regard to a Wft-license[16].

There are no external position rules that influence the possibility to act as initiator or funder with regard to donation-based civic crowdfunding.

[15] Article 2.2 Wro

[16] Article 2:55 Wft, artikel 2:60 Wft, artikel 2:65 Wft, artikel 2:80 Wft, artikel 2:60 Wft, artikel 2:96 Wft, artikel 5:2 Wft

4.1.3 Information

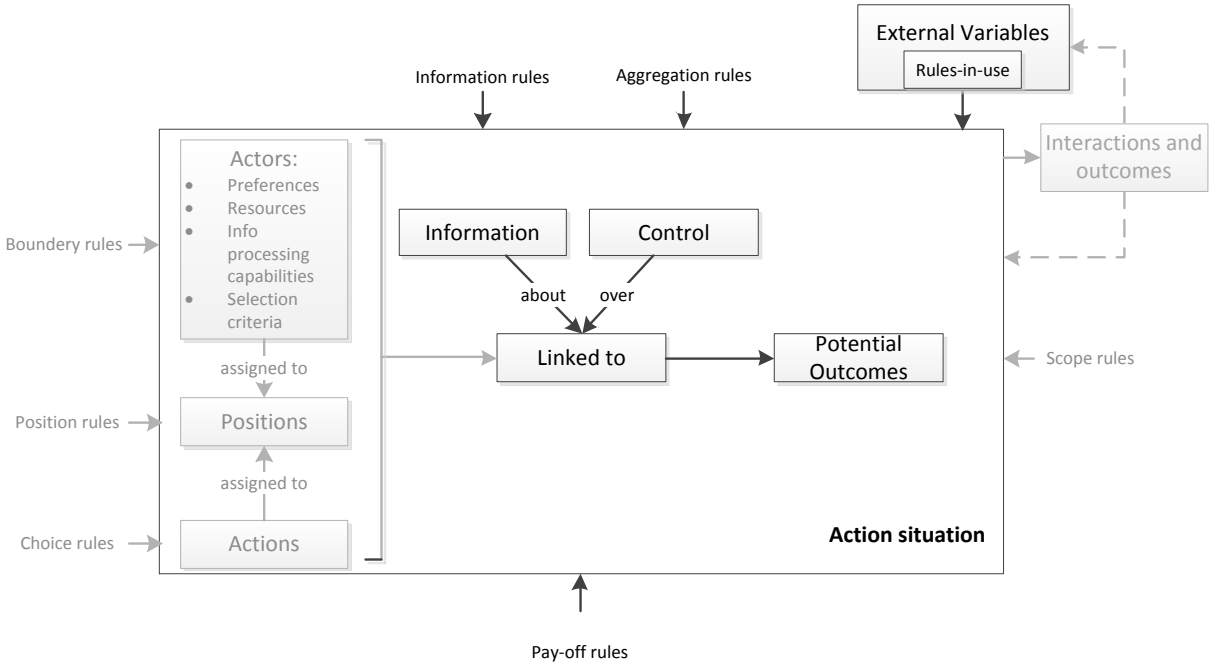


Figure 10 The conceptual model with focus on the info & control, potential outcomes and costs & benefits

As explained in section 3.1.3, both *information* and *control* are the resultant of the universally valid *external rules* and the external *rules-in-use*.

In a certain action situation, particular information is available. This information is administered by both internal and external actors. The available information influences the choices made by the actors and thus the (potential) outcomes of the action situations. The aforementioned information processing capabilities of the actors determine to which extent the specific actor can acquire, process, retain, and use this information. Since this research is specifically about civic crowdfunding in the context of urban area development, this information is regarding both the funding section as well as the urban area development section.

External rules regarding information: Information rules

Information rules influence what information must be held secret, and what information should be made public (Ostrom 2011). Crowdfunding characterizes itself by a high level of information asymmetry between initiator and funder (Belleflamme, Lambert et al. 2013, Kim and Hann 2014). Platforms impose control, through *rules-in-use*, in order to decrease this asymmetry. The development of these *rules-in-use* is grounded on arrangements and outcomes and the evaluations of these arrangements and outcomes (section 4.2.7). In the literature no external information rules can be found which influence the *rules-in-use*. Considering donation-based crowdfunding, there are no universally valid rules that affect the available information to each position.

4.1.4 Control & potential outcomes

Each actor at each position in the action situation invokes control which affects the potential outcomes. With civic crowdfunding especially the crowdfunding platforms and (local) authorities invoke control.

Both the first and the third action situations can have different potential outcomes. These outcomes affect the subsequent action situation as external variable.

EXTERNAL RULES REGARDING CONTROL AND POTENTIAL OUTCOMES: AGGREGATION- AND SCOPE RULES

The *aggregation rules* affect the degree *control* each actor has on the actions that lead to potential outcomes (figure 10). It answers whether certain actions require prior permission from, or agreements of, others (Ostrom 2011). The potential outcomes are influenced by external *scope rules* through *control*. In this research local authorities have a moderately complicated position. The external *scope rules*, the rules that specify the set of outcomes, seem to be partially determined by local authorities through the zoning plan (section 4.2.5). This results in the fact that an actor, who is considered as internal, can change external rules. Thus, there are actors who can change the external rules, the public actors, and actors who cannot, the private actors.

4.2 Action situation 1: The process before the crowdfunding campaign is launched

In the previous section, the internal working parts and the external rules of the IAD framework were described. In this section, the framework is further operationalized with regard to the first action situation. Before the crowdfunding campaign is operational on the crowdfunding platforms, there is a process in advance. During this process, the initiator chooses to search for capital for an initiative through crowdfunding and the platform does or does not accept the initiative. In this section the key attributes of each actor (preferences, resources, info processing capabilities and selection criteria; figure 11) is described with regard to this process.

AS 1	The process before the campaign is launched and the project is put on a crowdfunding platform		
Initiator	Citizen and civic societies		
Funder	Citizen and civic societies	Public parties	Private parties
Platform	Citizen and civic societies	Public parties	Private parties

Table 7 Overview of which actors can take what position

4.2.1 The position of initiator in the first action situation

The literature describes different incentives for the initiators in regard to why they participate in the crowdfunding process. Agrawal, Catalini et al. (2013a) describe the search for a lower cost of capital and access to more information as the two primary incentives for obtaining the funding for a project through crowdfunding.

With crowdfunding, initiators have access to capital at lower costs because: (i) this access is not strongly influenced by the initiator's location, (ii) funders value other non-pecuniary rewards in return for funding and (iii) through the transparency of the funding process, the social information (i.e. others' funding decisions) increases, which leads to a higher willingness to pay (Agrawal, Catalini et al. 2013a).

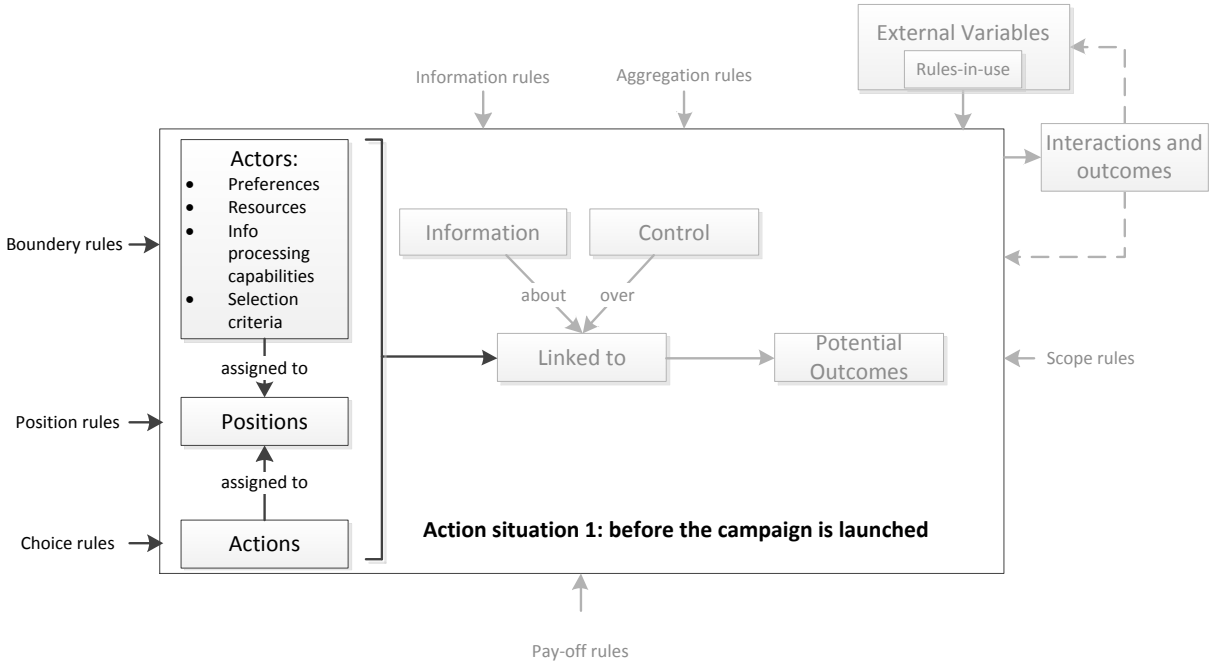


Figure 11 Conceptual model with the focus on the actors

Preferences

Hol and Daamen (2014) suggests that in the value chain of urban area development, donation-based crowdfunding can only be used for projects that serve the goal of increasing the liveability of an area without generating a direct financial benefit (Hol 2012). In this situation, the citizens mostly prefer an intangible return rather than a monetary return.

In order to execute such a project the initiator wants to obtain the required resources. This can be money, but also non-monetary resources such as expertise, manpower, material etcetera. Even if the funding goal is not reached, the resources of the initiator are increased because crowdfunding can be seen as an informative type of marketing research (Agrawal, Catalini et al. 2013a). In traditional funding, the search for capital is rather non-transparent. With crowdfunding, this search is public and more transparent. This results in the fact that crowdfunding provides initiators with "a mechanism through which they may receive input on their product or business plan from users and investors. This may facilitate the early development of an ecosystem around the product." (Agrawal, Catalini et al. 2013a: 12).

Raising money is reported as a strong motivation for initiators to use crowdfunding. However, other motivations such as getting public attention and obtaining feedback on the product or service offered are seen as equally important (Bellefamme, Lambert et al. 2010). This public attention, the marketing purpose, can create interest in the project in the early stage of development (Mollick 2014).

This additional feature of crowdfunding, which enhances the resources of the initiator extensively, is showed by Hol and Daamen (2014) with reference to the business complex VechtclubXL. This business complex is located in a former long-time vacant warehouse in Transwijk, Utrecht. The goal of the VechtclubXL is to house different disciplines in order to create multidisciplinary cooperation between the tenants. When the initiators tried to arrange funding from the bank, the bank rejected it based on the business plan. After a successful crowdfunding campaign, the amount of funders and potential renters was perceived by the bank as proof of concept. This resulted in a commitment by the bank for further funding (Hol 2012).

Resources

Civic crowdfunding enables initiators with a lack of funding possibilities to fund their ideas. However this is no *easy money*. The invisible work the initiator needs to do during the campaign and resources required to run a successful campaign are often underestimated by the initiators (Davies 2014).

Considering civic crowdfunding in urban area development, not only the lack of funding is relevant. Citizens often have a lack of experience in financing business ventures which may result in a lacking ability to asses risks (Correia de Freitas and Amado 2013). Besides this, many citizens with ideas are often inexperienced in executing projects which consider the public space.

Information processing capabilities

Crowdfunding platforms have different ways to secure the quality of the initiatives and initiators. Platforms can have control mechanisms that provide a stringent *selection at the gate*. The founder of the Dutch platform Sellaband, according to many the first ever online crowdfunding platform, stresses that the most important lesson he has learned was that the platform need to secure the quality of the initiators and their initiatives. This is necessary to secure the reputation of the platform, and thus their trustworthiness (Hol 2012). Prior to the

launch of the campaign, the initiator need to fulfil the entry requirements of the platform. As shown in section 4.2.3 and 4.2.5, the entry requirements of civic crowdfunding platforms differ from the entry requirements of the more commercial platforms like Kickstarter. Many platforms obligate the requirement that the necessary permit(s)[17] need to be settled before the initiative can be launched (e.g. Voor je Buurt and HKBU).

These requirements must be known and the information needed to fulfil these requirements needs to be acquired. Because of this lack of experience, citizens might not be familiar with the steps to be taken in order to perform a project in the public space. Depending on the project, this knowledge is necessary to write a proper project plan.

Selection criteria

After an initiator decides to obtain funding through crowdfunding a platform needs to be chosen on which the crowdfunding campaign can be launched. No literature is found on how initiators select a crowdfunding platform. It is however essential to make use of an existing network of communities on an online platform (Hol 2012). By exposing the initiative to these existing communities, the probability increases that the goal of the initiator succeeds. Ward and Ramachandran (2010: 4) have shown that investors are influenced by the success or failure of related projects and use the actions of other investors as a source of information in their funding decisions. By choosing a platform that is specialized in a specific sector, this effect is likely to be stronger since it is easier to link communities with common interests (Hol 2012).

Looking at this selection process from a business perspective, an initiator shall select a platform on which the potential funding is maximized and the costs of capital are minimized. The level of required support from the platform to execute both the project plan and the crowdfunding campaign differs per initiator and project.

4.2.2 The position of funder in the first action situation

Crowdfunding gives a large group of individuals a new possibility to deal with their capital. It makes it possible to invest small amounts of money in projects in which the individuals experience a personal interest.

As elaborated upon in 4.1.2, the funders are not included in the first action situation. When interviewing the key informants (see appendix A), it soon became clear that the funders indeed did not have an active role in the first action situation. Although the funder makes its *appearance* in the second action situation, the characteristics of the funder are still explained briefly in this section, since these characteristics are influencing the actions and choices of the other actors. By elaborating on these characteristics, the reader gets a clearer view on the context of civic crowdfunding.

Both public and private actors as well as citizens can take the position of funder. An important role the public sector can play with regard to the position of funder, is matching (Douw 2013). In the online crowdfunding communities it is possible for the potential funders to see the level of support from the other funders, as well as the timing of other before making their own decisions; this is an effect of social information. Burtch, Ghose et al. (2013) argue that with donation-based crowdfunding the effect of social influence is negative; the marginal utility funders gain from giving to a particular project is diminished by others' contributions. The reason given for this negative effect is called the crowding-out effect; funders may experience a "decrease in their marginal utility from making a contribution as it becomes less important to

[17] As explained in section 4.2.5: for example the *environment permit*

the recipient." (Burtch, Ghose et al. 2013: 2). Burtch, Ghose et al. (2013) showed that altruism is a key motivator for funders in the donation-based crowdfunding market. In economic sense, purely altruistic motivation would lead individuals to donate €1,- less when they found out that someone else donates €1,- more (Bekkers and Wiepking 2010). With governmental funding at the start of the campaign, the crowding out effect may hamper the success of the campaign. However, with matching the local authority can stimulate the campaign of an initiative by pledging to match the funding goal, or to supplement to the funding goal if a certain limit is achieved.

Despite the potential danger of the crowding out effect, large government donations can also trigger more donations. Hol and Daamen (2014) show that from the moment that the Luchtsingel won the Stadsinitiatief-price of 4 million euro, the donations grew enormously. The emotional desire to be part of the project seemed stronger than the rational one to quit donating because their marginal utility diminished.

Preferences

Lin, Boh et al. (2014) among others[18] define different types of funders that interact in the crowdfunding process. The common factor in this literature is that the types of funders are distinguished by the, not mutually exclusive, preferences which are underlying at the roles of the different funders. Each author uses different naming but the following can be identified[19]:

- Funders who sympathise with the initiators of the project
- Funders who are interested in the performance or goal of the project
- Funder who want to be part of a community
- Funders who are interested in the reward (out of scope for donation-based crowdfunding)

The personal affinity funders may have with the project and/or its initiator leads to a different form of return. Freeman White, co-founder of the white label crowdfunding Launcht[20], explained that equity crowdfunding investors who invest large amounts of money, several thousand or more, are comparable with traditional investors; thus their focus is on the traditional ROI (return in investment) and obtaining benefits or higher market valuations of the project (Blanchard 2012).

However, engagement with the funders and market is shown as a great driver for initiators to search for capital through crowdfunding. Research of Blanchard (2012) on crowdfunding platforms indicated that for many investors traditional concepts of return on investment did not apply. ''Rather than seeking financial profit, they may seek less tangible measures of value such as "supporting a company they believe in". (…) many investors can be expected to invest smaller amounts of several hundred dollars, or even as little as $20. In these cases, the definition of ROI is Return On Involvement.'' (Blanchard 2012: 3).

This involvement may lead to a development which distinguishes crowdfunding from other ways of financing. Crowdfunding can be an expression of a community (Davies 2014). With civic crowdfunding, projects are funded which may provide services to communities and may

[18] Schwienbacher and Larralde 2010, Ordanini, Miceli et al. 2011, ter Kuile 2011, Agrawal, Catalini et al. 2013, Kuppuswamy and Bayus 2014, Lin, Boh et al. 2014, Mollick 2014, van Vliet 2011, Gerber 2013.

[19] In practice it is possible that for a funder a combination of the motives are underlying

[20] A platform which was one of the first in helping brands and institutions raise funds and tell their stories. Now focussing on helping foundations, educational institutions, and non-profits crowdfunding their projects; http://www.launcht.com

produce goods that, in property rights lingo, can be described as public goods, toll goods or common pool resources (Ostrom 2010, Davies 2014).

Resources

Most of the time funding is the most important resource the funder brings to the process. However, realizing public attention and obtaining feedback on the project offered can be seen as equally important (Bellefamme, Lambert et al. 2010). This marketing purpose can create interest in the project in the early stage of development (Mollick 2014). The importance of this matter seems great when it comes to civic crowdfunding projects in urban areas. By involving the local citizens early in the process together with a high participation rate, the potential of hindrance will decrease because the local citizens experience that the plan was developed with their involvement (de Wit 2006). With crowdfunding this element is rather evident.

Besides this, Danmayr (2014) suggests that the aforementioned hybrid approach of platforms support creators in setting up more flexible campaigns in regard to the current state of their initiative. Thus, beneath the core-features of a crowdfunding platform, funders can offer different resources to meet specific needs of the initiator. An example of this is the labour-on-demand-marketplace which aims at connecting initiators and *funders* with specific skills in for paid work. At well-known Dutch platforms (eq. Voor je Buurt and HKB Urban Producers) this hybrid approach of monetary funding and in-kind funding is the case. Besides the request for funding, the initiators on platforms can ask for labour. Platforms such as Spacehive and Ioby allow individual funders to volunteer on select projects (Hollow 2013). Not only funding or labour can be mobilized through civic crowdfunding, also knowledge and expertise can be a resource a funder can bring to the action situation; crowdsourcing.

Information processing capabilities

Agrawal, Catalini et al. (2013a) consider crowdfunding as an interesting market in which the funders participate with high levels of information asymmetry. In each of the action situations the funders are dependent of the information available on the platform. In the first action situation the funder can only acquire information from the platform (its status and requirements) and the previous projects. Ward and Ramachandran (2010: 4) show that funders are influenced by the success or failure of related projects and use the actions of other investors as a source of information in their funding decisions.

The information asymmetry does not only affect the funding decisions of funders because of the ex-ante information about the initiator, it also occurs because of the funders' ex-post inability to induce effort on the side of the initiator. When the fundraising campaign is due, the funder is limited in its tools to induce this effort. This may lead to a form of moral hazard; the initiator can behave in a short-term opportunistic manner (Agrawal, Catalini et al. 2013a). However, crowdfunding seems to compel initiators to behave differently in comparison with other funding models. The initiator is more accountable because the initiators and funders are connected in a more direct manner (Davies 2014). Furthermore, the initiator is accountable to a whole crowd of investors instead of a select amount of funders.

Selection criteria

Quality seems to be an important selection criterion for funders. A funder will not invest only because he sympathises with the initiator or the project. The quality of the project needs to be convincing enough to donate. The funders who want to be part of a community focus less on the aspect quality. For funders who are interested in the reward, the project needs to be of high quality and concrete but there also need to be "something in there for them (van Vliet 2012).

This *something* is a broad subject. Research of Gerber and Hui (2013) show that funders support a crowdfunding project to collect external rewards such as acknowledgement, a tangible artefact or an experience, such as the aforementioned meet&greet with the initiator.

4.2.3 THE POSITION OF PLATFORM IN THE FIRST ACTION SITUATION

In the first action situation, platforms have an important set of characteristics. The crowdfunding platforms increase the choice of investment options on the market. This way, they help democratise the financial sector by enabling investors to have a greater say over how their money is spent (Hollow 2013).

Since little is known about the composition of the crowdfunding platform market, Danmayr (2014) tried to distinguish archetypes of crowdfunding platforms. However, the market can be characterized as a high velocity environment[21] because of its infancy. Thus defining the archetypes, which is a perfect or unchanging state of a thing or an organisation, is hampered. Instead stereotypical assumptions for crowdfunding platforms were given (figure 12). The suggested stereotypes are based on one specific type of crowdfunding. For a growing number of platforms a more hybrid approach is noticeable. By offering several models at the same time, initiators are capable of setting up more flexible campaigns in regard to the current state of their initiative (Danmayr 2014).

Some crowdfunding projects do not resort to the existing platforms. This type of funding is known as DIY (do-it-yourself) crowdfunding. An example of a DIY project is De Luchtsingel.

In this research a distinction is made between privately owned platforms and public owned platforms. This distinction is made because the characteristics of the private and public actors differ much.

[21] A high velocity environment is an environment with a fast and discontinuous change in demand, competition, technology and regulation (Eisenhardt and Iii 1988, Vilkamo and Keil 2003, Wirtz, Mathieu et al. 2007)

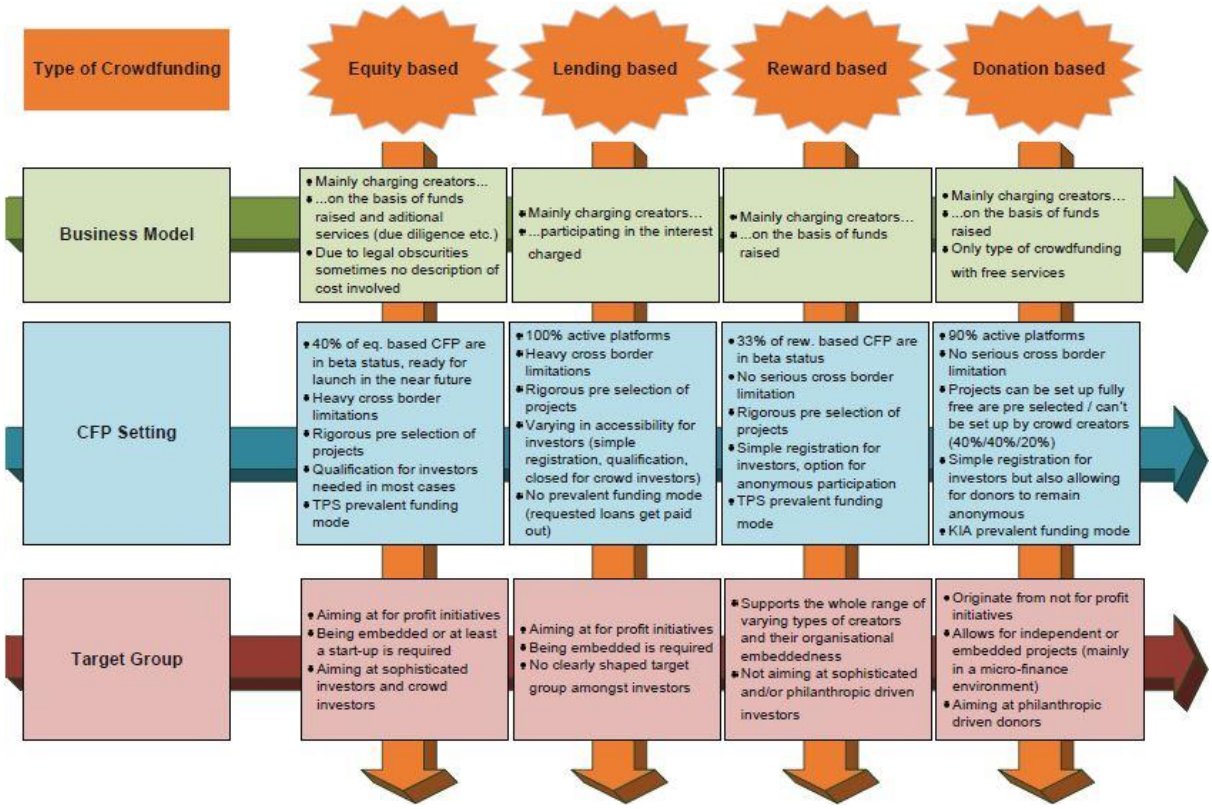


Figure 12 Stereotypical crowdfunding platforms. From Danmayr (2014: 97)

Preferences

The business models of the privately owned crowdfunding platforms are commonly based on charging the initiators with a success fee. As shown in figure 12, this charge can be based on the basis of funds raised (equity-, reward- and donation-based platforms) or on the interest rate payable by the initiator to the funder (lending-based). The donation-based crowdfunding is the only type of crowdfunding in which *for free service* platforms can be found (Danmayr 2014). This fits with the preference of both the citizens as the private party to support social causes rather than for profit initiatives when it comes to donation-based crowdfunding.

Where some civic crowdfunding platforms have a content and distribution model, some stray into a more curatorial one (Davies 2014). Next to citizens and private parties, also local authorities can create a civic crowdfunding platform. This way the local authority can host the campaign entirely on its own site.

Since the business models of crowdfunding platforms initiated by citizens or private parties are commonly based on charging a success fee, it is in the platforms interest that the campaign is successful.

When a local authority decides to launch a crowdfunding platform it should consider for itself what the reason is for doing so. It is important not mix up the means with the goal (Douw&Koren 2014). The development and maintenance costs of a public platform are substantial while the profit starts low (Tuk 2014). Thereby, the platform market in the Netherlands is rather saturated: in the Netherlands alone there are dozens of platforms which can provide the required online infrastructure (Douw&Koren 2014).

Resources

Platforms arrange important technological, organizational and relational pre-conditions to allow the crowd to participate in the crowdfunding initiative (Ordanini, Miceli et al. 2011, Davies 2014). Platforms create an infrastructure to facilitate interaction among the participants.

The success of a crowdfunding campaign is to a large extent based on the trust between the initiator and the funder. The crowdfunding platforms play an important role in contributing to this trust. A great deal of this can be done before the campaign is launched by (i) setting preconditions, and by (ii) assessing the quality.

Another important role of platforms is to help the, often inexperienced, initiators to develop a project plan. Depending on the complexity of project, the preliminary phase demands a lot of work when it comes to urban area development; writing project plan, obtaining permits[22], and writing a campaign plan.

The local authority has unique resources compared to the other actors with regard to operating a civic crowdfunding platform. First of all, the local authority has, although declining, budget for the continuity of the platform even if this platform is not profitable, assuming that it delivers liveability projects.

Secondly, the local authority is, besides the one that issues the permits, also the traditional executer of urban area development projects. Therefore this actor has a great amount of knowledge which can be deployed in this action situation by contributing to the development of the project plan. Next to this knowledge, the local authority has an established large network within both the public and private sector. It can use this network by designating the right person to the right activity.

Information processing capabilities

The actors who act as a platform have certain knowledge with which they can help the initiators to develop their project plan. Because of their experience, platforms have a network of people who are active in the urban area development (1%Club.nl, HKBU.nl, voorjebuurt.nl).

Selection criteria

Platforms have different ways to secure the quality of the initiatives and initiators. Crowdfunding platforms can have control mechanisms that provide a stringent *selection at the gate*. CrowdAboutNow, a Dutch crowdfunding platform, for example is working with a *partner* concept. There is an offline network of partners which select initiators that may launch there initiative on the platform. By doing so, the quality of the initiatives is secured. A different example of a mechanism is the approach of the platform Geldvoorelkaar. After a crowdfunding project is accepted, the platform classifies the project in different risk categories (Hol 2012). With processing the information about the assessed quality in this manner, the information asymmetry between the initiators and funders decreases.

4.2.4 Additional positions for the local authority: curator and facilitator

Besides the positions of initiator, funder and platform, Davies (2014) described two more possible positions that have been tried with some success in the US and invoke engagement of the authorities: curator and facilitator. The first one, the role of curator, can be found in the Netherlands (Ouwerling 2013, 1%Club 2014). In the role of curator, the local authority can select initiatives that seem viable with regard to their policy goals. This is often done in collaboration with existing platforms (1%Club 2014, Davies 2014) or by launching an own

[22] See section 4.1.4: Scope rules.

public platform (Ouwerling 2013). The resources of the local authority enable them to leverage these initiatives. Besides this, by curating the initiatives the local authority has a certain influence on the initiatives. This increases the probability that the initiative supports the policy goals of the local authority and benefits its community. In the end of 2014, the 1%Club published a document in which they explained their vision on the curator position (1%Club 2014). The way they see this role is that local authorities launches their own platform, in collaboration with the 1%Club, from which they facilitate the communication around neighbourhood initiatives, curate this based on their own policies and boost the projects that are most likely to succeed with additional support. Firstly the local authority communicates which participation themes are important. Then initiators can submit their initiatives and can start campaigning. After the funders have funded the project with time, knowledge and money, the local authority can fund additional projects with a large public support.

In the role of facilitator the local authority supports the actors, initiators and platforms who want to use crowdfunding to fund their projects by providing training and expertise (Davies 2014). The benefit of this approach, Davies argues, is that it enables a larger pool of individuals to use civic crowdfunding although the responsibility still is with the initiator.

4.2.5 INFORMATION AND CONTROL IN ACTION SITUATION 1

The actors within and outside the system possess and observes certain information, and exercise and experience control which influences the realization of potential outcomes. As shown in figure 13, the external rules that affect information and control are *information rules* and *aggregation rules*.

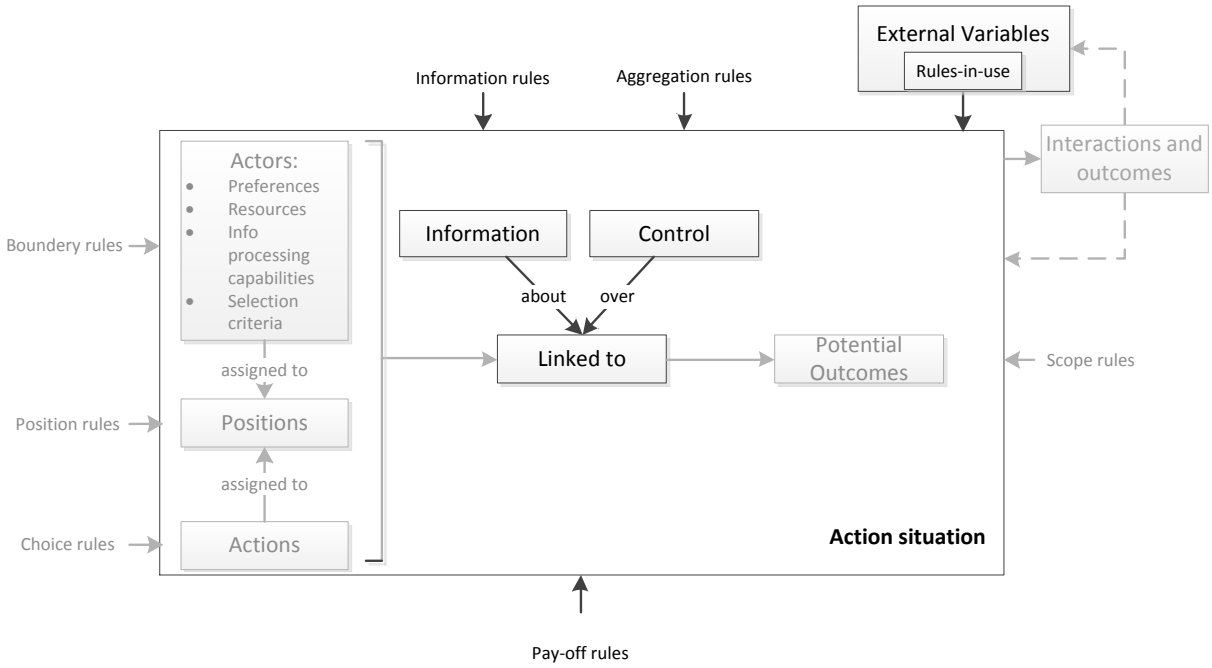


Figure 13 The conceptual framework with focus on the actor aspect. Based on Ostrom (1995, 2010)

Information with regard to civic crowdfunding

The information regarding how to perform the civic crowdfunding campaign itself is relatively easy to attain. Together with the ongoing rise of crowdfunding platforms, more (non-) scientific literature and documents can be found on how to execute a crowdfunding campaign and what preparations need to be taken in order to prepare the campaign. The desirable information concerning civic crowdfunding can be provided by civic crowdfunding platforms and can be financed with the success-fee based business case of platforms. In this matter civic crowdfunding in the context of urban area development does not differ from regular crowdfunding.

Potential distant funders have a limited access to information about the initiator and the initiative. These initiatives involve the introduction of new products and services and occur in environments in which uncertainty and information asymmetries are prevalent. The only thing initiators can offer at is a description and a promise of what the final project will be (Belleflamme, Lambert et al. 2013). Thus, crowdfunding, as online market, is an interesting market in which the funders participate with high levels of information asymmetry (Belleflamme, Lambert et al. 2013, Agrawal, Catalini et al. 2013a, Agrawal, Catalini et al. 2013b, Danmayr 2014, Kim and Hann 2014). This information asymmetry can be seen as a key challenge in crowdfunding markets. There are elements that can lead to market failure due to information asymmetry. Agrawal, Catalini et al. (2013a) suggests three negative results of information asymmetry in which the funder has less information than the initiator:

- The (in)competence of the initiator

- Fraud
- Project risk

These problems potentially lead, in turn, to market failure in the first action situation; an element that can lead to market failure in the process before the campaign is launched is the fact that both the ability of the initiator as the quality of the project are difficult to assess for the funder. Therefore funders may discount the quality of projects. This can lead to initiators with a high-quality initiative avoiding the use of crowdfunding since a fair price cannot be established. Thus, the market fails to facilitate "welfare-enhancing transactions between high-quality initiators and funders": adverse selection (Agrawal, Catalini et al. 2013a: 21).

The information asymmetry does not only affect the funding decisions of funders because of the ex-ante information about the initiator. It also occurs because of the funders' ex-post inability to induce effort on the side of the initiator. When the fundraising campaign is due, the funder is limited in its tools to induce this effort. A contract in crowdfunding is, to a great extent, based on goodwill. Thus, there is lack of contractual tools that can be arranged in the first action situation which can invoke the initiator to comply with the level of effort that was implied initially (Agrawal, Catalini et al. 2013a). This may lead to a form of moral hazard; the initiator can behave in a short-term opportunistic manner (Agrawal, Catalini et al. 2013a). However, crowdfunding seems to compel initiators to behave differently in comparison with other funding models. The initiator is more accountable because the initiators and funders are connected in a more direct manner (Davies 2014). Besides this, the initiator is accountable to a whole crowd of investors instead of a select amount of funders.

Information with regard to the urban area development projects

Civic crowdfunding in the context of urban area development does distinguish itself from regular crowdfunding when it comes to the initiative itself. There is a possible lack of information about project requirements among the initiators. Citizens that have an idea for an urban area development project may have a lack of technical, institutional, process and financial knowledge when it comes to civic projects because of inexperience. The initiators need to acquire this knowledge before they can start the campaign since funders and also platforms often require this acquired knowledge (see *control* in the next section). The idea of platforms is that the initiator must *deliver* after the funding succeeded to secure the trustworthiness of the platform. This also means that the permits imposed by local authorities need to be obtained in advance. When the fundraising is done and the funding is accomplished, the project needs to be developed.

Local authorities prosecute a great deal of control through these permits (see next section). For the initiators to obtain such a permit certain information need to be acquired. The information about what is and is not spatially allowed can be found in the zoning plans of the local authority. The information processing capabilities of the citizens might be insufficient to manage this information. A role in this matter might be assigned to both the crowdfunding platforms as the local governments self.

Control with regard to civic crowdfunding

The literature provides market design mechanisms which can oppose the information related market failures with regard to (civic) crowdfunding (Agrawal, Catalini et al. 2013a)[23]:

- Reputation signalling
- Rules and regulation

In online markets, such as crowdfunding, reputation and trust are of high importance. Online agents know very little about other online agents. Reputation mechanisms are a way to deal with this (Cabral 2012). Platforms have different ways to secure the quality of the initiatives and initiators in order to secure their reputation. Crowdfunding platforms can have control mechanisms that provide a stringent *selection at the gate*. CrowdAboutNow, a Dutch crowdfunding platform, for example is working with a *partner*-concept. There is an offline network of partners which select initiators that may launch there initiative on the platform. By doing so, the quality of the initiatives is secured. A different example of a mechanism is the approach of the platform Geldvoorelkaar. After a crowdfunding project is accepted, the platform classifies the project in different risk categories (Hol 2012). Other platforms, like Voor je Buurt and HKBU, have intensive intake sessions in which they assess the feasibility of the projects (voorjebuurt.nl, HKBU.nl).

Although limited, there is another control mechanism that platforms can use to confirm the quality and trustworthiness of the platform: obtaining certificates. Since the crowdfunding market in nascent, there are not many commonly accepted certificates. In 2012 Crowdsourcing.org however launched the CAPS program. Crowdsourcing.org is a leading community based crowdsourcing community that promotes the industry by enabling experts to network, developing expertise and providing knowledge and resources in order to pulse crowdfunding and crowdsourcing (www.crowdsourcing.org).

CAPS, that stand for Crowdfunding Accreditation for Platform Standards, was created to ensure a secure a reliable experience by the accreditation of crowdfunding platform based on qualification criteria in four areas:

- Operational transparency
- Security of information and payments
- Platform functionality
- Operational procedures

Another way to deal with information-related market failure is through rules and regulations. These can be invoked by both platforms as the authorities. Platforms try to maximize the transaction volume by constantly adapting their rules for user behaviour (Agrawal, Catalini et al. 2013a). By doing so the transaction volume maximizes, and also the quality requirements are guaranteed. However, crowdfunding platforms should have a proactive stance when it comes to setting quality requirements on their own operation. This would contribute to the professionalization, development and the above described reputation signalling (Douw&Koren 2013).

The overall motivation for rules and regulation from the public authorities are mainly focused on protecting the funders and their investments (Agrawal, Catalini et al. 2013a, Kleverlaan 2015). For each project in which a funder participates there is the risk that the trust of the funder is being misled. Lending and investment based crowdfunding have a higher risk of

[23] Agrawal, Catalini et al. (2013a) also propose crowd due diligence and provision point mechanisms as market designs. This however concerns the second action situation and thus are left out of this research.

public deception than donation and reward based crowdfunding. This is the case because the funding amounts of the latter are often much lower and there is no commercial interest. The crowdfunding initiatives are usually under supervision of the Dutch Act on Financial Supervision (AFM 2011). The Dutch legislation on this matter is explained in *boundary rules* in section 4.1.2. However, research of Douw&Koren (2013) shows that platforms are often not certain which rules and regulations are applicable on their specific situation. On this matter more effectiveness and clarity is required (Douw&Koren 2013). However, this research was executed on crowdfunding for start-ups and SMEs. No research is performed on this with regard to donation-based civic crowdfunding yet.

Control with regard to the urban area development projects

When executing projects in the public space, the public authorities invoke a great control when it comes to the potential outcomes. Through the new Dutch Environmental Licensing (General Provisions) Act (Wet algemene bepalingen omgevingsrecht; Wabo), the Environment Permit (Omgevingsvergunning) is regulated. This permit is an integrated permit for building, housing, monuments, space, nature and environment (Infomil 2015). This permit needs to be requested at local authorities.

Ideally, local authorities would create an "integrated development vision for the future of the city, wherein clear priorities are set out concerning the actions to be taken and the areas to be developed within the city"(van 't Verlaat and Wigmans 2011: 24). The local authority determine a zoning plan or zoning plans which include the destination of a designated area and associated rules to benefit a proper spatial planning for this destination. These rules are in any case rules regarding the use of the land and the buildings located there[24]. Knowing the location the initiator wants the project to be executed; this zoning plan can be requested. When the project is not suitable within the zoning plan, this plan needs to be (temporarily) adjusted. This asks for a cooperative approach from the local authority.

When an initiator wants to start a crowdfunding campaign on an existing platform, it has to comply with the control mechanisms of the platform. Many platforms obligate the requirement that the environment permit has to be settled before the initiative can be launched (e.g. Voor je Buurt and HKBU). If this is not secured, the risk exist that the *rules-in-use* in the third action situation are such that the project cannot be executed even though the funding is successful. With regard to the aforementioned reputation signalling this is not desired for the crowdfunding platforms.

Through this Environment Permit, local authorities can control which projects can be executed and which not. This can be seen as an external rule, *scope rule,* in the conceptual model which is permitted by the Wabo, an *aggregation rule*. However, since the local government is an internal actor in the action situation the situation become a little more complex. The actor (local authority) who has the competence of provoking the *scope rule*, the Environment Permit, can be at the same position as an actor (private actor or civilian) who cannot provoke this *scope rule*.

[24] Article 3.1 Wro

4.2.6 Additional position for the local authority: public space management and maintenance

Public space management and maintenance costs are difficult to fund with crowdfunding. Civic crowdfunding can be seen as driven by the ''shrinkage of public goods and a shift to event-driven priority setting that may not '' (from Davies 2014: Brabham 2009, Lange 2012). The public support shown with the campaign can be highly valuable for both the initiator as the local authority.

If the public space management and maintenance costs cannot be financed through crowdfunding or exploitation benefits, local authorities can interfere.

4.2.7 Potential outcomes of action situation 1

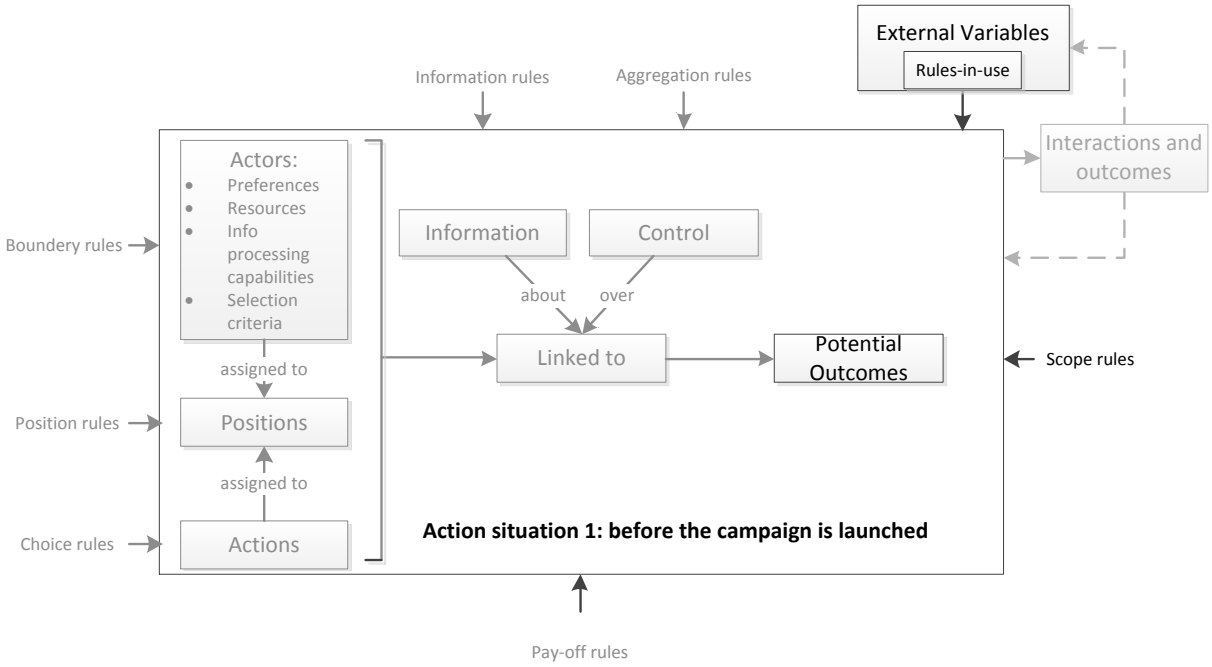


Figure 14 Conceptual model with the focus on the potential outcomes

The potential outcomes of the first action situation are in the context of either a project launch on a crowdfunding platform or not.

When this is the case, the initiator can start with the execution of the campaign; the second action situation, which is not taken into consideration in this research. The project that will be launched is influenced by both *control* and *information*. The arrangements made through control are the rules-in-use in the subsequent action situations. Through the *control* in action situation 3, these arrangements will be tried to be safeguarded.

There can be lot of reasons why the initiator does not launch the campaign on a platform after the first action situation. In this research, only the reasons related to control mechanisms of either the platform or the authorities are relevant.

When a platform refuses an initiative because of its control mechanisms, the platform can critically reflect on this. Crowdfunding platforms continue to adapt their rules in response to user behaviour in order to maximize transaction volume (Agrawal, Catalini et al. 2013a). The same goes for the authorities. By learning in what way they can use their resources or how to change control and the available information more effectively; a larger pool of individuals might be enabled to use civic crowdfunding.

4.2.8 TRANSACTION COSTS IN CIVIC CROWDFUNDING

As elaborated upon in section 4.2.1 crowdfunding enables initiators to have access to capital at lower costs and better access to information. The transaction costs with regard to crowdfunding might differ from both the ex-ante as ex-post perspective from the traditional financing options (e.g. angel investing and venture capital) (Stevenson and Letwin 2013).

One may argue that the ex-ante transaction costs are lower with crowdfunding since the reduction of information-, searching-, contracting- and haggling costs. Crowdfunding in the context of urban area development utilize network externalities that occur since an urban area consists of networks and because of the online platforms. These network externalities, such as the peer-effect, lower the transaction costs for information (Hol 2012).

While the ex-ante transaction costs might be lower, the ex post transaction costs might be higher in comparison with traditional financing options. Stevenson and Letwin (2013) argue that angel investors and venture capitalists possess complementary assets (i.e. specific expertise) which can contribute to the development of the project. This can be referred to as the ownership effect, which "demonstrates that angel investors and venture capitalists act not only as scouts (ex-ante) but also as coaches (ex post)" (Stevenson and Letwin 2013: 1). They doubt whether the nature of the transaction with crowdfunding hamper the possibility for crowdfunding funders to bring these complementary assets and coaching capabilities to the civic crowdfunding projects.

As explained in section 3.1.2, Williamson (1989) argues that asset specificity influence the transaction costs related to economic exchanges. When the asset specificity for the project is high, Stevenson and Letwin (2013) propose that the ex post costs are higher with crowdfunding then with traditional funding, since initiators seem to have an interest in securing human capital. Besides money, many initiators also want to get a strategic partnership with the funders concerning asset specificity.

Next to asset specificity, Williamson (1989) also argues that the uncertainty, to which the transactions are subject, influences the transaction costs. The uncertainty associated with transaction costs are the resultant of asymmetric and incomplete information. This incomplete and asymmetric information is a significant issue with crowdfunding, as elaborated upon in section 4.2.2 (Agrawal, Catalini et al. 2013a, Kuppuswamy and Bayus 2014, Mollick 2014). A stakeholder can decrease this asymmetric information and increase complete information. However, this increases the transaction costs. Regardless of the amount of transaction costs potential funders make, there always is information asymmetry. There is a specific role for civic crowdfunding platforms with regard to decreasing this information asymmetry and thus the transaction costs (Hol 2012). As described in section 4.2.5 *selection at the gate* is rather intensive. This may lead to high monitoring costs.

5. CIVIC CROWDFUNDING IN THE NETHERLANDS

In the previous chapter the general conceptual model based on work of Ostrom (2010), is explained by the characteristics of civic crowdfunding in urban area development using the state of the art literature.

With reference to this operationalized conceptual model, interviews have been conducted with leading experts in the field of civic crowdfunding (appendix A).

In this chapter the results of these interviews are used to explain to which extent the theoretical approach in chapter four differs from the practical experiences of the interviewees. By doing so, conclusions can be drawn which lead to the recommendations, as described in chapter six.

5.1 ACTION SITUATION 1: THE PROCESS BEFORE THE CROWDFUNDING CAMPAIGN IS LAUNCHED

In this section the conceptual framework is explained by the characteristics of current practice. The structure of this section is similar to the structure of chapter four (figure 15). Firstly, the characteristics of the actors are analysed. Then is explained how information and control influence the potential outcomes.

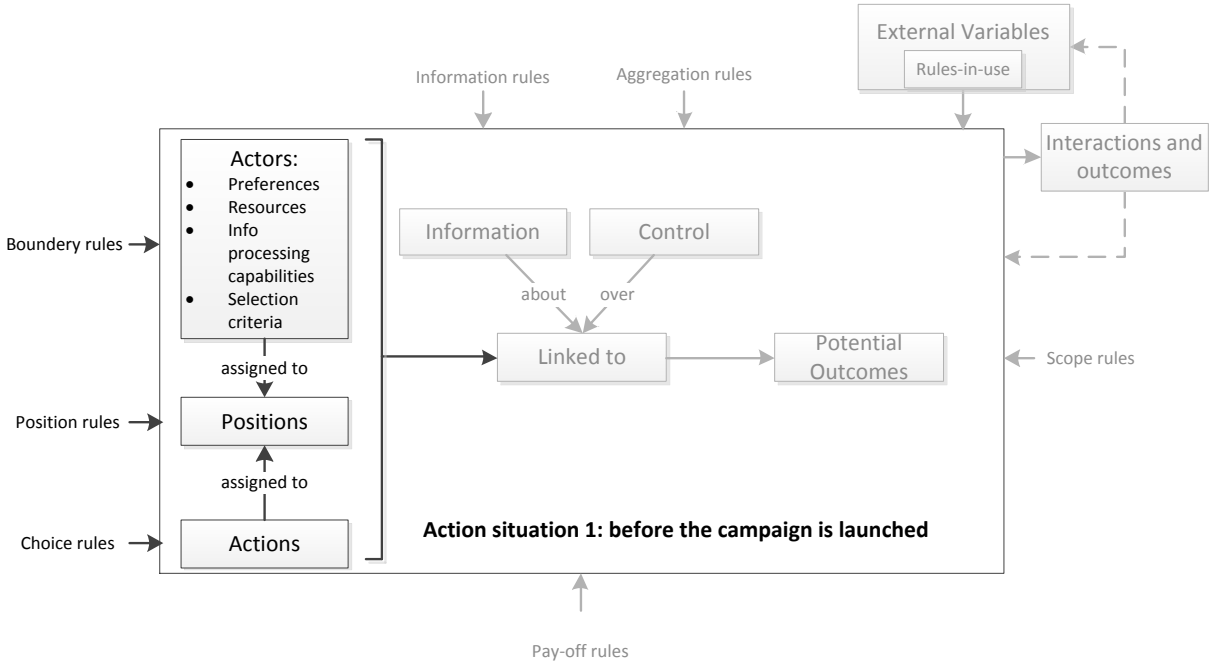


Figure 15 Conceptual model with the focus on the actors and the positions

5.1.1 THE POSITION OF INITIATOR IN THE FIRST ACTION SITUATION

It is difficult to define the typical citizen because the spectrum of characteristics differs a lot. However, there are some resemblances that can be observed.

Preferences

As described in section 4.2.1, the theory shows that the donation form of crowdfunding only can be used for initiatives that serve the goal of increasing the liveability in an area without generating a direct financial benefit. In the practise of civic crowdfunding in urban area development the same can be observed. Initiators seek funding for projects of which they

believe in the goal of the project, instead of the financial benefits. Within projects that are launched on Voor je Buurt, the most well-known civic crowdfunding platform in the Netherlands, earning money is often at the bottom of the preferences list (Arnoldus 2014). The main financial goal of the initiators seems to be covering the realization costs of the project.

The initial ideas of the initiators are often highly extensive (Douw 2015, Leemans 2015). Leemans, the director of the civic crowdfunding platform HKBU, says that the platform spends a lot of time in peeling off the idea to the essence in order to transform the extensive idea into a feasible plan.

Kleverlaan (2015) observes that initiators find it difficult to understand the full potential of civic crowdfunding. The focus of the initiators is almost completely on the funding target. Although the added value of the campaign with regard to marketing and public support often is acknowledged, the added value of creating a network of ambassadors that help to succeed the project and most of all help to maintain the project is often underexposed.

Resources

The supporters of civic crowdfunding in urban area development claim that civic crowdfunding enables civilians with these types of ideas to make them possible. Anne-Jan Zieleman, former policy analyst and currently delivery unit employee in the eastern district of Amsterdam, experiences an increase in civic initiatives[25] in his district (Zieleman 2015). On top on this the experts in the field of civic crowdfunding, with experience in traditional urban planning, experience progress in *the* citizen. Citizens become more empowered and seem more willing to think substantively, in both the deprived and non-deprived neighbourhoods (van der Heijden 2014, Leemans 2015, Zieleman 2015). Local authorities find this frightening, according to Leemans, since they see *citizens* instead of people. However, when performing neighbourhood developments in the public space, citizens still tend to approach local authorities (Ouwerling 2014, Douw 2015). Civilians still seem to have the attitude that if they do something with a public character, the local authority will support and finance it (Douw 2015, Zieleman 2015).

Information processing capabilities

- Martijn Arnoldus: "When you start rooting in the ground positions of the public authorities, you know it will be complex"-

Although some initiators can launch their initiative on a crowdfunding platform the same day that they have submitted the application, others need to perform substantive preparatory work (section 4.2.1). As the project becomes more complex, the preparatory work becomes so too. When an initiator starts rooting in the ground positions of the public authorities, the situation will be complex (Arnoldus 2014). With urban area development this is often the case. The question is to which extent the citizens are able to process the available information. Arnoldus (2014) experiences that in the process before the campaign, initiators gradually run into all kinds of hurdles in which they need the participation of actors with understanding of business: local authorities for the urban area development complexities and, as Arnoldus states, civic crowdfunding platforms for the crowdfunding related issues. In the case of Voor je Buurt it is not common that civilians approach the platform with their initiative without there has been contact with local authorities. In the general conditions of this platform this is a requirement: the formal matters (permits etc.) need to be taken care of beforehand (see section 5.1.4: *information*

[25] Not specifically crowdfunding initiatives.

and control). Voor je Buurt really expresses itself as a platform to be used for the campaign itself (second action situation) (Arnoldus 2014). So they seem to rely on the information processing capabilities of the citizens in the first action situation.

Developing a project plan however seems to be complicated for initiators (Leemans 2015). Local authorities are often seen as responsible by the local residents when something is wrong with the initiative, and thus local authorities are often very sceptical towards these types of projects. So the usual planning steps (maintenance, underground, cables, flight path Schiphol etc.) need to be taken before the permits are granted. This brings along complexity with which initiators seem to have a difficulty to deal with. Leemans (2015) speaks of a paradoxical situation in which initiators, with no experience in executing urban area development projects, require support that costs money, while the parties who have the money to pay for the expertise, often have this expertise in house.

Stevenson and Letwin (2013) propose that the ex-ante transaction costs are lower with crowdfunding because the reduction of information-, searching-, contracting- and haggling costs (section 4.2.8). This seems to be valid for the information regarding the civic crowdfunding process itself and thus for non-complex civic crowdfunding projects. Civic crowdfunding however seems to distinguish itself from regular crowdfunding by the information necessary to develop a project in the public space. The initiators often seem to have difficulties with the complexity of the projects and since third parties are needed to support the initiators, the ex-ante transaction costs increase.

Selection criteria

After an initiator decides to obtain funding through crowdfunding, a platform needs to be selected to launch the crowdfunding campaign. As described in section 4.2.3, besides an existing crowdfunding platform, an initiator can also choose to start a platform just for its initiative: a DIY platform. When using a platform only as showcase and cash register, this easily can be done using basic software as Wordpress (Kleverlaan 2015). For initiators it is important to decide what the platform can offer. Since platforms are success-fee based, at some point the transaction costs for an initiator to create a DIY platform are lower than launching the initiative on an existing platform. When the funding goal exceeds the threshold of approximately €50.000, the initiator is better of starting a DIY platform.

The characteristics of ZUS (the Luchtsingel) and other professional organizations

As explained in the introduction of this thesis, the most well-known civic crowdfunding project in the Netherlands is the pedestrian bridge 'De Luchtsingel'. The Luchtsingel is an example of an initiative that started a DIY platform (Hol 2014).

In the communication from De Luchtsingel itself, the media and scientific literature, and the government, this project is framed as a civic initiative (Hol and Daamen 2014, van Raak, Verhagen et al. 2014). The interviews in this research however show that the resources and information processing capabilities of ZUS, the architectural firm behind the project, played a significant role in the success of the project (Hol 2014, Peek 2014, Kleverlaan 2015, Leemans 2015). Although the municipality of Rotterdam accepted De Luchtsingel as a bottom-up initiative, Hol (2014) explains that the situation is rather different because of the professionalism of ZUS. ZUS knows about the ins and outs of developing a project in the public space better than the typical citizen. ZUS is in some ways part of the institutions; they know the institutional processes, the public directors and the civil servants. A citizen who wants to realize a bridge like De Luchtsingel will have more trouble with these aspects (Hol 2014).

5.1.2 THE POSITION OF PLATFORM IN THE FIRST ACTION SITUATION

In this section the characteristics of each actor are described with regard to the position of a crowdfunding platform.

Preferences

The business case of civic crowdfunding platforms in the Netherlands are mainly based on charging the initiator: success-fee based, which is in line with the theory (Section 4.2.3) (Douw 2015, Kleverlaan 2015).

However, the experts agree that these business cases are not viable with regard to civic crowdfunding in urban area development (Douw 2015, Kleverlaan 2015, Leemans 2015, Zieleman 2015). Commercially focused platforms like Kickstarter wield this revenue model. Civic crowdfunding projects in the urban area are however often more complex in the first action situation. This complexity asks for a different role of the platform in comparison with commercial platforms (see *Information processing capabilities and other resources* on the next page). Hence, the business model of platforms needs to be adjusted to this different deployment of resources.

As stated in section 4.2.3, for a growing number of platforms a more hybrid approach is noticeable. By offering several models at the same time, initiators are capable of setting up more flexible campaigns based on the current state of their initiative. Arnoldus however stresses the fact that for donation-based civic crowdfunding platforms as Voor je Buurt, this is rather unwanted. As elaborated upon in section 4.1.2, the legislation that is applicable for the platform depends on the crowdfunding form that is used. For fiscal reasons, the return for the donator should be symbolic; more in the nature of a gift. It is possible to become a hybrid platform, Arnoldus argues, but because of fiscal reasons Voor je Buurt wants to confine itself to the donation-based model.

In theory both public as non-public actors can set up a crowdfunding platform. For the council of the municipality of Almere, Nicolette Ouwerling explored different online possibilities to increase this visibility. In the city of Almere the visibility of civic initiatives was too low (Ouwerling 2014). The idea was to facilitate the funding process online, just like a crowdfunding platform. In practice this has proven to be a persistent reflex of both the national and local authorities. When they decided to participate in crowdfunding, they automatically seem to aspire to do so by setting up a crowdfunding platform (Ouwerling 2014, Douw 2015, Zieleman 2015). There are however arguments why public parties should be cautious to take the position of a platform. Local authorities are not highly qualified in IT projects because it is not their profession (Douw 2015, Ouwerling 2014). At the same time the development and maintenance costs are rather high (Tuk 2014). As explained in section 4.2.3, the bottleneck is not a lack of platforms, because the required online infrastructure is sufficient (Douw&Koren 2014, Douw 2015). Ouwerling (2014) agrees that public authorities are not highly qualified in IT projects but has the opinion that this is a matter of hiring the right people. Fact remains that the authorities need to consider what the underlying reason is they want to participate as a platform. Douw (2015) argues that developing a crowdfunding platform is contributing to the exposure and marketing of the municipality rather than to stimulate crowdfunding in your municipality. When a local authority is persevering to have an own crowdfunding page, a far less expensive alternative is to start a partner-page on an existing crowdfunding platform (Douw 2015). However, the costs of a pilot for a local authority on a platform like Voor je Buurt are considered just as high by other interviewees (Ouwerling 2014). For that kind of money, Ouwerling argued,

the municipality of Almere can develop a platform on its own. By doing so local authorities are involved in the initiative from the start. The councillors can be the antennas in the city and detect initiatives that align with the policy goals.

Leemans (2015) claims that trust is another argument against a public owned platform; the initiators find the two-faced attitude of the government difficult to denote. On the one hand the local authority is inviting, on the other hand, since it also defends the rights of the minority, it can be dismissive by rejecting projects. A privately owned platform emits this dismissive attitude to a lesser extent, because they are not the ones who are responsible for the permits and therefore a platform as HKBU or Voor je Buurt feels more trustworthy to the initiator (Leemans 2015). If the government wants to act as a platform, Leemans suggests, it should become a *platform* in which the initiatives can thrive; instead of a crowdfunding platform since this is not the bottleneck in stimulating civic crowdfunding. On top of that, it may hamper the stimulation of civic crowdfunding because the control of the public platforms is often based on the policy goals and quality assurance of the authority itself, and not of the initiator.

It is important to define both the goal and the resources the government has, and not to mix-up the goal with the means.

Information processing capabilities and other resources

So if the civic project is not complex, in theory the platform can ensure its continuity with success-fee, as can be seen with crowdfunding platforms in other branches (Douw 2014). With non-complex projects a crowdfunding platform is mainly functioning as a showcase and cash register (Kleverlaan 2015). The information processing capabilities of the initiator are sufficient to execute a successful crowdfunding campaign with little support of the platform, because platforms only need to support the campaign itself, the second action situation. The complexity of the required information however rises together with the complexity of the project. Although citizens become more empowered and seem more willing to think substantively, support is still a necessity (Hol 2014, Douw 2015, Leemans 2015, Zieleman 2015).

As for the ex-ante transaction costs, the public and private civic crowdfunding platforms can play a significant role in reducing information-, searching-, contracting- and haggling costs (section 4.2.8). To do so, platforms need to get out of their comfort zone and need to reconsider their added value to the crowdfunding process (Kleverlaan 2015). Civic crowdfunding platforms have the experience with urban area development projects. As Leemans (2015) states: ''the skills and abilities that we developed from 2011 until this day (with regard to crowdfunding and urban area development projects)[26] are priceless.'' Although Voor je Buurt positions itself as a platform purely for supporting the campaign (action situation 2), Arnoldus (2014) admits that by supporting the initiators before this campaign (action situation 1) the probability the initiative can be executed might increase. This can contribute to the credibility of the platform. Not only do crowdfunding platforms process the available information better because of their experience, this experience also gives them a great deal of expertise. This expertise can be offered by platforms to the initiators. Leemans (2015) observes many initiators who underestimate the expertise that is necessary to execute a project in the public space. This expertise however is expensive. Besides this underestimation of the needed expertise, the initiators also seem to underestimate the costs of this expertise (Leemans 2015). This expertise can barely be paid from the success fee (Douw 2015, Kleverlaan 2015, Leemans 2015).

- Jeroen Leemans: ''*I am very sceptical about civic crowdfunding, and I'm going to quit*''-

[26] Author

Ensuring the continuity of a civic crowdfunding platform that focuses on urban area development projects is difficult. Jeroen Leemans of HKBU is very sceptical on the applicability of civic crowdfunding and he is going to stop to continue with the platform.

When performing projects in the public area, Leemans argues, it costs a lot of energy while there is little money to earn. Where Voor je Buurt primarily focuses on the campaign phase, HKBU invests a lot of effort in the first action situation. Their experience is that the initiators need support in this preliminary phase to get from a good idea to a feasible plan. Citizens often come with an over-ambitious idea which has to be peeled off to the essence (Leemans 2015).

The problem with a success-fee business case is that the first action situation is too expensive for the platform to execute. There are examples of projects in which HKBU invested two FTEs and received nothing in return. HKBU wants to continue to exist without asking for subsidies but Leemans (2015) argues that this is not possible. Kleverlaan (2015) agrees that the expertise needed in the first action situation cannot be funded with success-fee alone.

New additional revenue models need to be developed (Kleverlaan 2015, Leemans 2015). These additional revenue models can be found in another resource of the crowdfunding platforms. Besides the knowledge and information processing capabilities, civic crowdfunding platforms also have a well-developed network. As Leemans puts it: “we have a large network. If we do not know the people, we know at least who we need to reach those people”. Voor je Buurt too notices that their network can be of great help to initiators. Although they try to minimize the support of initiators in the first action situation, they often get contacted by initiators who do not know where they should go to arrange the formal affairs. Voor je Buurt cooperates with local authorities to facilitate in this phase of the campaign. They strive to be able to kick-start every initiator, using their network. Supporting by familiarizing them into the maze of permits, public funds and other public services (Arnoldus 2014).

Besides the public network, platforms often have a large network of experts: people in the field that can contribute with their expertise in the first action situation and can earn money in the third action situation (Douw 2015, Kleverlaan 2015, Leemans 2015). The necessary additional revenue models can be based on this network. A civic crowdfunding platform can actively engage in cooperation with third parties; local authorities and private actors such as tax lawyers and contractors. This way it might even be possible for a platform to operate without a success fee, Kleverlaan (2015) argues. This gives a strong message to the funders: every euro of the donation goes to the initiative. This way the platform functions as lead generator and the revenue model is based on the additional services. HKBU has price tags on these additional services. The problem with this model however is that the costs have to be made by the initiators: the citizen with an idea but without any money. This can be resolved by the initiator by allowing this to be a specific part of the crowdfunding campaign. This however can also be resolved from within the platform by basing the revenue model on the additional services.

Subsidies or hiring expertise?

Although Leemans never wanted subsidies for HKBU, he thinks that subsidies can be a solution to a lack of financial resources of both initiator and platform. By funding both the platform and the initiators, these platforms can secure their continuity. This is important, Leemans argues, since these platforms are capable to kick-start initiatives that otherwise remain

invisible. Subsidies from, for example, the national government or Stichting Doen[27] are useful in the start-up phase of a platform (Kleverlaan 2015, Zieleman 2015). To continuously fund platforms with subsidies is doubtful. For municipalities it is more important to invest in the initiatives rather than in platforms (Zieleman 2015). Platforms can however move to a different type of system in which subsidies are not being seen as such. Civic crowdfunding platforms can exploit their resources by offering their knowledge and expertise to authorities (Douw 2015, Kleverlaan 2015, Zieleman 2015). This way the (local) authority gets more familiar with civic crowdfunding. Platforms can organize workshops and in-house courses to train officials and couple this to a personalized page on the platform. This way the revenue model is focussed on the actors in the system with money, instead of the ones without: the citizens.

5.1.3 Additional positions for the local authority: curator, redirector and facilitator

What the interviewees did agree on is that the authorities on each level experience difficulties in positioning themselves with regard to civic crowdfunding. From the many interviews and discussions Simon Douw of Douw&Koren had with national and local authorities, the recurrent issue was what role they could play in community initiatives in general, and civic crowdfunding in particular. Local authorities seek for a role in which they connect parties and stimulate citizens, instead of financing and controlling the projects (Douw 2015, Zieleman 2015).

- Arnoldus: "let's not exaggerate how active local authorities are indented in the concept of civic crowdfunding. I speak with a significant number of local authorities who still are of the opinion that there is no role for them in civic crowdfunding" –

Although it will not change the whole dynamics between local governments and community initiatives, civic crowdfunding can invoke a new type of relation between citizens and local authorities. Local authorities however find it hard to decide how they should deploy their resources (Douw 2015, Zieleman 2015).

A persistent reflex of the local authority is to deploy the resource they have used for decades: subsidies. The problem however is that within social and public organizations subsidies decline. And thus, there are other ways to be found to continue to achieve the goals. The result is a dismissive attitude from the public authority towards this initiator and this drives the initiator away from the local authority. This dismissive attitude can be contra-productive. By rejecting the initiative on assigning subsidy, other resources of local authorities run the risk of being overlooked (Douw 2015). Besides the declining subsidy possibilities, Zieleman (2015) experienced that subsidies contaminate the playing field. In his role as analyst and strategic consultant for the eastern city district of Amsterdam he explored ways to support inhabitants in executing their civic initiatives. What he experienced was that civic crowdfunding thrives with scarcity. With the subsidy-ghost flying around, the citizens still see subsidy applications as less complicated and the civil servants seem to think: "But is this project not suitable for subsidies? Because I do not have a clue how that crowdfunding thing works.'' (Zieleman 2015).

Since the resources of both the citizens as the authorities decline, another type of cooperation between the actors need to be considered (Douw 2015). When it comes to small scale initiatives, local authorities have many civil servants who are among the people, on

[27] Stichting Doen is an organization that financially supports people and organizations that want to develop initiatives that contribute to a green, social and creative society, through grants, investments, loans and guarantees. www.doen.nl

different domains, who have their antenna in the area. Citizens in the neighbourhood who have an initiative often address them to these civil servants. These civil servants know the neighbourhood and its network and know how to support the initiatives, but do not know when and how to deploy civic crowdfunding (Douw 2015, Leemans 2015, Zieleman 2015). When people at local authorities have more knowledge on this matter they have an extra tool they can suggest to civilians. Or they know what to do when a civilian proposes crowdfunding.

In section 4.2.4 additional roles for local authorities are proposed: curator and facilitator. In the interviews another position is brought up: redirector. The difference between curator, redirector and facilitator can be found in the *control* element in the conceptual framework (figure 16, p. 71).

Curator

With regard to the preferences and resources of local authorities, the role of curator seems to be an adequate one. By having a major voice in the selection of the initiatives, the local authority can guide the initiatives that comply with the policy goals. By itself this can lower the costs in the first action situation and contribute to the success of the initiative, because local authorities support this phase. The problem however with a local authority that chooses a certain initiative, is that the authority abducts this initiative from the initiator. In that case it is not the initiator or the crowd that takes the initiative, but the local authority.

Now the question is why local authorities want to have involvement in selecting the initiatives? From the frequent contact Douw&Koren have had with local authorities, local authorities seem to communicate two answers to this question (Douw 2015):

1) They have policy goals and they want to make sure that the initiators support them
2) They want a minimum quality assurance

The suggestion however is that both issues can be addressed not particularly by participates in the action situation as actor in the position of a platform or as curator on an external platform, but through *information* and *control*. In the next section 5.1.4 more is elaborated on this matter.

Redirector

The notion arises that local authorities have certain reservations and try to solve them by taking up a certain position (e.g. as platform or curator on an external platform) which allows them to take certain actions. When focusing on the characteristics of the local, instead of the position they can take, different suggestions ascend.

The civil servants in the neighbourhood know the dynamics in the area, what is needed and where the competences are. Furthermore, for the needs that are not already known they serve as contact for the civilians with ideas (Leemans 2015, Zieleman 2015). At the same time they have a well-developed network of people in and out of the authorities and no understanding of civic crowdfunding (Douw 2015, Zieleman 2015). Both Zieleman and Douw acknowledge that for a lot of civil servants the will to use civic crowdfunding is there, but they just do not know how it works. Taking the network of the civil servants in consideration, if they will become able to detect projects that are suitable for civic crowdfunding by asking a set of questions, they can redirect the initiator to the suitable platform or person (Douw 2015). This does not have to be seen as a new position for the local authority; it is just an additional tool.

Facilitator

Local authorities should understand how they can contribute to the success of civic crowdfunding. Platforms are present: they are means to enable citizens in developing their initiative. The local government should not act as only giving hand anymore but as facilitating

party, according to Zieleman (2015). This can be done by redirecting citizens as aforementioned but also by cooperating with civic crowdfunding platforms in general.

The knowledge and expertise of the authorities are considerable. Instead of providing subsidies to platforms or only buying expertise with regard to crowdfunding from platforms, a more cooperative model is imaginable. Although civic crowdfunding platforms often have expertise on the projects and the context the projects are embedded in, their main profession is the crowdfunding element and not the project that will be funded with crowdfunding. Where a platform like Voor je Buurt acts as an organization that has this expertise, it often is not their core activity (Arnoldus 2014) and they sometimes provide the wrong information, although not deliberate (Zieleman 2015). By working together more extensively the ultimate information provision for the initiator might improve.

Next to deploying information and expertise, local authorities can also facilitate by wielding a more pragmatic way of authorisation (Zieleman 2015). An example of this can be found in Ijburg, a neighbourhood in Amsterdam. On Voor je Buurt an initiator launched the campaign 'FIETS je BLIJ' ('Happy By Cycling') in which the initiator asked for €3500,- to create an art-route along an unattractive cycle path[28]. This campaign was successfully funded and the initiator wanted to start a second phase in which they needed another €2600,- to develop more art along the route (Arnoldus 2014). This phase was also successfully funded. However, although the funding did not seem to encounter complications, the public opinion did. One of the elements in the initiative was a tree with bells in it which made noise by the wind. Residents from a residential complex that overlooks the tree foresaw noise nuisance issues. Because of the publicity the campaign generated, civic crowdfunding enabled the opponents to have public participation in the planning phase. The permit however was already arranged. So if the initiator would have asked for subsidies, the opponents, from outside the community would not have been triggered in the first place (Arnoldus 2014). The reason this initiative is a good example of a more pragmatic way of working for local authorities is that with traditional funding, a permit is granted when the funding is already realized (Zieleman 2015). With civic crowdfunding the permit need to be granted while the money is not taken care of yet. This asks for more risky behaviour and a more pragmatic way of working, according to Zieleman. A way of doing this is by saying: "you can start with your campaign, but we do have to comply with our legal deadlines. So keep in mind that your project may need to be adjusted later in the process". The local authority is the guardian of the collective. That does not mean that it cannot make unpopular decisions. But the local authority is well aware that the better you prepare that kind of initiatives, the better the public support will be in a later stage. By helping initiators with this matter, civic crowdfunding is better facilitated (Zieleman 2015). In Zieleman's vision, the legal deadlines however should be the last step. Local authorities can help in creating a kind of platform for the initiative and join in the thinking process of what can facilitate the initiative in terms of money, space, expertise and network. Licensing is in this matter not yet important (Zieleman 2015). This effort is never wasted, Zieleman argues, even if the permit in the end is not granted at all.

Matching

Zieleman still thinks that one of the best roles local authorities can fulfil is that of a matching party. The herding effect as explained in section 4.2.2 is not significant in the Netherlands because the investment of the local authority is seen as a proof of concept. If local authorities invest, Zieleman argues, the project should be identified as good by the citizens. Kleverlaan also

[28] https://www.voorjebuurt.nl/campaigns/fiets-je-blij-kunstroute-ijburg/#description

thinks matching is a good contribution of local authorities to civic crowdfunding. In the current structure citizens need to apply written requests to lay a claim on governmental funding for local projects (Kleverlaan 2015). This way, Kleverlaan argues, the civil servants have too little knowledge about the initiative, the initiator and the public support in the neighborhood. With matching, the initiators can expose their initiative during the campaign more elaborate and therefore the civil servants have a better understanding of the initiative and its initiator. Besides this, if the local government only matches successful campaigns the authorities can fund twice as many projects. Secondly, the local authority only supports projects with public support, proven by the crowdfunding campaign.

5.1.4 Information and control in action situation 1

In this section the vision of the key informants on the elements regarding the *information* actors possess and observe, and the *control* they exercise and experience is described. These elements influence the realization of potential outcomes (figure 16).

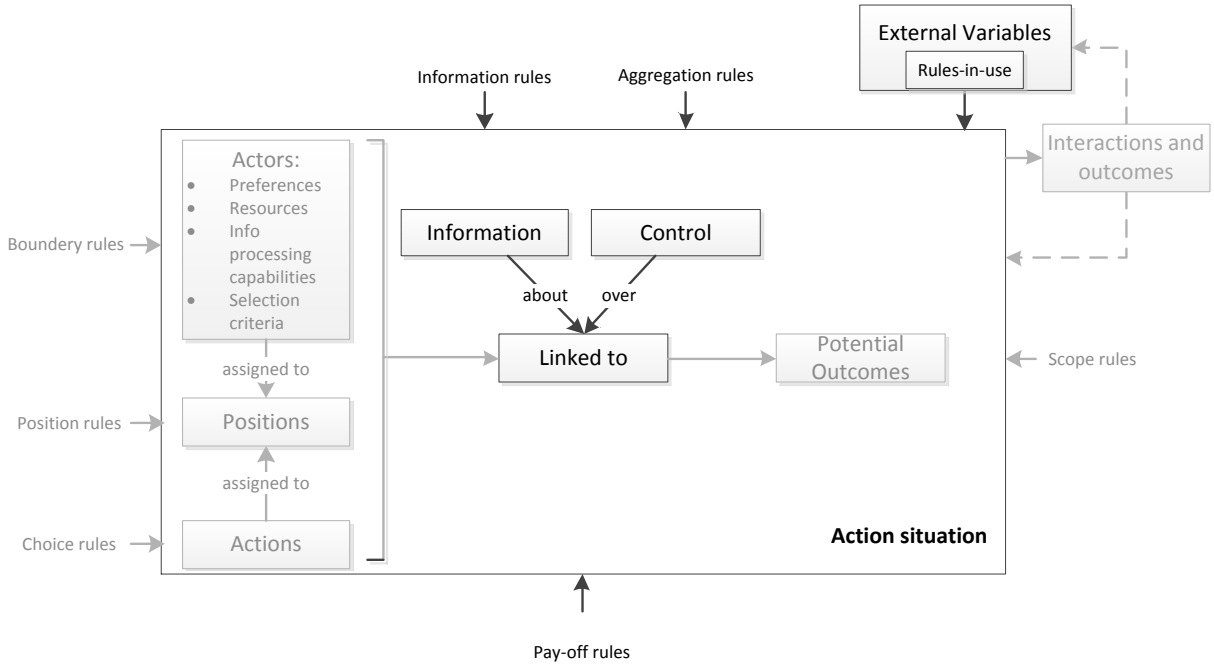


Figure 16 Conceptual model with the focus on information and control

Information with regard to civic crowdfunding

Taking the information needed to prepare and to execute the crowdfunding campaign in consideration, this is sufficiently available. The initiators who need support on this matter can approach the crowdfunding platforms and in this matter, the success fee based business case is adequate.

However, some initiators do not seem to know about the option of crowdfunding. Because the projects concern the public space, initiators often address local authorities (Douw 2015, Zieleman 2015). Although this information is available at the crowdfunding platforms, both the initiators and local authorities often do not seem to find the way to this information. Civil servants need to be trained to detect projects that are suitable for civic crowdfunding and know where the information about crowdfunding can be found. This however can be difficult because this asks for a different way of working (Zieleman 2015). Douw (2015) calls this the *low hanging fruits*, because these quickly trained civil servants can practise this role as redirector (section 5.1.3) immediately.

In section 4.2.5 and in the next section about *control with regard to the civic crowdfunding* the trustworthiness of the platform and the importance of trust in general with regard to civic crowdfunding are elaborated upon. A great deal of this trust can be established through information transparency towards the funders. Even though this will mainly be reflected in the second action situation and thus not included in this research, there are actions both initiator and platform can perform in order to hand lane on this element. Arnoldus (2014) states that providing insight in this trust will be one of the main challenges in the coming time. A way to deal with this is by increasing the information transparency of the first action situation. By providing insight in the status of the initiative on a crowdfunding platform (which permits are obtained, which actors are approached and have joined the process, etc.), a more trustworthy base will be established. This trust, Arnoldus argues, is also in donation-based crowdfunding of high importance.

INFORMATION WITH REGARD TO THE URBAN AREA DEVELOPMENT PROJECTS

When it comes to the projects themselves, the available information and the information processing capabilities of actors in their positions does seem to be a point of interest. There is information available with the initiators, although not always enough and they find it hard to process (Hol 2014, Douw 2015, Leemans 2015, Zieleman 2015), civic crowdfunding platforms and experts, although expensive (Arnoldus 2014, Kleverlaan 2015, Leemans 2015), and the government, although they are inexperienced in functioning as informing agent (Arnoldus 2014, Douw 2015, Zieleman 2015).

The most conventional providers of this information seem to be the crowdfunding platforms and local authorities. The crowdfunding platforms however do often have better information processing capabilities, but as elaborated upon briefly in section 5.1.2, do not always have the information needed for the project. As Arnoldus (2014) argues, Voor je Buurt knows the broad outline on which they can check and they can think along, but it is not their core competence. This lies with the crowdfunding process itself (second action situation). For local authorities this deployment of expertise seems to be a change in their mind-set (Arnoldus 2014). Civic crowdfunding is new, people want to know about it and they want to be able to ask questions. Local authorities need to be able to provide this knowledge but they are not (Douw 2015).

Inherent to crowdfunding seems to be the cutting-out of intermediate layers (Hol 2014). External experts seem to be too expensive to fund in this phase since no money is raised yet. There are however ways to include external experts in the project. Stevenson and Letwin (2013) propose that while the ex-ante costs can be lower with crowdfunding, the ex post transaction costs might be higher in comparison with traditional financing options because there is little input or expertise from the investors compared to traditional funding options. Douw (2015) disagrees with this proposition. With civic crowdfunding the crowd often has more expertise regarding the civic crowdfunding projects than the traditional financing institutes have. As Douw (2015) explained, in the investing-based crowdfunding sector examples can be found of experts, *the crowd*, who supply knowledge and expertise instead of funding. This could be done in donation-based crowdfunding too, but this feature is rather underexposed (Douw 2015). Operationalizing this to the action situations in this research, this can be seen as a pre-campaign in the first action situation in order to start the actual campaign in the second action situation.

CONTROL WITH REGARD TO CIVIC CROWDFUNDING

Looking at reputation signalling (section 4.2.5), the interviewees agree on the importance of reputation and trust. Voor je Buurt tries to keep the entry barrier for initiators low. It rejects

initiatives on two grounds: ethical reasons (discrimination etc.), and initiatives that have not properly dealt with the formal issues (permits etc.). The latter is to protect the funders from funding an initiatives that is impossible to develop once the funding has succeeded (Arnoldus 2014). This safety pin, Arnoldus (2014) argues, is to create trust among both the initiators and funders. So Voor je Buurt will always assess whether the initiator will be capable to realize what is promised, from the formal perspective. This however does have a limit. A great deal of responsibility still lies with the funder.

Another mechanism the literature suggests that imposes reputation signalling is feedback systems. Arnoldus (2014) agrees that this can be a responsibility for platforms. As elaborated upon in the previous section, information transparency is rather important with regard to trust. Information about the initiator from previous initiatives can contribute to this information transparency. Functionalities can be developed that visualizes this reliability; think of customer reviews or a profile of the initiator. This way it is not the formal responsibility of the platform, but the platform can be the provider of this information. Operationalized to the conceptual model in this research, this information would be a potential outcome of the third action situation in a previous initiative.

Lastly, the literature suggests rules and regulation from the authorities to deal with information-related market failure in civic crowdfunding. As described in section 4.1.4, research on crowdfunding in the context of start-up and SME funding shows that more effectiveness and clarity is required towards platforms considering which rules and regulation are applicable on their specific situation. Considering donation-based civic crowdfunding this does not seem to work against the applicability of civic crowdfunding. The representatives of the crowdfunding platform seem to have a good understanding on which rules and regulations concern them.

CONTROL WITH REGARD TO THE URBAN AREA DEVELOPMENT PROJECTS

As elaborated upon on in section 4.2.5, several civic crowdfunding platforms wield intake interviews in preparatory to the crowdfunding campaign. These intake interviews are intended to ensure that the initiatives are feasible. The initiators are capable enough to execute the campaign and the project and to ensure that the project will be delivered once the funding has succeeded. Also the formal affairs need to be settled prior to the start of the campaign (Arnoldus 2014, Leemans 2015). These formal affairs make sure that there is a great level of involvement of local authorities. Considering the safety pin that Voor je Buurt uses, their entry barrier is sometimes lower than local authorities would like. Local authorities sometimes propose cooperation with regard to certain projects but only if specific sorting criteria are used (Arnoldus 2014). This attitude of the authorities is also observed by other interviewees.

As elaborated upon in the previous section (5.1.3), local authorities want to exert this control because they:

1) Have policy goals and they want to make sure that the initiatives support them
2) Want a minimum quality assurance

As stated, these two issues can be safeguarded without specifically acting as a platform or as curator on an external platform, but through *control*.

With regard to the policy goals, prioritizing is a conventional task of local authorities. By offering support to initiatives that serve a selected policy goal the mandate lies with the citizens, instead of selecting initiatives that serve policy goals or using specific sorting criteria as tried with Voor je Buurt (Douw 2015).

The same applies to the quality assurance. This also can be a matter of *control* rather than a new role such as curator, or platform. Local authorities provide the permits. With these permits the minimum quality should be sufficiently assured. The criteria which assess whether the permit should be granted should not be discretionary. They must be comprehensible for everybody. This way local authorities can steer on preconditions, without arbitrariness (Douw 2015).

Taking *control* in consideration, a great field of tension lies with the balance between to hold and to retain the initiator and the initiative (Peek 2014, Douw 2015). The relation between the initiator and the local authority is not sufficiently equivalent to support civic crowdfunding in urban area development. This makes it difficult to look at each other as partners instead of a parent-child relationship (Douw 2015). This issue is powered from both sides: local authorities want to hold the initiative because of the aforementioned policy goals and minimum quality assurance, and the initiator seems to stay in this child-position in the hope that the authority still will contribute financially (Douw 2015).

- Simon Douw: "This tight hold of the past years ensured that it is interleaved"-

At this moment local authorities mainly seem to either grasp the initiative and *squeeze out the oxygen*, or fully let the initiative go (Douw 2015, Spinnewijn 2015). So there is either full engagement or none. This might be a result of the welfare state that was prevailing in the Netherlands, according to Douw. Raymond Spinnewijn, of RasCas and Groenplan Desiderius, experienced the same reflex with local authorities in Rotterdam (appendix A). Groenplan Desiderius participated in the 'Stadsinitiatief Rotterdam 2014', a competition organized by the city of Rotterdam in which initiators from the city can win a budget of three million euro to realize their initiative (www.stadsinitiatief.nl). The Groenplan Desiderius initiative did not win this competition but the initiators did believe in their initiative. When they tried to connect their initiative with existing traditional projects in the same area their initiative was focussing on, the local authority was very dismissive. The traditional institutions were prevailing and they wanted to know nothing about civic, bottom-up initiatives: "This is our job and we have budgets for this area", according to the authorities (Spinnewijn 2015).

- Gert-Joost Peek: "Holding is the new letting-go" -

For local authorities it seems to feel unnatural, approving an initiative without developing or funding it (Arnoldus 2014, Peek 2014, Douw 2015, Kleverlaan 2015). To say to the initiator: 'you can develop it and fund it with civic crowdfunding; we just stand behind it and assist where necessary.' Also in Rotterdam this is noticeable, the city of Rotterdam is not capable of letting-go on the one hand, and support where necessary on the other (Peek 2014).

Civic crowdfunding is still in the stage where some local authorities raise their eyebrows when initiators seem to need support in preparing a crowdfunding campaign (Arnoldus 2014). Arnoldus has the opinion that civic crowdfunding is too often perceived as an alternative to the existing ways of working or the position of local authorities and its assigned activities. The public opinion seems to be that it will develop and secure its continuity through the market and that the authorities do not have to do anything. This is however not true, Arnoldus argues. He seems to agree with the statement of Gert-Joost Peek that the authorities need to hold initiators in order to let go. This indeed is difficult, Arnoldus argues, since the attitude is that budget cuts are needed and the citizens-' want, and are able, to take the responsibility. It is true that the

popularity of civic crowdfunding takes advantage of the retreating government, but it should not overshoot.

- Martijn Arnoldus: "Look, civic crowdfunding drifts along with the retreating authorities but I notice that I am constantly trying to pull back the retreating government, back to the table"-

This is one of the biggest challenges, according to Arnoldus: including local authorities in civic crowdfunding projects, especially the physical and visible projects in the city, not only with permits, but with information, expertise and their network.

Arnoldus sees many local authorities struggle with what will happen in terms of their responsibility and liability when they *let the initiatives go*. In his opinion, the external rules (the *aggregation* and *scope* rules) that influence the *control* in this matter have a solidified past which affect the current *rules-in-use*.

- Martijn Arnoldus: "The legislation has a solidified past that determines the current rules"-

5.1.5 Additional position for the local authority: public space management and maintenance

Although in a lot of cases the initiator is still responsible for the initiative, there are issues local authorities can and may not push off, because the initiatives are located in the public area. Besides this, not the initiators but local authorities are the ones that will be contacted if there is something wrong with the initiative. This makes local authorities, in person of the management of public spaces, sceptical to these initiatives (Hol 2014, Leemans 2015, Zieleman 2015).

An example of how this control affects the potential outcomes is shown in Rotterdam. Arnoldus had a meeting with local authorities on site to talk about the development of a playground. To deal with the responsibility in a sustainable manner, the authorities insisted that the playground equipment should be wooden nature-equipment; this to bypass some existing (solidified) legislation. So sometimes the will is there, but this new way of thinking is far from crystallized or "established".

Together with responsibility comes a cost. Funding the public space management and maintenance of the physical projects does seem to be difficult with civic crowdfunding (Arnoldus 2014, Douw 2015, Leemans 2015, Zieleman 2015). HKBU never tried to let the initiatives on their platform cover the public space management and maintenance costs with civic crowdfunding. They focussed only on the realization costs (Leemans 2015). However, they demand from the initiators that they can live up to their promise. Therefore they require that the initiators have a plan about these costs. Arnoldus (2014) agrees that these maintenance costs maybe can be funded once, but to do so on a continuous basis it is rather impossible.

This physical element within civic crowdfunding projects is however very important. Although the public space management and maintenance costs are high, Kleverlaan (2015) argues, these costs can be decreased by ensuring that the community that is involved, takes their responsibility in maintenance. The goal of urban area development is to realize a physical development. Traditionally there are (external) stakeholders required that invest in the development based on particular total costs. With civic crowdfunding, the development is from within the community. During the campaign, this sometimes asks for not only monetary funding, but also investments of time from the community. This is also a possibility in the maintenance phase, which allows for the parties to work with different budgets. Although the works for the management of public spaces remain the same, or maybe increase, the project will be endogenous (Kleverlaan 2015). The funding itself is only a small part of a larger whole. Civic

crowdfunding is functional for realizing this funding, but it also generates an active community around this endogenous project, which contributes to public support in the area (Arnoldus 2014). This community should be deployed in the maintenance of the project (Kleverlaan 2015), and this added value should be communicated to the management of public spaces (Arnoldus 2014).

In theory, Zieleman agrees, this sounds as "the dream for the urban planner". From a financial point of view, there are more possibilities with regard to the development itself. Because there is funding from within the community, and because the community has a sense of ownership, public support is created. In practise however, it is the management of public spaces that needs to maintain the development in the end (Zieleman 2015). An example can be found in the Transvaalbuurt, a little neighbourhood in the eastern districts of Amsterdam, where the Krugerplein is located. The citizens wanted this Krugerplein to be a bare square with light-spots in the ground. This was possible, but was beyond the public budget and it was also hard to manage by the management of public spaces. This is theoretically ideal for civic crowdfunding because it could enlarge the budget and also could create a community that could manage and maintain the square. In practise, the management of public spaces started to fumble and was not convinced of this *promise* (Zieleman 2015).

- Anne-Jan Zieleman: "Sure these people can say that they would manage and maintain the square", the management of public spaces fumbled, "but will they? And what about five or ten years from now?" –

Civic crowdfunding is project based, regarding Zieleman, and maintenance and control are core tasks of the management of public spaces and should always be there as back-up. However, if the project will be something structural, the arrangements must be made in the first action situation (Zieleman 2015). A reflex of the management of public spaces is that ideally they want the public area to be homogeneous. Civic crowdfunding projects, together with all other bottom-up projects hamper this uniformity. Although the management of public spaces is somewhat traditional, the colleagues of Zieleman often do say: "let's do it". Although the reflex is still there, a slight change of mind is visible at the management of public spaces in which it sees the added value of endogenous projects.

The question remains how much responsibility can or should be given to the citizens. GoudaBruist!, a civic crowdfunding project in Gouda, is an example of how civic crowdfunding can decrease the maintenance costs for the management of public spaces. GoudaBruist! is a network for active citizens who want to contribute to liveable and vibrant Gouda[29]. These citizens come together in a *Bruisplaats*, a place where people can meet. According to Arnoldus, these Bruisplaatsen are located in different vacant temporary locations throughout the city of Gouda, and thus the maintenance is partly transferred to the initiative. This results in a reduction of clutter compared to when it was vacant (Arnoldus 2014).

[29] https://www.voorjebuurt.nl/campaigns/bruisplaats/

5.1.6 Potential outcomes of action situation 1

As described in section 4.2.7, the two main outcomes (figure 17) in this action situation are either the start of a civic crowdfunding campaign or no start.

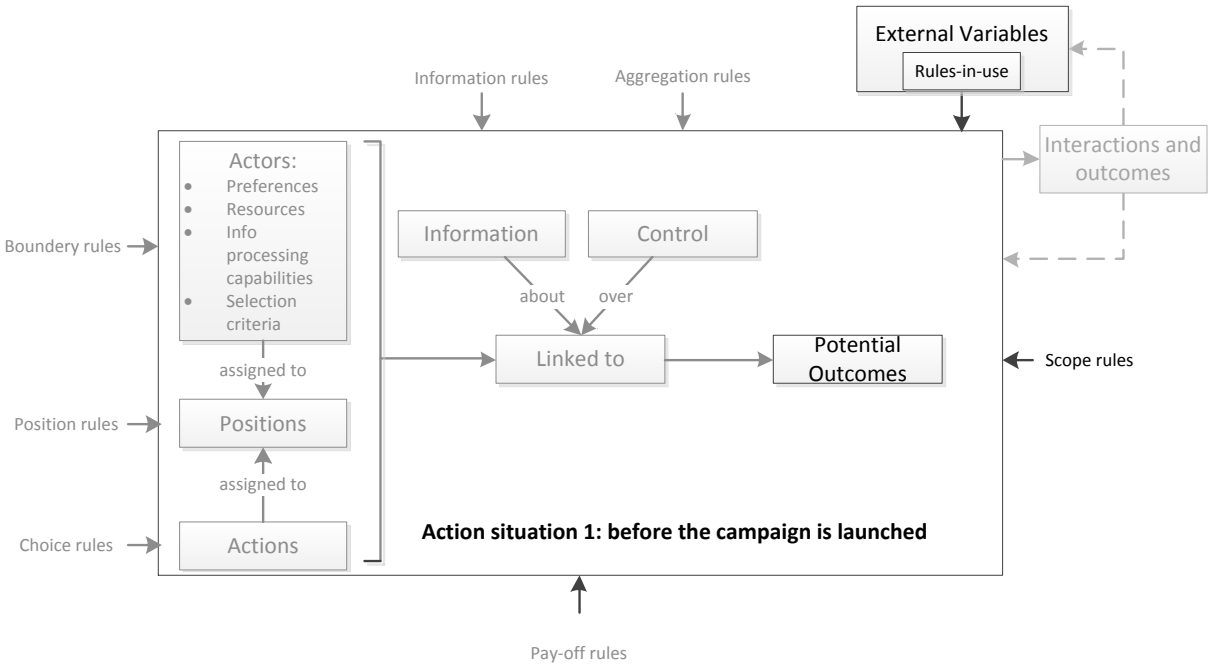


Figure 17 Conceptual model with focus on the potential outcomes

In the situation that the initiator is going to start with the campaign, the control of both the platform and local authorities has influenced this outcome and has secured that arrangements have been made, based on the project plan. Zieleman (2015) agrees that civic crowdfunding cannot do that without engagement of local authorities and in particular with regard to permits and regulation. This makes it rather important to include local authorities in the first action situation so that it is clear what can and what cannot be done. Therefore these arrangements should be a (potential) outcome in the first action situation.

- Anne-Jan Zieleman: "I see many initiatives from which I immediately know: this is not feasible." -



Figure 18 'Hierr!! Is je participatie!!' The squatted building by De Valreep (from: valreep.org)

The importance of properly made arrangements in the first action situation is reflected in a case of a former animal shelter in the eastern district of Amsterdam. In 2011 a group of squatters, called *De Valreep*, moved in a former animal shelter; Oostpoort.

The idea of *De Valreep* was to create a permanent socio-cultural centre. At first, the local authority tolerated the initiative because the authority was rather enthusiastic about the activities of *De Valreep* (Zieleman 2015). Before, the property had a leaking roof and was covered in faeces, condoms and drug-use remains. The initiators refurbished some rooms and organized performances, computer workshops and meetings for neighbourhood kids, funded with their own money (Parool 2012).

At some point, the initiators launched a crowdfunding campaign because they wanted to become the owner of the property. However, in June 2014, the property was evacuated by the authorities. Although the council agreed with the temporary occupation, it was still temporary. The rigid attitude of the squatters created a situation in which there were no arrangements made up in the first action situation. So when the second action situation was finished and the funding had succeeded, the rules-in-use in the third action situation were in such a way that the development of the permanent socio-cultural centre could not take place (Zieleman 2015). Zieleman (2015) states that if this was better regulated in the first action situation, and the discussions would be more substantively, it might had a chance in the third action situation. Douw (2015) agrees that the black-and-white thinking attitude in this example is not effective. The initiators should also give room to local authorities in which the authorities can profile themselves.

If certain formal conditions are not met, civic crowdfunding platforms like Voor je Buurt and HKBU will not launch the campaign. Arnoldus (2014) does not know a lot of examples of initiators that approach Voor je Buurt directly without prior contact with local authorities. So they cannot tell why some initiatives are approved and some are not.

A possible issue in this matter, indicated by different interviewees, is the dismissive attitude of management of public spaces (Arnoldus 2014, Hol 2014, Ouwerling 2014, Leemans 2015, Zieleman 2015). As elaborated upon in section 5.1.1, the initiators' main preference is often to develop a project that enhances the liveability of the area. Earning money is often at the bottom of the list (Arnoldus 2014). When the project is a physical project in the public area, the maintenance costs might be significant and are continuous costs. To cover these continuous maintenance costs with civic crowdfunding, all the interviewees agreed, is rather hard, if not impossible. In this case the project needs to be handed over to the management of public spaces. They will, in the first action situation when the initiator tries to obtain the permit, test what the maintenance costs will be and whether it fits in the budget.

The problem with *the* authorities is that it is not one party. The sometimes enthusiastic development front side embraces the initiator and its initiative, but then they need to pitch the initiative to the management of public spaces, which often is more conservative and traditional (Hol 2014). The tension between the developing area managers and the management of public spaces, who is responsible for the period after the development, is a problem Hol (2014) has seen no answer to[30].

[30] This is an issue related to the third action situation, however since the arrangements on this matter ideally need to be established in the first action situation it is covered in this section.

- Martijn Arnoldus: ''Civic crowdfunding does not have a natural place to land within the apparatus of government"-

For the initiator it is difficult to know where to go to with their initiative. Civic crowdfunding does not have a "natural place to land within the apparatus of government" (Arnoldus 2014). Zieleman agrees on this; in his municipality, Amsterdam, everything is heavily fragmentised. Big steps have to be made and can be started with cooperating with stakeholders that are active in the field civic crowdfunding, such as platforms (Zieleman 2015). This is seen as a great contribution of civic crowdfunding and thus a potential outcome of the first action situation: new cooperation's and conversations between stakeholders that would not have taken place otherwise. Although it is no holy grail, civic crowdfunding is a rare instrument in which initiator and authority can act jointly (Douw 2015). New dynamics arise, in which people from the authorities sit at the table with other people, from within the authorities, with whom they have never sat before (Arnoldus 2014).

The ambition in the project plan and the ambitions of civic crowdfunding

As different interviewees already have indicated (Douw 2015, Leemans 2015, Zieleman 2015), often platforms and local authorities need to tell the initiators to adjust their initiative to a project that is feasible. The pursuit was always to increase the project ambitions, Leemans argued, because the classic physical objects in the public area are simply too expensive to fund without financial help from the authorities.

The true contribution of civic crowdfunding to urban area development is often overestimated by the initiator, but also by the authorities (Douw 2015).

- Simon Douw: "Something needs to be done about expectation management, with regard to both the citizens as local authorities" -

Leemans speaks about a paradoxical situation in civic crowdfunding in the context of urban area development: the urban area development projects are expensive to realize and serve a small group of local residents. This makes the potential pool of funders small while the needed funds are high, and thus civic crowdfunding cannot become bigger then it is today (Leemans 2015). Leemans thinks that civic crowdfunding can only contribute to area development for small-scale projects or as a crowdsourcing tool. Or as a combination in which the public support is proven by organizing a campaign for a small-scale addition to a larger project.

Kleverlaan disagrees on this point. In his opinion civic crowdfunding can grow undoubtedly but it just cannot be used for everything. An infrastructural development is financially not possible; because these projects are just too expensive, in the Netherlands there is tax. But it is underestimated whether budgets can be realized by private individuals (Kleverlaan 2015). Green areas for example are possible to realize but local authorities need to play a supporting role. They can for example realize a green area with a certain lower bound, and this can be upgraded with civic crowdfunding. Or a traditional element, such as the *Club of 100* can be coupled to civic crowdfunding projects.

- Ronald Kleverlaan: "Civic crowdfunding can be used perfectly to turn a 6 into an 8" -

Zieleman agrees on this applicability of civic crowdfunding; to create an 8 out of a 6 that is funded traditionally. In his opinion, civic crowdfunding can contribute but it cannot be used as

an alternative for the public facilities in the public space that formally are funded through the estimate of land development.

The HKBU once had an application of such an infrastructural project: a cycle bridge (Leemans 2015). The idea of HKBU was not to fund it entirely with civic crowdfunding, this was financially impossible. The plan was however to use civic crowdfunding to expose the public support the project has in the community. Douw (2015) also foresees two routes for civic projects in the public space:

- Small-scale with the focus on creating public support
- Large-scale but than a private element must be given to a public facility

The latter is rather underdeveloped both Douw and Kleverlaan agree. In this option the initiator really needs to think from the perspective of the community and their needs (Douw 2015). It however brings along the classical public goods dilemma: how to add a private element to a public good, which has free-riders. But civic crowdfunding also adds a new dimension in this aspect. With civic crowdfunding, a sense of ownership can be obtained: people who can participate in decisions and can withdraw benefits from the project. That is a new way to bring a private element into a public good.

5.2 Effectiveness of current practice for the applicability of donation-based civic crowdfunding

Section 5.1 is a reflection on current practice. In this section 5.2, the relation between theory and practice of civic crowdfunding in urban area development is discussed. The interviews with the key informants made it possible to confront the theory on crowdfunding in general and civic crowdfunding in particular, with practice. This section explains how the institutional structure influences the applicability of civic crowdfunding in current practice. The observations are explained via the theoretical framework: transaction costs and property rights. It concludes with the main obstacles observed in this chapter.

5.2.1 Civic crowdfunding asks for new and unaccustomed positions

From the perspective of the actor in the specific positions in the first action situation, it can be concluded that the added value of their characteristics (resources, preferences and information processing capabilities, see figure 19) is not understood by the actors themselves. The initiators seem to have insufficient resources and platforms seem to have insufficient business cases. This can be interpreted in terms of transaction costs since it can be argued that the asset specificity of civic crowdfunding projects is high. Local authorities seem to have difficulties to position themselves within the system of civic crowdfunding. The next section will describe how this can be explained by potential opportunistic behaviour by the initiators.

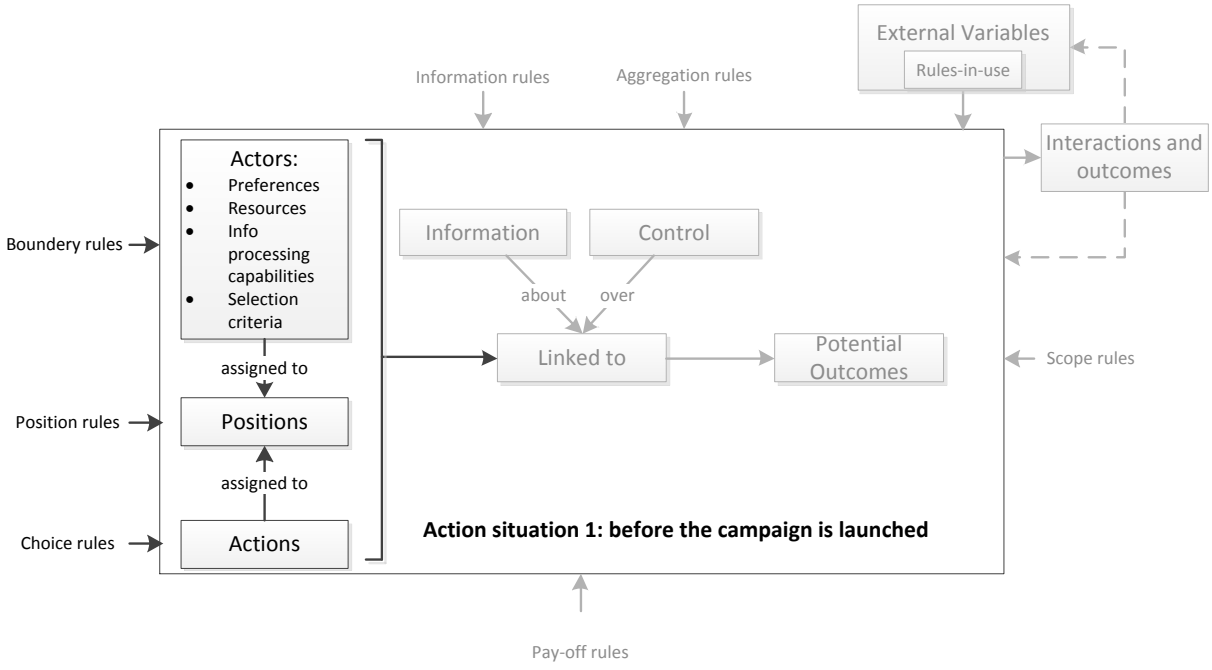


Figure 19 Conceptual model with the focus on the actors and their positions

The insufficient characteristics of the initiators

In line with theory (section 4.2.1) the initiators often approach crowdfunding platforms with an extensive idea but with no intention of obtaining a financial return. Most projects are based on increasing the liveability of the area. Although citizens become more empowered, their resources and information processing capabilities are often insufficient to develop a civic crowdfunding project in the public space, without extensive support of the platform with regard to the process before the funding campaign.

Although information is publicly available about crowdfunding in general, citizens still do not seem to know about the possibility of civic crowdfunding and how civic crowdfunding can contribute to improve their living environments. The primary course of business is to address local authorities. In essence this is not a problem. However, local authorities are often incapable of detecting initiatives that are suitable for civic crowdfunding. This is due to a lack of proper training. Neither are they fully capable to handle questions citizens may have about civic crowdfunding.

There is information available on the urban area development projects, but initiators seem to have difficulties with processing this information into a sound project proposal. The information necessary to write a proper project plan which can be reviewed by both the licensing authorities and the crowdfunding platforms can be provided by:

- The crowdfunding platforms, which is too expensive to finance with their success-fee based business case;
- By experts, which are too expensive for the initiator in this phase before the campaign
- Or by local authorities, for whom this seems to be an unaccustomed position.

Civic crowdfunding platforms as 'Voor je Buurt' and 'HKBU' will however only launch the campaign if set conditions are met. This illustrates the distinction between regular crowdfunding and civic crowdfunding, when taking the aforementioned ex-ante transaction costs into consideration. Civic crowdfunding is no *easy money*. Besides the effort the initiators invest during the campaign (this effort also needs to be invested by non-civic crowdfunding initiators), the civic crowdfunding initiators need to invest a lot in the first action situation before even getting accepted to launch the civic crowdfunding campaign on a civic crowdfunding platform. Next to the initiators, civic crowdfunding platforms have to invest a lot in this phase. This creates extra risk for civic crowdfunding platforms in comparison with non-civic crowdfunding platforms because their business model is success-fee based.

The success-fee based civic crowdfunding platforms

The platforms reviewed in this research are all success-fee based. According to the interviewees this is also the case for other civic crowdfunding platforms in the Netherlands which are not considered in this research (Douw 2015, Kleverlaan 2015). A difference between civic crowdfunding platforms and non-civic crowdfunding platforms is that the latter merely supports the actual crowdfunding campaign. A success-fee based revenue model has proven to be sufficient for these types of platforms. Civic crowdfunding platforms copied this revenue model while starting up. According to the interviewees, this is not very effective.

Civic crowdfunding platforms seem to invoke a different set of resources than non-civic crowdfunding platforms in the phase before the actual crowdfunding campaign (action situation 1). The deployment of these resources (expertise, information processing capabilities and network) is expensive. Currently platforms cover these costs by a success-fee. This is done via selling these resources as package deal to the initiator or by collaborating with organizations as 'Stichting Doen', public authorities and others.

Selling the expertise to the initiators is not sufficient since the initiators often do not have financial resources, or are not willing to invest in the necessary expertise (Leemans 2015).

As described in section 3.1.2, one of the principal dimensions by which transactions can be described from the view of the transaction cost economics is the condition of asset specificity. Asset specificity refers to the degree of transferability of assets that support a certain

transaction. An important issue regarding asset specificity is *human asset specificity*. Before the transaction between the funder and the initiator can take place, the initiator needs specific expertise. From the perspective of *human asset specificity*, individuals accumulate specific human capital that makes it possible for them to produce goods and services more efficiently, as a consequence of learning by doing (Menard 2005). Inexperienced citizens do not yet have this specific human capital. In the current situation, specific expertise is delivered by the civic crowdfunding platform.

Stevenson and Letwin (2013) describe how with non-civic crowdfunding the ex-post transaction costs increase as the asset specificity increase since there is little input or expertise from the investors compared to traditional funding options (section 4.2.8). With civic crowdfunding it seems that something else is taking place. The complementary assets (i.e. specific expertise) which can contribute to the development of the project, normally possessed by the traditional funders (i.e. angel investors and venture capitalists), are now provided ex-ante by civic crowdfunding platforms. The ownership effect, as described in section 4.2.8, which demonstrates that angel investors and venture capitalists act not only as scouts (ex-ante) but also as coaches (ex-post), is now provided by civic crowdfunding platforms. The support of platforms however increases the transaction costs extensively. Even more so, the transaction costs are so high that platforms cannot afford to provide it using the success-fee business case they have.

The positioning of local authorities: two reflexes

A persistent reflex of local authorities is the provision of subsidies. This reflex is not only from the authorities but also from the initiators; they seem to think that when they execute a project in the public area, local authorities will contribute financially. The interviewees however agreed on the fact that the authorities experience difficulties in positioning themselves and how to deploy their resources with regard to civic crowdfunding.

When taking the conceptual model in consideration (figure 19) it seems that local authorities focus on their preferences rather than on the resources they could assign to the position, as they act from policy goals and minimum quality assurance.

Another persistent reflex of local authorities is to secure their preferences. An example given in the interviews is: “we want to do something with crowdfunding; let’s start a platform!” Both public and private parties can start a civic crowdfunding platform. There are arguments which plead against local authorities acting as civic crowdfunding platform:

1) The number of civic crowdfunding platforms is not the bottleneck.
2) The two-faced role of local authorities as inviting platform versus the public interest serving regulator hampers the trust initiators have towards the public platform. A platform exerts control. In practice the control a private platform exerts on initiators and their initiative is often based on the preferences of the initiator. The control of the public platforms is in the perspective of the initiator often based on the policy goals and quality assurance of the authority itself, and not those of the initiator. This hampers the independence of the platform.

It seems that local authorities are persistent to take place in one of the three positions defined in chapter 4; the position of funder (subsidies and matching), the position of platform and the position as initiator by abducting the initiative from the initiator. Besides the position of initiator, funder, platform or the traditional role as licensing authority and subsidy provider, the literature describes two other possible positions that invoke engagement of the authorities

(section 4.2.4): that of curator on an external platform and facilitator. From the interviews another role can be identified; that of redirector.

Acting as platform or as curator on an external platform seems to be appealing from the perspective of local authorities since they can curate based on their own policy goals and quality assurance criteria, both in favour of the public interest. In order to safeguard this public interest local authorities traditionally developed the projects in the public space. With citizens developing civic crowdfunding projects bottom-up, the possibility exists these initiators develop projects for short term gains, which negatively can affect the long-term quality of public space. The short term gains are often only for a small community, this might not be in the interest of other communities. When taking the cycle route in IJburg (section 5.1.3) as example; one may argue that the art-project only served the people who used the cycle path. Since the project included bells which could impose noise nuisance for people who lived next to the route, one may argue that the public interest was negatively affected.

This behaviour is identified as opportunistic behaviour. It is for local authorities to make sure this behaviour will not hamper the public interest. A way to deal with opportunistic behaviour is by creating hierarchy. In an environment with opportunistic behaviour the governance structures closer to the hierarchy will be more efficient because it attenuates opportunistic behaviour. With a more hierarchical safeguard (or alternatively *governance structure*), opportunistic behaviour can be attenuated due to the possibility of auditing.

With both the positions of platform and curator local authorities seem to impose a more hierarchical governance structure. As described in section 5.1.2, local authorities do this because they want to secure the public interest. The curating role seems to be appealing from the perspective of local authorities since they can curate based on their own policy goals and quality assurance criteria. This way local authorities can minimize opportunistic behaviour.

The main criticism from Douw and Leemans on this position is; it may abduct the initiative from the initiator and therefore goes against the fundamentals of civic crowdfunding. Local authorities sort of let the initiator *work* for them. This way it is not a bottom-up initiative, but a top-down initiative developed by citizens.

The other two positions, that of redirector and facilitator, are more based on the resources of local authorities instead of based on their policy goals and quality assurance criteria. Both positions decrease the ex-ante transaction costs.

The position of redirector can be explained in terms of decreasing search costs. The civil servants in the neighbourhood know the dynamics in the area, what is needed and where the competences are. Furthermore, for the needs that are not already known they serve as contact for the civilians. At the same time they have a well-developed network of people in - and outside of the authorities. These characteristics can extensively decrease the search costs for the initiators. This happens when the civil servants become able to detect projects that are suitable for civic crowdfunding by asking a set of questions. Then they can redirect the initiator to the suitable platform or people.

The position of facilitator also lowers the search costs since it includes the redirecting element. As mentioned before, the knowledge and expertise of local authorities are considerable. On may argue that the lack of expertise necessary for urban area development projects can be provided by local authorities. This way the *human asset specificity* problem described earlier in this section can be decreased, or even solved.

5.2.2 CONTROL AND RESPONSIBILITY FROM PLATFORMS AND LOCAL AUTHORITIES

Both platforms and local authorities exert a great deal of control (figure 20) on the initiator and its initiative. In order to secure that the initiator can *deliver* once the campaign has succeeded and sufficient funds are raised, the formal affairs need to be dealt with before the campaign can be launched.

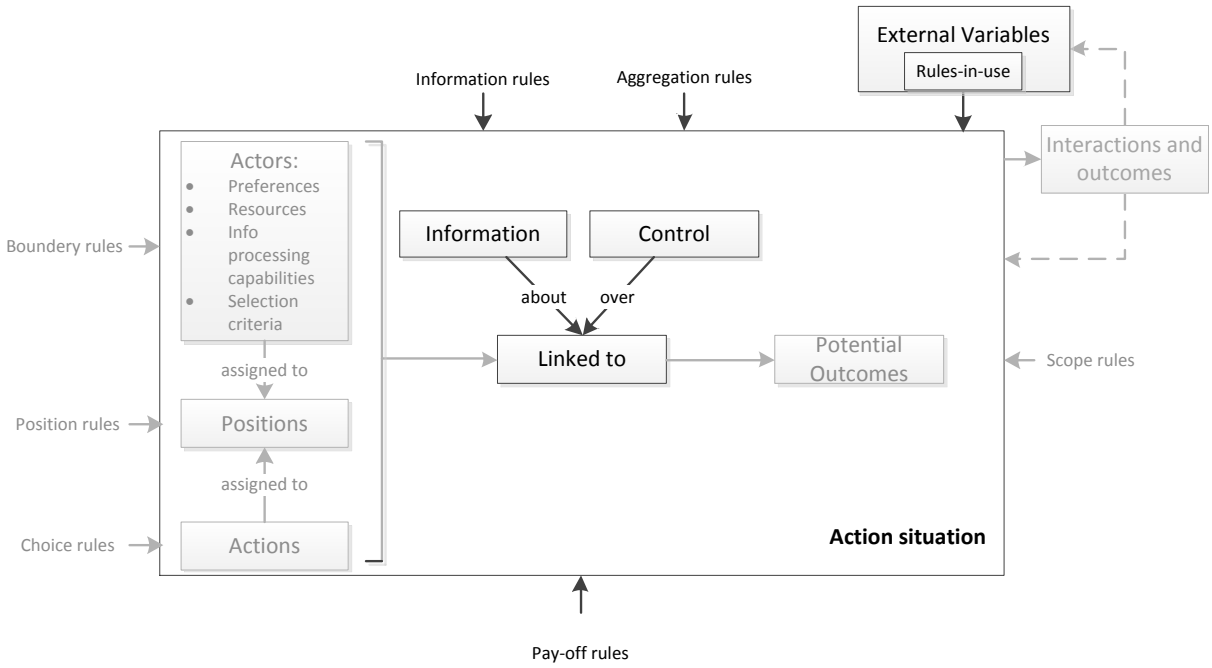


Figure 20 Conceptual model with focus on information & control

This safety pin of the current platforms is however less solid than local authorities would like. For local authorities it is essential that they control the initiative without taking it away from the initiator. The relationship between the local authority and the initiator is often seen as a parent-child relationship in which local authorities want to hold the initiative because of the aforementioned policy goals and minimum quality assurance, and the initiator seems to stay in this child-position hoping the authority still will contribute financially. This relationship should become more mature. Now, the reaction of local authorities seems to be either fully clutching the initiative, or fully letting go of the initiative. The initiator should be able to fund and execute the project with backup from the authorities, whatever this backup may look like. Due to current way of working, this will be new for authorities.

Public space management and maintenance

Civic crowdfunding projects are located in the public space; this means local authorities have a responsibility regarding the initiative. This can result in a sceptical attitude from the management of public spaces towards the initiative which may hamper the permitting. The public space management and maintenance costs are in most cases impossible to fund with crowdfunding on long term basis. Therefore crowdfunding platforms focus on the funding realization costs only. The public space management and maintenance costs of the initiative need to be dealt in another way.

A promising way to deal with both interrelated issues is to decrease the costs using the physical element of the initiatives. Since the development is endogenous, from within the community, the community may play a role in the public space management and maintenance

phase (action situation 3). The funding of the realization is only a small part of a larger system. Civic crowdfunding is capable of realizing this funding, but it also generates an active community around the endogenous project which contributes to public support in the area. This added value is however not adopted by the initiators. Their main focus is on the funding target, not on the development of a network of ambassadors that helps set up and maintain the project.

This also encounters two other elements of resistance from the management of public spaces: the sceptical attitude towards the accountability of this *community*, and the heterogeneous character the public area will get with *these* bottom-up initiatives. Both these resistances can again be explained by the concept of opportunistic behaviour. As stated in section 3.1.2, transaction costs rise when the property rights are not defined properly. Donation-based civic crowdfunding projects often seem to be public goods or common pool resources. These projects have an open access or are community property. With these types of projects there is the issue of ex ante allocation of property rights which is necessary to maximise incentives to perform efficiently; when there is no clear definition of ownership of valuable assets, parties might wastefully compete for them and under-invest in them (Libecap 1999).

This is exactly the fear of the management of public spaces; the initiators might show opportunistic behaviour since the property rights are not clearly defined. Urban area development projects such as the Krugerplein (section 5.1.5) are long-term projects; with high asset specificity. Asset specificity refers to the degree to which "an asset can be redeployed to alternative uses and by alternative users without sacrifice of productive value, as described in section 3.1.2 (Williamson 1989: 142).

Urban area development projects can be seen as projects with high asset specificity. An urban area development project refers to a "framework of concrete material interventions inside a geographically distinct urban area" (Daamen 2010: 18). Once in place, assets with high site specificity are immobile and costly to relocate. Besides this, urban area development have physical specificity since they are tailored for a specific purpose in a specific area and have few alternative uses owing to their specific design characteristics. Furthermore, urban area development projects are subject to human asset specificity since it asks for a certain degree of skills, knowledge and experience (Coggan, Buitelaar et al. 2013).

Because of this high asset specificity there is the issue of the durability of the arrangements made between the local authority and the initiator, but also between the initiator and the community. The more specific the project; the important are the responsibility question. In the example of the Krugerplein the management of public spaces immediately reacted with; "yes, they say that they will manage and clean the square but will they actually do it, even over 5 years" (Zieleman 2015). There is a great potential in using the community in order to decrease maintenance costs, but to create support among local authorities ex-ante institutional arrangements need to be designed which will limit the possibility of opportunistic behaviour in the long-term.

With civic crowdfunding projects it is highly important to include local authorities from the start and make arrangements where possible. A problem however is that it is not clear where to go to as initiator. This view is supported by the representatives of platforms and initiators self, but also Zieleman agrees on this matter. The apparatus of government of the municipality of Amsterdam is heavily fragmented. This issue is also indicated by the interviewees at other municipalities. This fragmentation results in a mismatch between the ambitions of the urban planners and the management of public spaces.

5.2.3 A NEW FINANCING METHOD IN THE CONTEXT OF A NEW ECONOMY

With regard to the expectation of actors in civic crowdfunding, gains can be realized in the following areas; initiators and local authorities often seem to overestimate the contribution of civic crowdfunding. As stated before, civic crowdfunding is not an alternative to the traditional financing methods. It can be used for small scale development and act as an addition to large-scale projects. It might also create and expose public support, but it cannot be used as an alternative for the public facilities in the public space that formally were funded through the estimate of land development.

A hypothesis which is developed from the interviews with the key informants is: The actors act in a system in which they do not know the economy. The community has a promising potential which can be used for urban area development. At this moment however, both the initiators and civic crowdfunding platforms seem to use a funding method for a project of which they do not understand the business case. Although the focus in this research is on donation-based crowdfunding, this does not mean that the financial responsibility of the initiative stops after realization.

It seems that the initiators sometimes are naïve and too optimistic about how expensive projects are in the public area. Not only to realize, nor only in the public space management and maintenance phase, but also the first action situation. Initiators and civic crowdfunding platforms too, seem to underestimate the costs of expertise necessary in this first phase.

Platforms and local authorities seem to be unanimous about the necessity to temper the ambitions of many initiators. The physical objects in the public area are often too expensive. A paradoxical situation can be observed in civic crowdfunding in the context of urban area development; the urban area development projects are expensive to realize, but serve a small group of local residents. This makes the potential pool of funders small while the needed funding is high.

The interviewees seem to disagree on the impact this situation has on the ambitions of civic crowdfunding. Where one claims that civic crowdfunding cannot become bigger, others think that it is underestimated what kind of capital can be realized from the community. The interviewees did agree on the potential of civic crowdfunding with regard to create small scale projects, with or without the focus on creating public support.

5.2.4 THE SYNTHESIS OF THIS CHAPTER

When taking the interviews into consideration, the following can be concluded with regard to the main obstacles for the applicability of civic crowdfunding in urban area development observed in this research:

1. The complexity in the first action situation and the inability of the initiators and civic crowdfunding platforms to deal with this complexity
2. Local authorities are unable to position themselves adequately in the civic crowdfunding process.
3. The institutional arrangements regarding (long-term) public space management and maintenance
4. The (ambiguous) potential of civic crowdfunding in urban area development

6. RECOMMENDATIONS FOR INSTITUTIONAL ARRANGEMENTS

In the previous chapter an analysis is presented on current practice of civic crowdfunding in urban area development. This analysis resulted in the main obstacles with regard to the arrangements between the actors at stake which should provide donation-based civic crowdfunding. In this chapter recommendations are given to improve these arrangements in order to increase the applicability of donation-based civic crowdfunding in the context of urban area development.

6.1 COMPLEXITY IN THE FIRST ACTION SITUATION: THE PHASE BEFORE THE CAMPAIGN

Although citizens are becoming more empowered, their resources and information processing capabilities are often insufficient to develop a proper project plan which will be accepted by both the licensing authorities and the crowdfunding platform. Extensive support of the civic crowdfunding platform is necessary. A difference between non-civic crowdfunding and civic-crowdfunding can be found in *human asset specificity*. Individuals accumulate specific human capital that makes it possible for them to produce goods and services more efficiently. In civic crowdfunding the inexperienced citizens often have little necessary accumulated specific human capital. The difference with non-civic crowdfunding and civic-crowdfunding is that for the latter, the human asset specificity in the period before the crowdfunding campaign is high. In current practice this expertise is provided by the platform, while their business case is success-fee based. This brings great risks to civic crowdfunding platforms which in some cases end-up in termination of the platform itself.

New organizational structures are needed to provide this expertise. Taking the transaction costs with regard to the human asset specificity in consideration, this expertise can be obtained from civic crowdfunding platforms, experts, the crowd and local authorities. These are the actors that have the accumulated specific human capital required, since they have extensive experience in urban area development projects.

6.1.1 CIVIC CROWDFUNDING PLATFORMS IN THE FIRST ACTION SITUATION: THE NEED FOR THIRD PARTIES

For platforms it is highly important to understand the business case around their platform. Platforms need to get out of their comfort zone and reconsider their added value to the crowdfunding process. When platforms really understand their added value in civic crowdfunding it is possible to add value. It is not so that there is no business case thinkable around these donation-based crowdfunding initiatives. The actors involved seem to be seeking for a way to work together. As the interviewees all agreed; their success-fee based revenue model is not viable in this form. Civic crowdfunding platforms copied this revenue model from the business-based platforms as Kickstarter, Indiegogo etc. However, the reasons behind this fall out of scope of the research. The business-based crowdfunding platforms grew significantly and the civic economy was not understood properly. However, at this point one may argue that the economy around civic projects is rather different compared to non-civic crowdfunding. The success of crowdfunding is copied as civic crowdfunding to facile on new terrain.

Platforms can still choose to minimize the support provided in the first action situation. But as shown in the previous chapter; this hampers the quality of the civic crowdfunding initiatives and thus the quality and trustworthiness of the platform. If civic crowdfunding platforms want to support the initiator in this first action situation, the business case needs to be adjusted in favour of the core activities of platforms.

Based on the issues described in the previous chapter, three directions may be promising:

1) Continue success-fee based but better cooperation with third parties

The civic crowdfunding platform can choose to maintain the success-fee based business model. The problem is that the phase before the campaign is too expensive for the platform to execute with solely a success-fee business case. In this proposed direction the civic crowdfunding platform continues the success-fee based business case and focuses their activities on the second action situation; the actual crowdfunding campaign. In order to ensure the continuity of the platform the needed expertise in the first action situation will be provided by third parties; private experts or public parties (see section 6.2), or the crowd.

Besides the knowledge and information processing capabilities, civic crowdfunding platforms often have a well-developed network of private experts. The experts can sell their expertise in the first action situation by creating arrangements with the initiators. People in the field can contribute with their expertise in the first action situation and can earn money in the second (with success-fee based arrangements with the initiator) or third action situation. If the initiators pledge cooperation in the third action situation; when the funding is accomplished and the project need to be developed. This way the risk is carried by the experts instead of by platforms.

Next to private parties, civic crowdfunding platforms often have a network of public parties. Platforms can play a role in directing initiators to local authorities. This is already applied by several platforms. The way this is currently designed is however too costly with regard to the effort for the platforms. The collaboration between the platform and local authorities need to be improved in a way that civic crowdfunding platforms can focus on the campaign period instead of the period before the campaign.

Another underdeveloped way to obtain this expertise is by crowdsourcing; using *the crowd*, who supply knowledge and expertise instead of funding in a pre-campaign. In non-civic crowdfunding this is a conventional method of obtaining expertise. In civic crowdfunding this is however underdeveloped. For a civic crowdfunding platform it is possible to provide insight in the first action situation; by showing the run-up to the campaign in terms of the formal issues. Voor je Buurt has indicated that they are considering focusing more on this phase, but they argue that this part of civic crowdfunding is still too small.

However, this research shows that this part of civic crowdfunding is important. When taking the aforementioned need for third parties in consideration; showing this run-up phase can facilitate the entry of the crowd. This can be done by creating a platform for the initiators on which they can show their status in the first action situation with regard to the legal affairs, but also with regard to the project plan (e.g. location, cooperating partners, types of material, building techniques, needed machinery etc.). When the crowd takes a role in the first action situation, civic crowdfunding platforms can focus more on their core activities: that of the actual crowdfunding campaign. In the current structure, the crowd (only seen as funder) enters the process in the second action situation: during the actual campaign. Thus, with regard to the institutional arrangements, new arrangements are developed between not only the initiator and the platform, but also with the crowd.

2) Charging no success-fee at all or combine success-fee with additional revenue models

Another possible alternative for civic crowdfunding platforms is charging no success-fee at all. This way the initiatives can be seen as leads and a revenue model can be developed around the leads based on the additional services the platform can offer. With regard to donation-based crowdfunding this can be a strong message to the funders: every euro you invest goes to the initiative; there is no *bank-leakage* to platforms.

Additional revenue models need to be created in order to fund the unprofitable first action situation. This way the revenue model of the civic crowdfunding platform is based on the actors with the required finances instead of the initiators without. A current way of funding the expertise in the first action situation is by selling this expertise to the initiators. This however does not work since the initiators often do not have required finances, or are not willing to invest in the expertise.

A promising way to fund the first action situation is to create additional revenue models on additional services in order to fund the unprofitable pre-campaign period. In order to do so platforms need to realize what kind of resources they have and what their added value can be. This can be found in supporting the initiators, but it can also be found in selling expertise to local authorities. Civic crowdfunding platforms can exploit their resources by offering their knowledge and expertise to authorities. Platforms can organize workshops and in-house courses to train officials and couple this to a personalized page on the platform.

The bigger cities are internalizing crowdfunding, and a number of smaller local authorities are trying to *do something with* crowdfunding. There is a great potential for the civic crowdfunding in training these local authorities. This can be combined with their traditional activity of being a platform; think of an in-company training of a week together with a page on the platform. Another example can be found in Utrecht in which Voor je Buurt initiated speed-date sessions with potential initiators and local authorities in which they could deal with the formal issues; writing a project plan, permits but also funds. This way the revenue model is focussed on the actors in the system with money, instead of the once without: the citizens. And it is focussed on their core activity: the intermediary.

3) A new position for platforms: incubator

For platforms a position as incubator can be promising in order to deal with two issues mentioned in the previous chapter:

i. Local authorities want to act as a curator but this hampers the civic crowdfunding process. Local authorities however seem to have difficulties in sensible financing with regard to facilitating civic crowdfunding (platforms, initiatives, etc.). The curating role local authorities seem to appreciate can be executed by platforms. This way the platform acts as incubator to detect promising projects and can redirect them to local authorities and their resources. Hence; the aforementioned criticism of the interviewees on the reflex of local authorities to act as platform or curator is refuted; the initiative lies with the initiator. Civic crowdfunding platforms are leading in expertise with regard to the feasibility of civic crowdfunding projects with regard to the funding potential. The experience of civic crowdfunding platforms can be helpful to local authorities in distinguishing the sense and nonsense.

ii. Secondly, as described 5.1.6, in order to create large scale projects, private funding is needed. Civic crowdfunding platforms have a well-developed network. In current practice a civic crowdfunding platform mainly acts as intermediary between initiators and (crowdfunding) funders. As incubator, platforms can act as intermediary between

initiators and different money flows; not only civic crowdfunding but also traditional funding flows. From the interviews with key informants it became apparent that including additional private funding to civic crowdfunding projects is underexposed in current practice, even though it seems to be crucial in order to fund the civic urban area development projects. In order to fund larger scale projects, additional public or private funding is necessary. As explained in section 6.4, in urban area development a trend of multiple funding streams is visible. A civic crowdfunding platform acting as incubator can play a significant role in combining civic crowdfunding as additional financial flow with other financial (public or private) flows. This potential of civic crowdfunding is currently highly underexposed.

6.1.2 A LEARNING COMMUNITY ASKS FOR DIFFERENT ARRANGEMENTS

Initiators, and thus communities, gain experience while executing a civic crowdfunding project. Initiators accumulate specific human capital that makes it possible for them to execute and support future civic crowdfunding projects more efficiently, as a consequence of learning by doing. In the current situation specific expertise is delivered by the civic crowdfunding platform (section 5.2).

However, there are situations in which initiators successfully executed long-term civic crowdfunding projects. These more experienced initiators ask for a different role from platforms. Arnoldus (2014) stresses that the most important components in civic crowdfunding that will be developed in the coming period are functionalities which provide insight in this experience. The main focus will lie on providing this insight on the platform during the campaign, the second action situation. Developing functionalities that display the experience shall increase the trust around the initiator and its initiative and thus will attract more funding (Arnoldus 2014).

Besides the second action situation, experience and knowledge of initiators, and citizens from the community around an initiative, can support the first action situation of future initiatives too. Citizens can become more than a passive funder in this new initiative; they can contribute with their experience and knowledge. Where in the current situation this specific expertise in the first action situation is delivered by the civic crowdfunding platform, an increasing number of citizens become capable to support this phase.

It is to argue that the actions of civic crowdfunding platforms are extensively linked to the characteristics of the initiators; the more experienced initiators and the communities around the initiatives become, the less platforms need to invest in the first action situation. Platforms in that case can focus on the campaign (see the first direction in the previous section 6.1). Also the role of incubator will be better suitable with regard to learning communities. When platforms need to focus less on the period before the campaign, they can add value by acting as intermediary between initiators and different, private or public, money flows.

6.2 THE POSITION OF LOCAL AUTHORITIES

It is important for platforms to adjust their activities to these learning communities. The same goes for local authorities. As mentioned, the potential of the civic economy is high. For the public stakeholders it is important to get used to the fact that citizens want to deploy their added value in this civic economy, which asks for a different role of the local authority.

With civic crowdfunding projects it seems to be highly important to include local authorities from the start and make arrangements where possible. However, when initiators want to approach local authorities two problems arise:

3) The initiator does not know where to go to with their civic crowdfunding initiative. Since it is important to include local authorities from the start it is important that the initiator know where to go. The fact that every initiator needs to figure this out every time, the higher the search costs become.
4) The authorities do not know how to handle the initiative and the initiator. It is not just a permit application, it is asking for help; local authorities are often not prepared for this and seem inexperienced in functioning as informing agent. For local authorities this deployment of expertise seems to be a change in their mind-set. Civic crowdfunding is new, people want to know about it and they want to be able to ask questions. Local authorities need to be able to provide this knowledge but they are not.

As stated in section 6.1, civic crowdfunding platforms can play a significant role in these issues; either by redirecting initiators to the relevant people at the local authority (first issue), or by training civil servants (second issue). Civil servants need to be trained to detect projects that are suitable for civic crowdfunding and know where the information about crowdfunding is. This can be difficult because this asks for a different way of working. Interviewees however indicate this as the *low hanging fruits*, since these quickly trained civil servants can get to practise the role of redirector immediately.

Besides this, local authorities need to be evaluated internally. The interviews with the key informants have showed that civic crowdfunding does not have a place to land in their apparatus of government. This makes it highly inefficient for both initiator and authority. Furthermore, local authorities need to find a way to deal with the different levels of ambition within local authorities; the ambitions of the urban planner versus the ambitions of the management of public spaces.

Local authorities seem to act based on their policy goals and minimum quality assurance, which can be seen as a rational and traditional course of action assigned to their position as warden of the public interest. Since the civic crowdfunding projects are developed in the public area, local authorities always keep a responsibility considering the initiative. This explains the reflex of the authorities with regard to the influence they want to have on the initiative. Civic crowdfunding however, might benefit from authorities that choose their position based on their resources instead of their preferences. Solely thinking from their position as guardian of the community, the authority is likely to act as platform or curator in order to keep control on the initiative and counteract on opportunistic behaviour from the initiators.

This research shows that local authorities have this reflex of acting as crowdfunding platform, or as curator on an external platform. However, this influences the dynamics of donation-based civic crowdfunding. With a more hierarchical governance structure the bottom-up element disappears and it becomes a top-down initiative developed by citizens. This may change the rules of the game in such a way that initiators, but also funders will not join this *game*. Civic crowdfunding is a new way to let the citizen's work together with local authorities. Through vertical integration this relation remains uneven. The policy goals and minimum quality assurance can be secured in different ways. Not via a hierarchical safeguard but through permits and prioritizing:

QUALITY ASSURANCE: FUNCTIONAL PRE-CONDITIONS

As local authorities want to assure the minimum quality of the projects in the public area, they seem to want to act as platforms or as curator on an external platform. This minimum

quality assurance can be secured by permits. It is important that the criteria with which local authorities assess the initiative are as least discretionary as possible: the permits must be granted on functional pre-conditions, with minimized arbitrariness. This way the criteria are assessable by both the public authorities and the initiator. The risk for opportunistic behaviour of the initiator will be dealt with by a permit instead of by vertical integration.

With traditional funding, a permit is often granted when the funding is realized. With civic crowdfunding the permits need to be granted while the required finances are not realized yet. This creates uncertainty and thus asks for a more pragmatic way of working from local authorities. As elaborated upon in section 3.1.2, when the degree of uncertainty is high, vertical integration is the most effective governance structure with regard to transaction costs. It is very important to include local authorities early in the first action situation. Although the civil servants have the expertise to indicate whether an initiative is feasible or not, the level of uncertainty remains high in the first action situation. A possible way to cope with this without provoking opportunistic behaviour is to act a bit more pragmatic. The initiator should get permission to start with the civic crowdfunding campaign, but since local authorities do have to cope with legal deadlines, the project may need to be adjusted later in the process. In this situation the actual permit will be granted in the third action situation, after the campaign, when there is less uncertainty.

Many local authorities struggle with what will happen in terms of their responsibility and liability when they *let the initiatives go*. The current legislation has a solidified past that determines the current rules. New ways of working, like the pragmatic example above, needs to be developed in order to cope with bottom-up initiatives.

PRIORITIZING: REDIRECTOR, FACILITATOR, AND MATCHING

The position of the authority should be based on what they want to contribute to the process in terms of resources and information processing capabilities instead of only on their own preferences. This can be done by acting as facilitator or redirector. These new roles however feel uncomfortable. One of the biggest challenges is to include local authorities in civic crowdfunding projects, especially the physical and visible projects in the city, not only with permits, but with information, expertise and their network.

With regard to the policy goals; prioritizing is a conventional task of local authorities. By offering support as facilitator and redirector to initiatives that serve a selected policy goal, instead of selecting initiatives that serve policy goals, the mandate lies with the citizens. This is a substantial difference; the local authority can state: “we want to go for a greenery project”. When the mandate is still with the initiator, the bottom-up principle is still respected. Now, the reaction of local authorities seems to be either fully clutching the initiative, or fully letting go of the initiative. The initiator should be able to fund and execute the project with backup from the authorities, whatever the backup may look like.

This backup can still be financial. As the interviewees indicated, matching is seen as an appropriate instrument to improve the applicability of civic crowdfunding. With matching the financial support of local authorities can have more impact because:

(i) More projects can be funded with the same amount of money since the project will partly be funded through crowdfunding.

(ii) The funding will be more sensible with regard to public support. With matching local authorities only support projects with public support, proven by the crowdfunding campaign. Without civic crowdfunding local authorities have little *data* about the local public needs. Civic crowdfunding creates this data and thus the exogenous, unwanted

projects will be funded less by the authorities. Local authorities can fund more sensible, and the projects might be more endogenous.

6.3 Public space management and maintenance issues

The issues reflected in the previous section; the dismissive attitude of the management of public spaces can partly be dealt with by the initiators. This happens when they focus more on the business case around the initiative. The initiator needs to take this into consideration when developing the project plan. Civic crowdfunding is functional to realize the funding needed to realize the project, but it also generates an active community around this endogenous project which contributes to public support in the area. This added value is not adopted by the initiators. Taking an example as the aforementioned Krugerplein in consideration (section 5.1.5), initiators can come up with a business case around a square like the Krugerplein. When citizens really want light spots in the ground, they need to show them where this creates value. If their contribution in the public space management and maintenance phase lowers the costs for the management of public spaces, the probability that the initiative will be accepted by local authorities will rise.

This however does ask for a contribution from all stakeholders and local authorities. The management of public spaces seems stubborn and often refuse to think about the long-term savings on their expenses which can be derived from bottom-up initiatives. The management of public spaces should dare to really see what theses initiative can yield for them in long-term.

Also in this matter, a more pragmatic way of working can contribute to the relation between the management of public spaces and bottom-up initiatives. The public space management and maintenance of public works are basis tasks of the management of public spaces. If the civic crowdfunding project concerns something structural, this needs to be dealt with in the first action situation. The management of public spaces needs to be receptive for ideas for long-term costs savings through civic initiatives. Even though this hampers the homogeneity of the area or invokes a certain risk of future opportunistic behaviour. The management of public spaces need to change their attitude toward these types of initiatives and needs to become open-minded in order to develop arrangements with initiators in which they discuss the public space management and maintenance phase. If the initiators, with or without the other stakeholders manage, to show where the value is created, the management of public spaces needs to dare taking this into consideration. However, a buffer is always needed. If the initiators in some way lack in the public space management and maintenance of their initiative, local authorities need to be there as back-up and develop a new way of working.

There is need for a governance structure that delivers coordination and control mechanisms in order to create trust among both the management of public spaces as the initiators. Because of the high asset specificity and the shared property rights (local authorities own the public space and the community own the initiative) and in order to protect against the hazards of opportunism, safeguards (or governance structures) need to be developed.

6.4 The (ambiguous) potential of civic crowdfunding in urban area development

Initiators, platforms and local authorities often overestimate the contribution of civic crowdfunding. It seems that the initiators sometimes think naïve and too optimistic about how expensive projects are in the public area. Not only to realize, nor only in the public space management and maintenance phase, but also the first action situation. Civic crowdfunding platforms too, seem to underestimate the costs of expertise necessary in this first phase.

There is a conflicting opinion between the interviewees about the potential of civic crowdfunding. Some say that it cannot become bigger than it is right now since the urban area development projects are expensive to realize, but serve a small group of local residents. This makes the potential pool of funders small while the needed funding is high.

Four routes can be identified from the interviews with regard to donation-based civic crowdfunding:

- Small scale initiatives
- Small scale initiatives with the focus on creating public support
- Large-scale with public support
- Large-scale with a private element given to the public facility

For large(r) scale projects additional public or private funding is necessary. Green areas for example are possible to realize but local authorities then need to play a supporting role financially. If local authorities are responsible for the realization of an area or project with the quality of a '6', civic crowdfunding can be used to make this an '8' on a scale to 10. Including additional private funding to civic crowdfunding projects is underexposed. It seems to impose the classical public goods dilemma of adding a private element to a public good; this runs the risk of free-riding behaviour. Civic crowdfunding however does seem to be favourable in adding a private element to a public good; it adds a sense of ownership for the funder; people who can participate in decisions, and can withdraw things from the project.

A direction can be found in the fact that (large-scale) projects in the urban area are to an increasing extent plural. In an urban area different money flows can be identified, public and private. Civic crowdfunding can be an additional money flow. As aforementioned, the civic economy is not yet fully understood and has a large potential. Civic crowdfunding can be used in order to monetize this potential and to create communities, which increase the potential of the civic economy even more. This is not enough to create large scale urban area development projects. Peek (2014) advocates that urban area development nowadays needs to be organized from the demand of the area. Before 2008 it seemed that the general tendency was *money is looking for project*, while now the tendency seems to be: *project is looking for money*. The new economy in urban area development is utilizing distributed capabilities for multiple value creation (Peek 2014).

There is a great potential in this new economy. In the current urban area development the trend is visible that residential areas become production areas (van der Heijden and van Hilten 2015). Where people formerly only lived in these areas, now aspects as health care, energy and transport etc. are combined. There is an enormous potential amount of work in this matter that needs to be professionalized. Civic crowdfunding can be a forerunner in this matter. Besides this, an enormous potential workload can be found when private parties will see initiators as partners and investigate the development-potential of the multiple value creation in the urban area. This means that the private parties should downscale their projects, and need to find ways to upscale the projects of the initiators (Peek 2014).

CIVIC CROWDFUNDING IS NOT JUST AN INFRASTRUCTURE

Partly as a result of the media attention created around successful crowdfunding campaigns for products as the Pebble[31] and the WakaWaka lamp[32], the public opinion about crowdfunding is that it is an infrastructure. You lay it down and it starts to breathe automatically. For Arnoldus

[31] https://getpebble.com/pebble
[32] http://nl.waka-waka.com/

the biggest lesson learned in this first two years that Voor je Buurt exists is that crowdfunding is far from being only an infrastructure. Douw (2015) stated: "crowdfunding is not an infrastructure; it is movement and a profession." Arnoldus argues that crowdfunding is a new culture that includes new relationships between, and new positions of, the stakeholders.

In this research different roles are have been discussed. However, in this new culture more positions might be thinkable. Local authorities and platforms need to take new positions. Also a symbiosis between local authorities and platforms is possible. Where the past few years the authorities retreated from bottom-up initiatives, the next step to be made is to come back. Civic crowdfunding is no alternative for traditional financing structures used in urban area development; it is an addition. Peek (2014) argues that the real challenge of the participatory society, in which civic crowdfunding is embedded, lies with the symbioses of public and private parties with the new way of area-focussed organization, initiated by the citizens.

Civic crowdfunding seems to force local authorities to develop a new role-repertoire which is adjusted to this new culture. The traditional roles as director, funder and assessing authority are no longer sufficient. The aforementioned reflexes of local authorities seem to prove the existence of this traditional culture. This new culture Arnoldus mentioned can exist in the current legislation. The difference has to be made in the institutional arrangements between the stakeholders. The positions and relations need to be adjusted to this new culture, also by local authorities. It is important that the stakeholders choose their position in civic crowdfunding based on their added value. As mentioned before, the potential of the civic economy is high. For the public stakeholders it is important to get used to the fact that citizens want to deploy their added value in this civic economy and that this asks for a different, more serving and facilitating role of the local authority. For the private parties it is important to search for ways to upscale the bottom-up initiatives.

For platforms it is important that they too need to understand this new economy. The road seems long and as the fall of HKBU made clear: platforms find it hard to create a business case around their added value. But they do have the potential, however small, to become an established *banking* system in this new economy, since they are pioneers in this new civic economy and they seem to be a few steps further than the traditional financial institutes.

7. CONCLUSION AND RECOMMENDATIONS FOR FURTHER RESEARCH

The goal of this research is to generate insights in the institutional structure where crowdfunding is embedded in, lessons on how the institutional structure hampers the applicability of civic crowdfunding in urban area development and directions on how this structure should be designed in order to provide the use of crowdfunding in urban area development.

This leads to the following twofold research question:

(1) How does the institutional structure influence the applicability of donation-based civic crowdfunding in urban area development from a neo-institutional economic perspective, and (2) how should the institutional arrangements be designed in order to create an institutional environment which provides the applicability of donation-based civic crowdfunding in urban area development?

In this chapter the general conclusions are given by answering the main research question as well as describing the possibilities & limitations of civic crowdfunding in urban area development. Finally, recommendations for further research are presented.

In order to come to the conclusion, a key informant analysis has been performed. In contrary to the expectations of the public opinion about civic crowdfunding, the conclusion of this research is that civic crowdfunding can contribute to the liveability in urban areas, but cannot be used for all type of projects and not in the way it is done at this moment. In this section is elaborated how this conclusion has come into being. This is done by answering the three sub-research questions.

7.1 WHAT IS KNOWN ABOUT THE STRUCTURE AND EFFECTIVENESS OF DONATION-BASED CIVIC CROWDFUNDING IN THE CONTEXT OF URBAN AREA DEVELOPMENT?

With the aim of developing a conceptual framework which illustrates the institutional structure in which civic crowdfunding is embedded; the context of civic crowdfunding need to be clear. In order to do so an extensive literature research has been performed on civic crowdfunding to operationalize this conceptual framework. This operationalized framework will subsequently be used to structure the interviews.

From the interviews with leading individuals[33] active in civic crowdfunding, it soon became clear that considering civic crowdfunding, the phase before the campaign is launched has a significant influence on whether the civic crowdfunding initiative can be developed or not. The institutional structure appeared to have a significant influence on this phase.

INITIATORS

The transaction costs with regard to non-civic crowdfunding might differ from both the ex-ante as ex-post perspective from the traditional financing options (e.g. angel investing and venture capital). One may argue that the ex-ante transaction costs are lower with crowdfunding since the reduction of information-, searching-, contracting- and haggling costs. Civic crowdfunding in the context of urban area development utilize network externalities that occur

[33] See appendix A

since an urban area consists of networks and because of the online platforms. These network externalities, such as the peer-effect, lower the transaction costs for information.

While the ex-ante transaction costs might be lower, the ex post transaction costs might be higher in comparison with traditional financing options. Angel investors and venture capitalists possess resources, such as specific expertise, with which they can coach (ex post), instead of only scout (ex-ante). In the literature on non-civic crowdfunding with regard to transaction costs, it is questioned whether the nature of the transaction with crowdfunding hamper the possibility for crowdfunding funders to provide these resources. According to the literature, this results in higher ex-post transaction costs, especially when the asset specificity for a project is high. Besides money, many initiators want to get a strategic partnership with the funders when concerning high asset specificity. With crowdfunding, some argue, this is difficult because of the distanced connection with the funders.

PLATFORMS

Before an initiator can launch its initiative on a civic crowdfunding platform it needs to fulfil the entry requirements of the crowdfunding platform. Platforms can have control mechanisms that provide a stringent *selection at the gate*; to secure the quality of the initiators and their initiatives, and thus the quality, reputation and the trustworthiness of the platform. The entry requirements of civic crowdfunding platforms differ from the entry requirements of the more commercial platforms like Kickstarter. Many platforms obligate the requirement that the necessary permit(s) need to be settled before the initiative can be launched (e.g. Voor je Buurt and HKBU). Civic crowdfunding platforms seem to support the initiators in this phase: writing a project plan, obtaining permits and writing a campaign plan. Compared to non-civic crowdfunding platforms, civic crowdfunding seem to distinguish them with this extra support. This seems to suggest that the ex-ante transaction costs with civic crowdfunding are higher that with non-civic crowdfunding.

ADDITIONAL POSITIONS FOR THE LOCAL AUTHORITY: CURATOR AND FACILITATOR

Besides citizens and private parties, also local authorities can start a civic crowdfunding platform. Local authorities seem potentially suitable to fulfil this position:

- They already handle the formal affairs
- They are able to partially finance an unprofitable platform when it provides social benefits
- As from their traditional position, local authorities have significant expertise, a well-developed network within both the public and private sector and other resources (material, area, etc.) which can support the initiator

Besides the positions of initiator, funder and platform, the literature on civic crowdfunding described two additional positions which invoke engagement of the authorities: curator and facilitator. In the role of curator, the local authority can pick out initiatives that seem viable with regard to their policy goals. This is often done in collaboration with existing platforms or by launching an own public platform. In the role of facilitator the local authority supports the actors, initiators and platforms who want to use crowdfunding to fund their projects by providing training and expertise.

7.2 What is the effect of the current institutional structure on the effectiveness of civic crowdfunding in current practice?

Now that the context of civic crowdfunding is described using state of the art literature, the effectiveness of the institutional structure on the applicability of civic crowdfunding can be assessed in current practice. With reference to this operationalized conceptual model interviews have been conducted with leading experts in the field of civic crowdfunding.

Initiators

When citizens have an initiative they often seem to address the public authorities first. In essence this is not a problem. However, local authorities do not seem to be trained in detecting initiatives that are suitable for civic crowdfunding. Neither are they fully capable to handle questions citizens may have about civic crowdfunding.

Although the citizens become more empowered, their resources and information processing capabilities often are insufficient to develop a civic crowdfunding project in the public space without extensive support of the platform; especially during the process before the funding campaign. The civic crowdfunding initiators need to invest a lot in the first action situation before even get accepted to launch the civic crowdfunding campaign on a civic crowdfunding platform. This suggests that the ex-ante transaction costs of civic crowdfunding are higher than with non-civic crowdfunding. Next, according to the literature, the ex-post transaction costs would be higher with non-civic crowdfunding since no strategic partnership can be developed with investors. However, in practice it seems that with civic crowdfunding this strategic partnership is created with the platform, and thus they platforms seem to *coach* (ex-post) the initiators. According to the interviewees there are possibilities to create strategic partnerships with civic crowdfunding; there is plenty of expertise at the crowd. Although this element of crowdsourcing is broadly applied in commercial crowdfunding, in civic crowdfunding this element is rather underexposed.

As described in section 3.1.2, one of the principal dimensions on which transactions can be described from the view of the transaction cost economics is the condition of asset specificity. Asset specificity refers to the degree of transferability of assets that support a certain transaction. An important issue regarding asset specificity is that of *human asset specificity*. Before the transaction between the funder and the initiator can take place, the initiator needs specific expertise. From the perspective of *human asset specificity*, individuals accumulate specific human capital that makes it possible for them to produce goods and services more efficiently, as a consequence of learning by doing. Inexperienced citizens do not have this accumulated specific human capital. In the current situation this specific expertise is obtained by the initiators and delivered by civic crowdfunding platforms.

Platforms

From the interviews with the key informants it can be concluded that the success-fee based approach that most civic crowdfunding platforms wield is not cost efficient; the ex-ante transaction costs are simply too high for civic crowdfunding platforms to cover with success-fee alone. A difference between civic crowdfunding platforms and non-civic crowdfunding platforms is that the latter merely supports the actual crowdfunding campaign, while civic crowdfunding platforms seem to support the phase before the campaign too. Even though civic crowdfunding platforms as Voor je Buurt aspire to focus on the campaign phase only; in order to get the initiative of the ground and running over a longer period of time their support is needed, also in the phase before the campaign. Civic crowdfunding platforms seem to invoke a different set of

resources than non-civic crowdfunding platforms in the phase before the actual crowdfunding campaign. The deployment of these resources (expertise, information processing capabilities and network) is expensive.

POSITIONS OF LOCAL AUTHORITIES

It can be concluded that local authorities find it difficult to position themselves in civic crowdfunding. When initiators want to approach local authorities, firstly the initiator does not know where to go to since civic crowdfunding has no place to land in the apparatus of the government, but secondly the authorities too do not know how to handle the initiative.

Local authorities seem to act based on their policy goals and minimum quality assurance. Acting as platform or as curator on an external platform seems to be appealing from the perspective of local authorities since they can curate based on their own policy goals and quality assurance criteria, both in favour of the public interest.

With citizens developing bottom-up civic crowdfunding projects, the possibility exists that these initiators develop projects for short term gains, which can negatively affect the long-term quality of public space. Besides this, these (short term) gains are often only for a small community, and this may hamper the interest of other communities.

This behaviour can be identified as opportunistic behaviour. It is for local authorities to secure that this behaviour will not hamper the public interest. A way to deal with opportunistic behaviour is by creating hierarchy. In an environment with opportunistic behaviour the governance structures closer to the hierarchy will be more efficient because it attenuate opportunistic behaviour.

With a more hierarchically safeguard (or alternatively *governance structure*), opportunistic behaviour can be attenuated due to the possibility of auditing. With both the positions of platform and curator local authorities seem to impose a more hierarchically governance structure. These positions however may abduct the initiative from the initiator and therefore goes against the fundamentals of civic crowdfunding. Local authorities sort of let the initiator *work* for them. This way it is not a bottom-up initiative, but a top-down initiative developed by citizens.

CONTROL OF LOCAL AUTHORITIES: SHORT-TERM AND LONG-TERM

In current practice, the reaction of local authorities towards civic crowdfunding initiatives seems to be either fully clutching the initiative, or fully letting go of the initiative. The initiator should be able to fund and execute the project with backup from the authorities, whatever this backup may look like. This however feels rather unusual for the authorities.

Since the civic crowdfunding projects are developed in the public space, local authorities always keep a certain responsibility about the initiative. This explains the reflex of the authorities with regard to the influence they want to have on the initiative. This also explains why the management of public spaces are often sceptical towards these civic crowdfunding initiatives.

The public space management and maintenance costs of the civic project are impossible to fund with crowdfunding on long-term basis. Therefore initiators and crowdfunding platforms focus on the realization costs. The public space management and maintenance costs of the initiative need to be dealt with some other way. A promising way to deal with this issue is to decrease the costs using the physical element of the initiatives. Since the development of civic crowdfunding projects is endogenous, from within the community, the community may play a role in the public space management and maintenance phase. This encounters two elements of

resistance from the management of public spaces: (i) the sceptical attitude towards the accountability of this *community*, and (ii) the heterogeneous character the public area will get with *these* bottom-up initiatives. Both these resistances can be explained by the concept of opportunistic behaviour. Transaction costs rise when the property rights are not defined properly. Donation-based civic crowdfunding projects often seem to be public goods or common pool resources; which have an open access or are community property. With these types of projects there is the issue of ex-ante allocation of property rights which is necessary to maximise incentives to perform efficiently.

This is exactly the fear of the management of public spaces; the initiators might show opportunistic behaviour since the property rights are not clearly defined. Urban area development projects such as the Krugerplein (section 5.1.5) are long-term projects. There is the issue of the durability of the arrangements made between the local authority and the initiator, but also between the initiator and the community. There is a great potential in using the community in order to decrease maintenance costs, but to create support among local authorities ex-ante institutional arrangements need to be designed which will limit the possibility of opportunistic behaviour.

A NEW FINANCING METHOD IN THE CONTEXT OF A NEW ECONOMY

Civic crowdfunding is not an alternative to the traditional financing methods. It can be used for small scale developments and in addition to large-scale projects, and to create and expose public support, but it cannot be used as an alternative for the public facilities in the public space that formally were funded through the estimate of land development.

A hypothesis which the researcher has derived from the interviews with the key informants is that the actors act in a system of which they do not seem know the economy. The community has a promising potential which can be used for urban area development. At this moment however, both the initiators as civic crowdfunding platforms seem to use a funding method for a project of which they do not understand the business case behind it. The physical objects in the public area are often simply too expensive. A paradoxical situation can be observed in civic crowdfunding in the context of urban area development; the urban area development projects are expensive to realize, but serve a small group of local residents. This makes the potential pool of funders small while the needed funding is high.

7.3 WHAT ARRANGEMENTS NEED TO BE IMPROVED IN ORDER TO INCREASE THE APPLICABILITY OF DONATION-BASED CIVIC CROWDFUNDING IN THE CONTEXT OF URBAN AREA DEVELOPMENT?

The main obstacles observed in this research are:

1. The complexity in the first action situation and the inability of the initiators and civic crowdfunding platforms to deal with this complexity
2. The inability of local authorities of positioning in the civic crowdfunding process
3. The institutional arrangements regarding (long-term) public space management and maintenance
4. The (ambiguous) potential of civic crowdfunding in urban area development

COMPLEXITY IN THE FIRST ACTION SITUATION: THE PHASE BEFORE THE CAMPAIGN

In current practice the expertise needed in the period before the crowdfunding campaign is provided by the platform, while their revenue model is success-fee based. This creates risk for civic crowdfunding platforms which in some cases end-up in termination of the platform itself.

New constructions are needed to provide the expertise. Taking the transaction costs with regard to the human asset specificity in consideration, this expertise can be obtained from civic crowdfunding platforms, experts, the crowd and local authorities. These are the actors that have this accumulated specific human capital since they are experienced in urban area development projects.

Platforms can still choose to minimize the support provided in the period before the campaign. But as shown in the chapter five; this hampers the quality of the civic crowdfunding campaigns and thus the trustworthiness of the platform. So if civic crowdfunding platforms want to support the initiator in this first action situation, the business case needs to be adjusted in favour of the core activities of platforms.

Based on the issues described in the previous chapter, three directions may be promising:

1) Continue success-fee based but better cooperation with third parties

In this proposed direction the civic crowdfunding platform continue the success-fee based business case and focus their activities on the second action situation; the actual crowdfunding campaign. In order to ensure the continuity of the platform the needed expertise in the first action situation will be provided by third parties; private or public experts, or the crowd, by crowdsourcing.

2) Charging no success-fee at all or combine success-fee with additional revenue models

In this proposition the initiatives can be seen as leads and a revenue model can be developed around this leads based on the additional services the platform can offer. In order to do so platforms need to realize what kind of resources they have and what their added value can be. This can be found in supporting the initiators, but it can also be found in supporting local authorities by for example selling expertise.

3) A role as incubator

For platforms a position as incubator can be promising in order to deal with two important issues:

i. The incubator can take, in symbioses with local authorities, the position of curator. The curating role with regard to the initiatives local authorities seem to appreciate can be executed by platforms. This way the platform acts as incubator to detect promising projects and redirect them to local authorities and their resources. And thus; the aforementioned criticism of the interviewees on the reflex of local authorities to act as platform or curator is refuted and the initiative still lies with the initiator

ii. In order to create large(r) scale projects, public or private funding is needed. In current practice a civic crowdfunding platform mainly acts as intermediary between initiators and (crowdfunding) funders. As incubator platforms can act as intermediary between initiators and different money flows; not only civic crowdfunding but also traditional funding flows.

A LEARNING COMMUNITY

The actions of civic crowdfunding platforms are extensively linked to the characteristics of initiators; the more experienced initiators and the communities around the initiatives become, the less platforms need to invest in the first action situation, and vice versa. Platforms in that case can focus on the campaign itself, comparable with the actions of commercial platforms such

as Kickstarter and Indiegogo. In this way platforms primarily will function as showcase and cash register.

Also the role of incubator will be better suitable with regard to learning communities. When platforms need to focus less on the period before the campaign, they can add value by acting as intermediary between initiators and different, private or public, money flows. It is important for platforms to adjust their activities to these learning communities.

THE POSITION OF LOCAL AUTHORITIES

The same goes for local authorities. Where the past few years the authorities retreated from bottom-up initiatives, the next step to be made is to come back. The potential of the civic economy is high. For the public stakeholders it is important to get used to the fact that citizens want to deploy their added value in this civic economy and that this asks for a different role of local authorities.

Civic crowdfunding is no alternative for traditional financing structures used in urban area development; it is an addition. The citizens want responsibility for their urban area, but the authorities are still needed. Not only with permits, but also with their resources, other than financial: information, expertise and their network.

Civil servants need to be trained to detect projects that are suitable for civic crowdfunding and know where the information about crowdfunding can be found. Although this might be difficult because this asks for a different way of working for local authorities, this is low hanging fruit; these quickly trained civil servants can practise this role as redirector immediately. Besides this local authorities need to create a place where civic crowdfunding can land in their apparatus of government.

As described in 7.2, local authorities want to assure the minimum quality of the projects in the public space by acting as platforms or as curator on an external platform. The minimum assurance however can be secured by permits. It is important that the criteria with which local authorities assess the initiative are as least discretionary as possible: the permits must be granted on functional preconditions, with minimized arbitrariness. This way the criteria are assessable by both the public authorities and the initiator. This way the opportunistic behaviour of the initiator will be dealt with; not through vertical integration, but through a permit. This however asks for a different more pragmatic way of working. The initiator should get permission to start with the civic crowdfunding campaign, but since local authorities do have to do with their legal deadlines, the project may need to be adjusted later in the process. So in this situation the actual permit will be granted when the campaign is finished and the funding is either realized or not. This way the initiatives do not stuck in the first action situation due to the permitting process.

Instead of acting as platform, local authorities should act as facilitator or redirector. With regard to the fact that they have policy goals and they want to make sure that the initiatives support them; prioritizing is a conventional task of local authorities. By offering support as facilitator and redirector to initiatives that serve a selected policy goal, instead of selecting initiatives that serve policy goals, the mandate lies with the citizens. This way the mandate is still at the initiator, the bottom-up principle is still respected. Now, the reaction of local authorities seems to be either fully clutching the initiative, or fully letting go of the initiative.

PUBLIC SPACE MANAGEMENT AND MAINTENANCE ISSUES

The management of public spaces too needs a more pragmatic way of working. They should be more receptive for ideas for long-term costs savings through civic initiatives. Even though this hampers the homogeneity of the area or invokes a certain risk of future opportunistic behaviour. This asks however for a different attitude from both the initiators as the management of public spaces. The initiator need to realize that they have to show where the value is created. The management of public spaces seem stubborn and often refuse to think about the long-term savings on their expenses which can be derived from bottom-up initiatives and they need to dare taking this in consideration.

POTENTIAL OF CIVIC CROWDFUNDING IN URBAN AREA DEVELOPMENT

Four routes can be identified from the interviews with regard to donation-based civic crowdfunding:

- Small scale initiatives
- Small scale initiatives with the focus on creating public support
- Large-scale with public support
- Large-scale with a private element given to the public facility

Civic crowdfunding seems to force local authorities to develop a new role-repertoire. The aforementioned reflexes of local authorities reveal the existence of a traditional culture in which the traditional roles as director, funder and assessing authority are common. These roles are however insufficient with regard to civic crowdfunding. The new culture with its new role-repertoire can exist in the current legislation. The difference has to be made in the institutional arrangements between the stakeholders. The positions and relations need to be adjusted to this new culture.

For large(r) scale projects additional public or private funding is necessary. Green areas for example are possible to realize but local authorities need to play a supporting role financially. If local authorities are responsible for the realization of an area or project with the quality of a '6', civic crowdfunding can be used to make this an eight. Large scale projects in the urban area are to an increasing extent plural. In an urban area different money flows can be identified, public and private. Civic crowdfunding can be an additional money flow. Private parties need to see initiators as partners and investigate the development-potential of the multiple value creation in the urban area. This means that the private parties should downscale their projects, and need to find ways to upscale the projects of the initiators.

7.4 RECOMMENDATION FOR FURTHER RESEARCH

In this section recommendations for further research are presented:

- As elaborated upon in section 6.1, new revenue models need to be developed for civic crowdfunding platforms. In order to do so more insight is needed in the economy around civic projects. Where can value be created? And what value does the platform bring to the process? The expertise in the first action situation is expensive, how can this be financed?

- The interviews with the key informants have showed that civic crowdfunding does not have a place to land in the apparatus of government. This is highly inefficient for both initiator and the local authority since the initiators are sent from pillar to post. Further research

needs to be done on where bottom-up initiative such as civic crowdfunding initiatives can land within local authorities.

- In this research only donation-based crowdfunding is considered. Lending-based crowdfunding seems to be promising regarding the literature. More research on this type of crowdfunding is needed.

- In this research the focus was on the first action situation. A real big step in research on civic crowdfunding can be taken if proper cases emerge. In order to addressing *how* and *why* questions, a case-study approach is an appropriate one when the purpose of the research is from an explanatory perspective. It is highly interesting to perform a case-study on a project that is there for several years.

- This research indicated the huge potential the framework of Ostrom has in the field of civic crowdfunding. In this research the focus was on the rules and regulations of the government and of that of the market, through the external rules-in-use.
  The other two external variables that are left out of this research (attributes of the community and physical attributes) can contribute to a large extent to the discussion on civic crowdfunding:
    - Since the emergence of the civic economy we start to recognize and understand the attributes of the community. We do not seem to have a clear view on the rules and regulation imposed by the community. By applying the framework of Ostrom on civic crowdfunding again but this time from the perspective of the attributed of the communities, more insight can be given on how this community influences the potential outcomes. The framework allows to create more insight in the regularities of the community
    - This research has indicated that a great added value of civic crowdfunding projects can be found in the plurality of projects in a certain area. A civic crowdfunding project can be used in addition to a larger project or a larger whole. This way the potential outcomes reinforce each other: there is a possible spin-off of value. There is however no clear view on how this works. In the opinion of the researcher the IAD framework of Ostrom can be used in order to create clarity in this matter. At first the researcher supposed it was a shortcoming of the IAD framework that this plurality could not be included in the framework. However, Ostrom leaves it fully open how a researcher may define the action situations. By defining a different action situation on each potential outcome, that outcome can influence the subsequent outcome (or action situation) through the external variable: *attributes of the physical world*.

- As elaborated upon in the previous section, new arrangements need to be realized between the management of public spaces and the community. In this research the structure of these arrangements have not been dealt with. As the market and hierarchy structures both seem to be inappropriate in order to provide the applicability of civic crowdfunding in urban area development, it is maybe possible to develop "long term contractual relations that preserve autonomy but provide added transaction-specific safeguards": a hybrid (Ménard 2010). More research needs to be done on how this hybrid needs to be designed.

8. RESEARCH REFLECTION

In this chapter a reflection on this research is described. Firstly, both the scientific and the societal relevance of the research are described. Then, a reflection is given on the methodology used in this research. Finally a reflection on the process of the realization of the thesis is provided.

8.1 SCIENTIFIC AND SOCIETAL RELEVANCE

The focus of this research is to understand the institutional structure in which civic crowdfunding in urban area development is embedded. In the recent years a growth is visible in the number of entrepreneurs using crowdfunding as funding method for the product or service they develop (Agrawal, Catalini et al. 2011, Agrawal, Catalini et al. 2013, Belleflamme, Lambert et al. 2013). With the current funding problems in urban area development, the question arises if crowdfunding can be used to fund these projects. Although civic crowdfunding is used more and more as funding method, there is little scientific literature about the applicability of crowdfunding in the urban area development since the use of this funding type is still novel and moderately applied.

In order to understand the institutional structure in which civic crowdfunding in urban area development is embedded I have used the Institutional Analysis and Development framework of Ostrom. This framework however can be seen as an empty frame which can be completed by a theoretical perspective. The theoretical perspective used to analyse civic crowdfunding is that of the Transaction Cost Theory. Both the IAD framework as the Transaction Cost Theory seemed sufficient to get a grip on the institutional structure in terms of terminology, structuring the interviews, describing problems and formulating recommendations. This research delivered new knowledge and insights on the concept of civic crowdfunding due to literature studies and interviews with leading key informants active in the civic crowdfunding market in the Netherlands.

It also delivered new insights in the effect of the asset specificity of urban area development projects on bottom-up initiatives in general and civic crowdfunding in particular. It seemed that the human asset specificity of these projects in the phase before the campaign is so high that citizens find it difficult to develop them without help of experts. This makes this phase more expensive in comparison with non-civic crowdfunding and this jeopardizes the development of the project as a whole. Besides the human asset specificity, this research also shows that the physical and site specificity of the projects influences the attitude of local authorities a lot.

During the research it became clear that a lot of the observations I did with regard to civic crowdfunding can also be placed in a list of other innovative urban challenges: social entrepreneurship, community businesses, new revenue models for invitation planning. The struggles of local authorities with their position in civic crowdfunding that have been identified in this research symbolize a struggle that can be extrapolated to different areas of bottom-up initiatives[34].

In current urban area development the trend is visible that residential areas become production areas (van der Heijden and van Hilten 2015). Where formerly people only lived in

[34] See for example RMO (2013). Terugtreden is vooruitzien. Maatschappelijke veerkracht in het publieke domein. Raad voor Maatschappelijke Ontwikkeling. Den Haag.

these areas, now thing as health care, energy and transport etc. are combined. There is an enormous potential workload in this matter that needs to be professionalized. The observations and recommendations of this research can be used as a forerunner in this matter.

There is still no breakthrough in the question of how to finance organic urban area development. Civic crowdfunding can contribute to the liveability in urban area but it cannot be used for all type of projects. Civic crowdfunding is no alternative for traditional financing structures used in urban area development; it is an addition. The real challenge of the participatory society lies with the symbioses of public and private parties with the new way of area-focussed organization, initiated by the citizens. This research gives insights in civic crowdfunding, which is embedded in this participatory society. The recommendations provided in this research can contribute to the development of a new role-repertoire for local authorities in order to deal with the bottom-up initiators and participatory society.

8.2 Reflection on the methodology

At first the idea was to perform a case study research. However, the phenomenon is such novel that no representative cases could be selected. The initial plan was to perform a single case-study on the Luchtsingel. However, after I interviewed Barry Hol and Gert-Joost Peek[35] I came to the conclusion that this case was not appropriate to use in answering the research questions. Although the municipality of Rotterdam accepted the Luchtsingel as a bottom-up initiative, Hol and Peek explained that the situation is rather different because of the professionalism of ZUS, the architectural company behind the Luchtsingel. My goal was to investigate whether citizens could contribute to urban area development using civic crowdfunding. The resources and information processing capabilities of ZUS played a significant role in the success of the project; resources and information processing capabilities *normal* citizens not have.

Therefore I decided to perform a key informant approach by performing semi-structured interviews. Using this methodology in a nascent industry such as the civic crowdfunding market has the following drawbacks:

1) Because the civic crowdfunding market is so new and happening, the pool of experts is rather small. Besides the fact that this resulted in a small amount of potential respondents it also resulted in the fact that all key informants seem to know each other. They have met in workshops or other civic crowdfunding related events. In practice this created the opportunity to validate certain comments and statements. This however also resulted in the fact that they sometimes spoke the same doctrine.
2) The civic crowdfunding market is a highly volatile market. The '*mistakes*' some of actors made are inherent to a nascent volatile market as that of civic crowdfunding. During my research I found out that the actors in this market learn from mistakes and adapt to changes fast. The world around civic crowdfunding is dynamic in such a way that it affects my thesis and the sustainability of the results of my thesis.

8.3 Reflection on the process

A master thesis is something that is on your mind your entire masters; on my mind at least. The most important question for me was: 'What topic...?' During my bachelors I had to choose a certain domain. I chose the Built Environment and Spatial Planning domain because I was highly

[35] MSc Barry Hol who graduated on this case and dr. ir Gert-Joost Peek, fellow researcher of a report about the Luchtsingel: ''Perspectieven op de Luchtsingel: verkenning naar de effecten van een Stadsinitiatief''

interested in how to improve the liveability in a neighbourhood with physical investments. This domain continued in my masters and I decided to choose urban area development as research subject for my thesis. This gave me the possibility to become an expert in that particular topic but it also gave me the possibility to expose my own strengths and weaknesses in performing research. The latter will be explained in this section.

When taking the IAD framework of Ostrom in consideration (figure 21) I can say that both my strengths and weaknesses lie with the information element. Considering me, a TPM student in the *position* of graduating student, the potential outcome of the action situation is obvious: writing a master thesis which allows me to graduate. In order to do so, I have to perform some actions which are influenced by information & control.

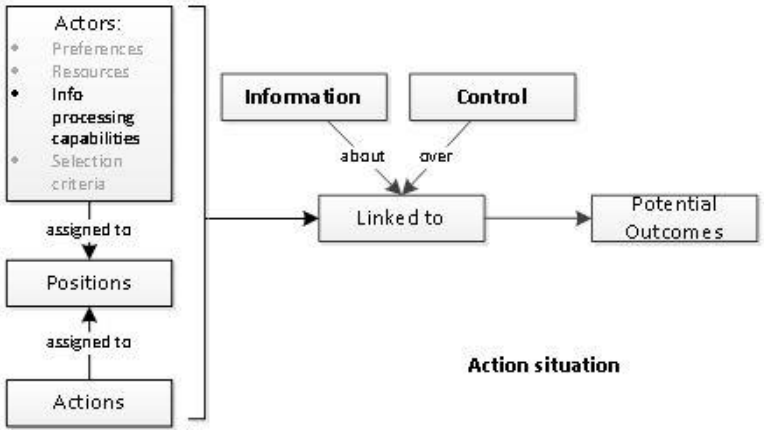


Figure 21 Strengths & Weaknesses with regard to the IAD framework of Ostrom

INFORMATION & CONTROL

Information… I know there is a lot; there is information about crowdfunding, neo institutional economy, urban area development, the Institutional Analysis and Development framework, property rights, civic economy, asset specificity, institutional design, etc. etc.

One of the characteristics of an actor, Ostrom explains, is his information processing capability. Well, it is exactly this characteristic that seemed to be both my strength as my weakness. Writing this thesis I discovered that I can process a lot of information. I want to read and know everything about everything; not a bad trait for a researcher. However, my pitfall seemed that sometimes I find it tricky to scope. With everything I read I thought: "this has to be included in my research". Sometimes because I thought it was to interesting to leave out, sometimes because I thought that otherwise my research would be incomplete. This attitude resulted in delay in my research.

This brings me to my second weakness I discovered during this research. A way to deal with scoping issues is by asking for expertise from other actors in my action situation; the experts in my committee, who exert control on my route to my potential outcome. Although my contact with both my supervisors from the TU Delft as from AT Osborne was excellent I should have planned more contact moments in order to deal with these scoping issues. These contact moments have a second feature: they create deadlines. I found out that the *student syndrome* that explains the increasing curve of productiveness towards deadlines is (sometimes) applicable for me. The fact that the master thesis research has to be performed by me and me alone, resulted in deadlines that I could extent in case I found new information that I persistently wanted to process.

Writing this thesis I've learned that in future research I have to: scope better and earlier in the process, make more appointments with my supervisors and set stricter deadlines.

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APPENDIX A: THE KEY INFORMANT APPROACH

In this appendix the respondents used in the key informant approach are described.

ANNE-JAN ZIELEMAN

Anne-Jan Zieleman was closely involved with the realisation phase of Voor je Buurt (see the description of Martijn Arnoldus). In his former position as analyst and strategic advisor in the Eastern District of Amsterdam, Zieleman was at the forefront of civic crowdfunding in the city of Amsterdam.

BARRY HOL

Barry Hol is practically the first who has performed a research on the applicability of crowdfunding in urban area development in the Netherlands (Hol 2012). With his thesis he won the '*MCD Kennisnetwerk Scriptieprijs'* and it is well received in the crowdfunding and among the 'urban area development' professionals[36]. He also published about crowdfunding in urban area development in the Real Estate Research Quarterly journal (Hol and Daamen 2014). In his thesis he described how crowdfunding works and how it can be applied in urban area development. Barry Hol has well-developed knowledge on crowdfunding in general but also in-depth knowledge about the cases he studied: The Luchtsingel and the Vechtclub XL.

GERT-JOOST PEEK

As fellow researcher of the report: '*Perspectieven op de Luchtsingel. Verkenning naar de effecten van een Stadsinitiatief*', Gert-Joost Peek has a lot of knowledge about the Luchtsingel (van Raak, Verhagen et al. 2014). His knowledge about crowdfunding was rather limited, as he was very clear about. Nevertheless his insight in the Luchtsingel and civic participation as a whole is abundant.

JEROEN LEEMANS

While working for HKB Stedenbouwkundigen Jeroen Leemans decided to launch HKB Urban Producers in 2011. HKB Urban Producers is one of the first civic crowdfunding platforms in the Netherlands. In his role as initiator of HKB Urban Producers Jeroen Leemans is closely involved with both the initiators as the public (and private) parties that are needed to execute the phase before the campaign and the campaign itself.

MARTIJN ARNOLDUS

In his function at Kennisland, a think-tank for social innovation, Martijn Arnoldus asked himself the question whether crowdfunding could work for local initiatives. Together with *Netwerk Democratie,* Kennisland started Voor je Buurt, as experiment. Although this experiment would run until 2013, the conclusion was actually "yes, the instrument works, there is potential and there is a need for" and so Voor je Buurt continued after 2013. As director of Voor je Buurt Martijn Arnoldus is responsible for the upscaling of Voor je Buurt to a national level.

MAX HARTEVELD

[36] See: Gebiedsontwikkeling.nu; Ruimtevolk.nl; Pakhuis de Zwijger

Max Harteveld is one of the initiators of Bring Back the Yard, a civic crowdfunding project in Utrecht[37]. This initiative is still in the phase before the campaign; they have difficulties arranging the formal affairs with the local authorities. Especially these difficulties are interesting for this research.

Nicolette Ouwerling

In her research for the municipality of Almere, Nicolette Ouwerling was searching for ways to expose civic initiatives through online activities and the effect of these civic initiatives on the relation between citizen and authority (Ouwerling 2013). The idea was to start a civic crowdfunding pilot with and in Almere.

Ronald Kleverlaan

One of the most well-known names in the crowdfunding sector in the Netherlands but also in Europe is that of Ronald Kleverlaan[38]. In his position as strategic consultant he supported crowdfunding platforms, (local and national) governments, the European Commission, NGOs, etc.

Besides knowledge on crowdfunding in general, in his position as Vice Chairman European Crowdfunding Network and advisor of the European Commission he has a proper view on the institutions around crowdfunding at every level; from initiators to platforms and from local authorities to European legislators.

Raymond Spinnewijn

Raymond Spinnewijn is one of the initiators of Groenplan Desiderius: a civic initiative in Rotterdam. The idea was to revaluate outdated waterways. With this plan, in different forms, the initiators of Groenplan Desiderius participated in the Stadsinitiatief. They also tried to develop the plan with funding of the municipality of Rotterdam. Currently they are investigating what the possibilities are with regard to civic crowdfunding. In the process before the Stadsinitiatief, Raymond Spinnewijn had a lot of discussion sessions with local authorities.

Simon Douw

Simon Douw is co-founder of Douw&Koren; a crowdfunding consultancy which operates independent of all crowdfunding platforms. Douw&Koren is international leading in the field of crowdfunding. They share their knowledge and experience on crowdfunding and civic crowdfunding through workshops, lectures and publications.

[37] Bring Back the Yard: https://www.youtube.com/watch?v=7Ygw8nthDOQ

[38] His TED talk about crowdfunding can be accessed at: http://www.youtube.com/watch?v=Mhg9uFCHAp8

APPENDIX B THE SEMI-STRUCTURED INTERVIEWS

The topic list of each interview was tailor made. However there was a red line that was the same for practically all interviews. In this section this red line is shown. However, since the semi-structured character of the interviews, not every question is covered in every interview. To a great extent the IAD framework of Ostrom is leading in the development of the questions.

INTRODUCTION

- Short description of myself and my background
- Short description of the reason/goal of the interview

INTRODUCING QUESTIONS

- Who are you?
- How did you enter the (civic) crowdfunding market?
- What is your current role in the civic crowdfunding market?

FIRST ACTION SITUATION

- Tailor made questions about the phase before the campaign
- What is the role of the platform in this phase?
    - What does the selection at the gate look like
- What is the role of local authorities in this phase?
- What is the underlying reason for initiators and funders who participate in civic crowdfunding? Is there an ambition for financial reward?
- How do you look at the potential pool of funders in civic crowdfunding
- What are bottlenecks in this phase?

INITIATORS

- What type of initiators can be identified?
- What are the characteristics of the initiators?

LOCAL AUTHORITIES

- People in the field say that the role of local authorities maybe should change. Do you agree with this?
    - In what way?
    - In which phase
    - How is the information and control from local authorities? And from other parties?
- What do you think about the engagement of local authorities:
    - Subsidies? Information? Permits? Other?
- What exactly is the difference between the curator and facilitator?
- To what extent is *this local authority* comparable with other local authorities?
- Which position do you see as the most promising (platform, curator, facilitator?)
- How is the contact with local authorities?

THIRD ACTION SITUATION

- Realization phase:

I can imagine that the realization phase can be paid with civic crowdfunding. This however does not seem to apply to the management and maintenance phase; these costs are high and not suitable for crowdfunding.

  - How is dealt with this matter?
  - How are discussions between the initiators and local authorities?

- Is the public opinion about the project in the neighbourhood higher since it is bottom-up?

TRANSACTION COSTS

- Easy money (ex-ante)? Not smart money (post-ante)?

RULES AND REGULATIONS

- What changes need to take place at national level in the regulation concerning crowdfunding?
- And looking at local governments? Is improvement in regulation regarding crowdfunding necessary? What exactly can be their role?

LAST STATEMENT

Civic crowdfunding can play a role in shaping the responsibility of municipalities for public facilities and public space when they are no longer paid by the public or private parties.

What do you think about this statement? What do you think about the potential of civic crowdfunding?

GENERAL QUESTION

Taking your position now and compare it with your position when you started with *'specific activity'*. What have you learned? What has changed? And what should be changed?