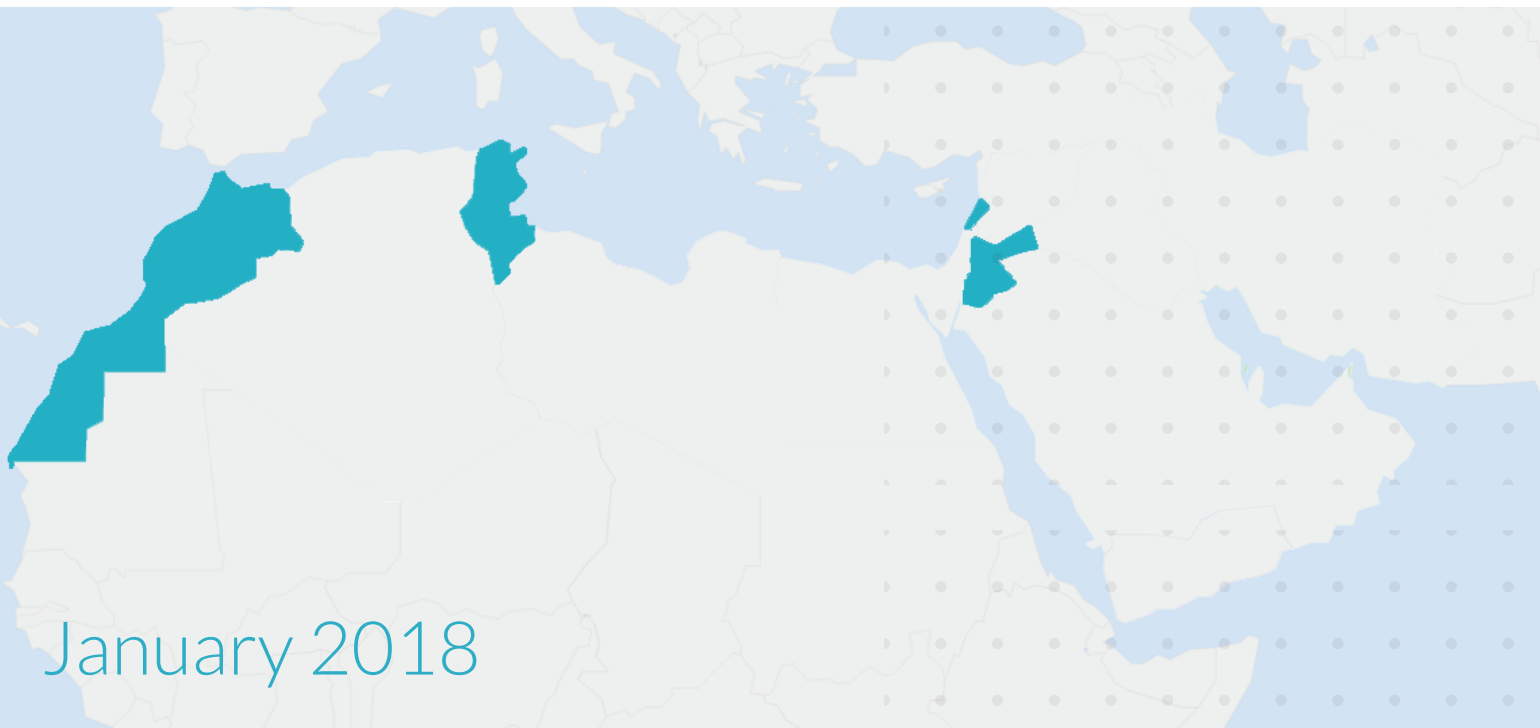# INNOVATION FOR CHANGE
MIDDLE EAST & NORTH AFRICA

Crowdfunding
in the Middle East and North Africa
Tunisia, Jordan, Morocco, & Lebanon

January 2018

Crowdfunding in the Middle East and North Africa region

A report for the Innovation for Change Network

| January 2018 | Shurouq Qawariq, (Independent) Researcher, SMEX
Ed. by Kara Andrade, Counterpart International |

This report describes the emerging ecosystem of crowdfunding in the Middle East and North Africa (MENA) region. This ecosystem is described and analyzed according to the technological, regulatory, and cultural factors impacting the availability, usage, and adoption of this digital money tool.

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ACKNOWLEDGEMENTS

Innovation for Change's MENA Hub

The Innovation for Change (I4C) MENA hub is a regional network of people and organizations who want to build a collaborative, innovative solutions to facilitate the exchange and development of expertise and resources to face the shrinking of civic space in the region. We work together on advocacy, research, network building, education and training, fundraising, digital literacy and technology development.

The MENA hub is one of six connected regional hubs growing in both physical and online spaces across Africa, Central Asia, East Asia, Latin America and the Caribbean, and South Asia, and based in Jordan, Tunisia, and Morocco uniting 300 members around the region.

Social Media Exchange (SMEX)

Social Media Exchange (SMEX) is a registered Lebanese NGO that works to advance self-regulating information societies in the Middle East and North Africa (MENA). Our work encompasses media development programs, as well as Internet policy research and digital rights advocacy in support of more accessible, participatory, and just enabling environments for civil society across the MENA region. While we engage globally, Lebanon is our home, making Arab society and culture our primary context for action. We are headquartered in Beirut. You can always reach us by emailing info@smex.org. SMEX was responsible for all project management and research coordination for this research project.

EXECUTIVE SUMMARY

This research paper, commissioned by the Innovation for Change network and implemented by the Social Media Exchange (SMEX), seeks to understand the potential for access and usage of digital money – specifically within crowdfunding –as a means for increasing civil society sustainability in the Middle East and North Africa (MENA) region. The focus of the report is to describe an emerging ecosystem of crowdfunding in the MENA region through an analysis of the technological, regulatory, and cultural factors impacting the availability, usage, and adoption of this digital money tool. The report investigates whether this tool is viable as a funding option for actors within the civic space, especially civil society organizations (CSOs). At the conclusion of this study, the researcher will provide recommendations for growing and strengthening the crowdfunding ecosystem as it relates to strengthening civic space.

The research is structured into six sections. The first section provides the rationale and methodology of the report. The second, "Civil Society and Civic Space in MENA," gives a historical and contextual overview of civic space in MENA. The third is the literature review which reviews the global academic literature on crowdfunding, mapping the ecosystem of crowdfunding in civic spaces. The report then describes a map of the crowdfunding ecosystem in MENA, including technological enablers, financial technology (fintech) ecosystem, and regulatory and cultural factors. It then details the crowdfunding ecosystem in Tunisia, Morocco, Jordan and Lebanon, and concludes with recommendations for enhancement of this ecosystem and for further research.

Research for this report occurred between October and December 2017. This is the first in a series of reports that will analyze the factors that enable or inhibit digital money and online giving as related to the civic space in the MENA region. The vision for this research series is to understand how donors can send support to beneficiaries in a variety of contexts, as well as how civil society organizations can move towards financial sustainability. The first set of countries examined are those deemed as "relatively open"–Tunisia, Morocco, Jordan and Lebanon –which are ranked as the most open of all MENA countries according to the CIVICUS Monitor.[1] However, the use of the term "relatively open" must be noted in comparison with all MENA countries, which fall within the three worst categories indicated by the Monitor (refer to section two for more information). Future reports will focus on the role of digital money in closed countries and conflict spaces. By conducting this research, the Innovation for Change network seeks to engage with relevant experts including policymakers, the financial, legal and private sector, as well as CSOs, tech activists, and social entrepreneurs, to advance the development of digital money as a tool for civil society in the MENA region.

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[1] The CIVICUS Monitor, launched in 2016, is the first ever online tool specifically designed to track and rate respect for civic space, in as close to real-time as possible. The Monitor can be accessed at https://monitor.civicus.org/.

SECTION 1: RATIONALE

While there has been a great deal of research on microfinance and support for Small and Medium-sized Enterprises (SMEs), there has been little research about digital funding strategies used by nonprofits, civic groups and Civil Society Organizations (CSOs) in the MENA region to fund projects that strengthen civil society and, specifically, address challenges to civic space. The geopolitical and regulatory context create obstacles for donors and CSOs and keeps them from utilizing tools or entering new markets – markets that could contribute to diversifying funding streams and long-term sustainability of their operations. With stricter regulations on CSO funding in the region by most MENA governments, it is important that CSOs start exploring and using alternative funding sources.

The purpose of this study is to provide a clearer understanding of how nonprofits, civic groups and CSOs in the MENA region can use digital money alternatives, specifically crowdfunding, to sustain their operations and activities. The results will be used to inform future research, activities and innovation projects for the Innovation for Change network.

Research Questions

In order to investigate the crowdfunding ecosystem in MENA as a viable funding option for civil society, the research will be guided by the following research questions:

Research question 1: What is the emerging ecosystem of financial technology in the MENA context--specifically Tunisia, Morocco, Jordan, and Morocco--and what is the role of crowdfunding in this ecosystem? What opportunity does crowdfunding present for CSOs?

Research question 2: What are some of the civic space projects that crowdfunding is making possible in the MENA region?

Research question 3: What is the legal, sociological, and technological landscape of crowdfunding in the MENA region?

Methodology

The report adopts grounded theory analysis. The Grounded Theory approach, also called the Constant Comparative Method, involves the researcher moving in and out of the data collection and analysis process. The process begins with asking a question or series of generative questions, leading to the first iteration of theoretical sampling (i.e. interviews). After collecting the data, the researcher then analyzes it and begins to develop a theory with regard to the original question. The researcher then uses this to code the data, citing similar theme.[2]

With regard to this research, the crowdfunding ecosystem was analyzed through qualitative research, consisting of data collection of primary and secondary sources and data analysis.

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[2] (Kolb 2012)

Then observations of data and a variety of data sources were used to describe the current ecosystem map of crowdfunding in the MENA region, with an emphasis on Tunisia, Morocco, Jordan and Lebanon.

Data Collection

The variables that were studied are technological enablers of crowdfunding (e.g. number of internet users, number of online transactions, number of social media users), financial technology (fintech) ecosystem, philanthropic tendencies, and the regulatory environment of fund transfers to CSOs and regulations around crowdfunding platforms.

The primary research included unstructured and semi-structured interviews with entrepreneurs, industry experts, and civic leaders to understand what challenges they face in funding, the availability of alternative digital money resources for funding, their experience in using or providing crowdfunding, among other questions. In total there were 16 interviews, all of which were conducted virtually. The interviewees were chosen based on three categories and contacted via SMEX and the researcher's network, in addition to snowball sampling. The interviewees can be classified into three main categories:

1) User circle (e.g. donors, civil society organizations, social enterprises)
2) The founders of crowdfunding platforms that serve the region (Zoomaal, HappySmala and CoFundy)
3) Leaders in innovation hubs and founders of fintech startups.

The full list of interviewees can be found in the bibliography section of this report.

The secondary research included a review of governmental publications, news publications, industry reports, academic articles, and other secondary sources such as World Bank reports, and industry reports from digital hubs such as PayFort, the Middle East's leading digital payment provider and researcher, and Wamda, a multi-program platform leading research on entrepreneurship ecosystems in MENA.

SECTION 2: CIVIL SOCIETY AND CIVIC SPACE IN MENA

Defining Civil Society

There are different ways to define civil society. The term has been referred to as the "third sector" of society, distinct from government or business: the accumulation of players that manifests the interest and will of citizens, or independent elements that make up a democratic society. One of the most common definitions cited is by CIVICUS, an international non-profit organization which aims to strengthen citizen action and civil society around the world. CIVICUS's Civil Society Index defines civil society as "the area, outside of the family, the state, and the market, which is created by individual and collective actions, organizations and institutions to advance shared interests."[3]

History has brought significant changes to the civil society landscape, but actors that have been most prominent in civil society include NGOs, workers and labor unions, professional associations, and community-based organizations. Civil society today is recognized as a diverse and ever-widening "ecosystem" of individuals, communities and organizations. The World Economic Forum outlines a typical civil society ecosystem, which demonstrates the interconnected nature of civil society in the state, family, and market. The ecosystem consists of:

- NGOs, non-profits and CSOs with an organized structure or activity, and are typically registered entities or groups.
- Online groups and activities including social media communities that can be "organized" but do not necessarily have physical, legal or financial structures
- Social movements of collective action and/or identity, which can be online or physical
- Religious leaders, faith communities, and faith-based organizations
- Labor unions and labor organizations representing workers
- Social entrepreneurs employing innovative and/or market-oriented approaches for social and environmental outcomes
- Grassroots associations and activities at local level
- Cooperatives owned and democratically controlled by their members.[4]

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[3] (Fioramonti)
[4] (World Economic Forum 2013)

> By referring to civil society as an 'ecosystem,' this affirms the dynamic nature of civil society's internal differences and its constant evolution. Additionally, labeling civil society involves instituting norms and boundaries from a particular political view; thus, this paper adopts a definition of civil society that fully acknowledges and embraces its complexity, dynamism, and multifaceted nature.

Civil society is not an alternative to the state, but instead is designed to work in tandem with the state to ensure citizens' rights to associate, assemble peacefully, and freedom of expression. Civil Society plays a role in social accountability (i.e transparency), empowering communities (i.e. awareness campaigns and movements), and ensuring good governance.

When considering the role of civil society, the power of the internet and communication technologies cannot be ignored. The digital era has allowed citizens to voice their opinions and needs, organize, and conduct campaigns and advocacy. Social media and the rise of 'citizen journalism' has provided leverage to hold leaders to task and demand accountability and transparency. However, the rise of social media has also come with a wave of strict media oversight and the introduction of burdensome hurdles for CSOs – particularly on human rights issues and democratic principles. According to Pollicy, a consulting firm that works with clients to re-design services around citizen needs and demands, these steps to curb civil society freedoms include:

> Access to national and foreign funding, erecting barriers to mobile communications, and applying onerous, arbitrary or poorly administered registration processes. Beyond steps taken by specific national governments, international civil society leaders have identified a more general decline in funding available for advocacy, rights-based activities, or 'causes that challenge the status quo'.[5]

Civil society groups have been active in solving social problems; however, the effectiveness of their work has been called into question due to various factors, including growing public distrust in their relevance and legitimacy; the introduction of governmental regulations that aim to limit or restrict civil society operations; and threats to sustainability including a reduction in finances and shifting funding priorities at the foreign policy level. These factors are interrelated. For example, the growing distrust at the public and governmental levels is often the failure of the CSOs to maintain connections with the communities that they represent. This is often due to the CSOs failing to uphold their mission and programming as a result of the restricted regulatory environment (i.e. they want to maintain their legal status so they comply with government regulations). Additionally, lack of funding has caused many CSOs to shift their priorities to survival status –following the money to implement activities and programs dictated by donors even if this does not align with their core mission. The sustainability of activities inhibits the ability of CSOs to maintain the trust of constituents and partners, including governments.

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[5] (Pollicy 2017)

Civil Society Sustainability

The term "sustainability" is often used when speaking about financial resourcing, but resourcing is only one element of multiple factors contributing to the longevity and health of a civil society ecosystem. The first attempt to measure civil society sustainability was the creation of the Civil Society Organization Sustainability Index (CSOSI) in 1997. This initiative, funded by the United States Agency for International Development (USAID), was originally intended to assess the sustainability of the CSO sector in 29 countries in Europe and Eurasia. In 2009, the Index began to monitor civil society sustainability in sub-Saharan Africa.

In 2011, the CSOSI tool was further applied to seven countries in the Middle East as well as Afghanistan and Pakistan. The CSOSI measures the sustainability of each country's CSO sector based on seven dimensions: legal environment, organizational capacity, financial viability, advocacy, service provision, infrastructure, and public image. Based on the overall scoring, a country is then given a score based on the following: Sustainability Impeded; Sustainability Evolving; and Sustainability Enhanced.[6] Despite the popular association of sustainability with financial resourcing, there have been few attempts to measure this element as it impacts an entire ecosystem. To date the CSOSI is the only tool that has incorporated financial viability.

There are two major trends that have significantly impacted the availability of resources, according to CIVICUS Secretary General Danny Sriskandarajah. The first trend is government outsourcing what used to be public sector work to the civil society sector, which has contributed to CSOs losing their independence as they rely on the government for funding and setting the terms for their work. The second trend is for funding to go to larger organizations – the "big players" in the space –leaving smaller and local organizations struggling to access resources.[7] As traditional funding and charitable trends shift, "the charitable sector like every other sector in it has to change with the time," states Sriskandarajah.[8]

Achieving sustainability also involves inclusion and shifting the focus from International Non-Governmental Organizations (INGOs) to empowering regional and local CSOs. INGOs tend to have direct access to funding and international policy as opposed to local CSOs. According to Bond, "the current dominance of larger INGOs often means that the potential of local CSOs is not being fully realized. The costs of the perpetuation of this system include lost capacity and expertise, suppression of local voices, and an overemphasis on what matters to funders or INGOs relative to local citizens."[9] Additionally, this pattern also means that there has been less emphasis on civil society sustainability, including research on how innovation and technology can benefit the civic sector.

Given the shift in reliance on governments for funding and funding imbalance with INGOs vs. local organizations, development professional Charles Kojo VanDyck proposes an updated

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[6] (USAID, 2016)

[7] (Johnson 2017)

[8] Ibid.

[9] (Longhurst)

definition of civil society sustainability in his paper on "Concept and Definition of Civil Society Sustainability":

> Civil society sustainability may be defined as the capacity and capability of organized and loosely formed citizens associations and groupings to continuously respond to national and international public policy variations, governance deficits, and legal and regulatory policies through coherent and deliberate strategies of mobilizing and effectively utilizing diversified resources, strengthening operations and leadership, promoting transparency and accountability, and fostering the scalability and replicability of initiatives and interventions.[10]

VanDyck advocates for a shift in the relationship between civil society and donors, particularly in the Global South, to achieve sustainability for CSO activities. This means a shift from the short-term, project-based, ad hoc funding that often exists rather than formalized and long-term funding sources; and a reduction in reliance on donor-driven agendas for civil society development. The alternative solution, according to VanDyck, is for "civil society to shift focus and strengthen their abilities to mobilize resources from their own domestic constituencies and reduce the excessive dependency on foreign donors." This raises questions about tools and methods that civil society organizations can use to increase their capacity to be sustainable.

For civil society sustainability and inclusion within the large network of civil society organizations to occur, further research and analysis must be conducted regarding innovative funding methods that will enable CSOs to access the resources needed for their activities; hence, the relevance and timeliness of this research. Through an analysis of digital money with a specific emphasis on crowdfunding, this research asks questions about the potential for these fundraising tools to strengthen civil society sustainability in the Middle East and North Africa (MENA) region.

MENA Context

Before providing an overview of civil society in MENA, it is necessary to define how this report approaches the usage of the geographical term. There is no universally accepted definition of the countries that define the Middle East and North Africa.[11] For the purposes of this report, the term MENA will refer to those countries often identified as being a part of the Arab world, which includes 19 countries: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Mauritania, Oman, Palestine Territory, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen. Arab countries have a rich diversity of ethnic, linguistic, and religious communities. Israel has been omitted because it often is an outlier when it comes to comparative analysis of countries in the Middle East. Turkey and Iran are omitted as their

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[10] (VanDyck, 2017)

[11] (Doyle, 2012)

primary languages are not Arabic, and the inclusion of these countries in the MENA region is often questioned.

Civil society organizations in the Middle East have faced challenges related to the tumultuous environment ranging from internal and regional conflicts, rise of wars in the region, and severe economic and humanitarian crises. The region remains one of the most challenging in the world to advocate for the protection of human rights, and human rights defenders, activists, and journalists find themselves at risk. The CIVICUS Monitor provides ratings for the state of civil society worldwide based on several sources of constantly-updated data.[12] The five categories are: closed, repressed, obstructed, narrowed, and open. Countries in the MENA region rank within the worst three categories, which leaves no countries or models of civil society in the MENA region with open or narrowed civic space.

MENA COUNTRIES - CIVICUS MONITOR[13]

Closed	Repressed	Obstructed
Bahrain	Algeria	Jordan
Libya	Egypt	Kuwait
Saudi Arabia	Iraq	Lebanon
Sudan	Mauritania	Morocco
Syria	Oman	Tunisia
United Arab Emirates	Palestine Territory	
Yemen	Qatar	

This report aims to provide an analysis of the potential for digital money in four countries – Jordan, Lebanon, Morocco, and Tunisia –of which fall under the "obstructed" ranking on the CIVICUS Monitor as of January 2017. While Kuwait was also included in the same "obstructed" category, this country falls within the Gulf Cooperation Council (GCC) where the enabling environment for civil society is markedly different from the Levant and North Africa in terms of governmental structure and social contract.

An obstructed civic space is defined as following:

> Civic space is heavily contested by power holders, who impose a combination of legal and practical constraints on the full enjoyment of fundamental rights. Although civil society organizations exist, state authorities undermine them, including through the use of illegal surveillance, bureaucratic harassment and demeaning public statements. Citizens can organize and assemble peacefully but they are vulnerable to frequent use of excessive force by law enforcement agencies, including rubber bullets, tear gas and baton charges. There is some space for non-state media and editorial independence, but journalists face the risk of physical attack and criminal defamation charges, which encourage self-censorship.[14]

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[12] More information on methodology can be accessed at https://monitor.civicus.org/Ratings/#obstructed

[13] (Civicus Monitor)

[14] (Civicus Monitor)

Throughout the course of this report, the challenges presented by state regulations on NGOs, CSOs, and the social sector will be discussed. Keeping the obstructed context of civic-state relations is important when considering the limitations but also potential for civil society to benefit from and have an impact on future policy, adoption, and usage of crowdfunding as a viable option for civil society sustainability.

CSOs in MENA

The MENA region has a variety of civil society organizations focusing on servicing citizen needs. The exact number of CSOs in the MENA region cannot be determined since many governments do not disclose data on registered charitable organizations. Even if a list were available, there are also many CSOs at the community level that do not register with authorities.

TYPE

The first type, charitable organizations, have traditionally been religiously-affiliated. The majority are associated with mosques or Islamic religious movements. These organizations receive their funds from *waqf,* Islamic charitable endowments, or donations as part of Islamic values in *zakat* and *sadaqa* that encourage the better-off to donate a percentage of their wealth to the poor. Today, these organizations in the region have strong networks of social welfare organizations providing education, health and other forms of welfare. There have been similar organizations linked to Christian churches existing in Lebanon, Egypt, Iraq, Syria, and Palestinian Territory.

The second type of organizations have been formed by groups of individuals who adopt an organization from which they will derive benefit, such as cooperatives, trade unions, professional associations, or village self-help groups. Another group is public-benefit organizations whose aim is to benefit citizens who have been identified as needing help or assistance – such as foundations and NGOs.

History of CSOs

Prior to the 1990s, CSOs were usually seen as philanthropists and service providers, often in emergency contexts in the MENA region. However, CSOs in the Arab world began to see great development in the 1990s, when NGOs became involved with advocating for equality of rights, especially for women and marginalized communities. The rise in the number of NGOs can be attributed to the need to fill gaps where Arab governments failed to meet the increasing economic, social, health, and cultural needs of their citizens.

Higher education rates and the spread of communication technologies also helped civil society to reach a wider audience across communities, sectors, and borders. Political and economic developments including internal and regional conflict, increased violence and terrorism, and extreme humanitarian crises contributed to a decline in civil society activity. This, combined

with the increasing number of laws restricting the activities of NGOs, media campaigns distorting their image, and intentional targeting by security forces, has led to a decline in activities and resourcing for MENA CSOs.

Funding and CSOs

As discussed above, there is a general decrease in the amount of civil society due to funding cuts at the international levels, shifts in foreign policy, and a trend of INGOs having more access to decision makers and funding sources. Another factor specific to MENA that has recently impacted CSOs, which will be explained in section five, is the role that external funding sources can play in allowing or inhibiting funding for certain civil society projects. For example, the CSO Sustainability Index 2014-2015 indicated that the Islamic State attacks in 2014 and 2015 raised concerns regarding recruitment and financing for extremist activity in the MENA region, prompting intensified security in the forms of laws and regulations aimed at countering violent extremism. This created new restrictions for CSOs, including on their ability to receive foreign funding.[15] Some MENA governments have also echoed this concern and implemented restrictions on NGOs and CSOs, citing anti-money laundering and anti-terrorism as justifiable cause. However, the multitude of these challenges further jeopardize civil society's sustainability.

The protests that swept the Arab world in 2011 leading to the ouster of autocrats in Tunisia, Egypt, and Libya provided hope for the future of civil society in the MENA region amidst the national transitions. International observers compared what they were seeing with the Eastern European transition from communism in the early 1990s. For the first time, there was a large representation of different members of society active—including women and youth—in civic activism and engagement. The Arab Spring provided a glimpse at the power of citizen groups using digital media to organize and collaborate towards political, socioeconomic, and cultural goals and projects. Foreign donors such as the United States and European Union increased funding for civil society, hoping that this would increase the potential for democratic transitions within the MENA region. While the Arab Spring did have some success in increasing civic activism within countries such as Tunisia, the result of the uprisings has led to wars, increased repression, and further crackdowns on civil society. Syria, Libya, and Yemen have been torn apart by internal conflict, intensified by the involvement of foreign actors whether through funding or direct support of militia and weapons.

Amid the closing of civic space in MENA, it is critical for civil society organizations to begin exploring options for sustainable financing. Even if funds are available for civil society initiatives, this report will show the technological, regulatory, and cultural and social challenges that inhibit receiving foreign or local funding—a reality even more complicated when involving new technologies, such as digital payments and fundraising tools like crowdfunding. CSOs are not the only ones facing increasing challenges with sending funds, so are donors, including organizations and individuals.

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[15] (USAID, 2016)

This report seeks to understand the role that digital money can play in strengthening civil society sustainability. Adopting the grounded research methods, this research provides an initial exploratory view at the current status of digital currencies – currencies that quickly revealed the value of the emerging crowdfunding ecosystem as a way for CSOs to raise funds locally and abroad. The emergence of financial technologies and its slow, but steady growth in the MENA has paved the way for a crowdfunding ecosystem to exist.

This report maps how regulatory, socio-cultural, and technological factors impact civil society sustainability in the MENA region's most "relatively open" countries. Before investing the role of crowdfunding in MENA, it is important to understand the history, uses, regulatory environmental, and potential for crowdfunding as it relates to the civic sector.

SECTION 3: LITERATURE REVIEW

Rise of Crowdfunding: 2007-2016

Crowdfunding is the concept of financing by collecting small amounts of funds from a large number of people using web-based platforms, without the use of traditional financial intermediaries. Crowdfunding can be used to fund businesses, social projects, individual needs, new product introductions, non-governmental organizations, and other entities. The idea of crowdfunding is not new. For example, throughout history, churches have sought donations from their worshippers. Another example are the collection boxes that often are displayed in supermarket aisles for charity purposes such as hospitals or emergency relief. The ubiquitous web and mobile-based financing platforms has led to an increase in the use of crowdfunding for both businesses and nonprofit organizations. Both businesses and nonprofits have used crowdfunding to collect money, obtain ideas, and receive feedback, which "fosters an ecosystem of collective decision making."[16]

Internet-based crowdfunding has gained momentum in the past few years as evidenced through its international expansion in the number of platforms built and amount of funding raised.[17] At a time of constrained governmental budgets, it is "an appealing alternative source of funding" for civic projects. It has both financial and non-financial benefits, such as facilitating networking and encouraging collaboration between citizens and government.[18]

Crowdfunding in its current digital form began in the United Kingdom in 2006, and in the United States in 2007.[19] This fundraising method has been steadily growing worldwide since then, with total volumes of funds raised growing from USD $1.5 billion in 2011 to USD $100 billion in 2015 worldwide.[20]

These trends demonstrate the potential crowdfunding has in providing additional financing for organizations, notably in the developing world. In the Middle East and Africa, the transaction value of crowdfunding amounted to USD $156 million in 2017.[21] This is a relatively modest figure, amounting to only 10 percent of the global figures. An outlook report by Statista, which provides access to data from market and opinion research institutions, predicts that the Middle East and Africa regions will witness crowdfunding volume growth of 12.4 percent in the next four years.[22]

This report will explore the potential for an increased crowdfunding activity in the MENA as an alternative form of financing for civil society. Despite its increasing adoption in past few years, academic research on crowdfunding has been scarce and civic crowdfunding activities have

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[16] (*New Approaches To SME And Entrepreneurship Financing: Broadening The Range Of Instruments*)

[17] (UNDP)

[18] (Stiver et. al, 2014)

[19] (Kirby, 2014)

[20] (Bernardino, Freitas Santos And Cadima Ribeiro, 95-115)

[21] (Crowdfunding - Africa & Middle East | Statista Market Forecast)

[22] Ibid.

not been deeply grounded on theoretical areas of impact.[23] Specifically, social crowdfunding focusing on donation-based financing and a comparison between traditional donations and donation-based crowdfunding is an "unexplored" topic in literature.[24] Little research has been conducted with respect to crowdfunding in the MENA region, and the available sources are usually media articles.

Stivar et al. (2014) investigate civic crowdfunding through qualitative research on two US-based crowdfunding platforms (Citizinvestor and Neighborly) and one UK-based platform (Spacehive). According to Stivar, crowdfunding was first documented as a term in 2006, and gained popularity as a practice worldwide with the spread of the global crowdfunding "leaders" such as Indiegogo in 2008 and Kickstarter in 2009. Stevar et al. state that the evolution of contemporary civic crowdfunding can be attributed to four factors:

1.) Increased penetration of the internet and social media among populations and the proliferation of both availability and confidence in digital payment methods.
2.) A direct response to global funding cuts for the civil society and decrease in governmental support to civil society.
3.) An alternative in citizen's expectations, needs and desires of their governments.
4.) Expanded awareness about the benefits of crowdfunding beyond the financial gain, for both donors and campaign creators.[25]

Crowdfunding can provide a vehicle for nonprofit and development programs to fundraise through various means. It can help in "fostering access to capital, managing supply and demand, driving innovation and efficiency, and funding new or blue ocean markets."[26] For example, a Spanish platform Goteo.org manages a social investment fund with financial injections from public entities, business corporations, individuals and private institutions, all of whom co-invest through the platform. Usage of the platform reduces the due diligence burden on each entity as embedded in the platform and security are background checks, fraud detection and anti-money laundering tools.[27] It also reduces risk of project failures by distributing risk among various investors.

There are four types of crowdfunding:

1.) **Donation-based:** a donor commits an amount of money without any expected reward.
2.) **Rewards-based:** a donor commits an amount of money for some type of gift, product or service.
3.) **Lending:** a payer lends an amount with a contract of repayment with interest.
4.) **Equity:** a payer gives an amount in exchange for a shareholding contract, shares, equity-like instruments or revenue sharing.[28]

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[23] (Stivar et al., 2014)

[24] (Bernardino, et al. 2016)

[25] (Stivar et al., 2014)

[26] (Gadja, et al. 2013)

[27] (Goteo)

[28] (Zeoli, 2018)

The focus of this research will be on **donation-based** and **rewards-based crowdfunding** as they are the types that are most relevant to nonprofit organizations and civil society. It is important, however, that the remaining two models (lending and equity) are considered in future research on financial and economic inclusion, as well as support for social entrepreneurs.

Donation-Based Crowdfunding

Donation-based crowdfunding is when individuals, also known as donors, send small funds to individuals or entities, known as beneficiaries, with no expectation of financial return. This form of crowdfunding is mostly used in the nonprofit sector to support social, political, and environmental projects. Platforms supporting such crowdsourcing activity derive their revenue stream from taking a percentage of donations collected. There are two types of campaigns on such platforms.

1.) **All-or-nothing** campaign is where beneficiaries will not receive any of the funds if the campaign goal is not reached. Throughout the campaign, contributions are pre-approved but the transactions will not complete until the campaign reaches its goal.

2.) **Keep it all** campaign allows beneficiaries to receive whatever amount they have raised regardless of the amount or how long it takes. Contributions are processed immediately providing a way for instantly accessing the funds.[29]

Donation and rewards-based crowdfunding have benefits that cannot be achieved through traditional fundraising methods. According to Gajda and Walton (2013), crowdfunding platforms allow donors to see in detail and through visuals what projects their money would be used for, and thus the civil society organization (CSO) could raise higher amounts per donor. The fast flow of information and transparency offered through crowdfunding reporting could encourage donors to become recurring supporters if the updates are regular. Moreover, projects that are guided by nonprofits have a higher chance of receiving funding "from the crowd."[30] This relationship has been confirmed both theoretically and empirically.[31] The following chart lists benefits and risks of donation-based and rewards-based crowdfunding for CSOs.

BENEFITS[32]

For Donors	For Beneficiaries

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[29] (Cummings, Leboeuf, & Schwienbacher 2015)

[30] (Moritz et al., 2016)

[31] (Belleflamme et al. 2013; Belleflamme et al. 2014)

[32] (The added value of crowdfunding, 2013)

Community participation and feeling of altruistic benefits: donors stay in close proximity to the activities they support, providing them with a unique level of transparency	Cheaper funds
	Raising funds from outside immediate and known networks
	It helps an institution to cost-efficiently analyze the market in terms of consumer interest and product demand
Use donations as a tax shield	Visibility of institution outside immediate social circles, and free publicity
	Provides space for little to unknown organizations/groups raising funds.
	Reduces risk of failure as concept and project(s) are validated through success of campaign

RISKS[33]

For Donors	For Beneficiaries
Fraud (cyber-attacks, fake campaigns)-- this is especially relevant when the projects are run by individuals rather than institutions	Cost of campaign (cost of registering on platform) if project did not succeed in raising sufficient funds, it is also costly to design and run campaigns

Rewards-Based Crowdfunding

Rewards-based crowdfunding is similar to the donation-based model, but with the addition of non-financial reward to donors. Common examples include artist's autographs, t-shirts, or names in movie credits. This type of crowdfunding is commonly used to fund creative projects or new innovations. Rewards-based crowdfunding shares the same benefits and risks of donation based crowdfunding, with additional benefits listed below.

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[33] ibid.

ADDITIONAL BENEFITS[34]

For Donors	For Beneficiaries
Pioneer status: preferential access with the project or invention	Deeper level of connection and engagement to the community of donors

ADDITIONAL RISKS[35]

For Donors	For Beneficiaries
Incompetence of final product or reward delivered	Risk of high opportunity cost
Lack of due diligence by relying on wisdom of the crowds	Compromised intellectual property rights

For civil society to utilize the benefits of crowdfunding, a dynamic ecosystem is vital. The next section will delve into the structure of crowdfunding to lay the grounds for mapping the donation and rewards-based crowdfunding ecosystem in MENA.

The Crowdfunding Ecosystem: The big picture

A crowdfunding ecosystem is complex, especially one that involves lending and equity crowdfunding. This research adopts social innovation researcher and specialist Nanette Levinson's definition of an ecosystem as "both the network of organizations involved in a formal alliance, and the connections and characteristics of the environmental settings of each individual, participating organization, as well as of the current (or planned) alliance as a whole."[36] The focus of this research on donation and rewards-based crowdfunding follows a simpler ecosystem than equity and lending based, mainly because regulation regarding lending and capital investments do not apply. Only donation and money transfer regulations apply in this case, which are somewhat complex in the MENA due to tight governmental control on civil society funding.

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[34] ibid.

[35] ibid.

[36] (Levinson, 2010)

A study by the Multilateral Investment Fund on building a crowdfunding ecosystem in Chile describes the crowdfunding ecosystem as consisting of the following building blocks:

- Platforms are a website or application that enables individuals and entities to upload projects and share them via social media; are the central points of crowdfunding ecosystems; and match demand for crowdfunding with supply.
- Demand side are individuals and institutions seeking funds.
- Supply side consists of community backers and donors.
- Enablers: payment systems, payment service providers, technology infrastructure and data analytics.[37]

According to the World Bank, successful crowdfunding ecosystems are influenced by regulation, cultural and sociological factors, and technology penetration.[38] Regulation includes CSO funding, money transfer, anti-money laundering and anti-fraud regulations. There is a fine line between too much regulation that stifles the ecosystem, and too little regulation which might allow illegal activities to flourish. According to Richard Swart, Director of Research at The Program for Innovation in Entrepreneurial and Social Finance at the University of California, Berkeley, governments should draw regulatory frameworks with a sound structure that provides both protection and still allows space for a "robust market to form."[39]

Given the nature of donation and rewards-based crowdfunding, they are typically not regulated the same way as equity crowdfunding and lending. Instead, they are regulated under the donations law. The tendency for crowdfunding regulation to fall under the donations law is due to the fact that crowdfunding is a relatively new phenomenon and many countries have yet to draft a relevant regulatory framework. The United States is an example of a country that has adopted specific regulation for crowdfunding across the legal system. Heavier regulation is placed on lending and equity-based crowdfunding; however, laws that apply to donors and beneficiaries transacting using crowdfunding services in the United States fall under the Crowdfunding and Financial Inclusion civil code, tax laws, charity and public fundraising laws, consumer protection law, data protection law, and criminal law (fraud, cyber-attack).[40]

Sociological factors includes trust in other individuals, tolerance of risk, the rise of social entrepreneurship, visibility and promotion of successful campaigns.

Technological factors include increased access to internet on computers, tablets, and mobile phones; the boom of online applications and e-commerce; increased use of social networks; the presence of international and national money transfer tools and the readiness to embrace technological innovations.[41] Social media usage is a key component of crowdfunding due to its natural appeal to community engagement. In crowdfunding, a community of supporters, both online and offline, is pivotal to CSO crowdfunding, as they are needed to

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[37] (Milateral Investment Fund, 2015)

[38] ibid

[39] (Swart, 2017)

[40] (Jenik et al., 2017)

[41] (Jenik et al, 2017)

create the buzz for a campaign to gain a wide audience and enough traction to attract donors.[42]

This research draws from primary and secondary research to analyze the crowdfunding ecosystem in the MENA region detailing the sociological, technological and regulatory environment where data permits. Prior to contextual analysis, , the key indicators for analysis of the crowdfunding ecosystem are explained in the next section.

SECTION 4: TECHNOLOGICAL ENABLERS OF A CROWDFUNDING ECOSYSTEM IN MENA

Crowdfunding can be used to fund an array of organizational and individual needs. The rise in digital and financial services and explosion of social media in the past ten years has facilitated the growth and scale of crowdfunding as a funding option using the internet. Crowdfunding is often associated with raising funds via bank-issued credit and debit cards. However, it can be achieved through digital money services through both bank and non-bank providers. For example, mobile money and centralized payment points could be a facilitator of crowdfunding from the donors side.

The use of crowdfunding in the MENA region depends largely on technological factors including the availability of these online crowdfunding websites, sociological norms including their adoption and usage, as well as the regulatory context. The digital money payments related to crowdfunding will be referred to henceforth as "technological enablers of crowdfunding" in this report. The following section describes factors that influence these technological enablers of crowdfunding, including: internet and mobile penetration, social media users, credit card penetration, online buyers and mobile payments. Next, this section describes components comprising the financial technology ecosystem in the MENA region. Finally, this section concludes with an analysis of what the market forces driving the fintech ecosystem mean for the advancement of crowdfunding among civil society organizations in the region.

Technological Enablers of Crowdfunding

Internet Penetration

The internet penetration in the MENA region in 2016 stood at 47 percent,[43] rising triple fold from only 20 percent in 2009.[44] There are wide discrepancies in the use of internet among

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[42] (Stiver et al., 2014)

[43] ("Individuals Using The Internet (% Of Population) | Data.")

[44] ("Internet Penetration In Middle East Tripled In 8 Years")

different countries of MENA. Usage is low in countries ridden by war and conflict (i.e. Yemen, Syria and Iraq have internet penetration rates of between 24 percent and 36 percent) while the rest of MENA countries have internet penetration rates above 50 percent.[45] The countries from the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates--have the highest internet penetration, above 90 percent. Moreover, the region is moving quickly to mobile broadband service. By mid-2016, mobile broadband (3G and above) accounted for more than 40 percent of connections, up from just under 30 percent in 2014.[46]

The Global System Mobile Association (GSMA) predicts that 61 percent of total connections will be mobile broadband by 2020. The internet penetration in MENA is higher than the global average of 51 percent. Compared to other regions, MENA has a higher average internet penetration than Asia (46 percent), Africa (30 percent), but lower than Western countries such as Latin America (68 percent), North America (88 percent) and Europe (80 percent).[47]

The rise of internet penetration is vital to the success of the crowdfunding ecosystem, and is one of the channels that have the potential to provide larger donor pools for crowdfunding campaigns. The greater the percentage of the population on the internet, the higher exposure campaigns produced by civil society, which can lead to higher community engagement and possibilities of campaign success.

Mobile Penetration

By mid-2016, there were 339 million unique subscribers across the Middle East and Africa region, accounting for 60 percent of the population –the second least penetrated region in the world. There is a wide gap between countries in the region, from the GCC states where 77 percent of the population on average are mobile subscribers, to some of the African Arab states such as Comoros, Djibouti and Somalia where subscriber penetration is less than 30 percent.[48]

The number of smartphone connections has more than doubled over the last three years to reach 263 million in the second quarter of 2016 – this accounts for 42 percent of total connections in the region. MENA will see the second fastest growth in smartphone adoption of any region over the next few years (behind Sub-Saharan Africa), bringing smartphone adoption to 65 percent by 2020, largely closing the gap on the global average.[49]

Social Media Usage

The momentum of social media increase in MENA provides a window for civil society to create community following and engagement with their work, and a solid foundation for the needed offline and online communities for crowdfunding. As covered in the literature review, social media usage is a "key component" of crowdfunding due to its natural appeal to community

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[45]("Middle East Internet Statistics, Population, Facebook And Telecommunications Reports")

[46] ibid

[47] ibid

[48] (GSmA: The Mobile Economy Middle East and North Africa, 2016)

[49] ibid

engagement.[50] In crowdfunding, a community of supporters, both online and offline, is pivotal to CSO crowdfunding, as they are needed to create the buzz for a campaign to gain a wide audience and enough traction to attract donors.[51] The rise of social media use and penetration in MENA and the increased adoption of different social media platforms allows crowdfunding campaigns created by civil society to be promoted among a greater and more diverse body of people, and provides space for CSOs to breach barriers for philanthropy both in their local communities and in the diaspora. CSOs and the social sector has the ability to take advantage of rising social media adoption in MENA to help in activating community engagement both online and offline. The demographics on social media users would help CSOs in their targeting when conducting campaigns.

HIGHLIGHTED FACTS AND FIGURES

Arabic Language: There has been an unprecedented increase in the use of Arabic language in social media in the past two years, and for the first time, it is the major language of social media activities in the region.[52] Regional Arabic language use on Facebook has increased from 43 percent to 55 percent between 2015-2017, and 72 percent of tweets in the region are now in Arabic. This increase has been led by the rapid increase in North African countries' use of Arabic on social media. However, use of Arabic has decreased in the GCC in the past two years.[53]

Youth: Not unlike its population structure, the users of social media in MENA countries are young: 64 percent of social media users are under 30 years old.[54]

Gender Gap: Conservative estimates state that only one out of three social media users-- including on Facebook and Twitter--are female. This ratio has remained unchanged over the past six years. In the GCC, one out of four users are women compared to one out of three in other MENA countries.[55]

Regional penetration rates: The GCC leads with the highest social media penetration of sub regions in the Arab world, and are in the top five spots of MENA countries in using Facebook, Twitter, LinkedIn and Instagram.[56]

Facebook: Globally, Facebook is the most popular social media platform, with 1.79 billion active users. In the Arab world, it is the most popular social media platform, with a regional penetration rate at an average of 34 percent. Facebook had 156 million users in early 2017, an increase from 115 million users in 2016. The majority of users are also young with around 64 percent of Facebook users under the age of 30, and 32.3 percent being women.[57]

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[50] (Moisseyev, 2013)

[51] (Stivlar et al., 2014)

[52] Salem, F. (2017).

[53] ibid

[54] ibid

[55] ibid

[56] Ibid.

[57] ibid

Twitter: Globally, Twitter has 307 million active monthly users, with 11.1 million in the MENA region. The number of MENA users on Facebook has doubled from 5.8 million regionally three years ago. The percentage of female users on Twitter is at 32 percent, a decline from 36 percent two years ago. Saudi Arabia has the most users on Twitter in the region. More than half of tweets in Arabic are generated from Egypt and Saudi Arabia. Four out of five active users tweet using a mobile device.[58]

Credit Card Penetration

The MENA region has a largely unbanked population (individuals who do not use banks in any capacity). Only one in five adults have a bank account. Credit card adoption is relatively low, and huge discrepancies exist among countries inside the region. Kuwait, for example, has an extremely high credit card penetration rate of 97 percent, around 85 percent in UAE, 45 percent in Saudi Arabia and Qatar, while penetration is 15 percent in Lebanon and less than 10 percent in Egypt and Morocco.[59]

Online Buyers and E-Commerce

The MENA region is not a strong e-commerce market in terms of e-commerce to GDP ratio, although it is growing at a rapid rate. The region's e-commerce activity has increased by 18 percent from 2014 to 2015. While this demonstrates a larger growth rate than Europe and North America in the same period, this only represents 0.71percent of the MENA GDP in 2015. In comparison, e-commerce worldwide averaged 3.1percent of GDP.[60] Although e-commerce is increasing in the region, it still comprises a small fraction of the worldwide e-commerce activity, with online buyers in MENA representing only less than one percent from the total worldwide online buyers in 2015.[61]

Similar to internet and mobile penetration, there are large discrepancies in the number of online buyers and e-commerce volumes between different countries in MENA, where the largest growth in e-commerce was in Saudi Arabia, United Arab Emirates (UAE) and Egypt. The smallest growth was in Lebanon and Qatar. In terms of online buyers to population ratio, Kuwait and the UAE have the highest number of online buyers in 2015, at 70 percent and 83 percent respectively.[62]

Mobile Payments

The increase in mobile penetration coupled with a largely unbanked population has the potential to dramatically disrupt mobile payment solutions. However, this has not been the case in the MENA region thus far, as there have been no significant mobile payment adoption in any of these countries. Some payment systems do exist such as the interporality mobile system in Jordan, which boasts the only cross platform mobile support systems in the region. Despite this, mobile money is not widely used. Crowdfunding platforms serving the region do

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[58] (Salem, f., 2017)

[59] ibid

[60] (Global B2C Ecommerce Report 2016)

[61] (Number of Digital Buyers Worldwide)

[62] (State of Payments, 2017)

not use mobile money as a payment option, due to delay in payments by the telecommunications companies, and ten percent payment default rates.[63]

Conclusion: Technological Enablers Landscape

This section provided a mapping of technological enablers of crowdfunding in the MENA region. It included figures on internet and mobile penetration, social media usage and demographics, credit card penetration, online buyers and mobile payments. As outlined in the literature review, the World Bank stresses the importance of the technological landscape as a necessary factor for the success of the crowdfunding ecosystem, including increased access to internet on computers, tablets, and mobile phones; the boom of online applications and e-commerce; increased use of social network, international and national money transfer tools; and the readiness to embrace technological innovations. [64]

The data analyzed showed that MENA is close to global averages in terms of internet and smartphone penetration, while lagging behind Europe and the United States in these figures; yet, the region has a higher number than Africa and Southeast Asia. In terms of payment services and e-commerce, the volumes of transactions are still very low compared to the rest of the world.

Moreover, there are large discrepancies in technological indicators across countries and subregions of the Middle East. For example, the GCC countries are much more advanced in all factors mapped than other countries, thus these countries yield different recommendations regarding crowdfunding as compared to countries with a very high number of unbanked populations such as Egypt, Lebanon and Morocco, where crowdfunding could be based on platforms that accept non-bank payment transfers.

Overall, the internet and mobile penetration rates and social media demographics outlined show that technological enablers of crowdfunding are present in the MENA region, providing a solid foundation for the birth of what has the potential to be a robust crowdfunding ecosystem. However, the mapping of e-commerce has provided a glimpse of slow adoption of different digital payment methods in MENA. Payment options are vital for crowdfunding campaigns to work, and this report will demonstrate efforts from existing platforms to find innovative solutions for the lack of digital payment options. Before delving into the current landscape of crowdfunding platforms, the presence (or lack of) digital payments option is better understood by mapping the financial technology (fintech) landscape in MENA.

Financial Technology

Digital Money in MENA and its potential spillover to civil society

The rise of the internet in the 1990s, followed by the availability and rapid usage of smartphones has had a massive impact on society's everyday actions and interactions. Building on the possibilities available with internet and mobile phone usage, financial technology

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[63] (Absi, 2017)
[64] (Jenik, 2017)

(fintech) has been growing fast in the past few years, as seen by global investments in disruptive fintech innovations. Fintech innovations cover a multitude of areas, several of which include e-commerce, utility payments, international transactions, online peer-to-peer lending, and wealth management. Despite its beginnings within solely e-commerce and for-profit organizations, the fintech industry is spilling over to community organizing. Examples of this include fintech initiatives for refugees (see www.techfugees.com) and crowdfunding platforms for nonprofit projects (e.g. generosity.org and givingloop.com).

Investment in fintech has risen from USD $1.8 billion in 2010 to USD $17.4 billion in 2016.[65] In 2015, half of these investments were in the United States alone, though investments in other regions have been growing rapidly. Asia's share in fintech has tripled from six percent to 19 percent between 2010 and 2016.[66] The innovations differ between emerging and developed markets, with the latter catering more to unbanked and underbanked populations. In MENA, an area with largely unbanked populations, fintech's rise in popularity in 2017 can largely be attributed to a dramatic rise in interest among investors starting in 2015.

Most fintech startups in MENA are modeled after successful U.S. and European companies, and the region has seen an extraordinary growth in fintech investments in since 2015. Investment of fintech in the region has grown 71 percent from July 2015 to June 2016.[67] In the year 2017, USD $50 million had been invested by September, compared to USD $100 million in the past 10 years combined. With respect to sectoral performance in overall performance, e-commerce and fintech retained top positions in 2017, accounting for almost 12 percent of all investment deals in the MENA region.[68] Fintech startups have sprouted in 12 MENA countries; three out of four of these startups are based in the UAE, Lebanon, Jordan or Egypt, with the UAE being the most concentrated Hub. By the end of 2015, there were 105 fintech startups in MENA, half of which are dedicated to payment solutions.[69] The same report indicates estimates that the number of fintech companies will double by 2020. With a population of four million in MENA, this is a very low number of companies: the ratio is 1 company serving 38,000 people.

FIGURE 1: FINTECH STARTUPS IN MENA
Source: WAMDA & Payfort State of Fintech Report 2016

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[65] (Wintermeye, 2017)

[66] Ibid

[67] (State of fintech, 2017)

[68] (Hariharan, 2018)

[69] (State of fintech, 2017)

- North Africa
- GCC Countries
- Levant
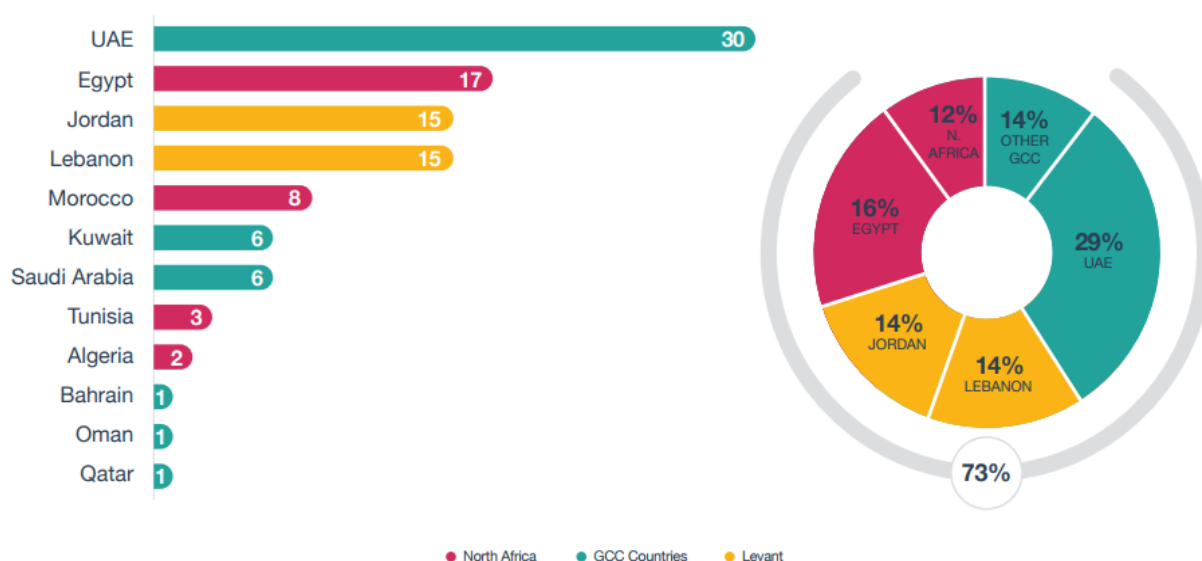
Fintech Services in the MENA region

Fintech was initially associated with three services, commonly named as first wave sectors – lending, capital raising, and payment solutions, which includes crowdfunding platforms and peer-to-peer lending networks. Recently, three trends show the rise of a second wave sector that includes international money transfers, wealth management, and insurance. Globally, 50 percent of fintech startups are payments (first wave), 34 percent are lending and capital raising (also first wave), while 16 percent are in the second wave sector.[70] In MENA first wave startups are prominent among fintech services, with payments and lending startups comprising 84 percent of all startups.[71]

Payment services

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[70] (State of Fintech, 2017)

[71] ibid

Payment services are convenient services used on smartphones or centralized payment points where individuals can pay bills, make national payment transfers, buy tickets online, and instantly send money to e-commerce. Fintech payment solutions are lower in cost than traditional services, are more convenient, and provides a solution for access to money transactions for the unbanked.

Lending services

Lending startups include crowdfunding, peer lending and loan comparison platforms. Fintech solutions remove the monopoly from banks and allow the unbanked population to have access to capital, and can compete with banks on providing small and medium-sized enterprises (SMEs) with lower lending rates. Community platforms such as crowdfunding provides access of funds to the unbanked, and provide an additional possible source of funding for CSOs. Furthermore, fintech lending offers increased transparency as well.

FINTECH EXAMPLES FROM MENA

Name of Company	Service	Country	Description
Madfoo3at	**Bill Payments**	**Jordan**	A startup founded in 2012, it won a national contract from the Jordanian government to build the national electronic bill payment gateway (eFAWATEERcom). It is connected to 23 out of 25 of Jordan's 25 banks, and citizens can pay most bills and governmental fees and fines through this gateway. It processes around 4000 bill payments every day, and is currently planning its expansion to other countries. www.madfooat.com
Liwwa	**Peer-to-Peer Lending**	**Jordan**	Liwwa is a platform where private investors can provide lending to SMEs, through an innovative lending score model. By 2016, it was able to move USD $2.5 million to 104 companies. www.liwwa.com

Zoomaal	Crowdfunding	Lebanon	Founded in 2012, Zoomaal is a platform where individuals and groups can pitch their projects to a wide audience that includes the Arab diaspora. To date, the platform has transferred around USD $2 million into over 140 projects. In 2016, Zoomaal introduced GivingLoop, a platform where nonprofits and social initiatives are able to raise recurring monthly donations from their community. www.zoomaal.com
Durise	Equity Crowdfunding	UAE	Durise, founded in 2014, offers equity stakes in crowdfunded commercial and residential buildings. It takes care of managing the real estate it gathers for, allowing individuals to invest a small amount of money compared to traditional real estate investments. www.durise.com

Opportunities and Barriers of Fintech for Crowdfunding in MENA

The rise of fintech in the MENA region provides an opportunity for civic society crowdfunding. As the crowdfunding ecosystem depends on technological factors and enablers which include payment options, crowdfunding needs a viable fintech landscape to thrive, specifically in terms of available payment options. The section preceding demonstrated the presence of a growing fintech landscape in the MENA region both in terms of investments in the sector and an increase in the number of service providers of different payment options. Fintech can be considered the pipeline for crowdfunding and its strengths, opportunities and challenges are applicable to the crowdfunding ecosystem as well.

OPPORTUNITIES

- Only one in five adults in MENA have a bank account. MENA's banked population is increasingly looking for a digital banking experience. Customers are unsatisfied with banks: one in three bank customers wants to switch their bank. A survey commissioned by Payfort of 1,429 banking customers in MENA found that 47 percent of bank customers were interested in using services provided by new companies offering payment, lending and investment solutions. Innovative fintech solutions can provide new payment and capital raising option for the unbanked population, which is a large marker (75 percent of the population in MENA). These solutions would also increase the

pool of people who have access to payment options to be able to support civil society asking for donations via digital channels.[72]

- E-commerce is forecasted to quadruple in the next five years according to Payfort and Wamda. Consequently, the adoption of digital payment options by users in MENA will rise. The rise of payment options provides a larger pool of possible donors for crowdfunding campaigns.[73]

BARRIERS:

There are several cultural and regulatory barriers surrounding the spread of fintech in MENA, including, but not limited to:

Cultural:

- Lack of trust in fintech startups by the population in MENA due to security and scam concerns.
- Lack of awareness and understanding about available digital services among the banked population.
- Security concerns drive customers to prefer dealing with cash over digital money in MENA.
- Fear of online scammers keep unsatisfied bank customers loyal to their banks.**[74]**

These cultural barriers are also applicable to crowdfunding. The lack of trust in payment options and the lack of knowledge of available digital services creates a weak "cultural" building block of the crowdfunding ecosystem. As outlined in the literature review, the World Bank defines sociological factors such as trust and rise of entrepreneurship as vital to the crowdfunding ecosystem. This lack of trust could prevent possible donors to trust in crowdfunding platforms and the payment methods that facilitate donations.

Regulatory:

Regulations are another hurdle facing fintech in the region. More than 85 percent of fintech entrepreneurs surveyed by Wamda and Payfort would relocate their business for better regulations, with one in two entrepreneurs reporting that dealing with regulations in the region is very bad. Governance of financial service companies are designed with traditional banks in mind, and are extremely expensive to set up. It is illegal in most MENA countries for non-bank institutions to operate as a payment transfer or payment company, although some laws are changing –which will be discussed later in this report. Many fintech startups are operating in a grey zone, as applying for a license could cost from USD $1 to $3 million, capital most startups often do not have. Many startups try to partner with a bank early on, a reality which is a hurdle for many fintech startups where this might not suit their model. Donations and charity

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[72] (State of Fintech, 2017)

[73] ibid

[74] ibid

are highly regulated in MENA, with most donation activities requiring governmental licenses. There is a lack of regulation around crowdfunding and peer-to-peer lending.[75]

Because of the complexity of civil societies – the intricate non-governmental aspects of a community – businesses and for-profits have historically shown a faster adoption rate of technology in comparison. It is inevitable, however, that new technology spills over to social entrepreneurship and civil society support. Financial technology can bring digital financial services to the unbanked and the marginalized, and "there is growing enthusiasm about the positive disruption digital financial services can bring to the financial inclusion industry."[76]

Civil society can use these disruptive tools and find alternative sources of funding through the fintech world. As customers move from traditional cash-based payments and bank services, civil society can find new opportunities for fundraising online. Moreover, civil society can use the efficiency and access of fintech services to distribute cash more safely to its targeted communities. For example, the Syrian refugee crisis has pushed many institutions to think of digital payment solutions as a means for helping in the humanitarian sector. Mastercard and Visa have started using digital accounts that will help with the financial inclusion of refugee populations, including allowing savings accounts and access to lending.[77]

The emergence of financial technologies and its slow-but-steady growth in the MENA has paved the way for a crowdfunding ecosystem to exist. The core components of the crowdfunding ecosystem, namely platforms, demand side, supply side and enablers, are supported by the emergence and growth of a fintech ecosystem in MENA. Moreover, crowdfunding as part of a fintech ecosystem has been gaining momentum in the region, as measured by the campaigns initiated, regulations in discussion, and other factors that will be explored in the following section.

State of Crowdfunding in MENA

Crowdfunding in the MENA is at its early stages, yet the rate of new platforms being launched indicates that crowdfunding will become increasingly popular in the coming years.[78] Since there is no legal framework for crowdfunding in any MENA country, most platforms targeting the region are set up in Europe or the USA. Afrikwity, an equity crowdfunding platform targeting North and Western Africa, was set up in France. Zoomaal, a rewards/donation-based platform targeting the MENA, was set up in the United States, and GoFundy, a donation-based platform based out of France and Tunisia, and targeting North Africa, is registered in France.

According to the Alternative Finance Benchmarking Report by Cambridge University, the Middle East and Africa are still at the early stages of crowdfunding compared to the global market, yet donations and rewards-based crowdfunding are well established in the MENA.[79] While a comprehensive analysis of the donation-based crowdfunding ecosystem in MENA with a focus on Tunisia, Morocco, Jordan and Lebanon will follow, it is worth noting that a few

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[75] (State of Fintech, 2017)

[76] (Ammar, 2017)

[77] ibid

[78] (Swart, 2014)

[79] (The Africa And Middle East Alternative Finance Benchmarking Report, 2017*)*

scholars position MENA as an extremely appropriate cultural environment for crowdfunding. For example, Richard Swart writes that MENA could host the next crowdfunding boom, due to both Islamic finance preferences and the large percentage of youth in the population. He describes the youth in the region as smart, ambitious, technologically savvy, and innovative risk takers. Swart points out that Islamic finance and crowdfunding have "rooted similarities in their philosophy."[80]While the scholars write about equity crowdfunding, the similarities Swart draws between Islamic financing principles and crowdfunding applies to donation based crowdfunding. Both are similar in terms of equalizing risk sharing, building communities, democratizing access to funds, and fair distribution of wealth.[81]

The following section draws from primary data and secondary data to describe the existing ecosystem of donation and rewards-based crowdfunding in MENA, with detailed exploration of Tunisia, Lebanon, Jordan and Morocco. The section heavily relies on interviews with civil society actors and founders of the major crowdfunding platforms that have emerged from the region, namely Zoomaal, Cofundy and HappySmala. The insights from the founders on the cultural, regulatory and technological factors of crowdfunding aid in understanding the reasons why the ecosystem is lagging behind the rest of the world. Through a closer look at the ecosystem's different building blocks, the next section examines strengths and weaknesses in the ecosystem and then draws conclusions and recommendations for further development of the ecosystem of these countries as well as recommendations for further research.

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[80](Swart, 2014)

[81]Ibid

Section 5: Crowdfunding and its potential in "relvatively open" MENA countries

Snapshot: Crowdfunding Numbers in MENA

Crowdfunding in MENA is still at its early stages, and its progress is different across countries. In the west side of North Africa (Morocco, Tunisia, Algeria), it is still at "year zero of crowdfunding." Morocco has collected USD $540,000 via crowdfunding between 2009 and 2015, and that includes all types of crowdfunding (lending, equity, donations). In Tunisia, in the same time frame, only USD $361,000 were collected. Libya and Algeria are further behind. In those countries, the largest funded projects were humanitarian.[82]

The more developed group in terms of crowdfunding in MENA is Lebanon, Jordan and Egypt. More than USD $1 million were collected in each of these countries between 2009 and 2015, mostly for individuals and companies. The Palestinian Territories (Gaza and West Bank) had the highest ranking of crowdfunding donations between 2009 - 2015, with more than USD $2 million collected in this period, mostly for humanitarian and aid purposes.[83]

Regulation on donation-based crowdfunding in MENA

According to Abdallah Absi, the founder and CEO of MENA's leading crowdfunding platform, Zoomaal, the regulation of donation-based crowdfunding is not different than regulations regarding receiving grant money from outside, since all crowdfunding platforms serving the region are registered as a company abroad. After all, transfers of successful crowdfunding campaigns are merely donations collected through a platform. There are discrepancies in regulations around how different countries allow CSOs to raise donations and receive funds, which are applied in the case of crowdfunding. Moreover, regulations on money transfers from payment providers in the United States apply some restrictions on money transfers as well. The following section begins with an overview of transferring money using these payment services, then provides an overview of regulations regarding receiving the transfers in different MENA countries.[84]

Sending crowdfunding campaign payments from USA to MENA

Abdallah describes setting up the Zoomaal platform with a viable payment transfer solution as a tough process. When Zoomaal began, they did not receive approval to collect credit card

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[82] (Mayard, 2016)

[83] Ibid

[84] (Absi, 2017)

payments from crowdfunding donors. Although Zoomaal wanted to register in Lebanon in the beginning, it could not get any bank to give them payment processing; therefore, the company registered in the United States (USA) where it is possible to establish a payment solution in one day. It is only once a company's account reaches a certain threshold, e.g. USD $50,000, that the payment service provider will flag accounts to ensure all financial transactions are in compliance with domestic and international regulations.[85]

Zoomaal began using Stripe, a payment service provider in the USA. Once Zoomaal's account reached USD $50,000, Stripe stopped allowing them to send international transfers, and informed them that their account would be closed within two weeks.[86] Zoomaal began jumping from one gateway to another, until they finally found a provider that agreed to send international transfers to projects in MENA. It took them nine months to close the agreement. However, the minute Zoomaal tried to send money to Dubai, the payment provider stated that they could no longer send money to MENA countries. Eventually, Zoomaal's team went back to Lebanon and expressed their interest in working with local companies. They were finally able to secure an agreement with the Lebanese Bank Audi to handle their donations collection and money transfers, and since then it has since been a smooth agreement that suits Zoomaal's needs.[87]

Besan Abu Joudeh, founder of Build Palestine, a donation-based crowdfunding platform that reaches out to the Palestinian diaspora to support Palestinian projects, echoes Abdallah's experience in obstacles faced during transferring money from the USA to Palestinian Territories through certain payment providers. Build Palestine, a month after operation, was surprised that their payment service provider, Stripe, closed their account because they transferred money to the MENA. Build Palestine decided to stop processing payments and instead started using Generosity.com, an Indiegogo spinoff crowdfunding platform that supports community initiatives and processes payments itself. Build Palestine curates and vets the projects, while Generosity serves as the platform where money is collected from donors, and transferred to the campaigners.[88]

Receiving campaign money in different MENA countries

Besides governmental closure on permissions of operations, there are various restrictions on receiving civil society funding in MENA. Their restrictions apply to receiving crowdfunding since it is treated as merely a grant transfer received from foreign donors (since the platforms are registered in USA or France). The crowdfunding model that Zoomaal operates as (rewards-based donations) does not require regulations regionally. However, bank transfers need the trust of the banks. Zoomaal gained that trust by applying a sophisticated vetting framework. Zoomaal ensures that all the projects on its platform are real through the following vetting process:[89]

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[85] (Absi, 2017)

[86] Ibid

[87] Ibid

[88] (Abu Joudeh, 2017)

[89] (Absi, 2017)

- **Verification of documents** provided by the company and/or individual to ensure the person is real and cross check against blacklists.
- **Social proof:** check circle of friends and family of campaign creators.
- **Check the project:** project validity, an online video, etc.

The banks also need to verify this information to avoid money laundering and counter terrorism.

Although there are no regulations around crowdfunding itself, the difficulties that crowdfunding platforms face when transferring money to each country in the MENA are different. In every country, Zoomaal sends the bank a copy of the passport and the name of the project's owner.[90]

- In Dubai, it is a grey area. An individual, company or non-governmental institution needs permission from the Ministry of Interior to fundraise, due to a case where an Afghan citizen started an online campaign to collect money for a charity, and it turned out to be a fraud.[91]
- In Egypt, if a CSO is receiving money from outside, it needs approval from the Ministry of Interior to complete a transfer. The government is currently scrutinizing all foreign money that is coming in to CSOs and other social projects. Zoomaal had many successful campaigns in Egypt, and when it was a registered CSO it was not that difficult to receive the approval. This approval is not required for individuals and companies.[92]
- In Lebanon, there are no such issues.[93]
- In conflict areas such as Syria, Sudan and Libya, crowdfunding platforms cannot usually send money there. For campaigns that are in these countries, Zoomaal asks them to provide a bank account that is elsewhere. Zoomaal makes sure that the connection is trustworthy and then send the money.[94]
- In Jordan, banks check foreign transfers to individuals. As for CSOs, they need a complicated process of permission to receive grants from abroad, detailed later in the report when discussing the crowdfunding ecosystem in Jordan.[95]

Payment Options for Donating to Crowdfunding Campaigns inside MENA

Given the low credit card penetration rate in MENA, crowdfunding platforms have to find other ways to allow donors from the region to send money. Offline payments was one solution that Zoomaal has adopted. Mobile payments, however, were not successful.

Offline payments, Zoomaal:

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[90] ibid

[91] ibid

[92] ibid

[93] ibid

[94] ibid

[95] ibid

With the low credit card penetration rate, and the reality that in Morocco and Tunisia people cannot fund projects because their credit cards can only work with payments inside their own countries, Zoomaal applied an offline payment solution, which now accounts for 45-50 percent of payments. The offline procedure goes as follows:

1. A donor who wants to support a new project can pledge to pay once the project is successful.
2. The donor includes his/her person name, number, email, uploads a passport of the passport copy, and signs and certifies the agreement.
3. The form includes the preferred method of transfer that the donor intends to use, such as Western Union or meeting the project manager in person to give funds.
4. The project owner then approves the offline payment.[96]

As for mobile payments, Zoomaal (and Liwwa, a crowd-lending platform based in Jordan) did not consider other forms of payments such as centralized payment points used by companies like eFAWATEERcom (Jordan) because they require strict regulations or other obstacles. Payment with mobile wasn't adopted because it does not work for crowdfunding. This is because, due to telecom company policies in the region, donations paid through mobile payments takes up to 60 days of payment processing to reach the campaigner. Moreover, there is a 10 percent payment default from mobile money.[97] Both these realities renders mobile money as an inconvenient and inappropriate payment option for crowdfunding campaigns at this time.

"We couldn't find other payment methods. You are talking about a region where receiving money from credit card payments was a really long process. Diverse countries, with wars, not one law, 22 countries different backgrounds, lots of terrorism and money laundering," stated Abdallah Absi, CEO of Zoomaal.[98]

Cultural Transformation in rewards-based crowdfunding in MENA

According to Absi, general awareness about crowdfunding has changed tremendously in MENA in the past couple of years. In 2012, when Zoomaal launched, the team used to headhunt projects, and would convince people about the importance of crowdfunding. The acceptance of the idea of crowdfunding was still in its beginning stages. With more successful campaigns occurring on the platform has come more excitement around the prospect of crowdfunding. Now Zoomaal has arrived at a point where there are around 400 projects submitted every month organically without advertisements. The campaign success rate, however, remains very low. Absi attributes this to the fact that although there is a lot of awareness of the potential for this fundraising tool, there is not a lot of crowdfunding education. In an interview with Wamda in 2015, Absi declared that more than 94 percent of campaigns submitted to Zoomaal

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[96] (Absi, 2017)
[97] (Absi, 2017)
[98] (Absi, 2017)

do not go live due to "incomplete content, poor video quality, unrealistic goals and vague project descriptions."[99]

During the interview for the purpose of this research, he stated that while campaigners usually know crowdfunding is a nice way to engage people and get support from individuals, many campaigners still do not know how to prepare the campaigns properly. Launching successful crowdfunding campaigns are hard work, they need tremendous preparation on campaign videos and other promotional materials, constant daily engagement with possible donors both online using social media channels and offline, and dedicated attention to the campaign. In essence, most campaigns fail because awareness of successful crowdfunding techniques is vital but not present.[100]

As for donations, although knowledge about crowdfunding has increased and there are a large number of projects submitted every month from the region, most of the donations come from abroad. Specifically, most funding to projects on Zoomaal comes from the United States. Increased awareness in the USA about crowdfunding is a reason why most people tend to reach out to their expat friends and contacts for donations. In 2015, Absi stated that 45 percent of donations on Zoomaal originate from Arab expats residing in the United States, United Kingdom, and France.[101] After the United States, Absi stated the following three top sources of funding on Zoomaal within the region are as follows:

- **United Arab Emirates** - most funding goes to other countries.
- **Lebanon** - most donations from Lebanon are to Lebanese projects.
- **Egypt** - most of the donations are from Egypt. Also, many of the funds to Egypt come from the GCC, although this is likely the large Egyptian diaspora residing in the Arabian Gulf.

A closer look: Tunisia, Morocco, Lebanon and Jordan

This section details the crowdfunding ecosystem in the countries of focus: Tunisia, Morocco, Jordan and Lebanon. The section begins with an overview of technological enablers of crowdfunding in all four countries, including figures on internet penetration, smartphone penetration, social media adoption, and digital payment service providers, restricted by the amount of data found at the time.

Overview of technological environment and crowdsourcing enablers in Tunisia, Morocco, Jordan and Lebanon

INTERNET AND MOBILE PENETRATION RATES:

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[99] (Reidy, 2015)

[100] (Absi, 2017)

[101] (Reidy, 2015)

Country	Internet Penetration June 2017	Mobile + Smartphone Penetration[102]
Tunisia	50.9 percent (5.84 million people)	82 percent unique subscribers (9.3 million people)
Morocco	58.3 percent (20.5 million people)	67 percent unique subscribers (23.3 million people)
Jordan	80 percent (6.3 million people)	79 percent unique subscribers (5.7 million people)
Lebanon	76.1 percent (4.59 million people)	45 percent unique subscribers (2.6 million people)

SOCIAL MEDIA ADOPTION:

Social Media Adoption[103]			
	Facebook	**Twitter**	**Instagram**
Tunisia	5.9 million	100 thousand	37 thousand
Morocco	13 million	200 thousand	260 thousand
Jordan	5.5 million	100 thousand	260 thousand
Lebanon	2 million	100 thousand	570 thousand

MOBILE PAYMENTS:

Country	Mobile Payments
Tunisia	Basic utility payment services available on all mobile network operators in Tunisia. People, however, still would rather pay physically, as there is a trust issue, and the current telecom payment platform is not secure.
Morocco	Does not exist in Morocco.

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[102] GSMA global mobile industry report

[103] (Arab Social Media Report)

Jordan	• eFAWATEERcom, mobile services for paying for governmental services, charity, banks, websites, and mobile bills, • JoMoPay: an e-wallet through which bills can be paid. At the beginning of 2016, Jordan became the first country in the MENA to implement interoperability of mobile money services. It took two years to launch the first mobile money services from the installment of the interoperability system.
Lebanon	Does Not Exist in Lebanon.

DIGITAL PAYMENT SERVICE PROVIDERS:

Country	Payment services
Tunis	• Post Office: Post office payment service is commonly used by Tunisians to send money to each other for small transactions (between 50 – 100 dinars (USD $20 - 40), with a maximum transaction of 500 dinars (USD $200). • Sending money outside of Tunisia, by traditional channels such as bank wires or Western Union or by digital money channels (buying online, e-banking transfers) is not permitted. Only in special circumstances, such as if a son/daughter is studying abroad, can a citizen apply for special permission to send money abroad. Buying goods or services online (such as plane tickets) from a non-Tunisian website is not permitted, and paying for a crowdfunding campaign is not possible, given that all the platforms are foreign platforms. • An exception is special IT cards for developers, which was an achievement of advocacy campaigns in 2014 by Startup Association, where developers can have a special limited credit card to buy plugins and other developer tools as needed. The Minister of Technology at the time was described as more open-minded. The current minister is not as open-minded. • PayPal does not exist. • A Tunisian payment company that connects to Tunisian bank accounts is available. It only serves platforms in Tunisia. • Click2Pay operates in Tunisia, handles only direct transactions domestically.

Morocco	• Before 2012, there was only one payment company in Morocco. The second, launched in 2012, is Amman Pay. This is due to the fact that there was a law forbidding non-bank institutions from acting as payment companies. This law was just changed in 2017 (further analysis in the regulations section describing Morocco). • Cash money transfer companies in Morocco are Transferwise, Western Union, Azimo, WorldRemit, and are widely used in foreign transfer to Morocco. • There are e-pay cards issued from Moroccan banks that can be used overseas. However, according to the 2015 annual report by Bank Al Maghrib, the adoption of cards is very low (200,000 out of 11 million bank cards in Morocco).
Jordan	• eFawateercom: an electronic payment system launched by the Central Bank of Jordan to allow users to pay and receive bills digitally from ATMs, points-of-sales, shops, and computers. • Payfellow, a Prepaid card that is preloaded with a set amount of money on the card, to facilitate online payments. • Middle East Payment Services (MEPS): a company that works with banks in Palestinian Territory, Iraq and Jordan to secure e-payment processing for debit and credit card purchases and mobile money.[104] • In May 2017, Zain signed a strategic partnership agreement with Mastercard, a leading technology company in the global payments industry, to boost digital payment services in Jordan through 'Zain Cash' mobile wallet service powered by Mastercard.[105]
Lebanon	• Bitpay • Pinpay: through pinpay organizations can send money to each other easily, if they work with the two banks that use them. Only two banks in Lebanon use Pinpay (online payment gateways). • Express Money • No mobile money • No e-payment for utilities or governmental services in Lebanon • Western Union, Payfort

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[104] https://www.wamda.com/2016/02/dissecting-jordans-diverse-financial-tech-scene)
[105] https://newsroom.mastercard.com/mea/press-releases/zain-signs-mou-with-mastercard-to-boost-digital-payment-services-in-jordan/

Tunisia:

Tunisia Crowdfunding Ecosystem

A study of crowdfunding in Tunisia performed by GoFundy and Switchmed found that Tunisian projects are funded exclusively through foreign platforms. There are no crowdfunding platforms registered in Tunisia due to the lack of legal framework for them to operate. According to the same study, 109 projects requested around EUR 1.9 million in June 2014. Only nine of these projects were successful, receiving a combined value of EUR 90,000. Just one year later, in April 2015, 32 projects succeeded in raising EUR 200,000, which is a 120 percent increase from June of the previous year. All of these campaigns were funded through foreign platforms based in France, the United States, and Lebanon. According to the study, the main platforms that operate in Tunisia are:

- KissKissBankBank: Donations-based crowdfunding platform based in France.
- Zoomaal: Rewards-based crowdfunding platform based in Lebanon and registered in the United States.
- CoFundy: Donations-based crowdfunding platform, based in both Tunisia and France, and registered in France.
- Afrikwity: Equity based crowdfunding platform based in both Tunisia and France.[106]

There is a strong yet unmet demand for crowdfunding in Tunisia, a country where less than five percent of funds requested were met in 2014.[107] The potential for crowdfunding in Tunisia is estimated to be worth USD $12 million by 2020 without a conducive regulatory framework, and could double in the presence of a conducive crowdfunding legal framework. The case for this is particularly strong, given that Tunisians cannot use their credit cards abroad and therefore cannot currently support Tunisian campaigns on foreign platforms. The presence of Tunisian platform and regulatory framework would be of huge benefit to the civic sector in Tunisia moving forward.

Regulations

DONATIONS AND CSOS:

Any entities in Tunisia, including CSOs, need a license to collect donations. Due to anti-terrorism laws, all funds transferred to CSOs have to be vetted by the Tunisian Central Bank. This sometimes creates major delays in receiving funds. According to Feryal Charafeddine, co-founder of the Coexistence with Alternative Language and Action Movement (CALAM), there have been some instances where the Central Bank blocks funds without informing the CSO. [108]In a specific example, an unnamed CSO had been informed by its funders that a bank transfer was completed. The CSO did not receive funds for several weeks, so they finally went

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[106] (Crowdfunding in Tunisia, what is the current status, challenges and benefits?, 2015)

[107] Ibid.

[108] (Charfeddine & Missaoui, 2017)

to the bank to check if there was a problem. The bank advised them to ask the Central Bank, where they were asked for extensive information regarding the origins of the funds and a detailed plan for how the funds were to be used.

The government is currently trying to pass a newly proposed CSO law which has yet to be approved. If passed, the law will force a limit on the funds that each CSO can receive at a time. This could mean increased waiting time for funds, more governmental control, red tape and bureaucratic measures that adds more challenges to CSO funding in the region.[109]

CROWDFUNDING

In a recent interview, Thameur Al and Tarek Ben Abdallah, the Tunisian co-founders of CoFundy and Afrikwity, stated that their businesses were set up in France due to Tunisia's lack of regulatory frameworks. Thameur, through his position at the Europe-based support agency Institute for Finance Participation in the Mediterranean, is working with the Tunisian and Moroccan authorities to create a legal framework for crowdfunding. According to Thameur, the Tunisian government is being forward-looking in having a strong interest in a crowdfunding law. In comparison, for example, France only recently instituted regulations in 2014. Tunisia and Morocco are at an advanced status in terms of regulation compared to other African and Middle Eastern countries.

THE CROWDFUNDING REGULATORY JOURNEY

A proposed crowdfunding law was a pillar of the 2015 Startup Act, a bill proposed in Tunisia which would introduce regulations for startups including tax and incorporation laws. This Act was an entrepreneurial-led initiative that the government took interest in passing.[110] This was due to the government's interest in placing Tunisia as Africa's entrepreneurship hub. Following a 2016 crowdfunding event, the crowdfunding law was removed from the Startup Act.

A committee was formed in its place to create a comprehensive framework. The committee consists of two representatives from the private sector; two from the Central Bank; a representative each from the Market Finance Authority, the Ministry of Finance and Investments, and Ministry of Telecommunications; and a representative from the Innovative and Entrepreneurial body in Tunisia. The Institute for Finance Participation in the Mediterranean has been the supportive donor and consultancy to this project.

In mid-November 2017, the committee sent the final proposal for the crowdfunding framework to the stakeholders, a summary of which is provided in the next section. The next step is for the report to be sent to a governmental steering committee to validate the law. The project has yet to be presented to governmental stakeholders and the parliament for final approval.[111]

THE CROWDFUNDING FRAMEWORK: A FEW DETAILS

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[109] ibid
[110] (Blaise, 2017)
[111] (Hamdene, 2017)

According to Thameur, the new framework includes more restrictions from the Central Bank of Tunisia than some stakeholders would like. In summary, the new crowdfunding framework has 2 pillars surrounding the acceptance of three new forms of financing:

- Donation and rewards-based crowdfunding
- Lending crowdfunding
- Investment crowdfunding

The laws for the lending crowdfunding derive from lending institutions.

Some conditions of the proposed framework include:
- Crowdfunding platforms have to partner with a bank.
- The crowdfunding platforms will be liable for money laundering and terrorism (Morocco as well).
- Crowdfunding platforms have to do their own checks on donations, maintain all documentation on file, and give these records to the banks.
- The due diligence of vetting donors will probably be outsourced to the banks, and have a Memorandum of Understanding on this specific point.
- Antiterrorism liabilities

According to Thameur, the antiterrorism liabilities restriction is necessary because if these regulations were not set in place, the possibility of projects supporting terrorism might happen, which will affect the sector, and it will lose the confidence of the government in the potential of the crowdfunding ecosystem. This trust is essential for the survival and flourishing of the crowdfunding ecosystem in the long-term. As for the process as a whole, Thameur claims that "the Tunisian ecosystem is engaged in the process, entrepreneurs and civil society are engaged, excited and eager to raise funds from crowdfunding."[112]

Tariq, the co-founder of GoFundy, agrees that the new framework is vital for the crowdfunding ecosystem in Tunisia, as it would allow the platform to be registered in Tunisia, and thus allow Tunisians to donate to local projects. Asking members of one's own community for donations is more likely to succeed as people are more likely to give to projects for people they know or local initiatives that would benefit their community. Since Tunisians cannot pay for platforms outside of Tunisia, setting up Tunisian crowdfunding platforms will allow Tunisians to fund local projects they care about on crowdfunding websites.[113] Mollick (2014) suggests that geography may play an important role in the success of crowdfunding efforts. A home bias effect that could be explained by an emotional and cultural preference for local projects that could attract donors from different regions in a country. Home bias effect could also be applied to diaspora contribution to crowdfunding projects.

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[112] Interview.

[113] (Ben Abdallah, 2017)

Morocco:

Morocco Crowdfunding Ecosystem

According to an article in Wamda, a total of USD $540,000 were collected via crowdfunding in Morocco between 2009-2015, where USD $90,000 were raised through local platforms Afineety and Cotizi.[114] Similarly to Tunisia, most of the funding comes from abroad and most campaigns were launched through foreign platforms.

Regulations

Like Tunisia and the rest of MENA, there is currently no regulation of crowdfunding in Morocco, yet similarly to Tunisia, a law for crowdfunding is in discussions in Morocco. Before discussing the new law, it is important to discuss the new law for payment companies that was introduced in Morocco in 2017.

NEW LAW FOR PAYMENT INSTITUTIONS

In 2015, a new law was introduced, which allows non-bank institutions to serve as payment companies. This is the banking law issued in Morocco since 2006. There was a long gap between the time it was declared and until it entered into effect in 2017. The law has two main goals: the first is to counter terrorism and money laundering activities, and the second is to boost the digital economy. Two pillars of the law directly affect digital money. First, the law recognizes the use of normal currencies digitally, including digital wallets. The law regulates how currency can be transferred digitally in a legal framework.[115]

The second pillar allows non-bank institutions to transfer money, and provide all services that a bank does except lending (giving out loans). Before this law, a company could apply only for a money transfer license. However, even the process for applying for money transfer licenses was difficult. Amman Pay, for example, applied for a money transfer license and the process was so complicated that only they managed to get the license. Even with the license, Amman Pay only had a license for money transfer within e-commerce. With the new law in place, the process for obtaining a license is much easier. It is possible to obtain a payment establishment license for any type of transaction. Yet, it remains difficult to obtain this license as the central bank will not permit licenses easily. The requirements include heavy capital requirements for startups. To obtain a license, a company needs USD $600,000 and USD $1,000,000, depending on the service it wishes to offer. Entrepreneurs will find it very difficult to set up in Morocco because they will need initial capital and established partnerships with fintech companies.

CROWDFUNDING REGULATIONS IN MOROCCO

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[114] (Reidy, 2015)
[115] (Azariz, 2017)

In Morocco, similar to other countries in MENA, every entity or person who wants to ask for donations is obliged to obtain permission. According to Arnaud, founder of Happy Smala, one of the first crowdfunding platforms catering to Morocco, crowdfunding is supposed to be forbidden in Morocco.[116] This is based on a law that dates back to the 1950s that deals with donations. This law was enforced again in year 2000 with the rise of anti-terrorism activities in the world. According to an article in the Hindu times, this law is law 004.71, which forbids appeals to public donations except for registered foundations.[117] According to Amine Azariz, the only authorized platform in Morocco is Cotizi.ma and is only authorized to do crowdfunding for social causes, and associations. According to Arnaud, Happy Smala's founder, in his recent memory, there was only one example of a successful crowdfunding campaign which was launched locally. This campaign, aiming to raise support for victims of a flood, raised USD $30,000 and in the end it was funded by credit cards all by locals.[118]

FEATURE: THE FAILURE OF TAKAFULL

In 2016, two Moroccans at their final stretch of a Master's degree in Finance launched Takafull, a mobile application that connects entrepreneurs to donors who can contribute to projects through their mobile credits.[119] Their motivation was the high number of unemployment they observed in their neighborhood and among their friends. The application was simple, where donors can look through a list of projects that need funding, and contribute through an SMS credit that is converted to monetary funding, each message with a value of USD $1.8. Half the amount goes to the project founders, 8.33 percent goes to Takafull, and the rest to the mobile operators. However, soon after the project was launched, mobile operators in Morocco decided to not provide this service for Takafull.[120] Through contacting Tafafull's Facebook page about their current status, they sent this note:

"Yes, we took a standby to the project for the past 6 months. We did not get real help from our partners, and we found ourselves fighting alone against the operators (those don't want to work directly with us). Finally, we made the decision to take a break to reorder our ideas."

REGULATION IN THE MAKING:

Happy Smala and other stakeholders have been working for four years with the Ministry of Finance to build a crowdfunding law. According to Arnaud, the government is actively interested in building a legal framework. When building laws for new ventures, MENA countries always try to begin with restrictions, such as Turkey, Tunisia and Morocco. For example, in Morocco, the crowdfunding law was initially drafted to require a minimum capital

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[116] (Pinier, 2017)
[117] (Jacob, 2017)
[118] (Pinier, 2017)
[119] (Jacob, 2017)
[120] ibid

of USD $50,000 for crowdfunding platforms. In reality, setting up a crowdfunding platform only requires USD $5000.

This capital requirement, Arnaud suggests, is an attempt to try to restrict access to the market. The committee working on the crowdfunding, however, were able to advocate and delete this requirement.[121] Moreover, the committee wanted to add to the law that the crowdfunding platforms will be held responsible and legally liable for the projects on their platform. For example, in a lending crowdfunding model, the platform will be liable for the interests. While the government is actively listening to concerns from Happy Smala, liability restrictions will not be changed, according to Thameur. Arnaud believes that the reason the government is being collaborative about the new law and seed funding laws is because they are interested in being more innovative, and hope to brand Casablanca as a financial city—one step towards developing a financial hub.[122]

ZOOMAAL IN TUNISIA AND MOROCCO:

Only 15 projects on Zoomaal have come from Tunisia and Morocco since the website's inception; with only six projects successfully funded. The total funds transferred through Zoomaal have been USD $53,330. In Tunisia, only 11 projects were up on Zoomaal, with five successful projects, with USD $20,708 collected. On CoFundy.com, a Tunis/Paris based crowdfunding platform targeting Tunisia and Morocco, there are 15 projects there in total, eight from Tunisia, three from Morocco, and four from France.[123]

SENDING MONEY TO TUNISIA AND MOROCCO FROM PLATFORMS ABROAD

The experience of GoFundy in sending money to Tunisia and Morocco from abroad:

In sending money from France to Tunisia and Morocco, crowdfunding platforms are bound by two laws:[124]
- Know Your Customer (KYC): "A set of due diligence measures undertaken by a financial Customer institution to identify a customer and the motivations behind his or her financial activities. KYC is a key component of anti-money laundering and combating the financing of terrorism regime."[125]
- Anti-money laundering (AML): AML rules are instituted to help detect and report suspicious activity including the predicate offenses to money laundering and terrorist financing, such as securities fraud and market manipulation.

Companies must complete extensive documentation to be in compliance with KYC and anti-money laundering laws. Documents sent from Tunisia and Morocco are not always in French (often English and Arabic), and official translations of required documents is time consuming.

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[121] (Pinier, 2017)

[122] ibid

[123] (Cofundy, 2017)

[124] (Hemdene, 2017)

[125] (Boakye-Adjei et al, 2017)

At the end of the day, it is still possible to work within these regulations. Money is transferred via bank transfers to Tunisia and Morocco from CoFundy.

Examples of projects funded through CoFundy are two projects to renovate remote schools, and funds for the Al-Rashidiyeh Association to preserve Tunisia's Andalusia music. The money transferred is considered as a foreign donation in Tunisia and Morocco. Sometimes the local banks block the money as they want to know the origins of the donations. However, when they are sent a paper that the money is coming from Europe and vetted under the regulation of KYC and anti-money laundering regulations, most of the banks will unblock the payments. CoFundy does not finance individuals because they cannot guarantee how the funds will be used. When the crowdfunding framework is adopted in Morocco and local crowdfunding platforms have the ability to open and operate with relative ease, supporting individual campaigns might be possible because it will be harder for people to misuse the money due to social pressures.[126]

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[126] (Hemdene, 2017)

Lebanon:

Lebanon Crowdfunding Ecosystem

On Zoomaal, Lebanon takes the lead among the countries covered in this report in terms of the number of projects on Zoomaal, and the total amount of project funding. Since 2014, there were 104 projects on Zoomaal from Lebanon. The total successful campaigns were 72, and have collected total funds of USD $570,400. The projects were more diverse than Jordan, with more individual projects, music, and different types of charity fundraising. Lebanon has a huge diaspora interested in giving back.[127] Moreover, the country boasts a dynamic entrepreneurship scene, and the government is developing a legal framework for the crowdfunding sector.[128]

Regulations around CSO funding

The Association laws in Lebanon are quite progressive, and there is independence in asking for donations. However, there are many sanctions related to the political situation in Lebanon that stand in the way of CSO funding. Countries from the Gulf cannot send money to Lebanon as per their government's regulations. and vetting from funds from Europe/USA require extensive efforts from CSOs. In 2015, the Lebanese government made a decision not to take in more Syrian refugees. The USA has increased the sanctions on Syria since then, which means more vetting on CSO financial transactions and funds. Grants that have any Syrian beneficiaries get stopped at the central bank or any bank. Banks ask CSOs for the Memorandum of Understanding (MOUs), annexes on MOUs, etc. They also ask for detailed information about their employees, and a complete vetting on each employee's name and each beneficiaries' names.[129]

The next sections present data collected from interviews with three Lebanese CSOs in an attempt to shed light on their experience with crowdfunding. The CSOs are the Social Media Exchange (SMEX), Development for People and Nature Association (DPNA), and Support Lebanon.

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[127] (mayard, 2016)

[128] (Swart, 2014)

[129] (shamma, 2017)

CSO Feature #1:

Crowdfunding without a platform: SMEX

*Note: Although SMEX managed the research process, the researcher conducted all interviews in accordance with research methodology. No information has been edited or redacted from this interview.

About: The Social Media Exchange (SMEX) is a registered Lebanese NGO that works to advance self-regulating information societies in the Middle East and North Africa (MENA).

SMEX attempted their own crowdfunding plugin on the website. Mohamad Najem, co-director, describes the uncompleted journey, which he described as "non-systematically clear."[130]

Beginning in 2014, Najem tried to utilize a gateway service with SMEX's existing bank to collect money on the website. However, the bank notified him that there was a yearly maintenance fee for this service (approximately USD $600-800 at the time). Because of the high costs, SMEX chose not to proceed with installing the plugin on the website.

Upon returning to the bank two years later, Najem asked again about the potential to install a service on the website to allow for digital money transfer (i.e. PayPal). The bank notified Najem that they were outsourcing with a company in Dubai who did not allow such money transfers. As a result, Najem contacted the company in the UAE to see what were the reasons behind their restrictions on money transfer to Lebanon. The company had no record of this policy. After a few more inquiries within Lebanon, it was discovered that the bank has stopped providing the service in Lebanon for all NGOs. This is due to some misuse of the service (money laundering) and bad behaviors in Lebanon. After the bank asked for verifications from SMEX about the origins of the money, the bank still rejected the service.

In another attempt to install a digital money plugin on the website, SMEX talked to another such service provider and was told that the cost would be USD $1000 a year. Additionally, SMEX would have to open an account with another bank, and there would be a limit of accepting donations above USD $10,000 per year.

As a result, SMEX has chosen not to pursue installing a money plugin at this time due to the high costs for offering such features and the potential for regulation to change without public notification.

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[130] (Najem, 2017)

CSO Feature #2:

The giving loop experience: development for people and nature association (DPNA)

About: The Development for People and Nature Association (DPNA) is a non-governmental independent, grassroots-led organization based in Lebanon which promotes sustainable development for people and place.

Giving Loop is a spinoff from Zoomaal where donors can provide recurring monthly payments. It is a type of recurring crowdfunding. Private donors enter their credit card information and it automatically gives a minimum of USD $10 a month. In Lebanon, the maximum amount that NGOs have raised so far is USD $2600 ($111 per month). Giving Loop takes 5 percent. According to Rami Shamma, Director of DPNA, the percentage that goes towards Giving Loop is fair given that his organization can avoid paying administration costs for collecting the funds. After all, Giving Loop prepares the report for the banks, MOUs, admin work, etc. The CSO merely sends a report to donors once a month, saving the hassle of doing any bank or admin work.[131]

Reporting process: Every month the CSO is required to send an email to the donors, by the 10th of the month. If the CSO does not send the report, it loses the money. Giving Loop provides an orientation workshop and mentorship throughout the process of using its services. According to Shamma, private donations through giving loop are good because they can cover costs that donors might not cover: cleaning, miscellaneous. It is non-restricted donor funding.

While there are benefits to using Giving Loop, there are also challenges. One major challenge is that some donors do not like the idea of putting in their credit for recurring monthly payments (a cultural and education issue). Another challenge is the mentality among NGOs surrounding out-of-the-box solutions for fundraising. Moreover, Giving Loop needs time and effort, and could be a burden on understaffed NGOs.[132]

CSO Feature #3:

CROWDFUNDING 'TOGETHER FOR A NEW AND IMPROVED DALEEL MADANI': THE SUCCESS STORY OF LEBANON SUPPORT

About: Lebanon Support is an independent non-governmental, non-religious, non-political, and non-profit making information and research center. Lebanon Support aims to be a space for reflection and discussion bridging between researchers, experts, NGO

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[131] (Shamma, 2017)

[132] (Shamma, 2017)

practitioners, activists, and the broader public in order to develop action-oriented knowledge about civil society and public action issues.

Link to campaign:
http://www.zoomaal.com/projects/newdaleelmadani/57765?ref=112686609

In March and April 2017, Lebanon Support began a campaign on Zoomaal to raise the funds necessary to migrate and renovate the website of Daleel Madani, which was facing considerable technical issues. Daleel Madani, launched in the aftermath of the July 2006 war in an attempt to provide a space for collaboration between the various civil and civic initiatives at the time, is now online portal for civil society actors in Lebanon. Daleel Madani has a directory of more than 1,300 civil society actors, including collectives, national civil society organizations, international NGOs, UN agencies, donor organizations, and private sector firms working towards the public good.

Prior to the campaign, Lebanon Support had never received grants for the site; rather, they envisioned and wanted the site to remain an independent tool for civil society. Lebanon Support fundraises for its other programs via competitive proposals with international donors. However, the Daleel Madani program is self-sustainable to a certain extent, thanks to the membership fees paid by some organizations (mainly international actors, but also private enterprises that have a CSR budget) registering to have an account on the platform.

Given the site's reputation and its wide reach, crowdfunding as a solution for the cost of updating the site seemed like the best option. According to Lebanon Support, "we felt this [crowdfunding] would give our audience a sense of ownership" of the site.

Lebanon Support chose Zoomaal because it was a local platform that seems to have enough reach and provided support for organizations working on campaigns. Lebanon Support used

all the available channels to promote the campaign including email, social media, radio and TV interviews. An offline fundraising event was even held.[133]

"In comparison to other more traditional fundraising methods, crowdfunding required more effort and time, as the campaign period is an intense one, and all the team had to be mobilised. Proposal writing is more streamlined within a team, and thus more efficient," reflected Lebanon Support. "However, crowdfunding showed us the extent of the engagement of the civil society community, and their appreciation of Daleel Madani, as the campaign was widely shared and viewed. It also did help us achieve a very high visibility. For this reason, we might consider crowdfunding again."

Lebanon Support had many levels of giving and rewards included on the platform:

Amount	Type of Support	Reward
USD $5+	Silent Support	None
USD $20+	Civil Society Enthusiast	Name featured on supporters page of new Daleel Madani site)
USD $50+	Friend of Daleel Madani	Reward: Name featured on supporters page of new Daleel Madani Site; 6 month special access to exclusive Daleel Madani news
USD $100+	Dedicated Supporter	Reward: Name featured on supporters page of new Daleel Madani Site; 1 year special access to exclusive Daleel Madani news; 1 bookmark
USD $250+	Supporter of Lebanon Support	Reward: Name featured on supporters page of new Daleel Madani Site; 1 year special access to exclusive Daleel Madani news; 1 bookmark; totebag with Lebanon Support publications

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[133] For more information on the offline event that was held, visit http://lebanon-support.org/content/lebanon-support-speed-networking-event.

USD $500+	Lebanon Support Advocate	Reward: Name featured on supporters page of new Daleel Madani Site; 1 year special access to exclusive Daleel Madani news; 1 bookmark; totebag with Lebanon Support publications; receive next two additions of *Civil Society Review*.

The campaign ran for two months and raised USD $4,135 in total. The donor's backgrounds were quite varied, with people from different ages. The majority of funders were from within Lebanon, and the rest was spread in Europe, US, and the rest of the MENA region. "What is noteworthy is that most of our backers were from the sector, with even some local NGOs donating," according to Lebanon Support.

"We think the campaign was successful due to the good reputation and legitimacy of Daleel Madani, its wide audience, and the hard work put into the campaign," said Lebanon Support. "We would say that the main challenge faced during the campaign was a cultural one, people here aren't very accustomed to donating to technological projects (Daleel Madani is in the end an online portal and network), and to paying online."

Follow the campaign, Zoomaal transferred the money by wire transfer to Lebanon Support without problems.

When reflecting on crowdfunding as a tool for fundraising, Lebanon Support noted it is a new idea. There is a lot of competition for funds within Lebanon's civil society, and no public funding. Based on this information it appears the culture of crowdfunding is spreading among NGOs in Lebanon especially with artistic projects, and crowdfunding for humanitarian causes, but it remains to be seen as a viable and reliable source of funds for the sector.

> "As for the crowdfunding ecosystem in MENA, it is still emerging and getting bigger. While it has big potential, it still has to evolve to become viable on the long term, and scalable funding option." – Daleel Madani

Jordan

Jordan Crowdfunding Ecosystem

While primary and secondary research did not find any upcoming crowdfunding laws or regulations in discussion in Jordan, it did reveal that Jordan has one of the more active and successful donation and reward-based crowdfunding activity among the four studied countries. An interview with Arnaud has placed Jordan as the second place (tying with Lebanon) in terms of crowdfunding vitality in the region. A quick review of the different crowdfunding platforms showed that on Zoomaal, there are about 44 projects in Jordan starting from 2014.[134]

Of these 44 projects, 26 projects were successful in reaching their funding targets while 18 were not funded. Most are musical albums or charity for children. The total funded projects amounted to USD $262,325 in the past three years. On Kickstarter, there are 29 projects from Jordan ranging from Support to Refugees projects, to music, film, and other charitable causes.[135] A recent example is a "pay as you like" bookstore that was "saved" by a crowdfunding campaign using Indiegogo in April 2017. 330 people from more than 20 countries had contributed USD $18,000 in this crowdfunding campaign launched by two friends.[136]

Regulations around civil society fund transfer

According to an interview with Osama Al Azzam, Chair of Jordan's Rasheed Coalition for Integrity and Transparency, CSOs have to receive governmental approval prior to using any funds. When a CSO wants to receive and use funds, it has to write the rationale behind the project and the desired outcome and send it to the Registry for Societies. In turn, the Registry sends the documents to the relevant governmental stakeholders with all project information in addition to the requested fund amount. For example, if the CSO is working in healthcare, the Registry reviews the documents, asks the CSO for any additional documents, and sends it to the Ministry of Health.

For projects executed by Rasheed, for example, the Registry sends it to the Ministry of Interior, and the Integrity and Anti-Corruption Commission. The stakeholders review the project, and give their approval or rejection. The Registry then writes a memorandum to the Jordanian Council of Ministers which discusses it in an upcoming session, and it is the Council who ultimately approves or disapproves the project. If the project has the approval of all stakeholders in the previous step, this is usually a routine procedure. If any of the stakeholders have reservations or reject the project, then the Council decides if the project is approved or not. Usually projects are not approved if one of the Ministries or stakeholders do not give initial approval of the project.[137]

Moreover, upon receiving the memorandum, the Council is obliged to provide an answer on their decision within 30 days, otherwise the project is considered approved. Upon receiving the approval the CSO could then start using the funds they received.

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[134] http://www.zoomaal.com/browse/country/Jordan/92

[135] (Kickstater, 2017)

[136](Jordan'S 'Pay As You Like' Bookstore Saved By Crowdfunding, 2017)

[137] (Al Azzam, 2018)

RECEIVING MONEY FROM DONORS

The abovementioned approval is the key to receiving donor transfers. The banks might additionally ask for the source of the money, but not always. If asked, the CSO provides the approval of the Prime Ministry. In general, banks have instructions to ask about every single transfer of money. Even on a personal level, individuals with foreign contracts give their employment contract to the bank.[138]

RECEIVING DONATIONS FROM ABROAD

Donations received from abroad also need the above mentioned approval from the Council of Ministers.
This means donations from platforms like Zoomaal and Indiegogo will also need approval. However, any donations from inside the country do not need approval. Any Jordanian has the right to donate to any other Jordanian. Any transfer of money from outside Jordan to Ministries and NGOs needs approval. Companies, on the other hand, do not need approval.

As for local fundraising, announcing collections of donations also require approval from official entities. For example, if a company is collecting donations for a mosque, permission must be granted from the Ministry of Awqaf - Islamic Affairs and Holy Places.

CHALLENGES AROUND CIVIL SOCIETY FUNDING IN THE PAST FEW YEARS

The approval from the Prime Ministry can sometimes present a time challenge for CSOs. The law states that once a request has reached the Council of Ministers there is a 30 day timeframe for a decision to be made, otherwise the request is considered approved; however, it might take stakeholders a long time to approve the projects and have the papers ready for sending to the Council of Ministers. It can be a major delay when the papers are with different stakeholders and usually questions from CSOs go unanswered.

Another challenge is that there has been a trend globally in funding cuts for civil society organizations, and this is applicable to Jordan as well.[139] In the midst of this funding shortage, CSOs have become more reliant on corporate social responsibility (CSR) funding. CSR funding is becoming more popular given the decrease of foreign funds. Some CSOs like Rasheed, however, find it difficult to obtain CSR funding as often corporations do not want to become entangled in initiatives such as transparency and accountability.[140]

An interview with an unnamed CSO in Jordan operating since 2005, who asked to remain anonymous, provided more details about the hurdles civil society faces in Jordan due to the bureaucratic process that CSOs have to go through when asking for the approval for funds. The first challenge they speak about in CSO funding is that the large competition in Jordan

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[138] ibid
[139] (Al Azzam, 2017)
[140] ibid

when it comes to funding. In 1997 there were less than ten CSOs operating in Jordan, and funding was more easily accessible. Now, with numerous CSOs and their tendencies to change their mission based on donor agendas, there is a much higher competition in terms of funding and less opportunities for CSOs to receive grants.

As for the hurdles, the unnamed CSO describes the process. Before the Arab Spring, CSOs had to only send a report at the end of the year to the Registry for Societies with details about the name of donor, fund amount, and activities brief. If the Registry wanted more information, they would ask the CSO. It was an easy process. Now the approval process causes substantial delays for the NGOS. This same CSO had various project approvals take from 3 to 6 months in the approval process, because of administrative issues and bureaucratic challenges. This presents serious challenges to the work of civil society, as donors send money but do not see any deliverables in the first 3-6 months, which causes problems with the donors and low probability of recurring funding. Moreover, if the approval does not eventually come, the CSOs have to return funds (if transferred already) to the donors, often with tax, which presents a large fiscal burden on the CSO. Often times, donors try to make the process easier on various CSOs by applying for approval from the government beforehand for their whole fund, which is often distributed to many CSOs. The CSOs, however, still need to get approval themselves.

The unnamed CSO quotes security and fraud reasons behind the implementation of this long process. They stated that since the Syrian crisis began, various "imaginary" CSOs had opened, and once they received funding, they ran off with the money and closed.

In regards to crowdfunding, the unnamed CSO quoted the lack of payment systems in Jordan, and the small adoption of credit cards among the population as the biggest hurdle working against the success of crowdfunding. The CSO also believes that CSOs will again face bureaucratic and administrative issues when receiving grants from crowdfunding, such as being asked about the source of the money and what it will be used for. Moreover, the CSO feared that the government would find a way to tax the grants that come through crowdfunding. These facts present challenges for crowdfunding to be spread as a viable crowdfunding option for CSOs in Jordan.

CONCLUSION: CHALLENGES AND OPPORTUNITIES

According to research results presented above, the crowdfunding ecosystem in Tunisia, Morocco, Jordan, and Lebanon is still in its beginning/infant stages and has promise for substantial growth in the coming years. The following tables will summarize the challenges, and explore opportunities in each country for the crowdfunding ecosystem to blossom. The research will then conclude with recommendations for future growth and success of this emerging ecosystem.

Before listing each country's main challenges and opportunities, it is worth noting that the major challenge facing the region and a whole and these countries in particular is the lack of adoption of online payment methods. On this, Pinier states that: "As long as people won't accept online payments, it will be complicated to develop a crowdfunding platform that respects the basic principles of transparency and security that any financial intermediary should follow."[141]

Tunisia

Challenges	Opportunities
CSOs need permit to collect donations	Legal framework for crowdfunding in the making
New CSO laws propose higher sanctions on civil society funding	Government interested to make Tunisia a digital hub of Africa
Tunisians cannot use their credit cards for payments outside of Tunisia	Strong demand for crowdfunding
In the new crowdfunding framework, crowdfunding platforms needs to partner with a bank	Large Tunisian diaspora provides opportunity for crowdfunding targeting Tunisian diaspora
Lack of awareness of crowdfunding within CSOs and the general population	

Morocco

Challenges	Opportunities
Moroccans cannot use their credit cards for payments outside of Morocco	Legal framework for crowdfunding in the making

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[141] (Mayar, 2016)

Lack of awareness of crowdfunding within CSOs and the general population	Government interested to make Casablanca a digital hub of Africa
Until recently, several factors were holding Morocco back when it came to electronic payments: stifling legislation, monopolies, the size of the informal economy, and a closed currency.	Large Moroccan diaspora provides opportunity for crowdfunding targeting Moroccan diaspora
	New payment companies law

Lebanon

Challenges	Opportunities
Sanctions on sending money to Lebanon from certain Arab Gulf countries	Progressive Association Law
Anti-terrorism concerns leads to tightening of funds from abroad	Higher awareness of crowdfunding than other MENA countries
Lack of high adoption of digital payment services	Adoption of Giving Loop

Jordan

Challenges	Opportunities
Bureaucratic process of acquiring governmental approval for raising funds	Second place in MENA in terms of crowdfunding amounts collected between 2009-2015
No awareness of crowdfunding among a high percentage of CSOs	Fintech Boom taking place in the last 3 years
Lack of high adoption of digital payment services	

SECTION 6: RECOMMENDATIONS

The following are a summary of recommendations moving forward to improve the crowdfunding ecosystem in Tunisia, Morocco, Lebanon, and Jordan, lessons of which have greater ramifications for other countries in MENA and across the globe. Moreover, the following recommendations provide a starting point for civil society organizations to begin engaging with policymakers, banks, lawyers, CSOs, tech activists, and social entrepreneurs, to advance the development of digital money as a tool for civil society in the MENA region.

Technological

- Payment methods are the biggest technological hurdles facing success of campaigns in the region. Governments and innovation hubs should support payment processing startups, in terms of advocacy for easier set up and regulations.
- Central Banks should educate themselves and understand crowdfunding platforms and how they operate, and be readily accepting of providing payment processing to crowdfunding platforms serving the region, so that the platforms do not have to look for solutions outside the region.
- Innovation hubs could provide Research and Development (R&D) and marketing in-kind support to companies that are making digital payments easier and more widespread.
- Telecom companies should be pushed to give better rates to crowdfunding platforms, by offering less tariffs, and less payment procedure days. They should be more supportive of crowdfunding campaigns, and decrease the amount of days needed for payment processing.

Regulatory

- There is an urgent need for governmental institutions and policy makers to adopt an integrated approach to crowdfunding by designing regulations that will support the ecosystem in the technological, regulatory and cultural spheres.
- It is essential that crowdfunding platforms be given the chance to establish a profitable, long-term business. Regulatory burdens must find the right balance between proper supervision and enough space for the platforms to bloom. The costs of related regulations should be low and not time consuming.
- Legal frameworks should be set up for crowdfunding platforms in Lebanon and Jordan (since there is a crowdfunding framework in the making in both Tunisia and Morocco.). Crowdfunding can be much more successful if set up in the country of origin.
- Crowdfunding regulations should be startup-friendly. This applies to Morocco and Tunisia as well. The startup capital should not be high (around USD $5000) to allow inclusion of who needs to enter the market. Legal experts from the government should be appointed to make innovation-friendly regulations on crowdfunding.
- Regulation on money transfers should become more CSO friendly in the region. As a result of tight governmental control on CSOs, vetting on CSO funding is becoming harsher, as governments are scared of new uprisings led by civil societies. CSOs that are not compliant with political narratives of governments are being increasingly targeted with tools such as fund scrutiny, in an attempt to be silenced. Advocacy efforts

by international donors and innovation hubs should target for these regulations to be less harsh.

- Absurd rules such as illegality of asking for donations online without permission through one's social networks should also be targeted by advocacy efforts, for individual freedoms. Citizens should not ask permission from governments to fundraise for causes they believe in. Crowdfunding platforms are able to create sufficient protocols for vetting projects and authenticity, as the experience of Zoomaal and GoFundy shows. Regulations can be set in place to make sure crowdfunding platforms have sufficient vetting protocols in place, and the governments should check these protocols, rather than giving permission themselves for citizens to fundraise.
- It is important that Tunisians and Moroccans are allowed to use their credit cards abroad. The rationale behind why Tunisians and Moroccans are able to consume imported goods such as luxury chocolates on supermarket shelves, but are unable to book airline tickets using credit cards issued in their country is not clear.
- Hurdles for fintech startups should be removed. There is a lack of regulation for fintech startups in the MENA region, where most banking laws are outdated and not innovation-friendly. Less startup costs, licenses to operate, governmental support in terms of office space and legal advice, ease of registration of companies are among the laws that could facilitate. A Sandbox approach where fintech startups can operate for a year without adhering to regulations (such as in Dubai) are vital success factors for startups.
- Crowdfunding frameworks in Tunisia and Morocco place many liabilities on crowdfunding platforms. This can cost crowdfunding platforms heavily. Support from banks and governments is vital for platforms to succeed in the beginning.
- Crowdfunding platforms must be given the chance to establish a profitable, long-term business. Regulatory burdens must find the right balance between proper supervision and enough space for the platforms to develop. The costs of related regulations should be low and time efficient.
- Innovation hubs should provide regulatory workshops for policy makers, guided by experts on the matter from the crowdfunding industry locally and globally where success stories are present.
- Tax incentives could be provided for donors who contribute substantial amounts to CSOs on crowdfunding platforms as a way to encourage donors who use more traditional methods to adopt digital donations.

Cultural

- The highest failure of crowdfunding campaigns is due to lack of experience in creating campaigns, poor video content, promotional materials and daily follow-up on campaigns. Innovation hubs can offer workshops and training for CSOs on creating successful crowdfunding campaigns.
- The crowdfunding platforms targeting the region should be supported to form a working group and speak to regulators, payment service providers and CSOs with a unified vision and voice. The group could provide recommendations to regulations on crowdfunding-friendly policies, and collectively support CSOs in launching campaigns.
- Public communications campaigns, round tables, webinars, power breakfasts and other communication tools on crowdfunding supported by innovation hubs could raise

awareness among the MENA population about the existence and benefits of crowdfunding, to engage and activate a community around it.

- Innovation hubs should support events in the region that are crowdfunding-focused, similar to the Mediterranean Crowdfunding Forum that took place in Tunis in 2016, to raise awareness on crowdfunding among entrepreneurs regulators and civil society organizations.[142]
- Innovation hubs should support workshops detailing lessons learned, success and failures of crowdfunding platforms in other regions for local crowdfunding platforms and interested CSOs.

Recommendations for further research

Given the limited time frame of this stage of the research, a deeper understanding of the interventions needed for the crowdfunding ecosystem in MENA would be enhanced by further research on the subject.

- Research on the different players in the MENA ecosystem, the data on donors (supply side) their demographics and area of residence, the nature of projects that are most popular on crowdfunding platforms in the region.
- Further research on the ecosystem should include in-depth case studies of crowdfunding platforms serving the regions (e.g. Build Palestine, Afrikwity, Zoomaal, GoFundy),
- Diaspora philanthropy and its potential for crowdfunding is essential for the completion of this research.
- Research to include equity and lending based ecosystems, for social entrepreneurs and CSOs that are looking for income generation for their sustainability.
- To understand how an ecosystem should be viable, a comparative study should be done on a region with a more advanced crowdfunding ecosystem, with similar socio-economic levels as the MENA. Saying MENA here is too broad, given the differences that each MENA country has in terms of cultural and socio economic factors. A comparative study of crowdfunding ecosystems in other countries should be done. Latin America and the Caribbean (LAC) has a more advanced fintech ecosystem than the MENA region, and has similar socio-economic levels (developing countries). The comparative study should include a time series analysis for the country/region to track the progress of crowdfunding ecosystem in the past 5 years, in addition to cross-section analysis without countries of focus.
- Further research on the design of civil society-focused crowdfunding initiatives worldwide and information related to monitoring, evaluation and due diligence processes of crowdfunding is essential. In-depth assessment of crowdfunding campaigns worldwide could provide insight on strengthening the ecosystem in MENA.

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[142] For more information on the Mediterranean Crowdfunding Forum that took place in Tunisia in 2016, visit http://eurocrowd.org/2016/10/05/1st-mediterranean-crowdfunding-forum-27-28-october-tunis/.

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