

## COMMUNITY INVESTMENT

*[This is an excerpt from the Community Investment Handbook. You can read or download the full version of the Community Investment Handbook in the Resources section of this website]*

Community investment builds on community or member engagement. It is about ordinary people investing their own money – sometimes small sums, sometimes larger amounts – to support the development of something they need or care about.

Communities have an innate collective power. When community power is engaged it can wield political and commercial strength that provides both tangible and intangible benefits to the community and beyond.

Local or geographical communities already exist as social units. However social media provides a ready-made platform for persons with a common interest to form a community that can exist without geographical boundaries. Our daily newspapers publish stories about how communities can achieve change, support development and demonstrate satisfaction or strength, particularly when faced with a common problem or goal.

When we think of investment, we primarily think about placing money or value into a venture with the purpose of gaining a reward or profit. Community investment is much broader than this.

For individuals in a community it means placing money or value into a venture that may provide a monetary gain or that may provide a service or other intangible benefit either for themselves as individuals or to their broader community. For the community, it means that a small or medium enterprise can access the social and financial capital of individuals in the community not only to sustain that enterprise but also to support its growth for the benefit of the whole community.

Communities may be geographically local groups of people defined by a town, suburb or rural location or they may be a geographically diverse group that is linked by a common interest or goal. Communities such as these may identify a common need or service that they believe will bring a benefit to their community but it is likely to need funding to operate. Some communities may turn to the government to fund and operate such a service, but this has the drawback that funding may or may not be available or may be withdrawn in the future and the service may be delivered in a manner that complies with government design or policy but does not necessarily satisfy the community's need.

Communities may need to start their own enterprise to supply these services, and this means starting a business that requires funding. While some funding may be available through governments, it will not be ongoing and it will require effort by the community to use it effectively. Community enterprises are not all about the satisfying of altruistic goals, such as the provision of services that are needed within a community. They can be any enterprise that satisfies a community's needs or interests. More importantly, as a community enterprise funded by community investment it is owned by community members. Ownership is crucial to community engagement and sustainability.

## CROWDFUNDING

The very nature of the community shares business model leads to the conclusion that techniques for crowdfunding are.

Crowdfunding is a relatively new means of raising money and it is a good fit for community based funding initiatives.

Other than crowdfunding for shares or other securities, there is no legal definition of crowdfunding and there is no specific crowdfunding regulation in Australia. Crowdfunding campaigns will be subject to any consumer protection legislation where the campaign promises specific goods and services in return for payment under the campaign and where those goods or services are not delivered or are not as promised.

Crowdfunding is a product of the enormous reach and power of the internet, particularly, social media. The internet provides an instant means to communicate messages from people or organisations that want some help. Charitable or international aid organisations use the internet to raise funds for disaster relief or to help raise funds to develop cures for diseases. If individuals have faith in the credibility of the organisation seeking funds then they will readily donate money to that cause.

This method of raising funds has more recently been used to fund innovative business start-ups or artistic proposals. Individuals that seek funding across social media generally ask for small amounts as donations or moderate amounts in return for some benefit. For example, a person wishing to make a music album may seek donations of very small amounts in return for a notification that the album has been produced and they may ask for larger amounts in return for a copy of the album to be supplied once it has been produced, like a pre-payment for goods.

The most successful of these campaigns for funding over social media are those that offer a credible promise of an outcome, particularly where the outcome or product is seen as innovative or popular.

A proposal in 2015 to produce an innovative means of harvesting honey from beehives by an Australian inventor managed to net some millions of dollars to enable the

inventor to produce the specially designed beehive on a large scale basis. Much of the funds received were in the form of prepayments for the product. The crowdfunding campaign was promoted by [Indiegogo.com](http://Indiegogo.com), a platform established in the US.

Money paid by the 'crowd' is paid in the knowledge that the payment will not provide an investment return like a dividend or interest. It is paid on the basis that it is either a **donation or a prepayment for a product or service**. It is also paid with the knowledge that the innovative enterprise may not succeed and if that is the case, then the money will be lost.

'Crowd' members who make these payments take a risk in a similar way that shareholders take when they buy shares in a new company. They are willing to take risks where the amount to be paid is small and the information about how it will be used is credible.

Today, crowdfunding is seen as a legitimate means of raising funds for start-up enterprises. There are a number of websites devoted to crowdfunding campaigns. These websites provide guidance on how to construct a campaign, they host the campaign information and they provide a point for the collection of payments under the campaign:

- [Pozible](#)
- [Indiedgogo](#)
- [Chuffed](#)

In Australia the use of crowdfunding for business is limited to the start-up period of a profit making enterprise. In other words, people are willing to get the project 'off the ground' but once it starts trading, the enterprise must fend for itself by actually delivering a saleable product or seeking investment through shares or borrowing.

The Climate Council was born as a result of the dismantling of the federally funded Climate Commission in September 2013. A crowdfunding campaign to set up and run an independent climate change scientific organisation launched on 24 September 2013 had raised \$165,000 in one day and \$1 million by the end of the first week.

The Council's Annual Report discloses that for the 2014 financial year it received \$2,120,227 in community donations from more than 16,000 donors. The median donation was \$80.

It continues today as an independent organisation funded through public donations to provide independent advice on climate change