

# Chapter 11

## Prospects and Options for Sustainable and Inclusive Crowdfunding in African Cities

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### ABSTRACT

*The utility of crowdfunding in promoting sustainable development is beyond doubt due to its popularity in the Global North. The application of this concept in the Global South, especially in Africa, is ill-understood and questionable considering the high levels of corruption, poverty, and poor governance. Applying the concept of crowdfunding in Africa then becomes problematic. The chapter aims to undertake a critical analysis of the concept of crowdfunding and its sustainability in advancing the success of urban-based projects in African cities. What can (or should) be the defining pillars for sustainable and inclusive crowdfunding? What are the known (or even unknown) limits and prospects to initiatives like crowdfunding? What are the answers to the colonial legacy derived scepticisms about self-worth and context? What options do the African cities have? The chapter engages a mix of methodologies including literature review, document review, and case studies. Thematic content analysis is applied in building up the discourse. From the study, five critical observations emerge.*

### INTRODUCTION AND BACKGROUND

The utility of crowdfunding in promoting sustainable development is beyond doubt due to its popularity in the Global North, where it is highly touted and deemed as a genial option for sustainable urban development, among other policy programmes and projects (CrowdfundingHub, 2016; European Com-

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mission, 2014). The application of this concept in the Global South, especially in Africa is ill-understood and questionable considering the high levels of corruption, poverty and poor governance (World Bank, 2013). Applying the concept of crowdfunding in Africa then becomes problematic. The foregoing has led to urban areas in Africa being centres of problems emanating from shortage of social services and facilities (UN-HABITAT, 2010). According to Wetlake, Baeck and Bone (2016), traditionally, crowdfunding has been reserved to the realms of arts and music, but recently it has been developed to be used as a tool to fundraise a plethora of projects. Crowdfunding is gaining popularity in all facets of everyday life as it offers a platform where citizens from different areas can pool resources for a common cause (World Bank, 2013). A recent research by Nesta estimated that crowdfunding facilitated £3.2 billion worth of loans, investments and donations in the UK in 2015 (Wetlake, Baeck and Bone, 2016). Civic crowdfunding represents a further development of the tool, as individuals and organizations begin to raise funds through online platforms for local urban development projects, as opposed to applying for traditional governmental or charity grant funding, or leaving urban development to local governments or developers (Nesta, 2012).

In African urban centers, infrastructure decay and a shortage of public utilities and services are rampant (UN-HABITAT, 2014). The shortage and filthy state of the same are attributed to financial challenges bedeviling most local authorities for example the Kampala municipality blames financial challenges on the water and sanitation services challenges they face (World Bank, 2011). Among the challenges leading to financial problems include corruption, poor corporate governance, thieving and abuse of public funds, poor revenue collection as well as poor cost recovery measures (UN-HABITAT, 2010; Maathai, 2009; Lawal, 2007). In this context which is marred by this myriad of anomalies and ills, it then becomes very difficult for Africans to consider or even imagine entrusting their funds into the hands of the government. Most importantly, the dominant question among the urban crowds, as it were, is about the dividend that accrues to each one of them after investing their few resources which build up into a pool of financial resources ultimately. With this background, African cities have not taken advantage of crowdfunding to support its sustainable urban development initiatives. However, there seems to be an increasing trend towards the use of crowdfunding in Africa (Boum, 2016). Following the definition by Gaziulusoy and Twomey (2014:13), defining crowdfunding (also known as crowd financing and crowd investing) as the process of a party requesting and acquiring financial or other resources from many individuals with the purpose of realising a specific project; this presents great opportunities for African municipalities to bankroll their development initiatives from the public. The same issues leading to financial shortages in most local authorities in Africa are also affecting the use of crowdfunding as a tool for funding urban development. Applying the concept of crowdfunding in Africa under the obtaining environment and situation is problematic and questionable to a great extent; the lack of transparency and accountability affects crowdfunding. In this view, the purpose of this chapter is to undertake a critical analysis of the concept of crowdfunding and its sustainability in advancing the success of urban-based projects in African cities. The study sought to gather and present information on pillars for sustainable and inclusive crowdfunding, the limits and prospects of crowdfunding; options available for the African cities have. In this quest, the study engaged a mix of methodologies including literature review, document review and case studies. Thematic content analysis is applied in building up the discourse. The chapter is organised to include a literature review; conceptual framework; results, discussion, and synthesis; policy options and practical implications; conclusion and definition of key terms.

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