

# Smart Rural 21 – Smart Village Academy

## Civic (alternative) financing models



Institut für Ländliche Strukturforschung  
an der Johann Wolfgang Goethe-Universität Frankfurt am Main



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## What will happen in this session?

- Welcome and introduction
- Short overview of civic (alternative) financing models, success factors
- Example Citizen Shareholder Corporation: Stadt-Land-Gemüse
- Examples outside the food sector: energy cooperatives, basic services centres
- 3 Questions for discussion
- Conclusion

## What are civic financing models?

- Civic – (alternative\*) financing models ....  
.... involve citizens directly in the financing of single investment projects or in companies.



\* Note: the term 'alternative' financing can also refer to other models implemented by financial institutions; therefore 'civic' is used for specific community financing models

*Do you know any examples of civic financing models in your area?*

Go to [www.menti.com](https://www.menti.com) and enter 216772

## Civic financing models

Pure financing models  
(single projects)

Crowdfunding

Profit  
participation  
rights

Direct loans

Models linked to the legal  
form

Cooperatives

Partnerships/  
corporations

Cross-operational models

Land purchase  
cooperatives

Intermediary  
Shareholder  
corporations

Further models

Leasing-/  
Sponsorship

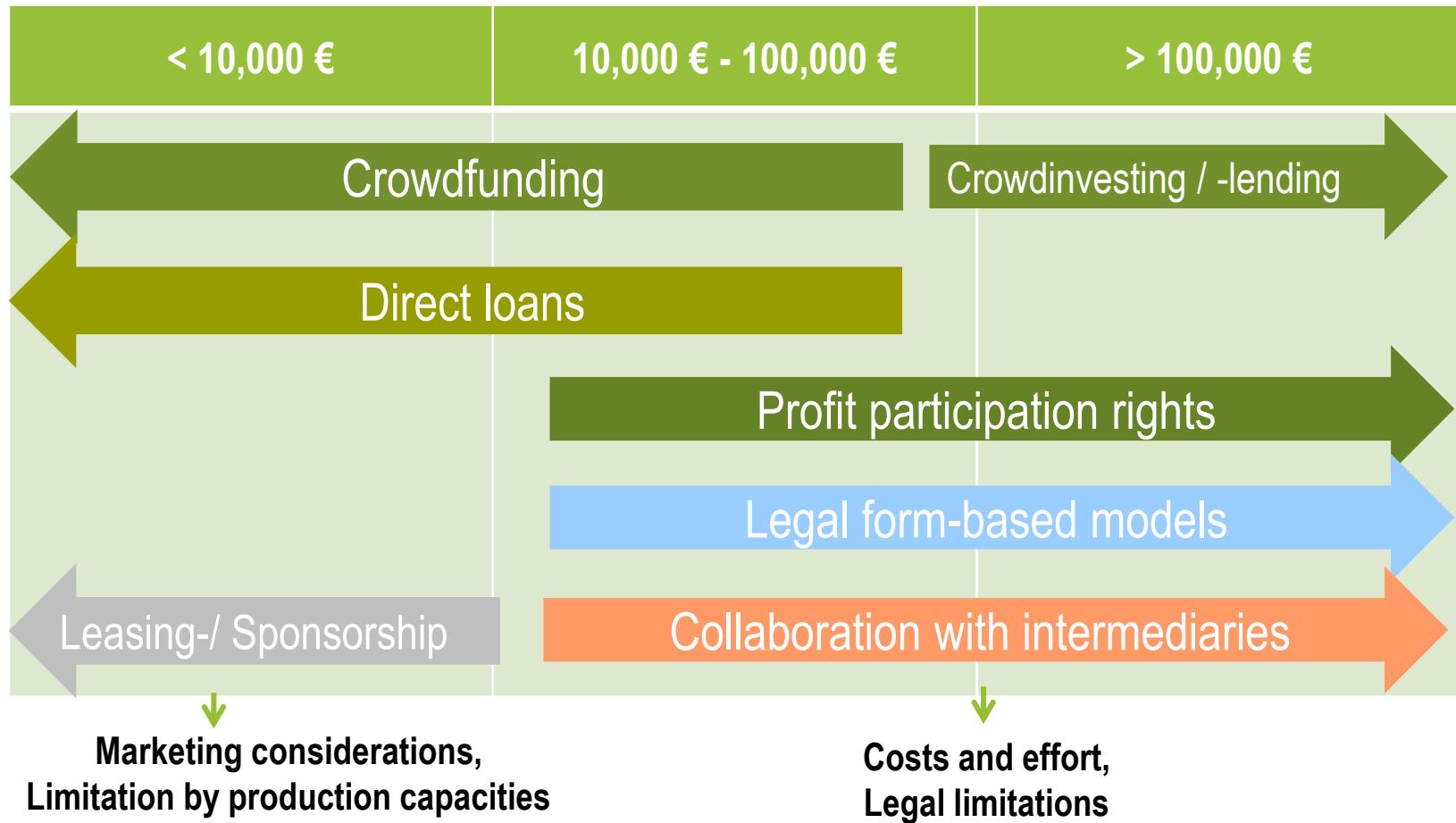
Community  
supported  
agriculture (CSA)

Farms in non-  
profit ownership

## Financing structures

- Civic financing often only one building block in financing
- Lack of equity can limit access to classic financing
- **Combination with bank loans**
  - Prerequisite for loan approval
  - Increased creditworthiness, credit standing
  - Strategic financing mix, independence from one (house) bank
- **Synergies in combining different alternative financing models, e.g.:**
  - CSA + X
  - Cooperative + member loan

## Financing amounts & investment objects



- No clear allocation of models to investment objects

## Return for citizens

Financing model Return	Crowdfunding	Crowd-investing / -lending	Profit participation rights	Direct loan	Cooperative	Intermediary Citizen Shareholder Corporation	CSA
Financial		Dividend Interest	Interest	Interest	Dividend	Dividend	
Vouchers / goods	Product vouchers presents	Vouchers	Vouchers		Discount	Discount	Share of harvest
nothing							

## Challenges for capital-seeking companies

### In preparation

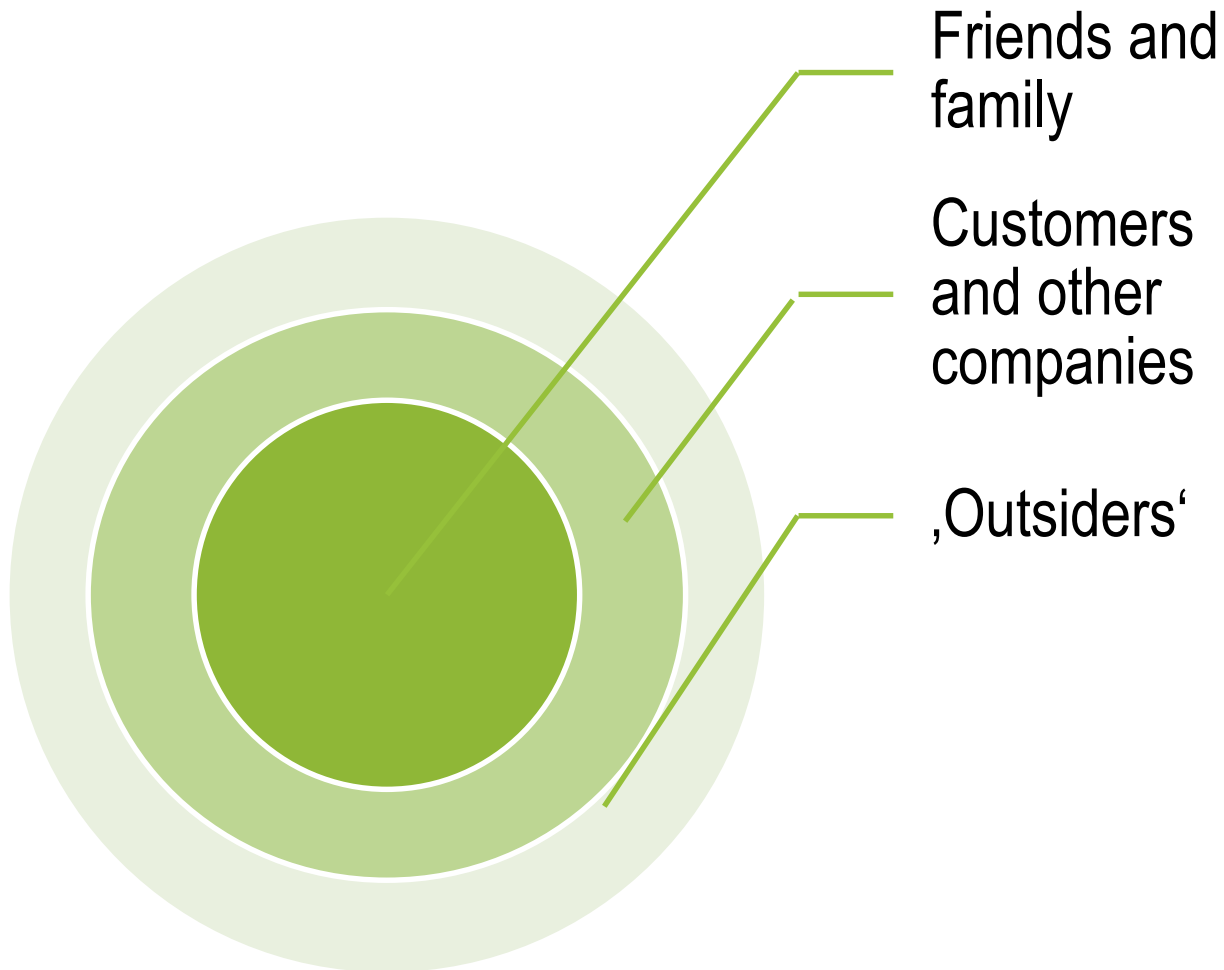
- Definition of interesting project
- Lack of knowledge of the capital-raising companies
- Costs for audits
- Duration for approvals

### In the acquisition of investors

- Costs for public relations
- Labour and administrative costs
- Lack of sales experience
- Expected returns
- Loss of reputation with friends



## Who are investors / capital givers



## Engagement of citizens (capital givers)

Help:

- Harvest
- Shop
- Construction works

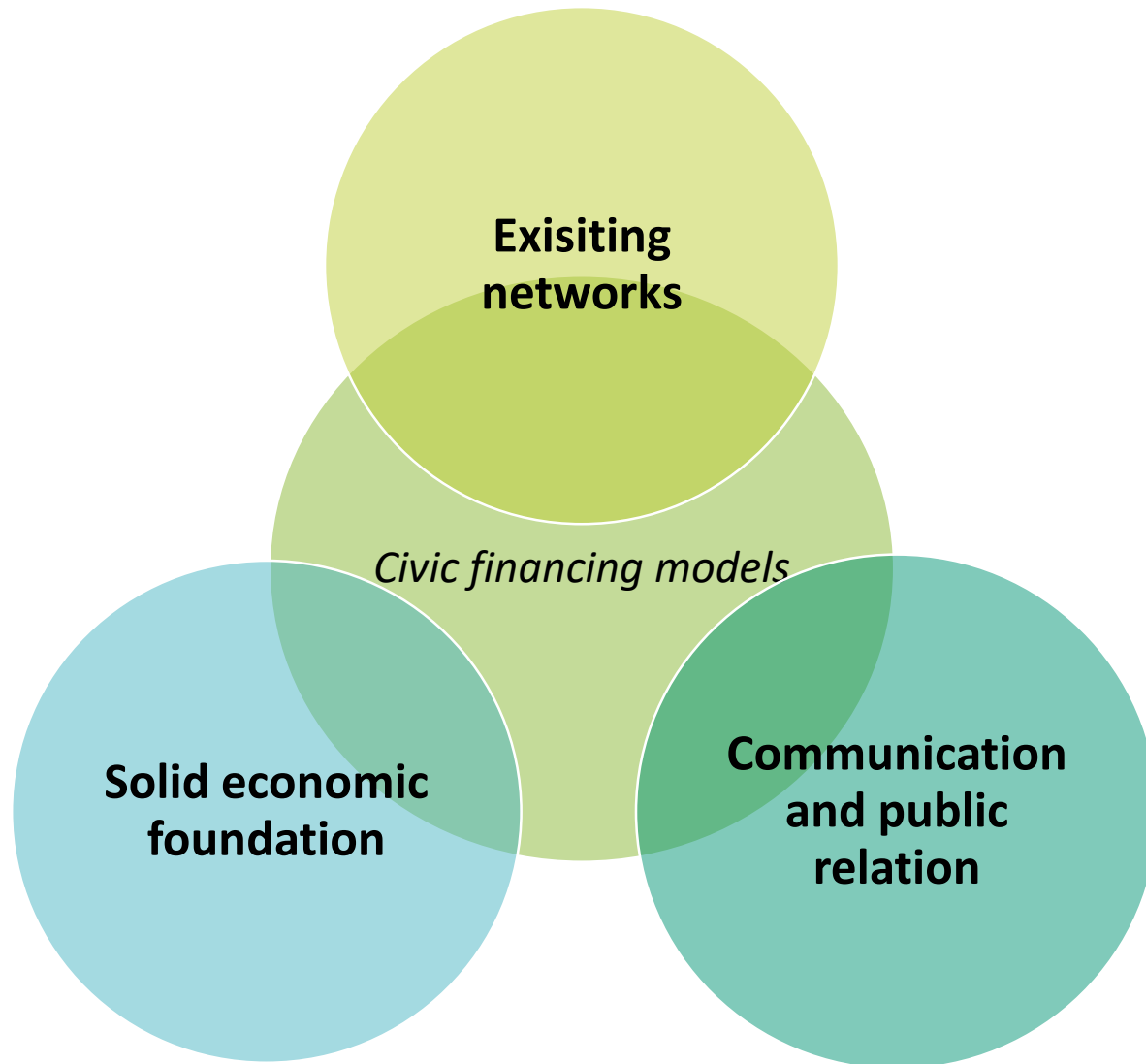
Business  
organisation

Event-  
organisation

### Reasons for low engagement

- Fear of ,undeclared work‘
  - Age of citizens
  - Type of company
- Lack of time of citizens

## Success factors



# Stadt-Land-Gemüse (City-Rural-Vegetable)

## A farm set up with financing of a citizen shareholder corporation

- Established in 2018
- Organic vegetable production on 1.2 ha, plus sheep and some arable land
- Financing of equipment through Regionalwert AG Rheinland (citizen shareholder corporation), plus direct loans from friends and family
- Direct marketing in own farm shop in the city centre of Cologne
- Farmer website: <https://www.stadtlandgemuese.de/>
- <https://www.regionalwert-rheinland.de/>
- Case Study: <http://leanproject.eu/using-synergies-between-urban-and-rural-areas-stadt-land-gemuse/> including video



## More information

### Results presented come from ....

- A research and development project on ‚BioFinanz - civic financing in organic value chains in Germany‘

- [www.biofinanz.info](http://www.biofinanz.info)



Gefördert durch:



aufgrund eines Beschlusses  
des Deutschen Bundestages

- An Erasmus+ Project ‚LEAN- learning on Entrepreneurship & agriculture for new farmers‘

- Open Educational Resources

- Case studies

- <http://leanproject.eu/>



# Examples outside the food sector

## Energy and mobility

- Energy cooperatives in the context of energy transition
  - electricity and gas supply,
  - car sharing
- Example Website: <https://be-rheinsieg.de/index.html>



## Examples outside the food sector - Basic service centers in rural areas

- DORV Centers unite Grocery Shops, Services and more to create a multi-functional Local Supply
  - Basic services
  - social-medical services
  - Food supplies
  - Communication
  - Cultural offer
- Using profit participation rights as part of the financing model
- Website: <https://www.dorv.de/konzept--idee/index.php>



### 3 questions for discussion

1. Do you want to initiate new alternative financing models in your village in the near future?
  - If yes, please briefly describe
  - If no, do you see an option to apply such models within the SR21 strategy? What kind of option?
2. What are the main difficulties in setting up a civic financing project in your context?
3. What type of support you need to initiative alternative financing in your village?

Join on

[https://miro.com/app/board/o9J\\_ISqMMas=](https://miro.com/app/board/o9J_ISqMMas=/)



**Thank you for joining!**



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