



# HOW THUNDAFUND FUNDS YOU -

Finetuning the business case of Thundafund crowdfunding in The Gambia



# ACKNOWLEDGEMENT

This publication compiles learnings from the work of UNCDF in innovative financing models for MSMEs and crowdfunding in The Gambia.

UNCDF would like to acknowledge the contribution of Matt Roberts-Davies, COO and co-founder of Thundafund Africa and Kyai Mullei Founder and CEO of M-Changa, who wrote this learning piece with Ali Akram, Technical Specialist at UNCDF.

Finally, we would like to thank the European Union (EU), for partnering with UNCDF in The Gambia and for making this publication possible.

# FOREWORD

Micro, small and medium-sized enterprises (MSMEs) employ 60 percent of the active labour force and contribute approximately 20 percent to The Gambia's national gross domestic product (GDP). Absorbing labour and building skills, these MSMEs are an engine of job creation and significantly contribute to the country's economic growth.

To unlock their full potential, these small businesses require a constant flow of cash, not just running their daily operations, but also to capture expansion opportunities. However, a primary constrain limiting the potential of MSMEs, as noted in The Gambia National Policy for MSMEs 2019-2024, is inadequate access to appropriate medium- and long-term finance. These small businesses are unable to access credit because of poor financial records, lack of credible business plans, and lack of credit history.

It is against this background that UNCDF, aims to accelerate the usage of innovative digital platforms to help address the MSME financial gap by accelerating access to finance, markets, technical skills, and capacity building at scale. In doing so, UNCDF leverages its unique financial mandate within the United Nations system and a proven track record in the inclusive finance sector, promoting the use of innovative technologies for efficient delivery of financial and non-financial services for vulnerable groups in The Gambia.

And so, a partnership with Thundafund, a crowdfunding platform, has introduced innovative alternative financing options for youth and women entrepreneurs in The Gambia, allowing them to overcome financing obstacles constraining their

operations and growth. Through an integrated approach tailored to the country's context, the project is enabling youth and women-led MSMEs to access finance from friends, family and investors – within the country and abroad. By the pooling of funds in a formal structure, the platform is also building financial history that enables Financial Service Providers (FSPs) to better engage these entrepreneurs.

Through the course of its design, development and pilot in The Gambia, the project with Thundafund has generated numerous learnings. This case study brings together some of the early lessons from the project and indicates the substantial impact crowdfunding and peer-to-peer lending mechanics can create to help Gambian MSMEs overcome financing obstacles. We share the Thundafund's journey with the hope it will encourage and help steer similar initiatives targeting disadvantaged groups access alternative funding sources across Least Developed Countries (LDCs).

Support of the European Union (EU) has enabled the United Nations Capital Development Fund (UNCDF) to collaborate with Thundafund as part of the Jobs, Skills and Finance (JSF) programme in The Gambia. This programme is contributing to the country's economic, social and security stabilization through its democratic transition, by facilitating social inclusion and employment of youth and women, with a specific emphasis on promoting gender equality and addressing climate change.

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# INTRODUCTION

There are an estimated 40 million micro, small, and medium enterprises (MSMEs) across Africa. Around 49% of these are majorly or severely limited by a lack of financial access, creating a \$131 billion credit gap known as the missing middle. Traditional finance institutions consider SMEs high risk, resulting in strict loan terms and high collateral requirements. The alternative, digital and informal lending, comes at a prohibitively high cost, with short repayment terms and aggressive collection tactics. Financial inclusion is an enabler for 7 of the 17 Sustainable Development Goals. To address the financial gap, SMEs need alternative sources of finance tailored to their needs. Digital platforms play a crucial role in accelerating access to finance, supporting business growth, job creation and sustainability.

Crowdfunding, the raising of funds online through many people, has become one of the fastest-growing trends in financing SMEs. The rise of crowdfunding came in response to the 2008 financial crisis, providing an alternative way for cash strapped SMEs to raise funds. In 2020, the global crowdfunding market was estimated at \$410 billion and expected to grow at Compound Annual Growth Rate (CAGR) of 16% from 2021 to 2026 (Forbes 2021, The Meteoric Rise of Crowdfunding). Despite its enormous potential, international crowdfunding platforms exclude African SMEs. They require an international bank account, don't provide local customer support and don't support local currency, payments and disbursements.

Youth and women run SMEs are key enablers for economic growth and job creation in The Gambia. The Gambian diaspora presents a key opportunity, with remittances as a percentage of GDP increasing from 7.5% in 2010 to over 50% in 2021<sup>1</sup>. The tradition of coming together to raise funds has strong cultural roots in The Gambia, known locally as "Susu". Until recently, fundraising has been offline and invisible to the rest of the world. The increase in digitization, including internet access, mobile money and social media, has created the opportunity for crowdfunding to thrive in The Gambia.

In 2020, UNCDF partnered with leading African crowdfunding platforms, M-Changa (donation crowdfunding) and Thundafund (SME rewards-based crowdfunding), to launch the first crowdfunding platform in The Gambia. Thundafund, is the first rewards-based crowdfunding platform in Africa and has developed a local crowdfunding solution to make crowdfunding more accessible, convenient and inclusive. Thundafund's platform helps to channel diaspora remittances towards working capital and business investment by providing African's living abroad with opportunities to support Gambian SMEs.

This case study explores opportunities and obstacles for using innovative financing mechanisms a development tool in The Gambia, along with investigating insights from market research, entry, expansion, and future projections associated with launching a crowdfunding platform in the country.

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1. Central Bank of The Gambia Data



# 1. THE CASE FOR CROWDFUNDING

## The Gambian Context

The Gambia is the smallest country within mainland Africa, with a population of 2.41 million and GDP of \$1.9 billion (World Bank, 2020). The country's HDI value for 2019 was 0.496— placing the country among the lowest at 172 out of 189 countries and territories. Agriculture accounts for roughly 30% of the gross domestic product (GDP) and employs about 70% of labour. Tourism is a major industry in the The Gambia, contributing a quarter of the country's GDP. The country has been severely impacted by covid-19, with a predicted loss of \$108 million in 2020 (Gambian Tourism Board, 2021).

Financial exclusion is a major constraint to unemployment and economic growth. MSMEs employ 60% of the active labour force in The Gambia, yet these MSMEs contribute just 20% of the GDP. Over the past few years, the pursuit of socioeconomic advancement has driven many to undertake

irregular migration to reach Europe. The World Bank Enterprise Surveys found that 63.3% of Gambian businesses identified access to finance as a significant constraint. Banks finances only 3.2% of business investment and 3.9% of working capital, 21% of working capital is financed by suppliers or customer credit. One of the ways SMEs have traditionally raised investment is through membership in a Susu, an informal investment group.

Remittances and technology have a significant impact on financial inclusion. Personal remittance increased from \$116,000,000 in 2010 to \$416,000,000 in 2020, more than double the countries official development assistance. Remittances as a percentage of GDP have risen from 7.5% in 2010 to 22% in 2020 (World Bank, 2020), whereas the most recent CBG reports show it to have crossed 50% in 2021. Technology adoption has been on the rise. The number

of internet users in The Gambia increased by 23% between 2020 and 2021. The number of social media users in The Gambia was 430,000 in 2021, 17% of the population and a 16% increase from 2020.

## Thundafund Solution

Digital financial services have the potential to improve the performance of MSMEs, create jobs and increase GDP. Until recently, fundraising has been offline and invisible to the rest of the world. The increase in digitization, including internet access, mobile money and social media, has created the opportunity for crowdfunding to thrive in The Gambia.

Globally, crowdfunding has empowered individuals to support the causes they care about, resulting in millions of excluded individuals, organizations and businesses accessing funding. The African crowdfunding opportunity has been estimated at US\$2.5bn by the World Bank. There is a need for digital platforms to be tailored for the local market, in collaboration with public and private sector actors, to reach their full potential.

SMEs benefit from different crowdfunding models at their various stages of growth. During the very early stages, donations are more suitable since that's when the risk of failure is highest. As businesses mature, they naturally progress towards directly selling products, services and experiences (rewards-based crowdfunding). Businesses with more predictable cash flow and revenue will benefit from investment crowdfunding. According to the Small Business Administration (2019), the top two reasons why small businesses fail are "cash flow problems" (82%) "No market need for products or services" (42%). Conventional

financial institutions typically reject SMEs because they lack collateral and have no track records of profitability. One of the main advantages of crowdfunding is that it enables SMEs to raise funds through the crowd, build legitimacy and improve record keeping. In addition, the social nature of crowdfunding enables SMEs to directly reach out to potential donors, customers and investors – to expand their network and raise awareness.

*Thundafund was launched in 2012 in South Africa, pioneering rewards-based and revenue-share investment crowdfunding.*

It has supported 50,000 African projects to raise over \$5,000,000, with project funding between \$100 and \$80,000. In 2019, Thundafund began its Pan African expansion with the vision to connect individuals, including African's living abroad, with opportunities to support African SMEs with working capital and business investment. This expansion began in Kenya, with 16 businesses raising \$65,000 from 361 financial supporters of which 60% used mobile money. Following its success in Kenya, Thundafund sought to test whether crowdfunding was a viable alternative source of finance for SMEs in West Africa. In 2020, Thundafund through the support of UNCDF, began to explore and develop a local crowdfunding solution to make alternative funding more accessible, convenient and inclusive for Gambian SMEs.

## Collaboration

The spread of crowdfunding across Africa is highly complex. Collaboration between experts and practitioners can reduce costs, drive innovation and maximize results. As part Thundafund mission to create greater financial inclusion across the continent, it has collaborated with M-Changa and BackaBuddy, local leaders in African

crowdfunding, to share experiences, learning and resources. Together, the platforms have raised over US\$35,000,00 from 1.5 million financial contributors towards 100,000 African initiatives. The average contribution size across these platforms is \$23, and the average project size is \$583.

### M-Changa



M-Changa is the market leader and pioneer of donation-based crowdfunding in Kenya and East Africa. Since launch in 2014, M-Changa has developed SMS, USSD and web-based crowdfunding solutions for the African market. Their focus on available technology and mobile-first design has enabled M-Changa to raise over US\$14,000,000 from 1.2 million supporters for 52,000 causes. 85% of donations have come via mobile money channels and 15% via credit or debit card. Approximately 8% of donors are repeat donors.

### Thundafund



Thundafund was launched in South Africa as the first African rewards-based crowdfunding platform. They pioneered revenue-share investment crowdfunding in 2017 and were the first SME crowdfunding platform to launch in Kenya in 2019.

### Backabuddy



Backabuddy is an African Community Funding Exchange with 18 staff, that facilitates donations and builds communities around social causes in South Africa. BackaBuddy's vision is to make community funding an accessible, socially and digitally inclusive answer to charitable needs across all causes in Africa. BackaBuddy has raised over \$20 million towards South African causes.

## Impact

SMEs are the greatest source of employment across Africa, and yet they are disproportionately impacted by the \$331 billion dollar funding gap (IFC, 2020).

The role of financial inclusion in reigniting the global economy in a post-pandemic world cannot be understated.

Through local crowdfunding solutions, Thundafund works to remove friction between SMEs and supporters, customers & investors. Crowdfunding is an enabler of financial inclusion, which is defined as individuals and businesses having access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.

Local crowdfunding platforms are well positioned to support excluded SMEs with limited infrastructures such as internet access and formal banking. Thundafund has considered five dimensions of digital and financial inclusion into their business model:

Dimensions of financial inclusion	SMEs	Donors
<b>Affordability</b>	Registration and training are provided for free and successful projects pay a success fee of 5-7%.	Donors chose how much they want to contribute from as little as \$1. There are no additional fees charged.
<b>Accessibility</b>	African developers have built the platform to maximize accessibility to SMEs, including human-centered and mobile-first design.	The platform accepts a wide range of international and local payment options, including Visa, MasterCard, PayPal, Mobile Money, Bank Transfers and Cash.
<b>Availability</b>	The digital platform is available online 24/7. It has been built for scale and the majority of the platform's features can be managed directly by the SME using the portal. Much of the platform's functions have been automated, including payment collection and communications. The customer support team is available by phone, email and social media.	
<b>Awareness</b>	SME awareness is driven through strategic partnerships, word of mouth, free training/webinars, and traditional and digital marketing.	Donor awareness primarily results from SMEs promoting their projects to their networks, inviting them to discover, share, and support them via their online project page. Additional awareness is driven through social media, radio and other marketing channels.
<b>Adequacy</b>	SMEs need funds, and traditional institutions don't provide them. Reaching out to the crowd introduces a new source of funding.	Donors want to be engaged by a story, they want to make sure their funds are used well, they want value, and they want transparency.

*African youth are one of the most financially excluded groups, of which 263 million may lack an economic stake in the system by 2025.*



Crowdfunding's immediate benefit on SMEs is through funds raised, typically used for working capital or business investment. A study from FSD Africa and Allied Crowds (2016) finds that projects that attract many supporters are more likely to succeed. Crowdfunding cuts out the institutional intermediary and supports SMEs to connect directly to donors, customers and investors. Non-financial benefits include market awareness, attracting new customers, increasing sales, developing skills and access to business mentorship and support.

## Woman and Youth

Despite their key roles in driving innovation and economic growth, women and youth run businesses have the highest rates of financial exclusion. Due to social and economic factors, women and youth are less likely to have sufficient collateral or track records of profitability compared to their counterparts. Thundafund's solution targets women and youth in support of SDG 8 (decent work and economic growth) and SDG 5 (gender equality).

African youth are one of the most financially excluded groups, of which 263 million may lack an economic stake in the system by 2025. The Anzisha Prize published a report on 'The Impact of Entrepreneurship on Job Creation for Young People'. The report challenges the belief that youth will fail at entrepreneurship due to their lack of experience. Instead, young entrepreneurs are typically more optimistic about trying new things and question uninterrogated assumptions. The results show that when youth with leadership potential choose entrepreneurship, they can generate income for themselves and are likely to create more than a dozen jobs for other youth within three years.

Gender representation within entrepreneur programs across the world is a massive problem. The increasing number of women entrepreneurs can promote economic and social equity which facilitates self-fulfilment for individuals and improve the use of valuable human capital (World Economic Forum, 2019). A study on crowdfunding from the Bill & Melinda Gates Foundation, Busara Centre for Behavioural Economics and M-Changa (2016) shows that whilst men and women donate similar amounts, women are more effective in mobilising support from others, giving them an advantage in crowdfunding.

Thundafund works to build the entrepreneurial skills of women and youth by giving them the opportunity to develop small businesses with financing and mentorship programmes.

## Covid-19

Crowdfunding is the fastest-growing trend in fundraising — and it's a particularly useful tool in times of crisis. According to the African Center for Economic Transformation report, the Covid-19 pandemic presents opportunities for Africa's economic transformation through innovation, digitalization, and regional collaboration. The role of digital solutions for financial inclusion in reigniting the global economy in a post-pandemic world is becoming more evident each day (Quartz, 2021). Local donation crowdfunding platforms support individuals and organizations in raising funds.

These platforms have experienced growing demand during covid-19, including:

- BackaBuddy, South Africa's largest donations crowdfunding, raised US\$7 million towards local needs in 2020, a 200% annual increase in growth.
- M-Changa, Kenya's largest donations crowdfunding platform, raised US\$4.8 million from 438,064 donors in 2020 and 2021

## Commercial Viability

The global crowdfunding industry has experienced rapid growth since 2008, reaching \$410 billion in 2020 and expecting to grow at CAGR 16% from 2021 to 2026 (Forbes 2021, *The Meteoric Rise of Crowdfunding*). The huge opportunity for African crowdfunding is to solve for the \$131 billion credit gap across Sub-Saharan Africa. The World Bank (2015) estimated the African crowdfunding market to reach \$2.5 billion by 2025. There are an estimated 40 million MSMEs across Africa. A majority of these rely on the financing from friends and family. Africans in the diaspora provide an essential source of funding for African SMEs, and the African remittance market is estimated to be \$77 billion per year.

Thundafund works with local and international partners and individuals to create a support community for African SMEs. The revenue model enables SMEs to register for free, and Thundafund charges a success fee on funds raised through the platform. Crowdfunding projects are created, vetted and approved on the platform and project creators promote their projects on social media to invite support from their networks. Supporters pledge cash in return for rewards. At the end of each project, Thundafund takes a 5-7% success fee on all funds raised.

One of the first considerations for market research is commercial viability, or to put it another way, "is there a market for this product?". The Gambia is a small country with a population of 2.4 million and a GDP per capita of \$787. The small economy presents risks for Thundafund since sustainability for a digital platform requires scale. Financial support from UNCDF has made it possible for Thundafund to test and refine its business model in The Gambia.

Key investments Thundafund has made due to the support of UNCDF are platform development and internal capacity building. By automating key processes and investing in centralized operations, Thundafund has increased its capacity to handle crowdfunding projects across multiple countries at scale. The Gambia is one of the most expensive places to send remittances globally, especially when sending small amounts. Thundafund's solution to the high cost of payments is to operate international accounts, collect international payments through internationally competitive payment gateways, and remit funds in bulk to minimize transfer costs. Supporters can give more often, and SMEs can raise more since the platform helps to avoid excessive fees.

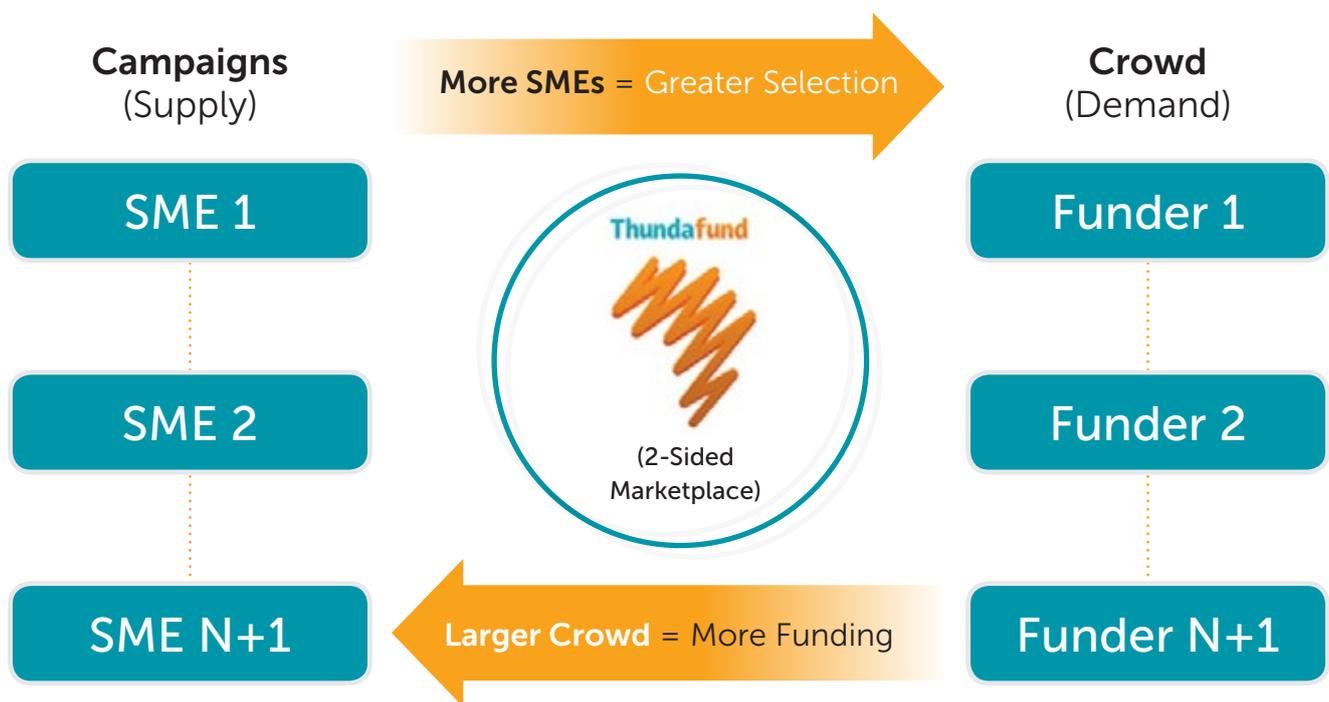
One of the key advantages of Thundafund is that for each additional country, partner and SME, the costs of acquisition reduce significantly. Once the platform has gained momentum in a new market, sales and marketing spending can be effectively zero as the platform users make the selling/customer acquisition for them. It would be challenging to reach the required scale in The Gambia at the local level without the power of digital tools and social media.

## Networking Effects

One key difference between digital platform strategy and traditional business models is the ability to grow at scale through viral loops and networking effects. Network effects have been responsible for 70% of all the value created in technology since 1994 (NFX, 2021). A viral loop is a process through which a user goes from first encountering your product to being incentivized to recommend it to others. When projects are created on Thundafund, the creator shares a link to their project page to invite members of their immediate network for support. In addition to financially support the project, individuals landing on the project page can discover the business and also share it on

their social media. Through participation, supporters also learn about crowdfunding and increase likelihood to run their own projects on the platform in the future. Such platforms achieve exponential growth when each new user brings in at least one additional user (viral coefficient).

The network effect is a phenomenon whereby increased numbers of people or participants improve the value of a good or service. For example, networking effects enable the value of a product or service to grow as users increase. These effects increase a platforms ability to reach sustainability and scale.



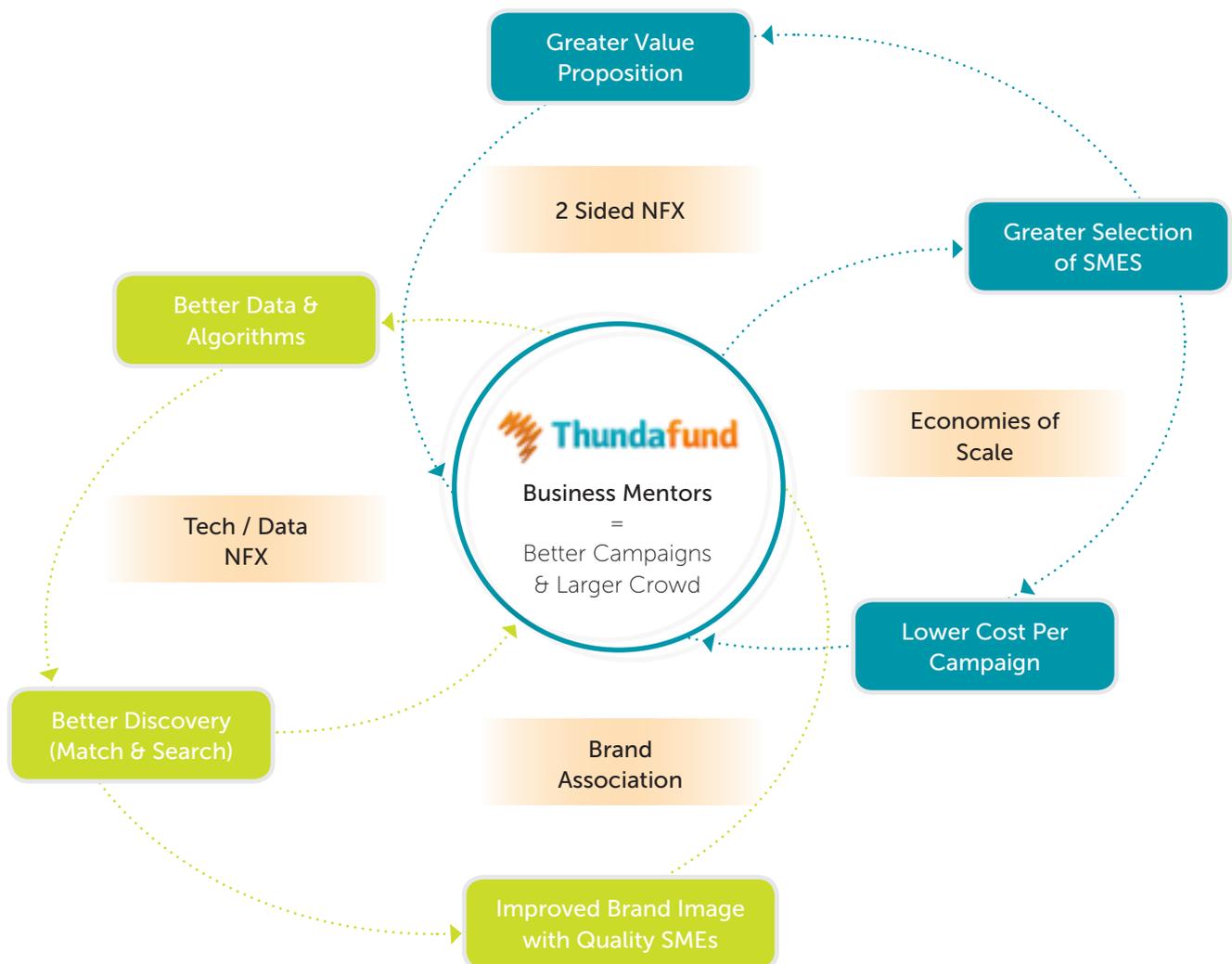
A two-sided marketplace business model facilitates direct interaction between suppliers and customers, creating value through an intermediary platform. Value is given and received by both the consumer and the service provider.

As more projects join Thundafund, the crowd benefits from a greater selection of projects. As the crowd increases, projects benefit from more traffic, increasing how much they will raise.

The strategy for developing a two-sided market is to first focus on local businesses needing to raise funds, and then to support those businesses in reaching out to their networks to build the other side of the market, the crowd of individuals able to fund projects. Thundafund has identified the potential for additional networking effects:

- Brand Association - helps people remember the brand and its unique qualities, including those that differentiate from competitors. By fostering familiarity and reinforcing recognizable attributes, Thundafund provides customers with concepts, visuals, and attitudes that can help facilitate brand recall.

- Economies of Scale - As Networks grow larger, the cost increases, but the value of the product increases faster. Economies of scale lead to increased profits, generating a higher return on capital investment and providing businesses with the platform to grow. Thundafund benefits from economies of scale through its international network of support and multiple countries of operation.
- Data Network Effects. A data Network Effect is created when a product's value increases with more data, and when additional usage yields data. Thundafund collects data to understand better what drives engagement between projects and supporters; this data creates better experiences for both SMEs and supporters.





## 2. HOW THUNDAFUND REACHED 3,000 SMES

In a country where access to capital is limited, many entrepreneurs depend on family and friends for funding their businesses. Crowdfunding supports SMEs to raise funds from individuals through donations, rewards and investment.

At the end of 2020, UNCDF, through its partners (M-Changa and Thundafund), launched the first of its kind crowdfunding

platform, with the objective of funding 8,000 MSMEs in The Gambia. The UNCDF has provided funding and technical assistance through the Jobs, Skills, and Finance (JSF) programme. JSF addresses persistent challenges in The Gambia, including a lack of job opportunities for youth and women, low levels of financial inclusion, and climate change adaptation and mitigation.

### Individual Supporters:



Donation / Purchase  
/ Investment

Local & International  
Payments

Thundafund



Local Disbursements  
(GMD & USD)

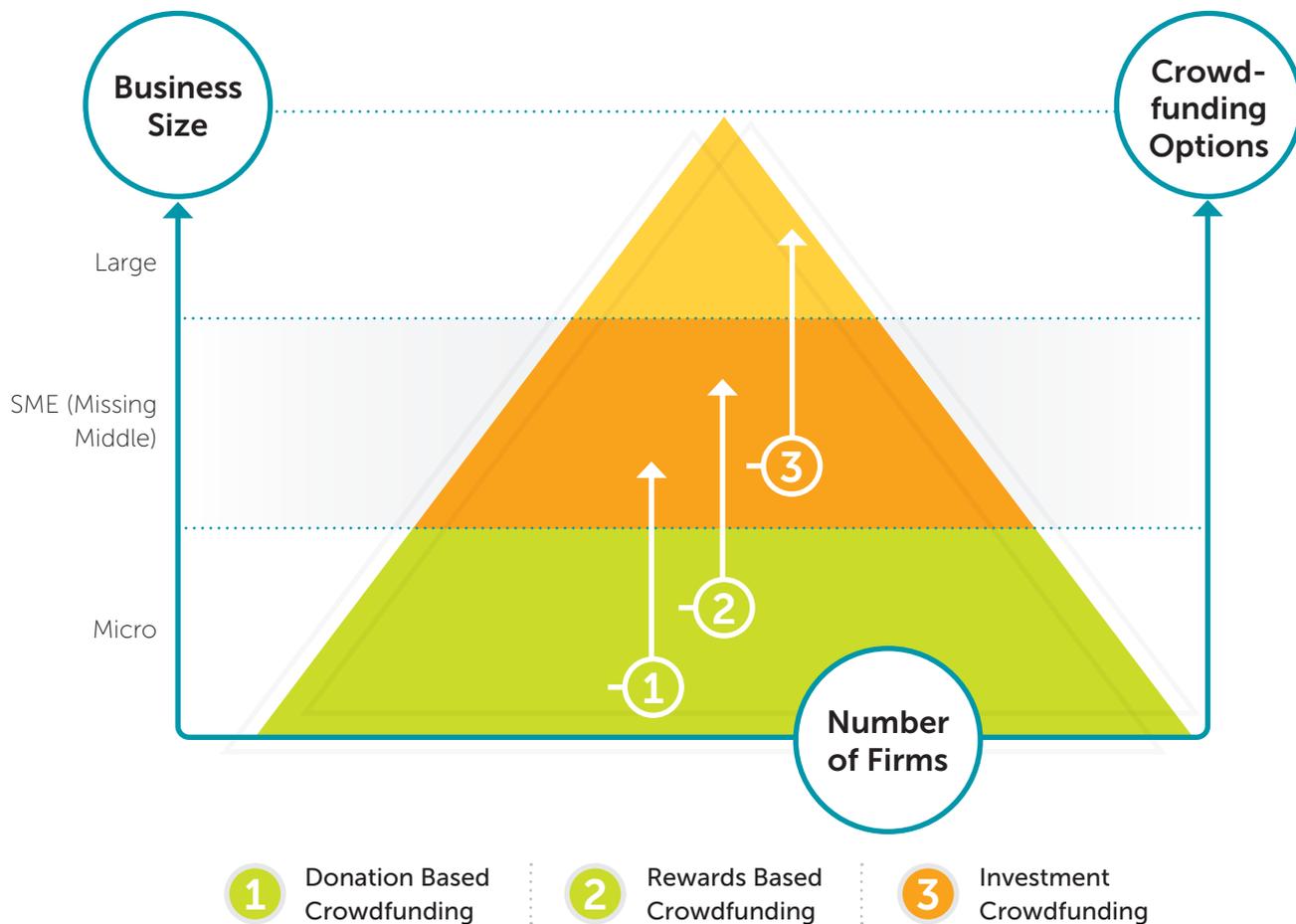
### Gambia MSME



Product/  
Service /  
Experience /  
Investment  
Return

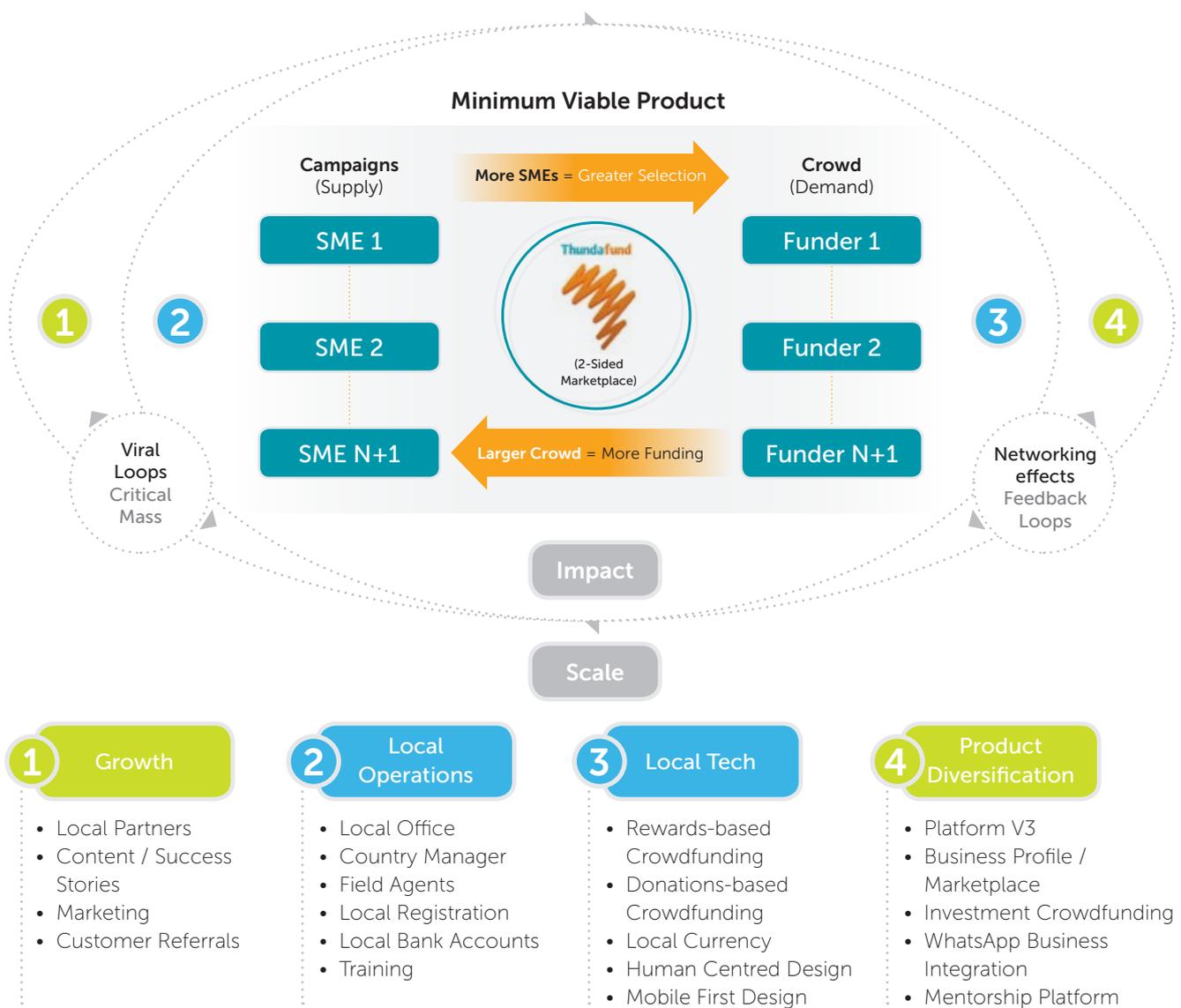
Their approach aims to increase access to inclusive finance by using a market systems approach to support the development and scale-up of targeted financial services and

products, particularly for women and youth, and the development of inclusive financial markets.



To address the SME finance gap, Thundafund supports financially excluded SMEs with a range of crowdfunding solutions (donations, rewards & investment). For micro projects (< \$500), donation-based crowdfunding allows SMEs to raise funds without giving up anything. For larger

projects (\$100 - \$20,000), rewards-based crowdfunding supports SMEs to sell products, services and experiences in exchange for funding. For projects (\$1,000 - \$100,000) with clear revenue projections, investment crowdfunding supports SMEs to offer financial returns based on their sales revenue.



A three-stage strategic plan was developed between experts from Thundafund, M-Changa and UNCDF to establish crowdfunding as a long-term financial alternative for excluded SMEs in The Gambia.

The first stage focused on establishing the proof of concept by serving a first batch of 100 Gambian SMEs. The market research included gathering insights from UNCDF, experience from M-Changa and Thundafund in South Africa and Kenya and conducting field research in The Gambia. Thundafund used a lean market entry strategy to gain early traction, test market assumptions and gather learnings. The second stage focuses on reaching a critical mass of 8,000 SMEs and onboarding them onto the platform.

Thundafund's operations team focused on growth initiatives, whilst the tech team focused on product diversification. Constant testing and iterations are key for identifying the most effective ways to reach more customers and increase the platform's value proposition.

The final stage focused on impact and scale. To increase how much funds SMEs raise, Thundafund takes a data-first approach for enhancing donor engagement, building trust across the community and partnering with industry leaders. Scale and impact are reached through an agile approach for continued product innovation, viral marketing and creating two-sided marketplace networking effects.



### 3. MARKET RESEARCH

During the market research stage, Thundafund combined desk and field research to make and test assumptions about crowdfunding in The Gambia. It leveraged the experience of M-Changa and Thundafund launching successful crowdfunding initiatives in Kenya and South Africa and surveyed early Thundafund users to gather insights from their experience. A comparison between South Africa, Kenya, The Gambia and the rest of Africa highlights some key social, economic and technological differences (See *table on next page*).

Local market access to key digital services indicates a country's digital literacy and ability to embrace new technologies. In several African countries, including Kenya and South Africa, there has been a recent surge in card payments, mobile money usage, e-commerce and internet access. South Africa scores highly on card payments and e-commerce, Kenya scores highly on mobile money and internet access. In countries where digital services

have been growing, the cost of access has been reducing significantly, creating new opportunities for digital platforms to emerge. In contrast, The Gambia has very low digital literacy, and many digital services are underutilized due to cost, awareness and access. Overall, digital trends across the African continent have been positive and many African countries are expected to follow the trends of technological transformation experienced in South Africa and Kenya.

How people access technology is an important factor for introducing a new digital platform. Human Development Index (HDI) scores are relatively higher in South Africa and Kenya compared to The Gambia. As a result, customers in The Gambia would be expected to need additional support in using the platform. To make the platform more accommodating to the local market, access needs to be supported through phone, SMS, USSD and WhatsApp as preferred mediums of communication.

Indicator	South Africa	Kenya	The Gambia	Sub Saharan Africa
Population	59.31m	53.8m	2.4m	1.39bn
GDP Per Capita	\$5,090	\$1,838	\$787	\$1,970
Card Penetration	8.9%	5.7%	No Data / Very Low	3%
Mobile Money Penetration	Low	73% (Very High)	No Data / Very Low	Low
Ecommerce Score	54	47	No Data / Very Low	Low
Internet Access	60.7%	85.2%	23.7%	22%
Digital Literacy	Medium / High	Medium	Very Low	Low
Remittance as a % of GDP	0.25%	3%	23%	2.1% <sup>2</sup>
Human Development Index	0.709 (114/189)	0.601 (143/189)	0.496 (174/189)	0.55
High Touch / High Tech	High Tech	Low Tech	High Touch	High Touch
Preferred Medium	Web application	Mobile: Web application / SMS / USSD / WhatsApp	Mobile: Phone / SMS / USSD / WhatsApp	Mobile: Phone / SMS / USSD / WhatsApp
Native crowdfunding platforms	BackaBuddy	M-Changa	None	None

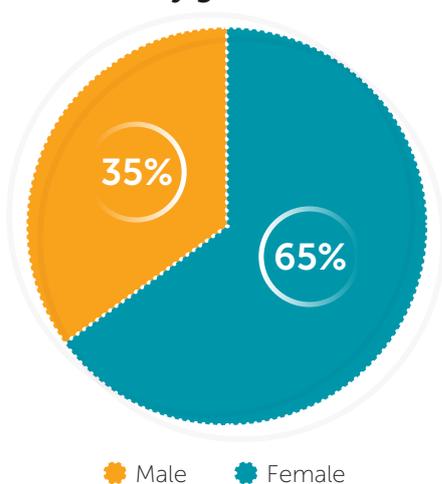
African crowdfunding is in its nascent stage, with SMEs largely excluded from international platforms and few native options available. The size of the economy determines how much competition the market can sustain. Generally, African crowdfunding platforms are complementary to financial service providers and digital technologies such as mobile money. Since there are many types of crowdfunding and lots of niche markets to be served, the emergence of new platforms that are responsibly run can improve understanding and help to grow the industry as a whole. Without local competition in The Gambia,

Thundafund can focus on collaboration to support nationwide digital adoption.

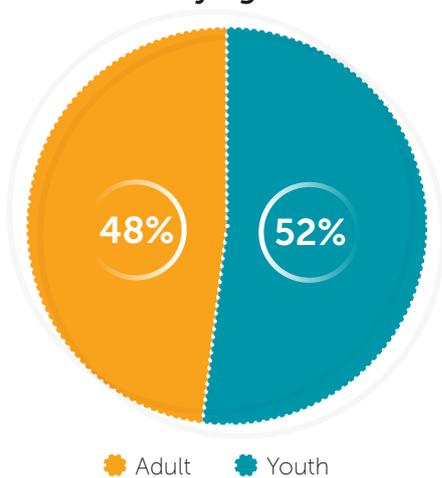
Thundafund identified local partners and local SMEs to launch in The Gambia to progress from desk research to field research. The collected data from the platform and surveys provided market insights and helped identify market opportunities and challenges. Data showed that 65% of project creators were female, raising over 75% of the total funds. Youth represented 52% of project creators, raising 39% of total funds raised. The success of Gambian women-run businesses is consistent with the research on

2. African remittances \$77bn (2019) / GDP \$2.6 trillion (Nominal; 2019)

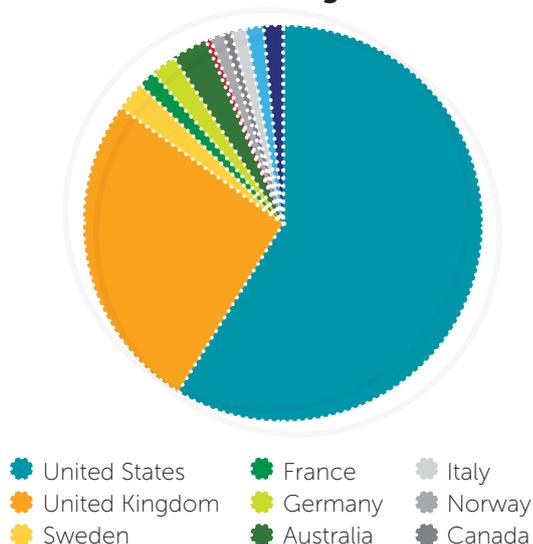
### Percentage of projects by gender



### Number of Projects by Age



### International Funding



crowdfunding in Kenya. M-Changa, Busara Center for Behavioural Economics and the Bill and Melinda Gates Foundation (2017) found that whilst men and women contributed similar amounts to fundraising projects, women were more effective in activating their networks to invite others to give.

It was expected that majority of funds raised would come from Gambians in the diaspora, especially Europe and America. The data also showed that more than half of the international funding came from the United States, 25% from the United Kingdom and the rest from Europe, Australia and Canada. Switzerland had the highest average contribution at \$120, followed by Ireland at \$100, Australia at \$80.60 and the USA at \$59.80. PayPal was the most popular payment method at 48% of payments, followed by credit cards at 41%. The remaining payments were bank transfers and cash since mobile payments are not yet popular in The Gambia.

Thundafund field agents conducted 373 phone interviews with Gambian project creators. Many of these interviews were in local languages, including Wolof and Mandinka. It summarized six key insights below:

- **Website Navigation** – Project creators found the user journey, particularly project creation, difficult to navigate. In contrast, participants found projects easy to share once live, enabling them to promote projects with friends and family.
- **Cash Contributions** - Most project creators were pleasantly surprised that they could raise cash contributions and increase sales by sharing their projects with friends and family. Unfortunately, offline activity was not captured by Thundafund.
- **Online Presence** – Project creators did not immediately understand the value of digital products and therefore had

little to no online presence. Most project creators are actively involved in social media, WhatsApp and Facebook, for personal use.

- **Trust & Communication** - Project creators struggled to craft the message to invite their contacts to visit their project pages, sharing links without context or explaining to their networks what Thundafund was. As a result, their networks were not understanding or trusting what they were being invited to support, causing inaction.

- **Diaspora Opportunity** - Most project creators had several connections to the diaspora. Members of the diaspora were interviewed to confirm there was a willingness to support business development in The Gambia. However, they need to be convinced that funds raised will be well spent.

The underlying lesson from the market research was that trust and understanding needed to be established between the platform, SMEs and their networks.





## 4. MARKET ENTRY (100 SMES)

Thundafund applied the lean start-up approach to launching in The Gambia. This approach focuses on gathering the maximum validated learning for the least effort. The priority was to reach 100 Gambian businesses, to identify the product/market fit for Thundafund in the Gambia. Thundafund knew from its market research that local platform customizations and local training and support would be essential for success.

Through UNCDF's network in The Gambia, Thundafund connected with local ecosystem players. The approach to local partnerships began with understanding local market conditions, understanding the local partner's needs, and establishing mutually beneficial ways to collaborate. Initially, Thundafund focused on partners already active in SME development and arranged to pilot crowdfunding with a select group of SME

referrals. Working with well-known and established partners proved essential in establishing trust and understanding among SMEs.

The fastest way for Thundafund to launch was using existing technology. It made minimal adjustments to tailor the platform to the local market, including; ability to register a project in The Gambia, acceptance of payments and disbursement in Gambia Dalasi & United States Dollar, acceptance of local partners, acceptance of local cash contributions and direct bank transfers and shift from email as the primary communication channel to WhatsApp and phone calls. Thundafund also introduced an entry-level product that would enable businesses to create a simple profile on Thundafund, share across social media and develop an online presence.

Thundafund onboarding worked in three steps; training, project creation and project approval. Initially, onboarding was tested using the operations team based in Kenya through online interactions. The immediate challenges faced include a high cost of internet and very low digital literacy.

To ease the onboarding process, agent-registration replaced the need for self-registration. Thundafund discovered that once a business experiences the value of digital platforms, it becomes easier for them to adopt digital services, encouraging the transition from a traditional offline approach to the use of crowdfunding and other digital services.

Thundafund operates remotely in South Africa and Kenya due to relatively higher digital literacy. Through interviews with SMEs, scepticism towards technology was identified to be a greater barrier to crowdfunding than lacking a network to engage for support. In response to low digital literacy and low trust, Thundafund established a local office to support SMEs

with hands-on support. The team provide comprehensive training, including pitching an idea, goal setting, storytelling, content creation, social media marketing, audience mapping, communication strategies, digital payments, and financial management. These transferable skills help SMEs run successful crowdfunding projects, identify income-generating opportunities, and create more productive jobs. Local agents also support SMEs in promoting their projects and creating content, including pre-recorded WhatsApp voice messages to be shared with their networks. Thundafund strategy for connecting with local supporters and the diaspora was to demonstrate its impact through success stories.

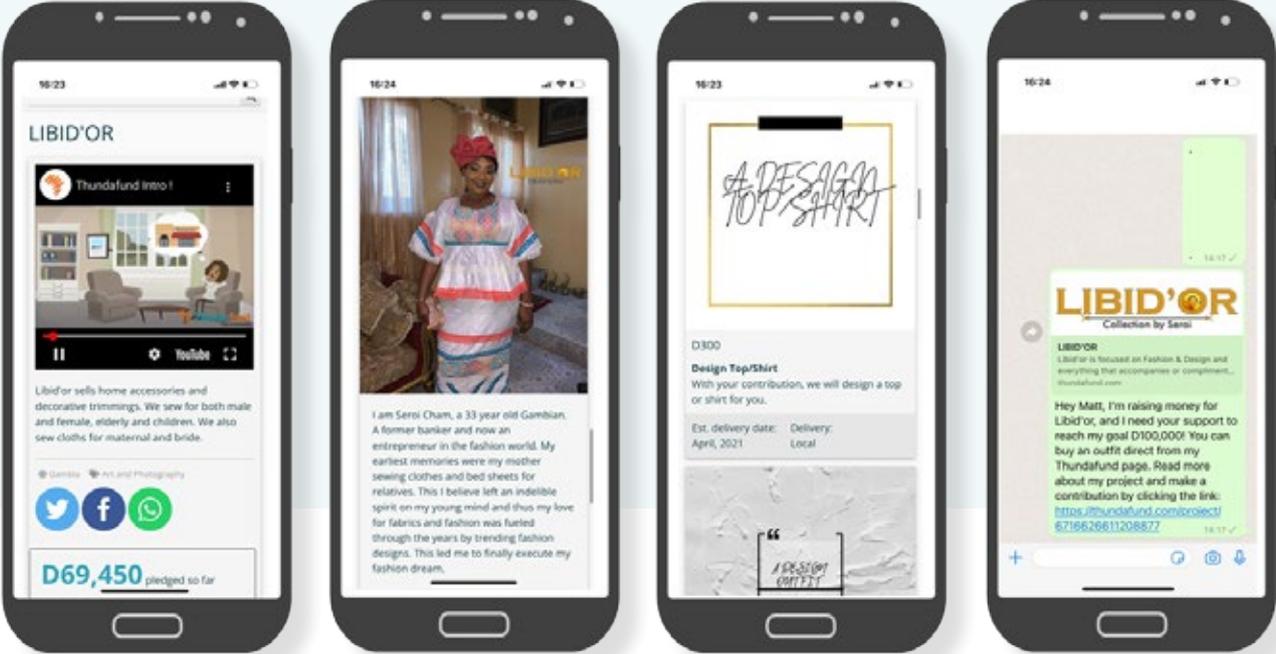
Thundafund early adopters in the Gambia provided a proof of concept for crowdfunding in The Gambia, proving that crowdfunding was something Gambian SMEs wanted. People from their networks were also willing to support their projects on the platform.

## Libid'Or - Ambassador example from market entry

Seroi Cham, a 33-year-old lady from The Gambia who was a former banker, set up her fashion business, 'Libid'or', in December 2018. Fashion had been a long-time passion of hers as her earliest memories were of sewing clothes with her mother and other close relatives. Her passion for fashion fueled her hard work, and within two years, she was able to achieve a good customer base both locally and internationally. Like many other businesses, she was affected by the pandemic, and sales slowed down quite a bit.

Through one of its Gambian Partners, Gambia Youth Chamber of Commerce (GYCC), Seroi Cham came to learn about Thundafund. She attended a training session to help her understand the platform better. She wanted to raise funds to help sustain her current operations, which included paying her staff and buying various fabrics. She also had a bigger goal of buying new machinery, which would help cut down production time.

With her dedication and the guidance of the Thundafund team, Seroi has so far been able to raise D 69,450 (US\$ 1,335) from 13 backers, including friends, new customers, and international supporters.





## 5. MARKET EXPANSION (3,000 SMES)

The next phase to establishing Thundafund in The Gambia was to grow the platform from 100 to 8,000 SMEs. The rationale for targeting 8,000 SMEs is to build sufficient momentum to achieve the networking effects of a two-sided marketplace. The strategy centred on building SME awareness, understanding and engagement. Thundafund deployed a range of growth initiatives, including; mass media and digital marketing, local partnerships, customer referrals, training, diaspora outreach, field agents, success stories and brand ambassadors.

Within the Gambian market, Thundafund discovered several types of SMEs. These are effectively categorized SMEs into three broad segments.

By categorizing SMEs by segment, Thundafund could design appropriate strategies for each. For example, specialist staff worked with Segment 1 SMEs to provide one-on-one support since they were most likely to raise significant amounts and become brand ambassadors. Segments 2 and 3 represented the largest number of potential SMEs. There was a focus on local partnerships and group training to create mass awareness and understanding for efficiency for these segments.

	Segment 1 Growing business with consistent revenue and high growth prospects	Segment 2 Small businesses with low revenues and medium growth prospects	Segment 3 Microenterprises with little growth prospects
Size of market	Small	Small - Medium	Large
Market Potential	High	Medium	Low
Digital Literacy	Medium – High	Low - Medium	Very Low
Greatest Needs	Access to finance	Access to finance Access to market	Access to finance Access to market Access to informa
Barriers to Financial Access	Unfavorable loan terms from a bank Lack of collateral	Unqualified for traditional finance	Unqualified for traditional finance
Diaspora Affiliation	Strong	Medium - Strong	Medium – Strong
Inbound Leads	Referrals & Customer Success Stories	Field Agents, Partners, Media & Customer Success Stories	Field Agents, Partners, Media & Customer Success Stories
Approach	One on one support High Tech / High Touch	Group training & one on one support	Group training & one on one support
Means of registering	Online self-registration with support	Low Tech / High Touch	Field Agent

## Above and below the line marketing

Thundafund tested above and below the line marketing to create awareness and build understanding among Gambian SMEs. It developed an assessment criteria to identify the opportunities and challenges of each initiative. The combination of local partners,

field agents and training have yielded the greatest results during the early stages of market expansion. A summary of key initiatives have been listed by most and least effective below:

Marketing initiative	Assumption	Reality	Effectiveness
<b>Partnerships</b>	Partnering with established SME networks would be an effective way to target SMEs and establish trust through the partnership.	Partners that understood the crowdfunding concept were much more likely to be successful. Increasing capacity to train partners and build relationships proved successful.	Very high – success depended on the partners understanding of crowdfunding. Greater targeting and relationship building has increased effectiveness. As a result, Thundafund has established over <b>39 active partnerships</b> , which consistently provide over 75% of businesses on the platform.
<b>Field Agents</b>	To overcome the lack of digital literacy, field agents can provide high touch support to SMEs.	They initially failed due to a lack of training and understanding of the platform. However, after more emphasis was placed on training field agents and assigning clear targets, performance increased. Projects which received follow up support, including messaging templates, were also more successful in raising funds.	Very high - The result has been onboarding over 3,000 Gambian SMEs, each of which has received one-on-one support from field agents.
<b>Training</b>	To build understanding, Thundafund designed a 3-hour training session to cover all important areas of crowdfunding.	The concept of crowdfunding was too much to be covered in a single session. Instead, Thundafund changed its strategy to run 2/3 training sessions with each group, to spread learning over a longer time period and make it easier to understand.	Very high – after making changes to training program from a single session to multiple, Thundafund increased engagement and understanding.
<b>Diaspora targeted media</b>	The Gambia has one of the highest remittance rates globally at 23% of GDP, providing an opportunity to target the diaspora in media efforts.	Diaspora-targeted Media Thundafund partnered with “For The People, By The People,” a weekly Facebook Live channel popular with the Gambia Diaspora. This channel was more effective than earlier mass media attempts since it supported targeting the right audience through storytelling.	Medium - The result has been to connect Gambians in the diaspora with Gambian businesses needing funds, including purchasing rewards and direct investment.

Marketing initiative	Assumption	Reality	Effectiveness
<b>Customer Success Stories &amp; Ambassadors</b>	Human connection is one of the most important considerations in marketing. Whereas advertising can be easily dismissed due to it lacking a personal connection, people respond much more favorably to local success stories and brand ambassadors.	When Thundafund first launched in The Gambia, it was difficult for businesses to trust Thundafund platform because nobody had heard of it before. As more SMEs have used the platform to raise funds, Thundafund developed brand awareness and trust. Furthermore, being associated with UNCDF helped to legitimize the platform with both the SMEs and their backers.	Medium – we're relatively early.
<b>Mass Media</b>	Reaching a wide audience through mass media would drive much interest towards Thundafund.	Thundafund featured on the local TV, radio and newspaper. Interviews, testimonials, and storytelling introduced the general public to crowdfunding. Engagement with mass market remains a challenge.	Low – Thundafund discovered that crowdfunding was too new a concept for mass media, a more focused and relational approach is likely to be more effective.
<b>Digital Ads</b>	Reaching a wide audience through digital ads would drive many conversions.	Digital ads created many impressions and clicks at a low cost.	Low – similar to mass media, conversions are low because crowdfunding is a new concept.
<b>Paid referrals</b>	M-Changa has succeeded in paid referrals by recruiting 3,000 affiliates, resulting in over \$400,000 raised. Thundafund expected similar results.	Paid referrals got a negative reaction in The Gambia. The concept was not well understood and people associated paid referrals with pyramid schemes.	Negative – it was too early to introduce paid referrals before the brand was known and trusted.

## Platform modifications

Launching a digital product into a new market requires understanding the market's technical capacity, available solutions, and the status quo. Using the lean start-up approach, Thundafund collected feedback from platform users directly, helping identify customers' highest pain points and develop solutions.

One of the key investments Thundafund made with the support of UNCDF has been to rebuild its platform with in-house developers. Mobile-first design is a design philosophy that aims to create better experiences for users by starting the design process from a mobile phone. The first time most Africans use the internet is on a mobile phone.

Even without internet, phone calls, SMS and USSD enable Africans to access digital services. Through its mobile-first design, M-Changa built a market of over 1 million donors using mobile money in Kenya.

Thundafund's agile process involved constant iterations, where demands and solutions evolve through the collaborative effort of self-organizing and cross-functional teams and customers. Human-centred design is a problem-solving approach that focuses on understanding the user's perspective and testing whether a solution meets the users' needs. Key considerations for the Gambian market include lower rates of digital literacy, cash-based economy, smaller project sizes and high reliance on international remittances. Thundafund partnered with M-Changa to build local crowdfunding solutions that incorporate mobile-first and human-centred design principles. Success is measured by how accessible and user-friendly the Thundafund platform is for project creators in The Gambia and their supporters. To serve a broad spectrum of needs, three different types of crowdfunding mechanisms were tested in the Gambian market: donations, rewards and investment.

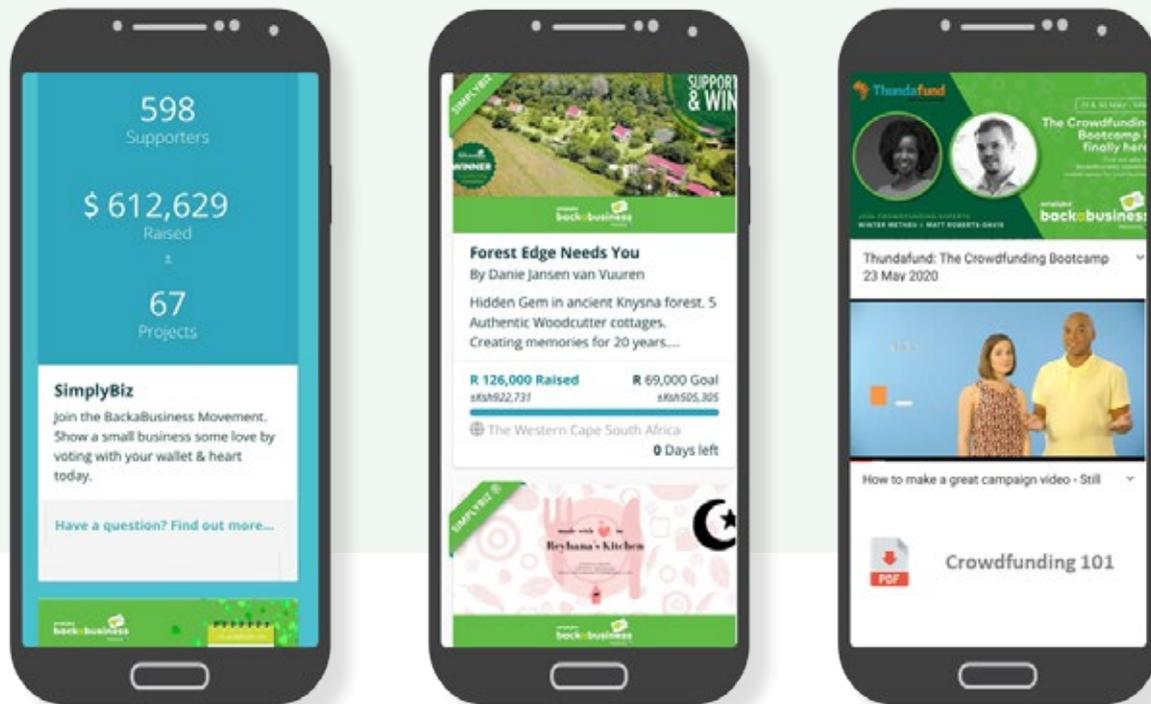
Donation-based crowdfunding allows projects to raise funds without offering anything in return. This has been popular since many businesses had nothing to offer. By default, all projects have this option: "Fund without receiving a reward". Rewards-based crowdfunding allows projects to raise funds by offering rewards. This has enabled Gambian businesses to make sales by promoting their projects. Investment crowdfunding allows users to offer financial incentives as rewards. Thundafund launched revenue-share crowdfunding to enable

projects to raise investment from the crowd with flexible terms and replacing the need for collateral with social credit scoring.

Digital payments are a principal component of crowdfunding. Where South Africa has high rates of credit card payments and Kenya mobile payments, The Gambia has a highly cash dependent economy with few digital transactions. To make it easy for tourists and diaspora members to support projects financially, Thundafund developed the functionality to accept international payments of any size and in any currency via Stripe and PayPal, and to support local payments through bank deposits. The adoption of mobile payments will depend on infrastructure, cost, agent networks and partnerships. The more people use mobile money, the more attractive it becomes because of network effects. Thundafund endeavours to work with local telcos to drive the adoption of mobile money.

Communications are also a vital component of crowdfunding, and email communication is insufficient for The Gambia considering low email usage. Thundafund have incorporated multiple communication channels into processes to communicate effectively, including phone, SMS, and WhatsApp. Further, it enabled one-click project sharing to WhatsApp to encourage project visitors to share projects to their networks. To make businesses more comfortable communicating in their local language, Thundafund offered local language support from agents. To encourage partners to monitor and support projects from their network, Thundafund developed a partner page. The partner page enables partners to view all their projects, promote projects on social media, and track progress.

Below is an example of how the partner page appears on mobile:



## Revenue Share Crowdfunding

Many businesses reach a point where they need to raise capital to grow. Most businesses will not be suitable for equity investments and therefore opt for debt. Unfortunately, interest rates across Africa are high due, and the due diligence requirements will exclude many businesses, especially those run by youth or women. Some of the most common barriers to traditional finance include:

- Lack of formal documentation and financial records
- Lack of collateral
- Too rigid loan terms.

As a result of lacking formal access to finance, businesses tend to raise funds informally. For short term finance or personal emergencies, businesses will get funds from a money lender at a high interest rate, often causing the business to fall into a debt cycle. For non-immediate funding needs, businesses will participate in savings and cooperative groups,

enabling them to pay in small amounts every week or month and be able to withdraw a larger amount.

Thundafund's model of crowd-investing is flexible and does not require collateral. The model assumes that it is easier for most businesses to convince 100 individuals to invest \$50 than to raise \$50,000 from a single institution. Most creditors assess credit risk based on credit history, outstanding debt, and regular income. Thundafund believes there are other factors to be considered to determine credit worthiness, such as reputation in the community. Rather than a lengthy due diligence process and collateral collection, the model factors a business owners' social capital into the credit assessment. To gauge a project's social standing in the community, Thundafund assess where a business was referred from, their social media following and their ability to convince their immediate network to invest in their project. Experience



has been that social due diligence can often yield the same or better results than traditional due diligence. Accordingly, Thundafund's repayment model is based on revenue sharing rather than fixed monthly repayments to create greater flexibility for the business, which has been called this model Return on Future Revenues (RFR).

To launch crowd-investing in The Gambia, Thundafund trained two agents to identify, train and onboard qualifying businesses. In addition, it worked with local partners familiar with investment to develop a pipeline of future business projects. The crowd investing pilot is ongoing, with the following results, as of Jan2022:

- 400 Gambian businesses have been trained
- 200 Gambian businesses have been assessed for their suitability
- 41 Gambian businesses have been qualified as suitable
- 13 projects have gone live
- 9 projects have been fully funded and paid out
- 4 projects have made at least 1 repayment
- 7% of funds paid out have already been repaid

The results of the pilot so far have been positive, suggesting there is a high potential for investment crowdfunding in the region. Some of the main challenges met during the pilot have been the lack of

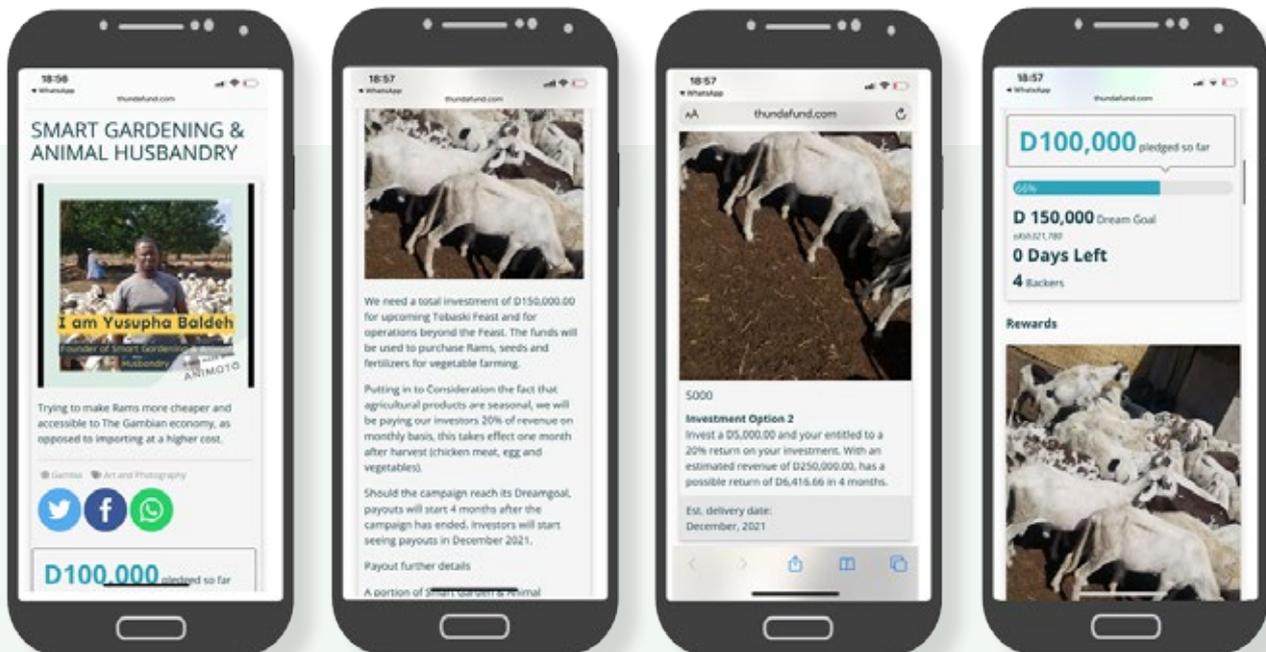
understanding from SMEs. Thundafund has been purposefully selective during the pilot to mitigate risk while refining processes and learning about the market. Agents have been assigned to provide one-on-one support, created explainer content, and captured success stories to increase understanding.

An interesting discovery from the pilot is that some projects and investors have opted for 0% investor returns, driven by sharia law and motivations of social impact. In this setup, a project raises funds from a crowd of investors, who recover their investment without earning a profit, and SMEs make repayments according to sales revenue instead of time. One of the main reasons banks must charge high interest rates and enforce strict terms is high default rates. The cause of default is when a business is unwilling or unable to repay. In Thundafund's model, business willingness to repay is driven by reputational risk since members of their own community raise funds. In addition, repayment ability is increased since businesses are expected to pay back more when sales are strong and less when sales are weak. Including a grace period further increases flexibility to reduce default. As a result, the model has the potential to increase access to finance for businesses typically excluded from traditional finance.

Kiva



The model of 0% investment returns has been successfully proved by Kiva where over \$1.7bn has been raised for 0% interest loans across the globe since 2012. Kiva serves borrowers in more than 80 countries on 5 continents.



## Smart Gardening and Animal Husbandry; Gambian investment crowdfunding project

Yusupha Baldeh is a farmer who grew up in a community called Mansjang Kunda, Basse in The Gambia. While living with his grandmother during the Tobaski Feast every year, Yusupha was introduced to animal husbandry, which he became quite versant with. Having come from a humble background, he aspired to work hard to help provide for his family. His first trial was to fatten two male sheep for seven months in time for Feast. To support those in need, he gave one of the goats to charity. Since then, he has continued to grow his business and support his community.

After being introduced to Thundafund, Yusupha opted to launch a crowd investment project where he was able to raise D100,000 (\$1,880). He planned to purchase several male goats in preparation for the Tobaski Feast with the raised funds. Investors in this project will earn a financial return from the sale of goats.



## 6. PROJECTIONS

So far, Thundafund has onboarded over 3,000 SMEs and established processes, partnerships and momentum to reach 8,000 SMEs in The Gambia, by end of 2022. The next phase of the market development is to leverage those 8,000 SMEs to reach 160,000 users – including SMEs, donors, customers, investors, partners and mentors. Building an online crowdfunding community will support SMEs to thrive, impacting income generation, job creation and skills building. Strategy to 160,000 consists of 4 critical pillars:

- Partners and mentors support SMEs to engage their networks
- Platform development, including WhatsApp Business API and Crowd Investing
- Data-first model
- Collaboration with ecosystem players, including development actors, African crowdfunding platforms and technology actors

### Local partners & business mentors

For many of the Gambian projects on Thundafund, it is their first time using any digital platform for their business. Some projects have used social media for business, very few have collected digital payments, and almost none have been aware of crowdfunding to raise funds. Despite their lack of digital literacy, many of these businesses have demonstrated their ability to mobilize their networks once equipped with the right tools. Crowdfunding success is synonymous with engaging the crowd.

The support of UNCDF has enabled Thundafund to work with 39 local partners. Through partnerships and training, it has provided non-financial support to help businesses to grow. Training and education benefit from how well these can be implemented afterwards. The trainings have been designed to be as practical as possible, resulting in each participant

creating their project to put their training into practice. Training covered topics such as; Digital Literacy, Effective Communication, Social Media Strategy, Capacity Building, Online Fundraising and Fundraising in the Covid Era. Through the practical nature of crowdfunding, Thundafund hopes to guide business owners to become more successful entrepreneurs.

*"Show me a successful individual and I'll show you someone who had real positive influences in his or her life.*

*I don't care what you do for a living—if you do it well, I'm sure there was someone cheering you on or showing the way. A mentor."*

*Denzel Washington*

A business mentorship program is one way to increase capacity to provide non-financial support to projects. The business mentorship model borrows from Thundafund's partnership model, with a crucial difference of working with individuals rather than institutions. Business mentorship exists both formally and informally and is regarded as one of the greatest factors in business success. The volunteer mentorship program seeks to overcome business mentors' familiar challenges, such as having their time wasted, not knowing how or where to identify the right businesses, not

having a straightforward way to measure results, and being asked for money excessively. To develop a more pleasant experience for volunteer business mentors, Thundafund has developed a data-driven approach to match ready businesses with business mentors.

## Platform Development

The first version of Thundafund was developed in 2012 for the South African market, which now has been upgraded onto Thundafund 2.2. One of the key investments Thundafund has made due to UNCDF's support has been to redesign the platform using mobile-first, human-centred design principles to accommodate local needs. New developments range from the acceptance of instant donations as little as \$5 to the ability for individuals to directly invest in a Gambian MSME and earn a financial return based on revenues. Whereas international crowdfunding platforms would focus on advanced features, AI and machine learning, the new platform incorporates human centred design, mobile first technology, and focuses on accessibility and useability. The reason being African markets are fragmented with vastly different levels of exclusion from digital platforms and digital literacy.

Design and development of Thundafund 3.0 has already begun using an approach of rapid testing and constant learning. As a result, it will be much faster and easier for Thundafund to deploy new features, enter new markets and collect relevant data. Some of the key features of the new platform have been captured in the following table:

	Thundafund 2.2	Thundafund 3.0	Key Benefit
<b>Registration</b>	High level of customization and information required to submit	Shorter registration process with fewer required fields. Submission is automatic and broken down into phases	Reduced abandonment during registration, greater accessibility, and faster completion
<b>Communication</b>	Primarily email	CRM with dynamic customer journeys. Integrated communication channels include Email, Bulk SMS, USSD, WhatsApp & Phone Calls	More efficient communication
<b>Checkout</b>	Linear Checkout	Dynamic Checkout ranging from one-click donation to investments	Reduced abandonment during checkout
<b>Login</b>	Email & Password with Verification	Option for Social Login (e.g., Facebook) or Email & Password. Added user access controls	Does not require users to have an email address or remember a password
<b>Project Page</b>	Single template regardless of project type	Multiple templates according to project type e.g., donation, reward, investment, or combination	Improved user experience
<b>Project Management</b>	Project edits once a project is live must be done by admin	Project Portal, enabling customization and advanced features. Projects can go live at once with limited functionality	Project creators gain more control and more features. Platform is kept simple for basic users, providing immediate value
<b>RFR Investment</b>	Manual process using existing rewards-based crowdfunding infrastructure	New module created to handle investment projects, including investor wallets and portal	Increased capacity to handle investment projects & greater engagement with investors

## Data

Data is a critical part of any platform looking to scale ; with better data comes better decision making. Unfortunately, the available data for African businesses and fundraising behaviour is comparatively lower than other continents due to informal and non-digital practices.

As a pioneer in African crowdfunding, Thundafund is well placed to collect unique and insightful data on crowdfunding projects, crowdfunding backers, and

partners. Working with UNCDF has also enabled Thundafund to formalize impact measurements. Data allows it to measure the effectiveness of a given strategy, provide insight to overcome challenges and determine how well a solution is performing. By sharing this data, Thundafund is also helping inform private and public sector actors to make better decisions to improve financial access and business success.

## Project Data

Thundafund's platform enables it to collect Pan African data on local SMEs. When collecting project data, priority is to identify trends so timely interventions and prioritization can be made to enhance project success.

The system collects information during project registration, including business type, business needs, project goals, project rewards, project story, and demographic information such as location, gender, and age. Data informs Thundafund where project creators are getting stuck so it can help them through customer care, dynamic/automatic communications, and content creation. It's also useful to identify which projects have the highest likelihood of success to give them higher priority.

Also, the system collects information on project traffic, project engagements, social media sharing, checkout patterns, and raised funds during the live project process. During this stage, it's helpful to understand how to drive higher conversions and help projects succeed. Thundafund has already learned that project traffic is typically highest at the beginning and the end of a project. Knowing this, it can predict a project's success likelihood early on and guide projects to be more active during the middle slump.

In addition to system data, Thundafund collects more detailed information through customer surveys and observations from customer care. It can identify customer pain points, opportunities, business growth, sales, revenues, and in-kind / cash contributions from these data sources.

## Backer Data

Thundafund wants to understand what motivates backer behaviour, how to increase backer engagement and how to increase backer lifetime value. Project analytics come from Google Analytics and Facebook Pixel, these data sources provide demographic information, date and time information, page engagements etc. It collects information on funding size, frequency, reward selection, and funding date & time from the system. Thundafund several objectives for this data, including:

- What drives visitors to the platform
- What motivates visitors to stay on a particular project page
- What motivates visitors to share a project
- What motivates visitors to fund a project
- What is the average contribution size, payment source, frequency etc.
- What is the relationship between the backers and project
- What motivates a backer to return to the platform and fund another project.

## Partner / Mentor Data

The main priority for partners is typically to track activity and measure impact. Thundafund provides partners with data about their projects. For example, the partner's page displays a list of all projects, the aggregate amount raised and the aggregate number of contributions. This information can guide a partner's impact and reach, it can also guide where to increase effort.

A lot of the training is done with local partners. Some information is difficult to collect but relevant to impact, including:

- The impact of training and crowdfunding on digital literacy, entrepreneurship, communication, and marketing skills

- The impact of creativity, innovation, and storytelling.

## WhatsApp Business

Across Africa, WhatsApp is the most popular internet-enabled activity, used significantly more than email and internet browsing. The new platform is designed to support WhatsApp Business Integration, a strategy to significantly increase market reach. Thundafund has designed several WhatsApp user journeys that would support business owners in registering, creating, and managing projects whilst using WhatsApp. The WhatsApp bot would integrate with backend system to guide users automatically in their local language. The system would refer users directly to customer support in case additional support is required.

In addition, WhatsApp Business Integration supports digital learning for SMEs, collecting digital payments, and collecting customer feedback. Thundafund has identified the following ways this integration could support the growth of crowdfunding across Africa:

- Educate and train users on crowdfunding
- Create and set-up crowdfunding projects
- Manage and promote crowdfunding projects
- Create and share crowdfunding updates and reports
- Send out notifications to project creators and supporters
- Process payments
- Conduct surveys
- Customer support.

## Revenue Share Investment, First Loss Guarantee & Matching Funds

Thundafund have seen the high potential for crowd-investing through revenue share in

South Africa, Kenya, and The Gambia. It has modified checkout to require crowd investors to accept investment terms before making their payment, though most processes, including post project reporting and follow-up, are manual to work around the current setup. Based on learnings, the next step would be to incorporate RFR Investment Crowdfunding as a separate product on Thundafund's platform, creating a dynamic registration, advanced features, due diligence, tailored project page design and checkout process, investor portal, and wallet functionality.

One of the greatest ways to mobilize funds in crowdfunding is through matching funds. Matching funds are set to be paid in proportion to funds available from other sources. There is evidence internationally that matching funds can help attract up to five times as many contributions as raising funds without. Through UNCDF support, Thundafund has been able to offer matching funds to projects in The Gambia. As a result, projects that received matching funds have been far more successful than non-matched projects. In cases where matching funds were not used, the common reason was a lack of understanding from the project creator.

Investors consider investment projects on Thundafund to be high risk, since projects are non-collateralized and there is limited available data on the success rate of projects. At scale, there would be enough data to develop a dynamic risk scoring model, a wide selection of projects to choose from and sufficient stories of success to build investor confidence. To further mitigate risk, the crowd can support multiple projects with small amounts to spread risk, identify projects by following the crowd's wisdom, and selectively choose projects backed by trusted and proven partners. However, to encourage early investors, Thundafund introduced First Loss Guarantee funds to ensure investors get their money

back in the case of default. Experience with First Loss has been positive, though more awareness and understanding are needed to apply these funds to their potential.

One of the challenges crowd investors face is the need to track their projects after funds have been raised. Crowd investors would like to have a wallet to enable them to withdraw, reinvest or donate their repayments at any time. Further, they would like to track investments, developing an investor portal would increase crowd investor engagement and encourage platform stickiness.

Thundafund has introduced the concept of RFR crowd investment to the banks in The Gambia. Banks have responded very positively to the idea. In some cases, banks have more funds than they can disburse due to businesses not meeting their loan requirements. Through crowdfunding, more businesses could qualify for investment either to signal them as creditworthy or raise required collateral through the crowd. To take these conversations forward, Thundafund needs to further refine and test the model and develop crowd investing as part of the system, along with replacing manual processes and increasing capacity.

As Thundafund explores investment crowdfunding, data helps us to inform credit decisions. By continuously collecting data, it can better determine behaviour that leads to successful project repayments or defaults. It can also use this data internally by using it for risk assessments to help guide investment decisions and make better onboarding decisions before a project goes live.

## Collaboration

African crowdfunding has the potential for massive impact and scale across Africa. The success of African crowdfunding so far has

been the result of collaborations between platform providers, digital service providers, development institutions, corporates and other ecosystem players. For crowdfunding to reach its potential, there is a need for greater collaboration across public and private sector actors.

## Development Institutions

The launch of crowdfunding in The Gambia would have been too risky without the support of UNCDF. Through partnership, Thundafund has managed to reach from South Africa and Kenya to The Gambia, with a particular focus on women and youth SMEs. The experience of launching in a country with low digital literacy, low internet access and low digital payments has challenged Thundafund's business model and taught it how to build for excluded populations. The partnership with UNCDF has enabled Thundafund to identify strategic and operational adjustments to reach less developed markets.

Thundafund's goal is to spread crowdfunding across the African continent, recognizing the need for partnerships to achieve digital financial inclusion at scale. The experience suggests that market challenges for crowdfunding in The Gambia will be similar in other markets across ECOWAS and East Africa.

## Technology platforms & SME ecosystem builders

To overcome the SME financial gap at scale, Thundafund will need to collaborate with local technology providers and SME ecosystem builders. Technology plays a significant role in development. The distrust of all new technologies, especially those with financial transactions, has slowed platform adoption considerably. The collaboration between trusted intermediaries and local technology providers has been instrumental in building trust and understanding.

In addition, the success of African SMEs depends on more than access to finance. SME ecosystem builders provide important services for SMEs to grow, these include accelerators, mentorship platforms and business hubs. Partnerships between Thundafund and other SME ecosystem builders create shared value from unique experiences, skills and networks. For example, in America, WeFunder (equity crowdfunding platform) and Y-Combinator (accelerator) partnered to support individuals to invest in pre-IPO start-ups, leveraging the reputation of Y-Combinator including world famous brands Airbnb, Stripe and Reddit.

### **Financial institutions**

While bank financing will continue to be crucial for the SME sector, traditional lenders face credit constraints, amplified by covid-19. This results in a reduced appetite for lending to the least profitable and the riskiest segments, including uncollateralized personal loans or SME loans. Therefore, it is necessary to broaden the range of financing instruments available to SMEs and entrepreneurs to enable them to continue to play their role in investment, growth, innovation, and employment.

The complementary nature of crowdfunding and bank funding can greatly increase financial access across Africa. Banks see crowdfunding as a financial instrument for a particular purpose. For a bank, crowdfunding provides the opportunity to respond positively to funding requests that would otherwise have been rejected in a traditional funding scheme.

Thundafund has partnered with Standard Bank in South Africa to raise \$1,000,000 towards businesses affected by covid-19 and the July unrest. Funding includes a \$350,000 matching funds for business working capital and investment. The bank refers SMEs whose projects are displayed on the Thundafund Standard Bank partner page for easy promotion and real-time data.

Another example of a bank/crowdfunding partnership is between BNP Paribas (International French Bank) and Ulule (donations crowdfunding) and Smart Angels (lending platform) that established the Rescue and Recover fund. From the bank's perspective, a successful crowdfunding campaign provides a strong guarantee: it demonstrates the existence of a market, the entrepreneur's professionalism and their capacity to mobilize future customers. All these criteria contribute to the project's long-term viability. When the project is funded, BNP Paribas offers one-year free banking services and a loan equal or greater than the amount raised plus three years of personalized support. By securing and standardizing the platform's financial transactions, this technology simplifies the way businesses access funding from individual and professional investors. Since it was established, the Rescue and Recover fund has donated almost €4 million.

### **African crowdfunding platforms**

Thundafund belongs to the African Crowdfunding Association, an industry association for the crowdfunding industry in Africa. Collaboration at this high level supports regulatory reform and research to enable the industry to mature.

As part of its mission for greater financial inclusion, Thundafund collaborates with M-Changa and BackaBuddy, local leaders in African crowdfunding. Its platforms share best practices such as regulatory compliance, onboarding, due diligence, and donor engagement through this collaboration. It also supports greater platform efficiency through cost-sharing and market awareness initiatives. Over \$35,000,000 has been raised from 1.5 million financial contributors towards 100,000 African initiatives through the collaboration.

# CONCLUSION

Crowdfunding globally is one of the fastest growing channels in alternative finance. In recent years, with the COVID-19 and the accelerated move to digital, there has been a growing interest in African crowdfunding from private sector, public sector and academia. There is a consensus that crowdfunding is a solution to real and substantial market gaps, supporting 7 of the 17 SDGs through access to finance.

As a proof of model for development in West Africa, the partnership between UNCDF, Thundafund and M-Changa has enabled the launch of crowdfunding in The Gambia. The partnership has trained over 5,000 businesses, worked with 39 local partners and supported 3,000 projects through donations, rewards and investment crowdfunding.

The World Bank estimates the African crowdfunding opportunity at this early stage at \$2.5bn by 2025. Early success has come from rapid digitization in Africa, including internet access, mobile money and social media, enabling platforms such as M-Changa to reach over 1 million users in Kenya. Key challenges that have held back growth across Africa have been accessing digital payments, trust in online transactions, awareness and understanding of crowdfunding. Efforts to overcome these challenges come from global development agencies (including the UN), institutional investors and platform collaborators - contributing to improved payments and communication infrastructure and supporting the mainstreaming of crowdfunding.

The regulation of crowdfunding represents an opportunity for governments to support economic growth and employment. The sector has grown enormously across the United States and Europe due to regulation, and countries such as Ghana and UAE have adopted crowdfunding regulation since 2021. The Africa Crowdfunding Association has been working with the Africa Development Bank (AfDB) and local governments to establish a regulatory framework for the industry, with a partnership for East African market harmonization being launched in 2022.

Africa is home to 16% of the world's population, representing a massive crowdfunding opportunity. Over the next decade, African banking, finance and development institutions will increasingly partner with available crowdfunding platforms as vehicles for transparent, direct and measurable impact interventions. To realize the economic growth potential, investment into crowdfunding platforms must focus on access for excluded populations and engagement with the African diaspora, governments, private sector, NGOs, multilateral institutions, and individuals. As Africa continues through its digital transformation, crowdfunding leverages storytelling to support global engagement, establish online communities, raise awareness, and increase access to finance.





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