

Philanthropy in Armenia

POLICY RESEARCH



European Center for Not-for-Profit Law

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Philanthropy research in Armenia

Policy Research

Report

Introduction

Currently, the non-profit sector is the largest channel of initiating and implementing philanthropic actions in Armenia, although the sector faces different kinds of challenges, and needs government support for growth and sustainability. The government should acknowledge the key role of civil society organizations in society's democratization process and should make further legislative changes to provide good opportunities for their engagement and growth (Minasyants 2014). Both sides can help each other: philanthropy can be developed and grow in a democratic society while non-governmental organizations help the government to become democratic (Payton and Moody 2008).

The research conducted by NGO Center Civil Society Development Organization (hereafter the NGOC) was funded and supported by the European Center for Not-for-Profit Law (ECNL) was aimed at mapping out the issues that affect philanthropy in Armenia and identification of good practices and shortcomings along with providing specific recommendations on how the environment for philanthropy in Armenia could be improved. The research was carried out in May – September 2020 through desk study, official inquiries, online semi-structured surveys as well as in-depth interviews. Taking into account that the active phase of the research coincided with COVID-19 pandemic, most of the research methods were applied online which brought limitations in terms of reaching out diverse audience representation, especially when it came to the government structures on local and national levels and business companies.

The report explores existing *legal regulation* on various methods for fundraising from both companies and individuals, individuals related to the use of crowdfunding platforms, donation text messages, credit card and online giving, street/public collections, charitable boxes, possibility for online collections, charitable lotteries and auctions, as well as to what extent the regulation is easily implemented in practice. The study identified that in Armenia, philanthropy is regulated by the Constitution of the Republic of Armenia (RA), the RA Civil Code, the Law on Charity, Law on Public Organisations and the Tax Code and other legal acts, as well as international treaties of the Republic of Armenia. The charitable organizations and or individuals may utilize fundraising strategies, without specific limitation if the process corresponds to the overall regulations. A necessary pre-condition for organizing street public collections or installation of donation boxes is approval/ permit, very usual in written, from the business owner (for instance, the charitable boxes installed in Malls) or from the municipality/ Local Self-Government Body (in case the boxes are placed in public spaces). The process in case of local municipalities may vary based on the official document circulation procedures, and usually is quit time consuming and bureaucratic.

What as to the charitable lotteries, there was no any example identified through the interviews or desk review, neither any regulation in the legislation. The auctions are also not very common strategy or method of fundraising utilized by the Armenian CSOs, though there were some rare mentions about them by some of the interviewees.

It is worth to mention that there is no clear/ institutionalized self-regulation approaches in the area of fundraising among the CSOs (e.g. a code of conduct, quality seal, etc). Only small number of CSOs/ NGOs with advanced capacity have written policies, protocols and procedures. The latter are not required by law, neither considered as an institutional priority by the CSOs themselves. Due to shrinking / limited financial resources, the competition between the CSOs is high; this fact inhibits having a joint Code or agreement among a group of CSOs on how to engage in fundraising.

Thus, there are legislative regulations that apply to both those who implements philanthropy and its users (in both cases, these can be organisations and individuals). In any way, they are not sufficient and there are a number of areas, which may need further regulation such as tax benefits for individual donors, etc.

The research has been also looking at *business companies' approaches and experience of philanthropy and donations*. The cooperation of commercial organisations with CSOs is implemented within the framework of Corporate Social Responsibility programs of the companies, as well as through material and in-kind support directly provided to individual CSOs, including through volunteering. It is noteworthy that in some cases donation is qualified as a "social investment" in line with the general CSR approaches rather than philanthropy.

In some cases, charitable or CSR programs target State Non-Commercial Organisations (SNCOs) that operate in the cultural, scientific or educational fields or contribute to the sports development, as well as sports federations, zoos and botanical gardens. There are also companies that provide direct assistance to individuals, mostly addressing health and education issues (e.g. reimbursement or transfer of tuition fees).

The research showed that bigger companies tend to work in partnership with the CSOs rather than provide direct support, especially when the size of donation is also big. This decreases the amount of paper work and procurement challenges on the ground, along with preventing the company itself from investing human and organizational capacity when managing the process directly.

The research has also explored the *banking system* in the context of philanthropy CSO fundraising experience. According to the analysis, the bank accounts that are opened for collecting donations are served according to the basic terms and tariffs of banking service set by the banks. The information on opening accounts shows that the process of account opening is usually easy and not time consuming. The requirements defined by the RA legislation apply to all types of accounts opened in the bank. Meanwhile, based on international experience, banks considered accounts for donations as subject to high risk. Therefore, banks conduct additional enhanced / due diligence checks of these accounts in accordance with their internal procedures.

And finally, the research explored the *fundraising tools being utilized by the Armenian CSOs*. Organisations / initiatives can be conventionally divided into two major groups. The first group implements fundraising directly, i.e. an organisation, individual or initiative raises money for the implementation of its own programs and initiatives. This group includes those organisations that have headquarters or representative offices outside Armenia; the funds are raised for the implementation of the Armenian programs of this organisation. The second group includes those organisations / initiatives that raise funds for other organisations to implement their

programs. The report highlights the experience and practice of the CSOs to utilize such fundraising methods as crowdfunding, donation text messages, online giving, street/public collections, charitable boxes, and online collections.

The report is also providing ***recommendations to the government, commercial organisations and civil society organizations*** derived from decades –long experience and lessons learned in order improve the legal and operational environment for a more effective philanthropy for the benefit of the final beneficiaries.

METHODOLOGY

Objectives of the study:

The study aims to:

- 1) map out the issues that affect philanthropy in Armenia and identify good practices and shortcomings;
- 2) provide specific recommendations on how the environment for philanthropy in Armenia could be improved.

Research questions

- Research the existing legal regulation on various methods for fundraising from both companies and individuals, as well as to what extent the regulation is easily implemented in practice. Examples of fundraising methods that are reviewed by the research include the use of crowdfunding platforms; donation text messages; credit card and online giving; street/public collections; charitable boxes; possibility for online collections; charitable lotteries and auctions; etc.
- Review of bank practices with regard to opening bank accounts for collection of donations, ability to receive donations both from the country and from abroad, as well as the possibility to make donations abroad. Review other bank practices that may affect CSOs¹;
- Collect information about donations made in Armenia from individuals and corporations and about the number of taxpayers (individuals and corporations) and the income/profits tax they are paying;
- Analyse the existing system of taxation of donations and their recipients and donors (both law and ability to use those in practice);
- Review reporting requirements for collected donations, as well as government oversight over the process;
- Review whether there is a need to register or receive a license/permit to engage in public collections;
- Research existing self-regulation of fundraising or of CSOs that may affect fundraising;
- Research/Identify other legal or practical issues that may affect philanthropy in Armenia.

Methods

The methodology has been developed so that it is possible to collect information for all research questions. In particular, the research was conducted through desk study, official inquiries, online semi-structured surveys as well as in-depth interviews.

Desk study: The purpose of this method is to study both the legal framework and the mechanisms of fundraising for companies and individual in the country. The following documents were reviewed:

¹ The terms NGO and CSO are used in this report interchangeably, where the NGO means the registration status of a non-governmental organization by law, while the CSOs is a common term, means civil society organizations including NGOs, civic initiatives/ movements, foundations, and other non-profits.

- Legal regulations on fundraising, such as the Tax Code; Law on Charity, Civil Code;
- Crowdfunding platforms - both international and local;
- CSO web pages to study messages calling for donation, street / public collections experiences, experiences of using charitable boxes for donations, etc. (about 9 CSO webpages and Facebook pages have been reviewed);
- Bank regulations and web pages for review of bank practices with regard to opening bank accounts for collection of donations (Inquiries were sent to 12 banks, and 7 of them responded. The websites of responded banks were reviewed as well);
- Self-regulation of fundraising of at least 10 CSOs that are successful in fundraising;
- Reporting requirements for collected donations, as well as government oversight regulations over the process.

Official inquiries: An official letter was sent to the RA State Revenue Committee to identify the number of taxpayers (individuals and companies) as of 2019 and the income/profits tax they have paid in the last six months; as well as the number of companies who benefited from tax exemptions in the last 3 years.

Online survey: Semi-standard questionnaire survey was conducted among two target groups: Civil Society Organisations and the private sector.

The purpose of *semi-structured questionnaire survey among CSOs* was mapping of existing CSO experience of collecting donations from organisations and individuals, as well as understanding the applicability of existing regulations in practice. In addition, CSOs with no fundraising experience were also targeted to find out their awareness on the relevant regulations and possible obstacles to fundraising.

An online questionnaire with 21 questions was developed and sent through the NGOCs' mailing list to at least 300 CSOs. At the same time, the questionnaire was disseminated through social media to gather information from CSOs that do not have experience in the relevant field. In case of need, telephone interviews were conducted. The information collected through the online survey provided quantitative data for analysis. Overall, 52 CSOs participated in the survey./The list is attached²

The purpose of *semi-structured questionnaire survey among private sector organisations* was to find out the legislative incentives and barriers for philanthropy, understand the applicability of existing regulations in practice, as well as to find out the philanthropy experience among private sector. Brainstorming method was applied to identify the preliminary list of private companies and finalised with the help of CSOs that have received donations from the private sector. As a result, only five Armenian business companies were identified as well-experienced in philanthropy. To cover larger number of companies as possible, an online questionnaire with 22 questions was developed and sent to 100 companies. Responses were provided by 42 companies (the list of participated companies is attached) In case of need the telephone interviews³ was conducted.

2 /(The questionnaire is available at: https://docs.google.com/forms/d/e/1FAIpQLScBW-nxEqSS4prwbpMn4kWe0ih7IYgLOlza8RrVGoMf4_BOrQ/viewform).

3 (The questionnaire is available at: https://docs.google.com/forms/d/e/1FAIpQLScX2V4bAdan2pnMvDCy0U1UQwkOikjrh2iIMT3AQTH_xrdqA/viewform?fbclid=IwAR1dMU18WswHlZBMF1XZcjFfjPAvxx8T1unJeWXBv_hx-EPjT-ufAAdRRoE)

In-depth interviews: In-depth interviews with 13 CSO representatives, 3 experts and 3 business representatives were conducted. The interviews aimed to:

- Identify legislative gaps and opportunities in practice, study the mechanisms through which they seek legislative privileges;
- Assess the applicability of crowdfunding platforms, to study the specifics of the platforms that work and can generate resources for program implementation
- Get in-depth information and analyze online giving regulations; street / public collections experiences; using charitable boxes for donations, to understand the role of each mechanism in the total amount
- study self-regulations of fundraising of CSOs that are more successful in fundraising

Discussion and finalization of the report: The National Consultation, a multi-stakeholder dialogue that took place on 31 August, aimed at validating the research results and to finalise based on the outcome of the discussion. The meeting was organised using ZOOM platform, since the country was still under the State of Emergency. Overall 26 representatives of the civil society participated in the discussion. According to the feedback, the findings and the recommendations were relevant for the current state. One of the major discussion issues was whether the financial means provided to individuals for charitable purposes are taxed. According to the RA legislation, any individual who receives income must pay income tax, but the discussion was attended by accountants who had experience in exempting individuals from charitable money out of taxes. It was clearly presented that in case of clear substantiation it is possible to exempt the charitable sums from taxes, if there is a clear program where there is a mentioned vulnerable group and it is possible to consider that the beneficiary is from your vulnerable group, then that sum can be exempted from taxes.

One of the outcomes of the meeting was expression of interest from CSO members and individual fundraisers towards getting involved in further advocacy for the recommendations provided in the report. The NGOC plans to set up a working group for this particular purpose.

Unfortunately, the representatives of the business and government sector have not registered; neither took part in the validation workshop except for the representatives of Vanadzor Municipality Programs Department and Lori Regional administration. It is worth to mention that none of them shared any comments during the meeting. The research team thus decided to share the findings and the main recommendations with them in writing. By the time the report was submitted, no feedback was received from the side of the government.

Research limitations and challenges

The limitations of this study are linked with the following factors:

- a) Because of the state of emergency declared in the situation of COVID-19, all the research work, including surveys and interviews, was conducted online. It was not possible to hold offline group discussions. In addition, many potential respondents did not participate in the survey due to the difficulty of either being infected or having an infected family during that period.
- b) The epidemic has placed other emphasis on the work schedules of businesses, CSOs and professionals, limiting their participation in surveys.
- e) Overall, 52 CSOs participated in the on line survey among CSOs and 42 among businesses. However, it should be noted that this survey is not representative, thus it serves solely as an additional information source besides the information gathered from the three previous research methods.

MAIN FINDINGS

KEY DEFINITIONS

What is philanthropy?

Philanthropy is a free assistance provided to people and organisations in need by the state, charitable organisations (church, foundations, unions), as well as companies and individuals. Philanthropy is an activity through which private resources are voluntarily distributed by their owners to help people in need, solve social problems, and improve living conditions. This phenomenon, which originated in ancient times, was manifested in different ways at different times and called patronage, mercy, sponsorship, support, and charity.⁴

The forms of philanthropy include provision of material or financial resources to the needy, working free of charge for them, provision of free services requiring special professional training, donations by individuals, financing of various projects and programs, organisation of large events, allocation of various educational and health grants, etc.

In this case, the concept of needy is considered not only as a need in life, but also for those people (civil activists, professionals, creative professions, students) and public (i.e., non-commercial, non-political) organisations that do not have spare resources for addressing individual, professional, cultural and civic issues.

Humanitarian and social assistance (charity) is a type of philanthropy, when food, clothes, medicine and other necessary items are distributed to the needy, various programs are implemented to support children, the elderly, the disabled and other vulnerable groups.

Philanthropy, by its very nature, is a process contrary to the goals set by business which is focused on making profit and accumulating funds to re-invest and make more profit.

However, even if it is clear that the main goal of any commercial organisation is making profit and its multiplication, the current global trend shows that this is not the only determinant of companies' well-being and long-term success. Many of business sector representatives recognise that they do not operate in isolation. Ongoing communication with various stakeholders is extremely important, as it has a serious impact on the environment, the economically vulnerable segments of the population, and society at large.⁵

Not a novelty in the developed world, the ideas of **corporate social responsibility** and ethical leadership are making their first steps towards becoming widespread in developing countries as well, and Armenia is no exception.

What is corporate social responsibility?

The concept of corporate social responsibility (CSR) does not have any common definition and is a fairly broad concept. Many terms are used to describe it. Professionals, organisations, private companies understand CSR differently and use various definitions. Some of them are presented below:

4 <https://hy.wikipedia.org/wiki/Փստփոքոնութիւն>

5 A Study of Programs Implemented by Alaverdi Copper Factory and Akhtala Mining and Processing Plant in Affected Communities and their Relevance to Residents' Expectation, NGOCS NGO, Vanadzor, 2017, <http://ngoc.am/wp-content/uploads/2017/10/Report-final-1.compressed.pdf>

- Corporate social responsibility is a form of corporate self-regulation that is integrated into a strategic business plan. It is also called "corporate conscience", "representation of social position", "responsibility-based viable entrepreneurship", etc.²
- According to the European Commission, CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.⁶
- According to the World Bank, CSR is the commitment of business to contribute to sustainable economic development – working with employees, their families, the local community and society at large, in ways that are both good for business and good for development.⁷
- According to PricewaterhouseCoopers, CSR is the understanding of private companies that they are responsible not only for their profit, but also for meeting the needs of their employees, customers, and society at large.
- According to VivaCell-MTS, corporate social responsibility reflects the commitments of any business and other organisations, whether in the private or the public sector, towards the society in which they operate. CSR means understanding such impacts and managing business processes in a way to add social, environmental and economic value for producing a positive sustainable outcome for both society and the business. In other words, it is a living managerial language, which penetrates into each function and cannot be confined to random programs conducted by few departments in isolation from one another. CSR is about believing and translating the words and the promises into real actions.⁸
- Corporate social responsibility is the business function that deals with the economic, social and environmental issues related to the company. The purpose of CSR is to find solutions to these problems that will be beneficial to the company, the society and the state.⁹

Whatever definition is taken as basis, the fact is that companies have an impact on society and the environment through activities, products, services, as well as through interactions with their key stakeholders, employees, customers, investors, local communities, suppliers, and others.

According to the Guide on Corporate Social Responsibility published by Business Support Company (BSC), a company is involved in philanthropy mainly to increase or maintain the reputation of the business. The company might probably sincerely want to help the target vulnerable group, but, in the end result, the outcome of philanthropy is nothing but visibility,

6 A Renewed EU Strategy 2011-14 for Corporate Social Responsibility: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, European Commission, Brussels, 25.10.2011, <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF>

7 Public Sector Roles In Strengthening Corporate Social Responsibility: Taking Stock, Halina Ward, World Bank Group, January 2004, <http://documents.worldbank.org/curated/en/548301468313740636/pdf/346560CSR1Taking1Stock.pdf>

8 Corporate Social Responsibility, VivaCell-MTS, <https://www.mts.am/en/about-us/viva-mts-to-armenia/corporate-social-responsibility>

9 CORPORATE SOCIAL RESPONSIBILITY: A Guide for Armenian Companies, second edition, BSC Business Support Center and OSCE Yerevan office, 2016, http://www.bsc.am/site_files/pages/oscebsccsrguidebook_6370.pdf

good image, and "peace of mind" of company's employees and managers. Philanthropy cannot be called CSR, because it is not directly related to the business activities of the company.¹⁰

The differences between CSR and philanthropy, according to the above-mentioned guide, can be briefly presented in the following table:

LEGAL REGULATIONS ON PHILANTHROPY IN ARMENIA

In Armenia, philanthropy¹¹ is regulated by the Constitution of the Republic of Armenia (RA), the RA Civil Code, the Law on Charity, other legal acts, as well as international treaties of the Republic of Armenia. In addition, the Law on Public Organisations and the Tax Code were studied to understand the relevant regulations.

Law on Charity¹²

The RA Law on Charity was adopted on October 8, 2002. The law regulates the relations arising during the implementation of charity, defines the legal bases, goals, principles of implementation of the regulation of charity, the ways of state support for charity, the specifics of the activity of charitable organisations. In other words, the law provides answers to the questions such as what is charity and charitable project, who can implement charitable projects, what expectations the benefactors can have from the state (titles, tax privileges, etc.). After the adoption, the law was slightly amended twice, in 2003 and 2018.

According to the Law on Charity, **charity** is a voluntary, disinterested, and permitted by the law provision (gratuitously or on preferential terms) of material and non-material assistance (hereof charitable assistance) to natural persons and non-profit organisations by natural and legal persons, for the accomplishment of goals specified in the law. Financial or other allocations to political parties or commercial organisations (except for health organisations) cannot be considered as charity. Article 2 of the law, among other goals, in the clause 2 mentions the support to other non-profit organisations as a charity goal.

According to Article 11 of the same law, **charitable organisations** are non-profit organisations that carry out charitable assistance stipulated by this law.

Further, article 13 of the law defines charitable program as a description of activities implemented by a non-profit organisation to address specific issues. The authorised body (the Deputy Prime Minister of the Republic of Armenia, who coordinates the field of charity) shall qualify as charitable the projects aimed at achieving the charitable goals set forth by the law. The issue of qualifying the project may be raised in cases when the project implementer: 1) expects the incentive provided by Article 15 of the Law; 2) on the basis of Part 1 of Article 16 of the law envisages the project to enjoy legal benefits set on taxes, duties, mandatory payments in the manner prescribed by law, if the above-mentioned benefits or qualification do not directly derive from the legislation or the international treaty ratified by the

10 ibid.

11 It should be noted that in Armenian language the same word is used for "charity" and "philanthropy"

12 RA Law on Charity, 08.10.2002, <https://www.arlis.am/documentview.aspx?docid=123353>

Republic of Armenia; 3) on the basis of Article 16, Part 2 of the law expects to receive logistical support or financial assistance from the government or relevant community.

At the same time by the decision of the Prime Minister, a consultative commission for the coordination of charitable projects is established, which submits proposals to the authorised body on the implementation of the functions of the authorised body defined by this law. The composition and the charter of the Advisory Committee is approved by the decision of the Prime Minister. A project cannot be qualified as charitable if it assumes getting interest, includes financial or other allocations to parties or commercial organisations (except for health organisations) or if an organisation satisfies the consumer needs of its employees or its separate subdivision or institution, or their employees. A project that includes purchase and sale of goods (monetization) cannot be qualified as charitable. And finally, projects may be considered charitable and receive tax benefits only if they are implemented or funded by foreign countries, their diplomatic missions, international intergovernmental (interstate) organisations, their representations, international, foreign, public (including charitable), religious and similar organisations, or individual benefactors.

Procedures for recognizing the Project as Charitable: The application must be submitted in advance before initiating the implementation of the project, so that at the moment of starting the implementation of the program, its charitable qualification and related transactions within its framework are certain. A deviation from this rule may occur if the project implementer justifies the impossibility of submitting the application earlier. A separate application must be submitted to the committee for each project with all possible supporting documentation. If the application and the attached documents do not meet the requirements of the procedure, the authorized body shall notify the project implementer within 5 working days, after which the application shall be withdrawn from the discussion within 10 calendar days.

After receiving the application from the authorized body, before making a decision on it, the Commission ensures the receipt of the opinions of the interested state and local self-government bodies on the application. Obtaining the opinions of the Ministry of Finance of the Republic of Armenia and the State Revenue Committee of the Republic of Armenia is mandatory. The interested ministries of the Republic of Armenia and state and local self-government bodies must express their opinions on the program no later than 5 working days after receiving the relevant materials.

The application is considered through sittings. The maximum period for consideration of the application in the commission is 30 calendar days. The application is discussed in the commission with the participation of the project implementer. The project implementer must be informed about the day, time and place (address, room) at least 2 days in advance. The absence of a properly informed project implementer is not an obstacle to consideration, but may be a basis for deciding to postpone consideration of the application. The consideration of the application may be postponed even if additional studies are needed to make a decision. The deadline set by the commission for postponing the consideration of the application may not exceed 30 days.

Within five working days, the Commission shall send a copy of the decision on the program to be considered charitable or to change such a qualification, as well as related transactions. According to the decision, a copy of the decision must be sent.

The Commission shall send a copy of the decision on the programs involving transactions of goods, works and services in the territory of the Republic of Armenia to the tax authority, from where it shall be sent to the relevant territorial tax inspectorate within two working days.

The Commission shall send a copy of the decision on the plans involving the importation of goods to the superior customs authority, from where it shall be sent to the appropriate customs office within two working

In accordance with the requirement of Article 18 of the Law of the Republic of Armenia "On Charity", the charitable organization submits the annual report on its activities to the authorized body.

The authorized body exercises control over the implementation process and the results.

Article 15 describes the **incentives for charity**. In particular, it mentions that to encourage the activities of benefactors/ donors and volunteers in Armenia, the RA President awards the following titles: 1) Honourable Benefactor of the Republic of Armenia, 2) Honourable Volunteer of the Republic of Armenia, 3) Benefactor of the Year of the Republic of Armenia, 4) Volunteer of the Year of the Republic of Armenia. The authorised body may apply other incentives in accordance with the procedures established by the RA Government.

Article 16 regulates the assistance **to charitable projects and charitable organisations**, stating that: 1) benefits on taxes, duties, obligatory payments are granted to projects that are qualified as charitable by the authorised body, in the manner stipulated by the law; and 2) charitable organisations may be provided with material-technical and financial assistance in accordance with the decision of the RA Government or relevant community council (including full or partial exemption from payment of fees for services rendered by state or community organisations, and from paying rent for using state or community property). According to this There is only VAT exemption regulated by Law. For instance, some of the donor funded projects, like USAID and UNDP also eligible for VAT exemption or income tax is not paid for the employees, but that is G2G regulated between the governments (not associated with the charity).

Tax Code¹³

Article 123, part 1, clause 5 of the Tax Code envisages deduction from the taxable income of commercial organisations in case of donations. In particular, this provision states that the cost of the assets donated to, works performed for and/or services provided to libraries, museums, general education schools, residential care houses, nursing homes, orphanages, medical institutions, as well as to non-profit organisations may be deducted from the taxable gross income, but not more than 0.25 percent of the gross annual income. There are no tax benefits from the income tax for individual donors.

The process of VAT refund (hereinafter referred to as compensation) is carried out as follows:

After a decision is made by the Government of the Republic of Armenia on compensation and the decision enters into force, the project implementer shall submit an application for compensation (hereinafter referred to as the application) to the Commission for Coordination of Charitable Programs of the Government of the Republic of Armenia (the process is described in the paragraph above).

The application must contain a reference to the relevant decision of the Government of the Republic of Armenia. The application must indicate the transaction or transactions in respect of which compensation is required, as well as the amount or amount of value added tax currently being reimbursed. If it is necessary to substantiate the significance of the transaction requiring compensation for the project, the relevant documents must be attached to the application:

13 RA Tax Code, 04.10.2016, <https://www.arlis.am/DocumentView.aspx?DocID=143894>

(a) the customs declaration, if reimbursement of the amount of value added tax to be levied by the customs authorities on goods imported under the customs regime of free circulation;

b) a copy of the tax invoice issued by the supplier, if compensation is required in connection with the transaction of purchase of goods, works and services in the territory of the Republic of Armenia

There are no tax benefits for the individuals envisioned in the Armenian legislation. In case of individuals receiving the donation/ recipients the tax is not required in case of a statement/ proof demonstrating that the donation was made for specific occasion, for instance buying house/ apartment/ materials goods. In case the goods, including food is being purchased for beneficiaries, the VAT tax is included in the cost of the letters, otherwise the project is not VAT exempt according to the procedures described above.

Law on Public Organisations¹⁴

The only provision in this law that relates to the grants and donations that public organisations receive from commercial organisations and/or individuals are the sub-points of paragraph 3 of Article 7, which state that the sources of the organisation's property may be philanthropic contributions, including grants, donations, and other means not prohibited by law. Paragraph 2 of the same article states that the property of the organisation, including revenues from entrepreneurial activities, is not distributed among its members.

The research was aiming to identify the legal framework for fundraising from both companies and individuals related to the use of crowdfunding platforms, donation text messages, credit card and online giving, street/public collections, charitable boxes, possibility for online collections, charitable lotteries and auctions. The desk analysis as well as the interviews did not reveal any particular/ specific provisions in the legislation besides those presented above. The charitable organizations and or individuals may utilize the aforementioned fundraising strategies, namely crowdfunding platforms, donation text messages, credit card and online giving, street/public collections, charitable boxes, possibility for online collections without specific limitation if the process corresponds to the overall regulations. A necessary pre-condition for organizing street public collections or installation of donation boxes is approval/ permit, very usual in written, from the business owner (for instance, the charitable boxes installed in Malls) or from the municipality/ Local Self-Government Body (in case the boxes are placed in public spaces). The process in case of local municipalities may vary based on the official document circulation procedures, and usually is quite time consuming and bureaucratic.

What as to the charitable lotteries, there was no any example identified through the interviews or desk review, neither any regulation in the legislation. The auctions are also not very common strategy or method of fundraising utilized by the Armenian CSOs, though there were some rare mentions about them by some of the interviewees.

It is worth to mention that there is no clear/ institutionalized self-regulation approaches in the area of fundraising among the CSOs (e.g. a code of conduct, quality seal etc). Only small number of CSOs/ NGOs with advanced capacity have written policies, protocols and procedures. The latter's are not required by law, neither considered as an institutional priority by the CSOs themselves. Due to shrinking / limited financial resources, the competition between the CSOs is high; this fact inhibits having a joint Code or agreement among a group of CSOs on how to engage in fundraising.

Thus, there are legislative regulations that apply to both those who implements philanthropy and its users (in both cases, these can be organisations and individuals). In any way, they are not sufficient and there are a number of areas, which may need further regulation such as tax benefits for individual donors, etc.

BUSINESS COMPANIES' APPROACHES AND EXPERIENCE OF PHILANTHROPY AND DONATIONS

To conduct a survey among commercial organisations, an electronic questionnaire was sent to 100 organisations along with a cover letter. Overall, 42 organisations / companies took part in the survey. In-depth interviews were conducted with three companies: Viva-MTS, Coca-Cola HBC Armenia, and ID Bank, which were selected based on the frequency of mentions by CSOs and availability for interviews.

The survey data was compared with the results of the NGOC's "Experience of Philanthropy in the Business Sector" survey conducted in 2006 with the purpose of tracking the development dynamics in this area.

Legal status and areas of activity of commercial organisations

The legal status of 19% of the surveyed structures is LLC; 7% of the respondents represent CJSCs and 74% are private entrepreneurs.

There are general and special taxation systems in the Republic of Armenia.

Within the *general system* of taxation, organizations, individual entrepreneurs and notaries are taxed, in particular, with VAT and (or) profit tax.

- 39% of the respondent companies work with **turnover tax**¹⁵. Turnover tax, in accordance with the procedure established by the Code, is a state tax replacing VAT (or) profit tax, which is paid to the state budget on time, in size. This means a tax of five percent of revenue is deducted, which is deducted by four percent of justified expenses, but not more than one and a half percent of revenue.
- 20% work in the **general field of taxation**, when the organizations pay regular VAT-20% and turnover tax at the end of the year 20% i.e. are VAT and profit tax payers,
- 41% are micro-enterprises. **Microenterprise** is an activity carried out by commercial organisations or individuals for the purpose of generating business income. Entities of microenterprises are released from the obligation to calculate and pay any taxes to the state budget¹⁶

From special taxation systems:

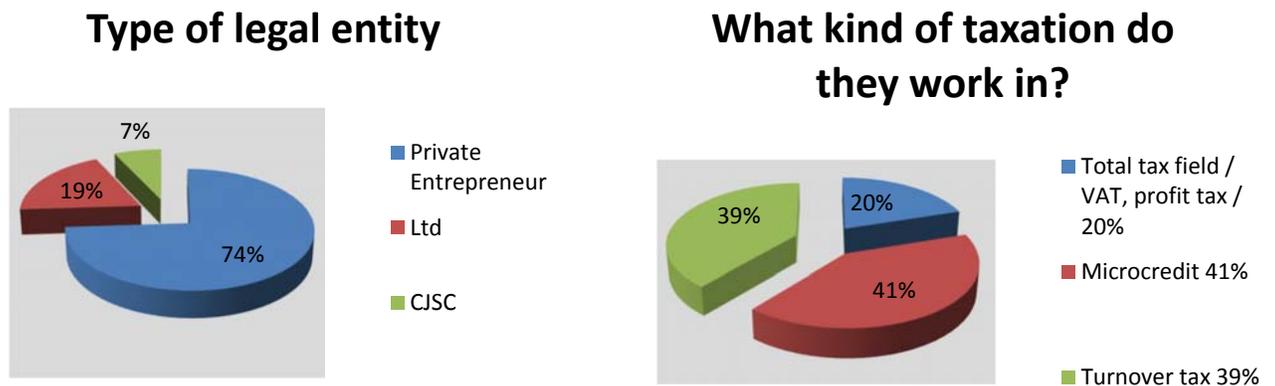
1) Within the framework of the turnover tax system, organizations, individual entrepreneurs and notaries are taxed, in particular, with the turnover tax replacing VAT and (or) profit tax;

¹⁵ Turnover taxpayers are considered to be resident commercial organizations registered in the Republic of Armenia, not exceeding the sales turnover of 115 million drams in all types of activities during the previous tax year

¹⁶ A microenterprise is an activity carried out by commercial organisations or individuals for the purpose of generating business income. Entities of microenterprises are released from the obligation to calculate and pay any taxes to the state budget (including the obligation to calculate, maintain, transfer to the state budget as a tax agent, as well as profit tax advance payment defined by Article 135 of the Tax Code), except for the cases defined in part 2 of this article. RA Tax Code, Article ??, <https://www.arlis.am/DocumentView.aspx?DocID=143894>

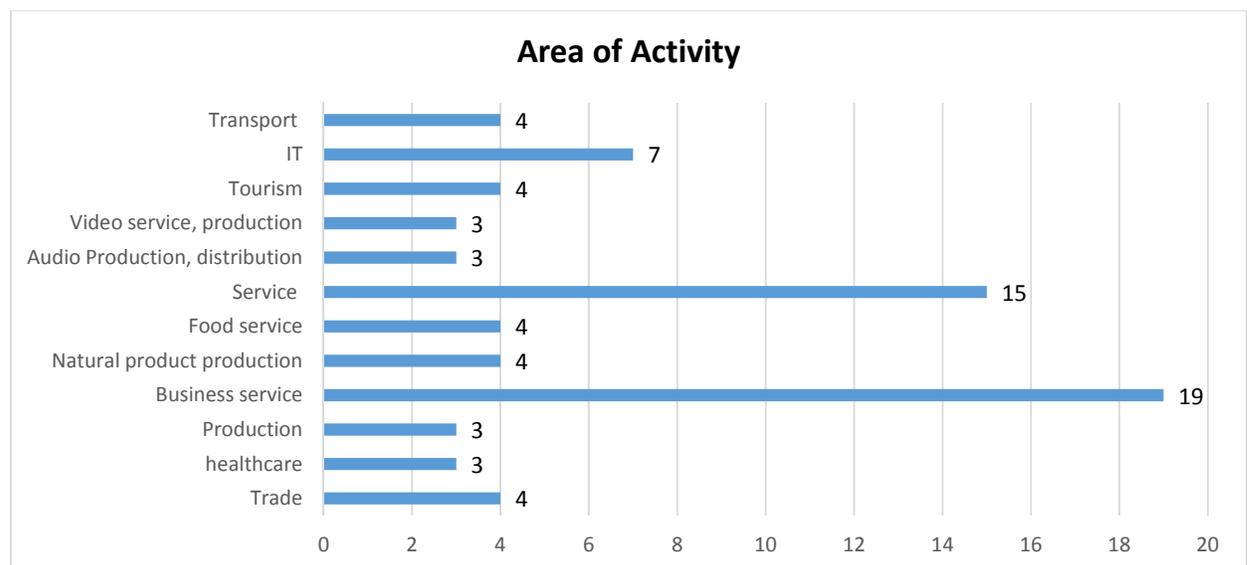
- 2) Within the framework of the patent tax system, organizations and individual entrepreneurs are taxed, in particular, with VAT and (or) with a patent tax replacing the profit tax;
- 3) Within the framework of the family business system, organizations and individual entrepreneurs are exempted from VAT in the cases defined by Chapter 56 of the Code, in particular, with VAT) (or) profit tax, as well as with turnover tax.
- 4) For taxpayers of organizations, individual entrepreneurs operating in special taxation systems of the Code - special taxation systems

Figure 1 □ The legal and taxation status of the surveyed companies and taxation



Distribution of the respondents by the area of activity is presented in Figure 2. Most of the respondents represent production industry; business service providers and service industry companies are among the next most popular categories.

Figure 2 □ Area of activity



Experience of philanthropy among commercial organisations

Figure 3 shows that 78% of the respondents made a donation or were engaged in philanthropy in various ways, including 52% of them who made donations or implemented other philanthropic activities through another intermediary organisation. It is noteworthy that 26% of the companies were the initiators of philanthropy / donation.

Figure 3 □ Experience of philanthropy among commercial organisations



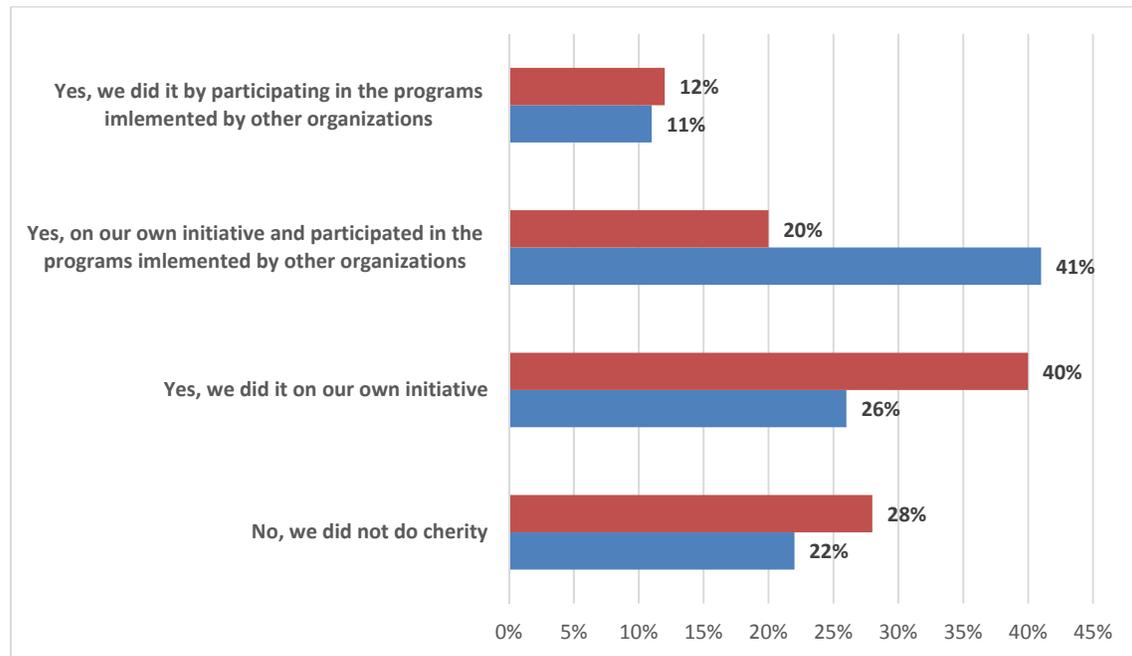
The remaining 22%, who did not make any donations / philanthropy, stated that they are not yet well-developed; in case of development, they do not exclude making donations / philanthropy in future.

It should be noted that the Law on Charity mainly includes regulations on charitable projects and charitable organisations. It is possible that the projects implemented by CSO with their money will be recognised as charitable, and that money will be exempt from certain taxes. In this case, the applicant for the charitable project is the CSO, which under the Law on Charity can become a benefactor and enjoy the established tax benefits.

Figure 4 provides a comparison of the survey results of 2006 and 2020¹⁷ related to the philanthropy experience of commercial organisations. The comparison shows that the number of commercial organisations involved in CSO initiatives has almost doubled. At the same time, in 2020, the share of companies implementing their own philanthropy initiatives self-initiated structures decreased about 1.5 times.

¹⁷ The methodologies and the questionnaires were identical for both the periods

Figure 4 □ **Comparison of philanthropy experience in 2006 and 2020**



In-depth interviews show that the cooperation of commercial organisations with CSOs is implemented within the framework of Corporate Social Responsibility programs of the companies, as well as through material and in-kind support directly provided to individual CSOs, including through volunteering. It is noteworthy that in some cases donation is qualified as a "social investment" in line with the general CSR approaches rather than philanthropy.

In some cases, charitable or CSR programs target State Non-Commercial Organisations (SNCOs) that operate in the cultural, scientific or educational fields or contribute to the sports development, as well as sports federations, zoos and botanical gardens. There are also companies that provide direct assistance to individuals, mostly addressing health and education issues (e.g. reimbursement or transfer of tuition fees).

The research showed that bigger companies tend to work in partnership with the CSOs rather than provide direct support, especially when the size of donation is also big. This decreases the amount of paper work and procurement challenges on the ground, along with preventing the company itself from investing human and organizational capacity when managing the process directly.

Figure 5 shows the distribution of surveyed companies by their preferences in terms of working directly with the beneficiary or providing support through partner organisations.

Figure 5 □ Preferences of commercial organisations in providing support

The charity / donation was made

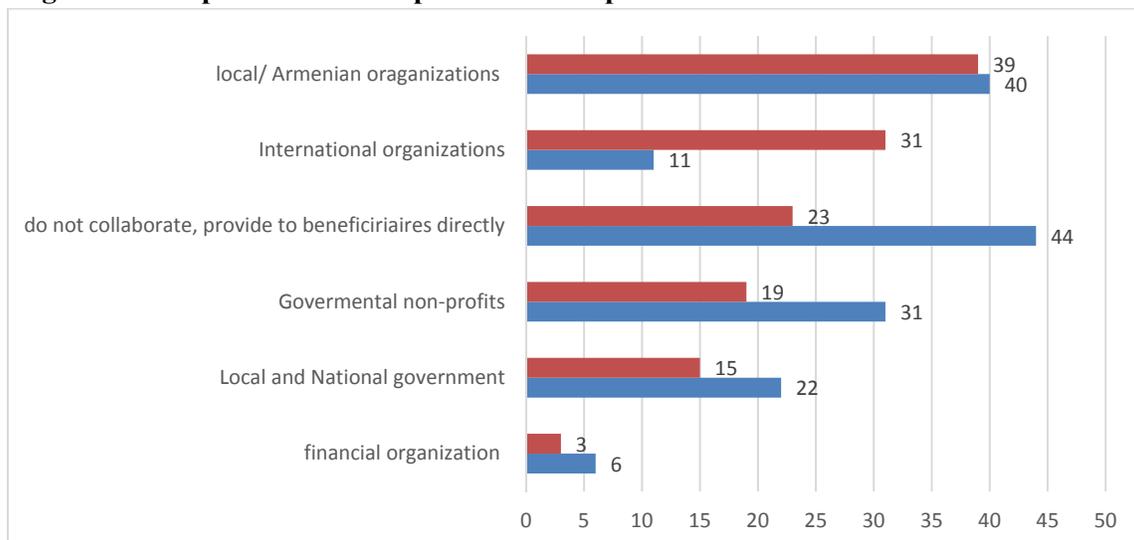


When comparing the data on the cooperation of commercial organisations with other structures in 2006 and 2020, it is visible that if in 2006 almost half of the respondents (44%) did not cooperate with CSOs, LGBs, government and directly supported the beneficiaries, then in 2020, only 23% answered “I do not cooperate at all, but I just give”. It is also interesting to note that the companies that cooperated with other organisations when providing donations, in 2006 cooperated more with SNCOs, local authorities and other commercial organisations and less - with CSOs and international organisations, while in 2020 the cooperation with CSOs and international organisations increased (See Figure 6). This allows us to conclude that besides increasing dynamics of mediated donation, commercial organisations also increased their partnerships with CSOs. The impetus for this change might be the increased trust towards CSOs, as well as the development of CSOs’ human and institutional potential.

It is easier to work with CSOs. It is much more effective because they know who to support and how. Otherwise, we had to find the families ourselves. Of course, trust is important here, and I trust our partners. Working this way helps you understand where the money is going, and actually you work with several organisations.

Viva-MTS CSR
Senior Specialist

Figure 6: Comparison of the experience of cooperation in 2020 and 2006



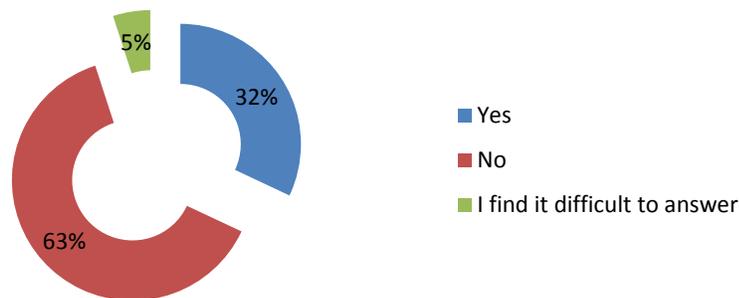
The main reasons for non-cooperation are the lack of trust towards CSOs, lack of the rationale, as the companies' own experience and resources are sufficient to work directly with the beneficiaries, as well as the lack of convenient opportunity or relevant cooperation offer.

Procedures on philanthropy

Most surveyed companies - 63% - do not have a philanthropy / charity strategy. Only large companies had adapted CSR procedures that guide the selection of projects and partner organisations, as well as implementation of their own projects, starting from the selection of beneficiaries up to volunteering for the selected beneficiaries and providing direct support to the immediate beneficiary.

Figure 7. Procedures related to philanthropy

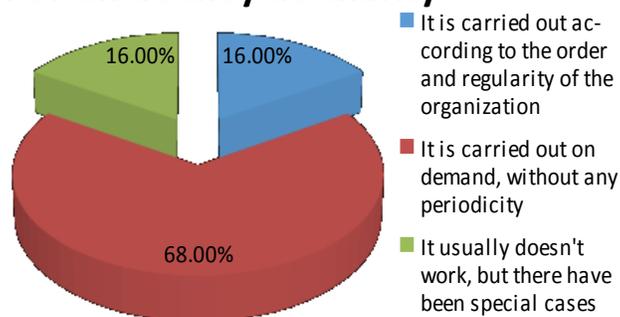
Do they have a charity management strategy?



As we can see from Figure 8, 68% of the commercial organisations that participated in the survey made donations on demand, without any periodicity, and only 16% donated based on organisation's policies and timelines. At the same time, 63% of respondents have criteria for selecting beneficiaries (see Figure 10).

Figure 8 □ Frequency of making charity.

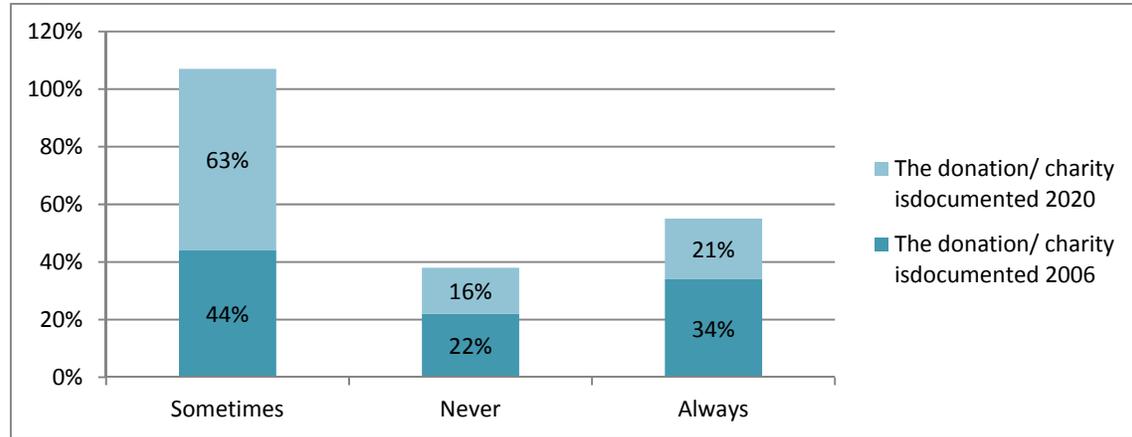
How often do they do charity?



As for documenting the donation, only 21% of donating organisations always document it, 16% never document it, while the majority - 63% - do that occasionally.

It should be noted that the percentage of commercial organisations "always documenting" their donations is 34% in 2006 and 21% in 2020. However, there is an increase in the number of companies that have sometimes documented and a decrease in the number of those who never documented donations.

Figure 9. Documentation of donations/charity



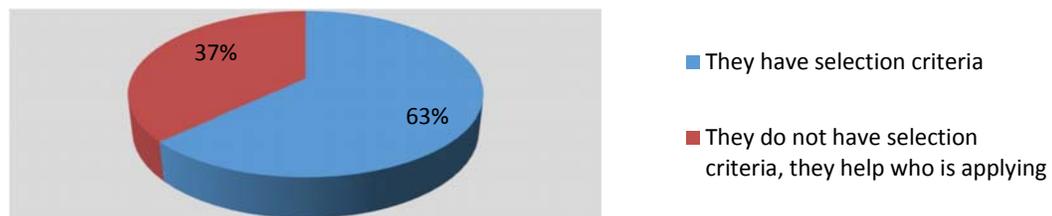
As already mentioned, 63% of donating companies have a donation strategy. Philanthropy procedures address donation / program award procedures, selection criteria, and strategic priority areas for allocating funds. Hereby a case of one of the companies is presented based on website information analysis and in-depth interview with the company representative.

The CSR program of IDram payment system is conducted through a well-developed "The Power of One Dram" campaign with its specific messages. The "Power of One Dram" project is aimed at supporting the development of a number of vital and strategic areas in Armenia: healthcare, education, green economy, environmental protection, social responsibility, and public safety.

Starting from June 5, 2020, IDram channels 1 AMD from all types of payments made by customers through the IDram application, website and payment terminals to "The Power of One Dram" program. Thus, any person who makes a payment through the IDram system immediately becomes a goodwill ambassador of the "Power of One Dram" program, without spending any extra money. The total amount of "one drams" collected by August 23 will be directed to the purchase of equipment for distance learning for students of high-mountainous and bordering villages and communities of Armenia.

Figure 10. Selection of beneficiaries

Beneficiary Selection Principles



The respondents mentioned the following areas / priorities for donations: humanitarian assistance to vulnerable groups, health problems of the beneficiaries, environmental issues, activities in education and culture, and tourism promotion. The criteria may vary from transparent use/ management of the resources up to none – the less institutionalized part of the approaches in most of the cases. Taking into account the situation of the epidemic, the response to COVID-19 was also fixed as a priority in 2020. The latter shows that companies are sensitive to priority issues and adapt or review their approaches and directions of support accordingly.

Figure 11. Type of donation (the number of companies)

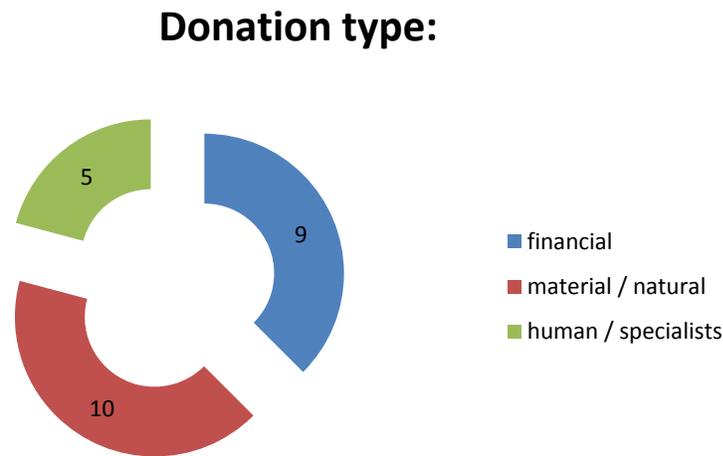
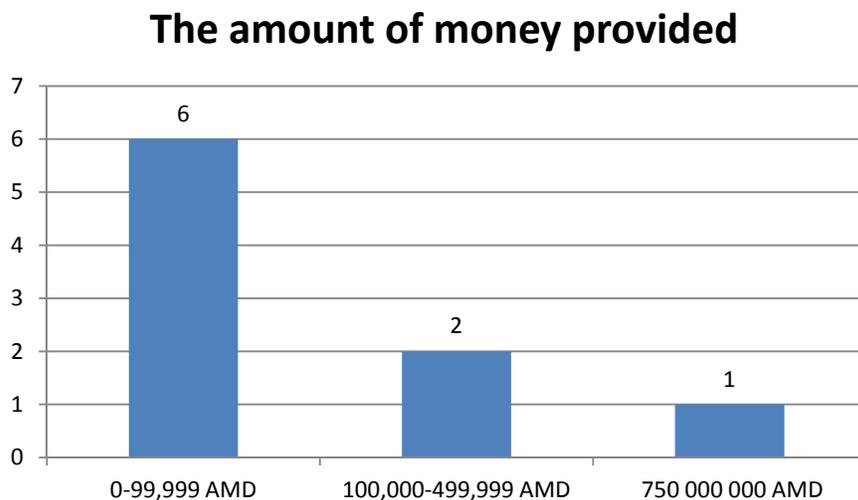


Figure 12 □ The budget allocated for donations



It is obvious that when making donations, commercial organisations mainly make financial and in-kind allocations (furniture, equipment, which they do not use anymore). At the same time, most financial allocations for donations and CSR programs do not exceed 1 million

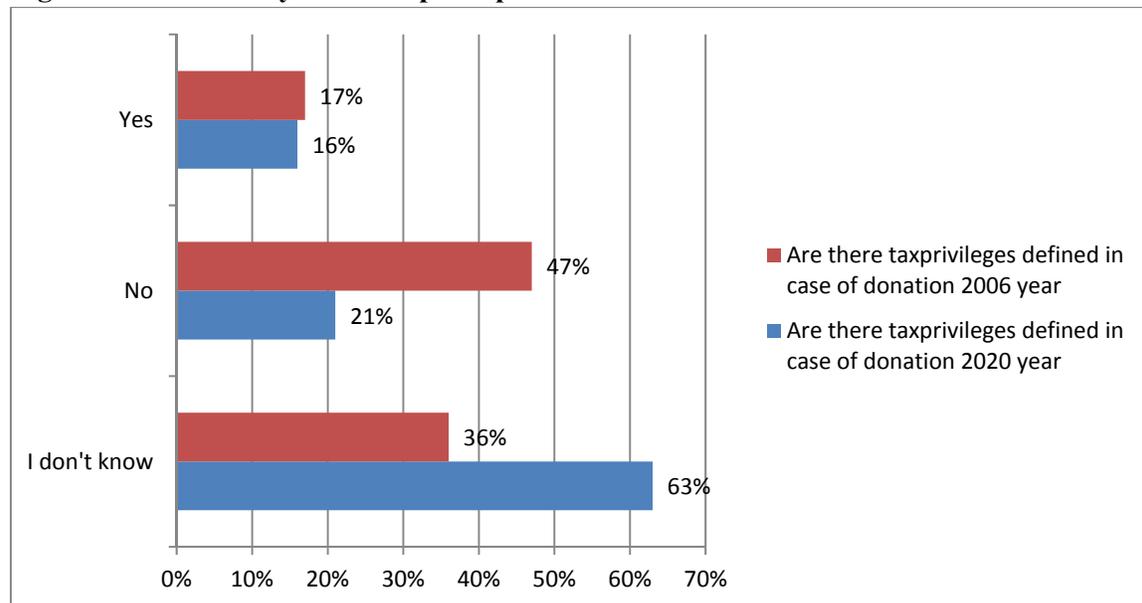
AMD¹⁸. Only VivaCell has allocated significant annual budget for CSR –750 million AMD in 2019 and 650 million AMD in 2020. In addition, it should be noted that the cultural elements related to the importance of human resources and the contribution through volunteer work seem to be taking shape (see Figures 11, 12).

Awareness of commercial organisations on available tax benefits

In response to the question about the tax benefits, 63% of the respondents said that they didn't know any, 21% said that there were no benefits, which also means that they were not aware about the benefits, and only 16% of the respondents were aware about the benefits. The number of those that used any benefits is small, making only 8% of the givers.

Interestingly, the percentage of those aware about tax exemptions has practically not changed since 2006 and comprises 17% and 16% in 2006 and 2020 respectively.

Figure 13. Beneficiary selection principles



The participants of in-depth interviews also often did not know about the tax benefits but emphasised that those are necessary.

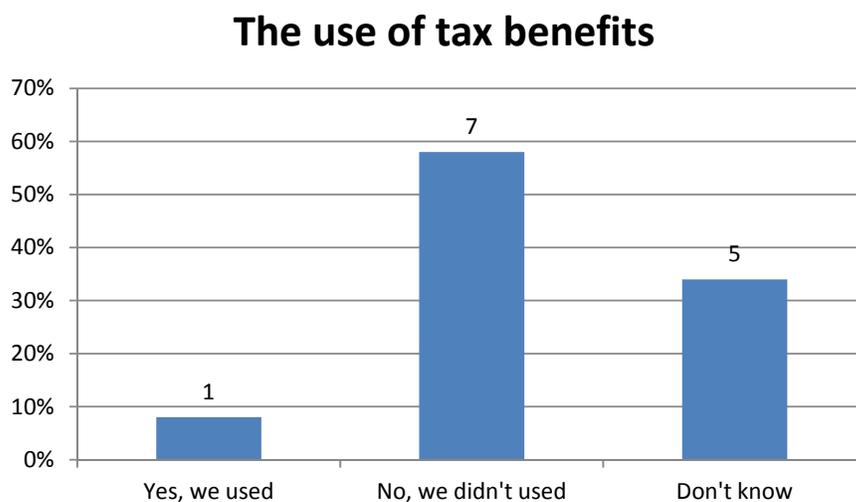
"We are not aware if there are legal regulations in this regard, but it would be good to have such."

"As far as I know, there are no tax benefits."

Representatives of commercial organisations

18 The 1 EURO = 485 AMD exchange rate as of May (<https://rate.am/en/armenian-dram-exchange-rates/central-bank-armenia>)

Figure 14. Companies that have used tax benefits (number of organizations)



It is noteworthy that out of 16 companies that made financial donations (37.5% of the surveyed organisations) only one organisation (8% of those donated) used tax benefits. The rest were either unaware or unwilling to take advantage of the tax breaks. During the in-depth interviews, these companies stated that the size of the benefit is not attractive to initiate the process at all, or that benefit is not the main motive for philanthropy.

"In fact, they are very limited, when preparing the report, we do not even look how much we have donated, we just mention 0.25 percent of the income, because the money we give is huge compared to this percentage. In fact, this does not compensate our donations in any way."

"We did not do it in order to use any benefits."

Representative of VivaCell-MTS

In case of in-kind giving, another problem has been identified, that is, in case of making a donation, the donor has an obligation to pay tax under the RA Tax Code. Thus, in the case of supply of goods, provision of work or services gratuitously or at a significantly lower cost, 80% of the real value of those transactions shall be considered as basis for VAT calculation, except for a few cases defined by law: "For the purposes of this part, a transaction subject to VAT is deemed to have been carried out at a value substantially lower than its fair value if its recoverable amount (excluding VAT) is 20% or less of the same, and in its absence, similar good; from the fair value of transactions for the performance of similar work or the provision of similar services (excluding VAT), with the exception of: a. transactions carried out through public bargaining in cases defined by law, and b. transactions for the supply of goods or work or services, which are carried out at a price less than the commercial discount specified in the written act previously adopted by the taxpayer or in another previously adopted legal act, and that commercial discount shall be reflected within the period specified in the legal regulations mentioned in this sub-clause in the invoices written out by the taxpayer."¹⁹

"During COVID-19 we bought phones and gave them to the children living in the village. The Tax Code article says: If the transaction is free, you will have to pay 20% VAT of at least 80% of the purchase cost. It turns out that you both make a donation and pay additional taxes."

CSR Responsible at Viva-MTS

When implementing charitable projects, CSOs are in the same tax field as commercial organisations providing services. An example to this is the free dental health services provided by the Society for Orphaned Armenian Relief (SOAR) □ The organisation does not receive a fee for the service, that is, it does not make profit, but still pays the monthly rate of the patent fee applied for paid dental health services, that is a standard fee for each armchair.²⁰

An information request was sent to the RA State Revenue Committee (SRC) in order to understand how many commercial organisations operate in the field of general taxation, and thus could use the opportunities provided by Article 123, part 1, clause 5 of the RA Tax Code in case of making a donation, as well as to get information on the number of the companies that have benefited from this clause. In addition, the number of average income taxes paid in Armenia was also requested, to get necessary data for suggesting possible tax benefits.

According to the SRC response, there were 18,111 business entities in Armenia that operated in the general taxation field and paid 177,080,200,534 AMD profit tax in 2019. There are 422,229 registered employees in Armenia, who paid income tax of 23,461,629,539 drams in the last six months. As for the opportunities provided by Article 123, part 1, clause 5 of the RA Tax Code, the latter has been used by 418 business entities during the last three years (this number may include a repetition of the same entities that used the benefits for more than one year).

Table 2. Number of business entities and the amount of taxes paid

Total number of business entities operating in the general field of taxation (VAT and profit tax payers) (2019)	Total amount of profit tax paid by the above-mentioned entities in 2019 (AMD)	Average number of registered employees in the last six months ²¹ (2019)	Total amount of income tax paid by registered employees (data for the last six months) ²² (AMD)	Number of business entities that used the opportunities provided by Article 123, part 1, clause 5 of the RA Tax Code in the last three years (2017-2019)
18,111	177,080,200,534	422,229	23,461,629,539	418

Within the framework of this study, it was not possible to identify the number of business entities that operate in the territory of Armenia in the general taxation field and apply CSR approaches or are engaged in philanthropy. The data obtained, however, suggest that companies receiving tax benefits are a very small part of the total taxpayers' share, either because they are not engaged in philanthropy at all or because the benefits are not attractive. This issue needs further study.

20 RA Tax Code, Article 277, <https://www.arlis.am/DocumentView.aspx?DocID=143894>

21 The average number of employees was calculated as follows: the sum of all employees / contracted service providers (income was taken into account) of the given employer for the given period is divided by the number of months worked with this employer.

22 Calculated as follows: the sum of the income tax presented by the given employer for the given period is divided by the number of months.

Charitable and corporate social responsibility programs

Banks mainly have a corporate social responsibility policy, with a number of activities and various projects implemented in the directions set by this policy, including in the areas of education, health, culture, environmental protection, etc.

For example, in the framework of corporate responsibility and public investment strategy, HSBC Bank prefers work skills development, financial literacy, capacity building, and climate change prevention programs that are implemented through various non-governmental / charitable organisations and special programs. In another case, for example, in the case of ACBA Credit Agricole Bank, the bank is a co-founder of the Stepan Gishyan Charitable Foundation, which provides an opportunity to implement promising programs for the public in the socio-economic and scientific-educational spheres. Ameriabank has a special charity account.

Basically, all the surveyed banks have adopted internal regulations aimed at the implementation of their strategy.

BANKING SYSTEM IN THE CONTEXT OF PHILANTHROPY

Procedures for opening and serving accounts

According to the results of the inquiries sent to banks, the accounts that are opened for collecting donations are served according to the basic terms and tariffs of banking service set by the banks. The information on opening accounts shows that the process of account opening usually takes about an hour, in exceptional cases - one day as a maximum (in the case of international organisations or organisations registered outside Armenia).

As for charitable accounts, some banks provide various privileges in this regard. For example, it is possible to reduce the service rates up to zero, or annul the fees for withdrawing cash.

"In specific cases, when the organisation acquires [bank] cards for charity, for example, for socially vulnerable families, and make monthly transfers of certain amount of money to that card account, the bank may annul the card service fees."

Bank employee

The requirements defined by the RA legislation apply to all types of accounts opened in the bank. Based on international experience, banks considered accounts for donations as subject to high risk. Funds are transferred to such accounts from various and multiple sources, which complicates the process of identifying the source of the funds received. Therefore, banks conduct additional enhanced / due diligence checks of these accounts in accordance with their internal procedures.

"It is a bit different when an account is opened by a foreign organisation that does not operate (has no formal representation) in Armenia. In this case, the purpose of opening an account of the organisation is checked by a special department, and only after making sure that money laundering does not take place, they open an account. This process takes about an hour, or maximum one day."

Bank employee

The connection with the banking system also appears in case of online fundraising or fundraising through websites. In this case, the website needs to be linked to the bank account and allow transfer from users' card accounts. In cooperation with banks, the fundraising process can also be carried out through the mechanism of online purchases, directly by card transfer. However, CSO applications to work with this system are generally rejected by the relevant department of the Central Bank due to the high risk of "money laundering". Though CSOs note that they have no particular difficulty with this issue, especially if they have a positive experience working with the linked bank. It is important to note that only two organisations surveyed during this study had experience of receiving donations from card accounts (similar to online purchase system), while in most cases the website provides only information for bank transfers.

Referring to the commission rates set by banks, CSO representatives and field experts noted that in the case of donations outside Armenia, bank transfer fees are quite high. For international transfers, the intermediary bank²³ keeps \$20 in average, which is a significant amount especially in case of small transfers, such as in the process of collecting small donations from many people (crowdfunding).

"The volunteer wanted to transfer \$50 from Poland, but if \$20 is kept, it is useless. In case of large sums of money, that amount is not a problem. "

CSO representative

At the same time, IDram and EasyPay systems are available in Armenia, accessible for organisations' use: these systems deduct a certain percentage of the transferred amount. However, no organisation has mentioned about these systems.

It should be noted that the PayPal system, which provides more affordable terms for transfers, does not function in Armenia.

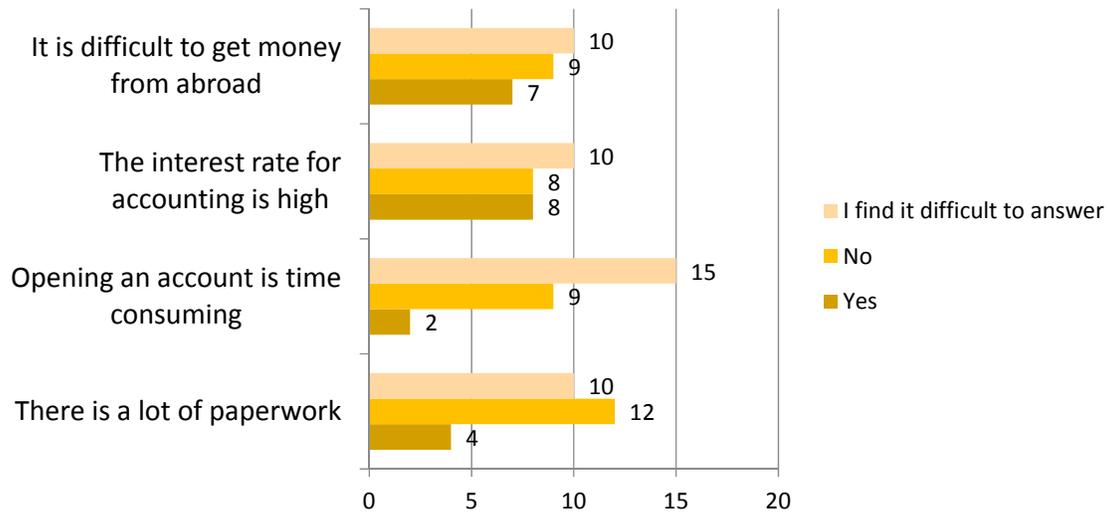
"There are Diaspora Armenians who are ready and want to make a transfer, but in case of small amounts, transfers through the banking system are meaningless."

CSO representative

CSOs participated in the survey state that they did not have any major problems or difficulties with opening and servicing accounts. However, CSOs report some specific problems with the banking system.

23 SWIFT transfer/system transfer is used for international transfers, and depending on the bank, the fees vary from 5000 to 15000 AMD

Figure 15. The problems related to receiving donations through banking system? (the number of organizations)

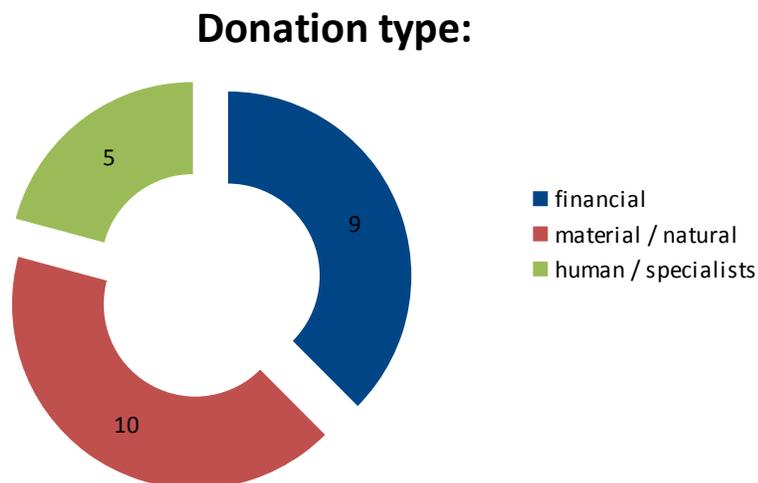


CSO FUNDRAISING EXPERIENCE

Non-profit organisations in Armenia have an opportunity to raise money through applying for grant programs, as well as using various approaches to mobilise resources, such as social entrepreneurship, providing paid services, developing and selling marketing products, and using various online and offline platforms. This study reviewed the effectiveness of resource mobilisation tools from private sector and individuals.

To study the fundraising experience of CSOs, both quantitative (survey of 52 CSOs) and qualitative (case study of 13 CSOs and 3 expert surveys) data was reviewed. CSOs' experience of receiving donations from companies and individuals is presented below.

Figure 16. The experience of donations from companies/ commercial organizations and individuals



The research also showed that CSOs solicited donations from companies and individuals for various purposes, including humanitarian aid to vulnerable groups (15 CSOs raised funds from companies, and 15 – from individuals), institutional development of the organisation (2 and 5 CSOs respectively), beneficiaries' health problems (8 and 8 CSOs), environmental problems (2 and 3 CSOs), educational events (13 and 12 CSOs), tourism promotion (1 CSO fundraising from companies), student fees (? and ? CSOs), infrastructure development (1 and 1 CSO), IT sector investment (1 CSO fundraising from individuals).

However, the predominant goals are support to vulnerable groups, educational issues and health status.

Figure 17. Purpose of the donation

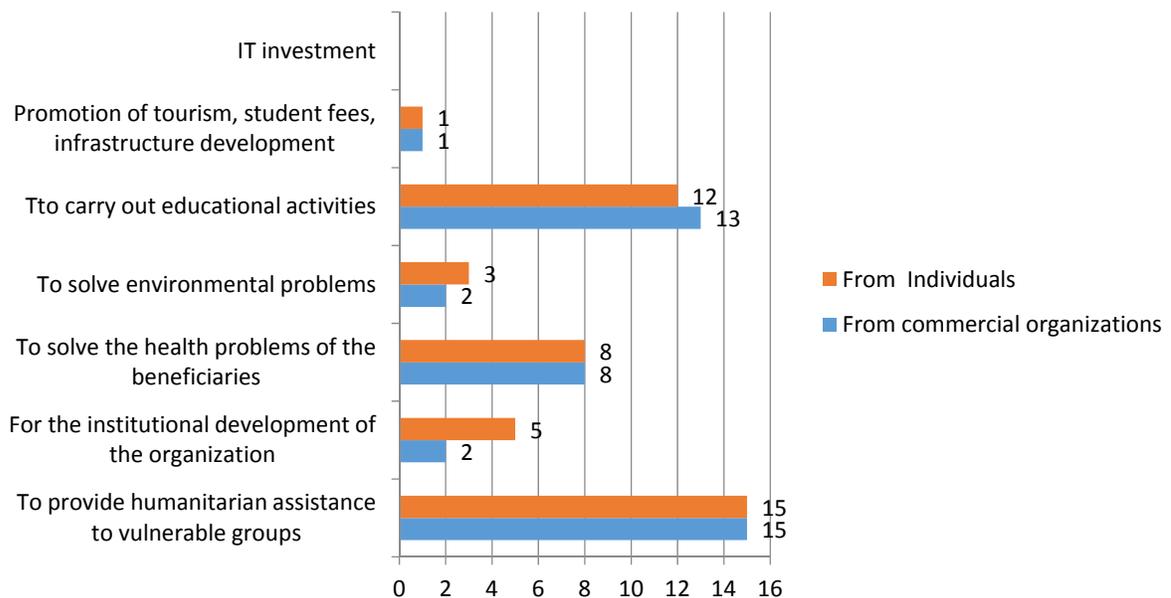
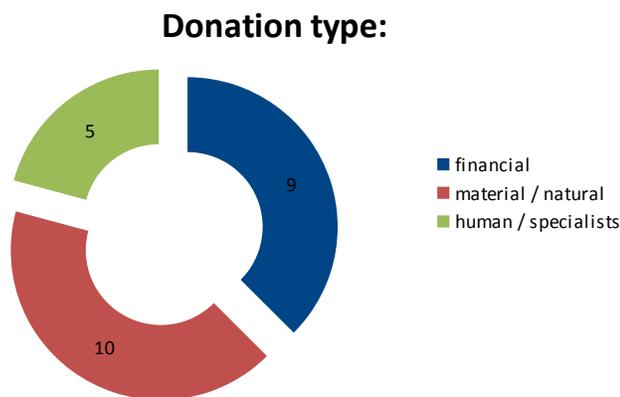


Figure 18 shows the type of support CSOs received from individuals and businesses.

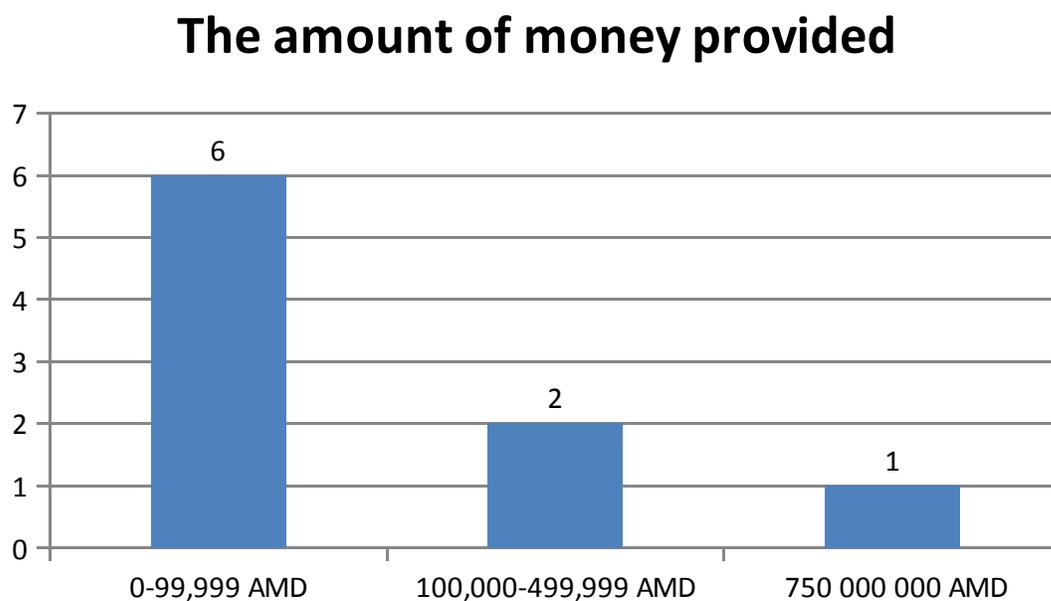
Figure 18 □ The type of support received



It is visible that the type of support is almost equally distributed in the categories of financial and material resources; at the same time, the human resources' contribution also took place

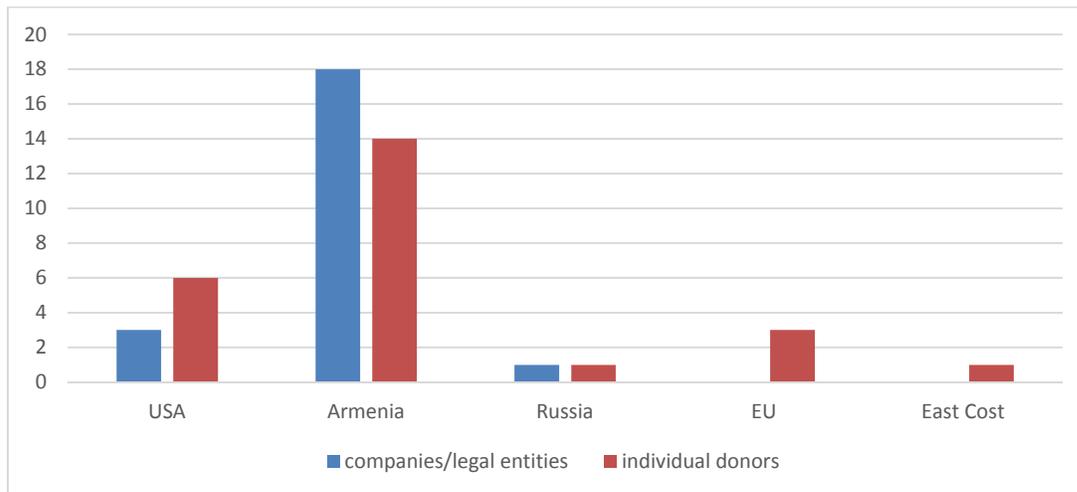
though to less extent. In case of financial resources, the contributions / donations from individuals and companies fell dominantly within the category from 100000 (equal to 176 EUR) to 499999 AMD (equal to 879 EUR) (by 7 individuals and 8 organisations), followed by up to 99 999 AMD (equal to 175 EUR) (from 8 individuals and 5 organisations), 3 000 000 (equal to 5186.63 EUR) - 4 999 999 AMD (equal to 8644.37 EUR) (1 and 4 respectively) and only one respondent CSO received more than 5 000 000 AMD (equal to 8644.38 EUR) from individuals and organisations.

Figure 19 The amount of the highest amount of financial support



At the same time, the survey data show that the majority of CSOs have received support from organisations operating in Armenia (78%) and from individuals living in Armenia (56%). The remaining 22% of those who received money from organisations, mentioned the United States (3 CSOs) and the Russian Federation (1 CSO), while 44% of those who received money from individuals mentioned the United States, the EU, and the Russian Federation. The cross-tabulation analysis of the data suggests that CSOs raising funds from outside Armenia mainly have agencies, departments or structures operating under the same umbrella abroad and raising money for these CSOs. It should be noted that if any organisation operating in Armenia aims to raise funds from foreign residents, it faces large commission fees even in case of small transfers (in case of large sums, the fee is the same, thus it is not as significant) and does not benefit from the crowdfunding approach.

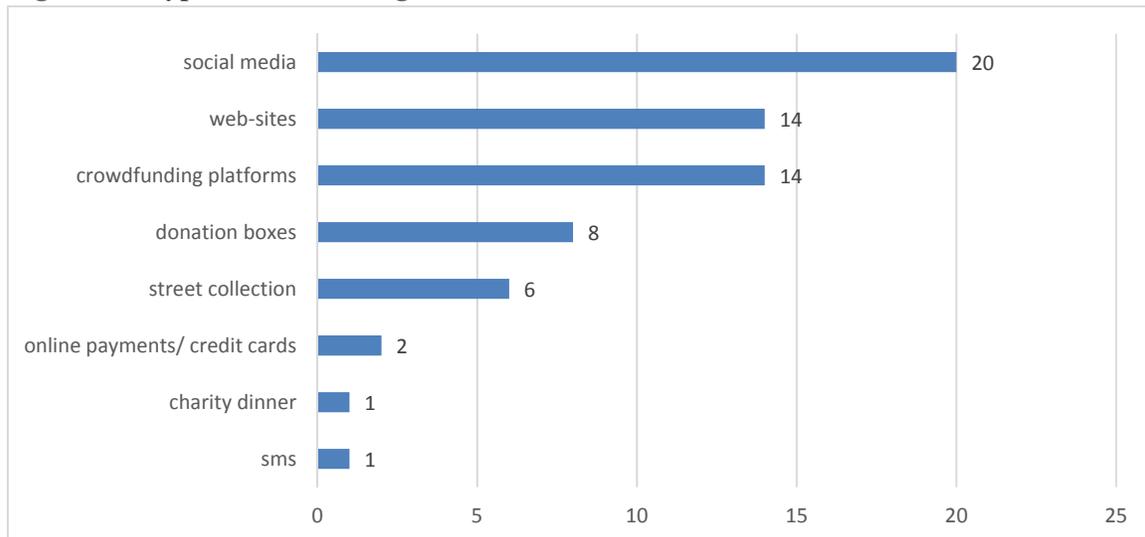
Figure 20. The countries from where CSOs received donations



FUNDRAISING TOOLS OF ARMENIAN CSO

The Figure 22 shows the types of fundraising used by the surveyed organisations.

Figure 22. Types of fundraising



It can be concluded that most organisations actively use social networking opportunities as their main fundraising approach, while at the same time utilising other opportunities, most often including the use of their own websites and crowdfunding platforms.

Based on the analysis of the information received through the study, organisations / initiatives can be conventionally divided into two major groups. ***The first group conducts fundraising directly***, i.e. the organisation, individual or initiative raises money for the implementation of its own programs and initiatives. This group includes the organisations that have headquarters or

representative offices outside Armenia, which raise funds for the implementation of projects in Armenia.

These organisations use various approaches to raise money, including crowdfunding platforms, placement of donation boxes in public areas / at public events, websites, text messages, social networks, charity events, etc. According to the respondents, the key to success is a clear formulation of the social problem addressed by fundraising, as well as the social network of the organisation or individuals – so called networking. The issues for which the fundraising campaigns were carried out can be divided into the following main groups: material assistance to families in socially difficult situations, providing housing for needy families, solving health problems, and renovating the center for providing services to vulnerable groups.

The second group includes the organisations / initiatives that *raise funds for other organisations* to implement their projects. For example, in the recent five years, the Armenian Charitable Runners Team²⁴ has been mobilising runners from different countries who want to change the world. Each year, the team selects a social program, raises money for its implementation, mainly investing in systemic, long-term programs. Among the sponsored projects are reconstruction of "Dream House" rehabilitation center, 50% co-financing for the construction of "Gradarak" library, 70% co-financing for the construction of the rehabilitation room (Salt Cave) of the special educational complex for children with hearing impairments. In 2017, Armenian Charitable Runners Team NGO founded its own project, Nimba, functioning as a social enterprise. It is a brand of Armenian bedding linen produced by representatives of vulnerable groups. Today, Nimba enables the involved professionals to get financial stability and independence from social support mechanisms. The main platforms used by this NGO are social networks, where team runners tell about the project and the campaign and request contributions. The second platform is the organisation's website, where benefactors make donations.

Another example is the AYO platform established by the Fund for Armenian Relief (FAR). Originally this platform was intended to facilitate the implementation of FAR programs but gradually it has become a fundraising platform for other organisations. The purpose of this platform is to develop a "culture of giving" among people, mainly young people who want to help but cannot provide large sums of money. In this case, a one-dollar donation is also encouraged. Another goal of the platform is to rejuvenate the donor community in the United States.

AYO has a permanent donor who finances all administrative expenses to support the platform, while the money raised is fully channelled towards the implementation of projects. It is expected that in future the platform will be able to cover its own administrative costs as well. It is noteworthy that the projects are selected and approved by the board. In addition to clear selection criteria, ensuring visibility of AYO platform by the selected partner is a precondition for selection. The main format of platform operation is placing the selected project on the platform for a period of two months, after which large-scale fundraising is organised both in the USA and in Armenia. The toolkit includes a variety of methods, including public events, placing boxes in hotels, volunteering activities by prominent people, for example, celebrities

24 <https://www.facebook.com/ArmenianCharityRunnersTeam/>

work one day as waiters, or cook and sell food and then transfer tips and revenues to the platform.

Some CSOs also widely practice fundraising from the Armenian Diaspora, including through the Armenian Apostolic Church. However, this experience is more specific to the organisations that have their representations in the Diaspora. In this case, fundraising campaigns are distinguished by their clear planning, involvement of professional resources and well-thought-out / clearly delivered messages and marketing products. One of the examples is Tufenkian Foundation, which invests in both its own programs and the projects of community-level NGOs (for example, “Family and Community” NGO). FAR is another organisation with similar experience of fundraising. Meanwhile, local NGOs note that the use of the same campaign messages and tools in Armenia does not bring to the desired results due to the insufficient development of giving culture.

It should be noted that in the course of this study, which coincided with the peak period of COVID-19 epidemic in Armenia, almost all surveyed organisations noted an increase in charities / donations, both among businesses and individuals. CSOs were able to attract both financial and in-kind donations, typically to provide assistance to the most vulnerable families and individuals affected by the epidemic. During the same period, the accountability of CSOs on the received support increased, which is more visible on social networks.

A) CROWDFUNDING

Online crowdfunding platforms are more than just a fundraising tool. Platforms help CSOs to present and promote their projects and raise funds for their implementation. As a rule, each platform has its focus, depending on the types of crowdfunding used.

Unlike other countries with leading crowdfunding experience, crowdfunding is not developed in Armenia yet, but a positive shift is noticeable compared to previous years. Noteworthy, that crowdfunding is not anyhow regulated, the CSOs rely on their experience, general knowledge and commonsense when utilizing it as a fundraising strategy. The positive dynamics is partly conditioned by the policy aimed at the development of start-ups, SMEs, and ICT sector in Armenia. Unfortunately, there is still no analysis or statistics assessing the situation in Armenia, thus in order to get an understanding of the market, this study reviewed articles available on the Internet and a diploma thesis, which was prepared based on interviews with industry representatives.²⁵ Based on this review, it could be said that there are three crowdfunding platforms in Armenia: "Boostbloom", "ONEArmenia" and "WeAreAyo".

- The study of **Boostbloom** (<https://www.boostbloom.com/>) shows that the platform has presented 9 projects in total, 2 of which were successful. The last project was presented in November 2019.
- "**One Armenia**" (<https://onearmenia.org/>) and "**WeAreAyo**" (<https://weareayo.org/>) platforms are more active, with projects mainly aimed at addressing social issues and community development.

As to international platforms, there are a number of platforms used worldwide to raise funds for various activities and projects.

- The first platform we will talk about is **Kickstarter**. Founded in 2009, this platform is the most

popular crowdfunding platform in the world today. Since its foundation, the platform has implemented thousands of successful projects from around the world. The platform has 15 categories of crowdfunding campaigns, which have various directions: musical, creative, technological, innovative, etc. Games, technology, video and design are currently the most often funded. As for the terms and conditions, any campaign on Kickstarter must go through the approval process. The principle of "everything or nothing" applies on this platform, which means that the campaigner does not receive any funding until the planned amount is collected. If successful, the author of the campaign receives funding within 14 days, and "Kickstarter" receives 5% of the funds raised.

- **Indiegogo** is the next leader in this field. It is known in the market for its softer and more flexible policy. It operates in 200 countries around the world and has a larger number of categories. It offers the author of the project two financing options: fixed and flexible. Fixed option works with "all or nothing" principle, while in case of flexible option, the author of the project receives the amount actually collected. Indiegogo constantly has about 7,000 current campaigns, and the number of new daily campaigns reaches 260. There is no fixed fee here: instead, 30% of the total amount and 30 cents for each transfer is charged to ensure the progress of the campaign. The minimum target amount on Indiegogo is \$500.²⁶ Recently, "Indiegogo" revised the list of its target countries and Armenia did not appear in the updated list.

Both Kickstarter and Indiegogo are known as award crowdfunding platforms.

Armenian projects are presented on Kickstarter, Indiegogo, and GoFundMe platforms. The latter mainly presents social projects, while Kickstarter and Indiegogo offer cultural, technological, business and health projects. Though there are a few successful Armenian projects, failed projects presented from Armenian users are predominant on these platforms.

One of the latest successful projects is "Areni 1 Footwear" project, which offers production of handmade shoes. The project was launched at the end of 2019 at the Kickstarter and thanks to 211 contributors attracted \$40,035 instead of the target \$10,000.²⁷

The most popular Armenian project, however, remains the "Volterman" smart wallet, which attracted \$2,951,619 on the Indiegogo platform in 2017. 19,088 people contributed to this project. The project reached its target amount of \$40,000 in just 24 hours.²⁸

Another successful project in Armenia is the "Moon" smart camera of "1-Ring", the crowdfunding campaign of which was also done in "Indiegogo". The project raised \$544,676. The number of investors in this project was 2,046.²⁹

It is noteworthy that the crowdfunding campaigns of the abovementioned two projects were carried out by the Armenian marketing company "The Crowdfunding Formula", which carries out large-scale activities to promote the development of crowdfunding in the Armenian market. This organisation, operating in Armenia, is one of the field leaders worldwide. The organisation conducts reward fundraising campaigns for start-up companies operating in various countries of the world. These include

26 Kickstarter vs Indiegogo: Which One To Choose?, <https://blog.thecrowdfundingformula.com/2015-11-13-kickstarter-vs-indiegogo-2/>

27 Areni 1 Footwear, https://www.kickstarter.com/projects/coltashjian/areni-1-footwear-the-brand-5500-years-in-the-making?ref=discovery_location_most_funded

28 Volterman - World's Most Powerful Smart Wallet, <https://www.indiegogo.com/projects/volterman-world-s-most-powerful-smart-wallet--4#/>

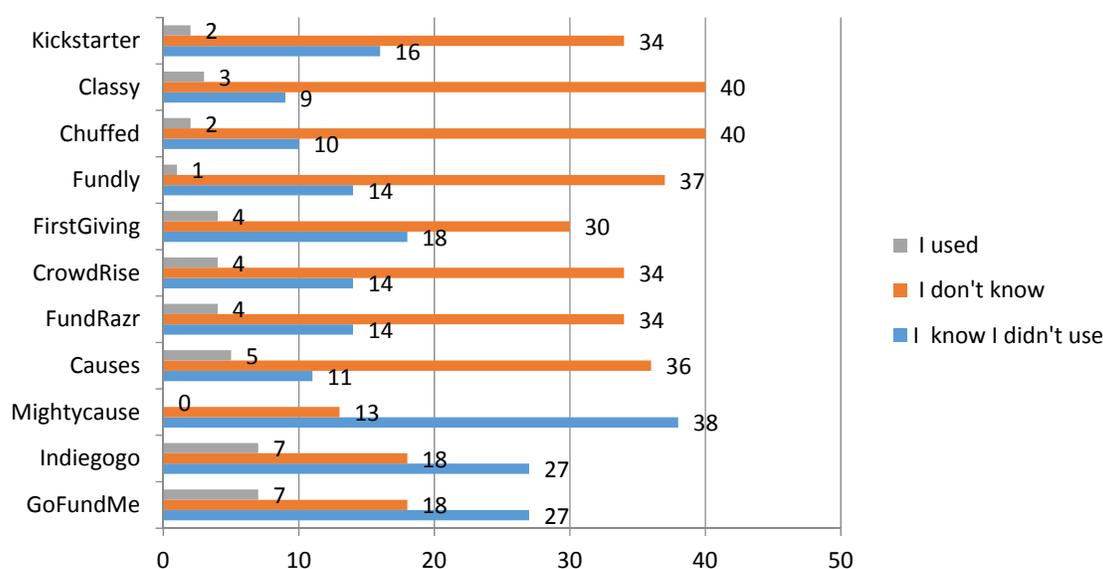
29 Moon by 1-Ring: World's COOLEST Smart Home Hub, <https://www.indiegogo.com/projects/moon-by-1-ring-world-s-coolest-smart-home-hub#/>

the VEZO 360 camera (\$ 1,800,737), FUELL Fluid bike (\$ 1,462,702), WINSTON digital security system (\$ 1,666,181), and CIGA Design watch (\$ 1,477,083).

Another organisation contributing to the development of crowdfunding is "Sprint" crowdfunding investment fund. The purpose of the fund is to provide professional advice and marketing budget to start-ups for the implementation of crowdfunding marketing campaigns. This is a good opportunity for all those start-ups which because of the lack of marketing fund cannot appear in the international market and platforms.

Figure 23 shows the results of the survey conducted by the NGOC, according to which the awareness of Armenian CSOs about the above platforms, as well as their experience of raising money through them.

Figure 23. Awareness on and experience of using crowdfunding platforms



It can be seen that most of the respondents are not aware of the crowdfunding platforms: in case of nine platforms, “I don’t know about this platform” answer was prevalent, and only in case of three platforms “I know about it, but haven’t used” answer predominates. As to the “I have used it” answer, it has the least number of responses. Thus, the knowledge about a platform does not correlate with the usability of that platform. In-depth interviews show that the lack of using these platforms is first of all due to the lack of relevant technical skills. Further, not all platforms allow fundraising from Armenia, thus there is a need to cooperate with an organisation from another country to be able to use it.

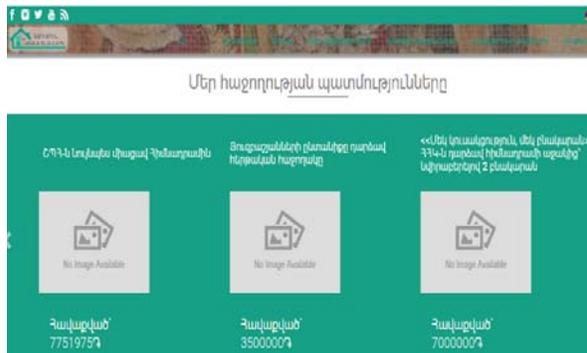
In-depth interviews also show that there are very few cases when CSOs were able to succeed in using these platforms, that is, to raise all the target amount. At the same time, CSOs used platforms allowing to collect the actual amount of the money raised (even if it did not achieve the target) and the planned projects were implemented with some modifications.

In contrast to CSOs, individuals and initiatives are more active in using crowdfunding platforms that apply “small amounts from many people” approach, and disseminate campaign messages mainly through social networks. Individuals often use the platforms to raise money for the treatment of children with serious health problems. As a solution to the lack of an affordable transfer system, these individuals

collaborate with individuals outside of Armenia where the relevant platforms and affordable transfer systems operate.

B) FUNDRAISING THROUGH WEBSITES AND SOCIAL NETWORKS

It can be seen from the Figure 22 that 14 of the surveyed CSOs conducted the fundraising on their own website, using social media extensively to spread the message of fundraising. At the same time, 20 organisations raised money directly through social media.



For example, in 2018, "*Gyumri without makeshift shelters*" foundation launched <http://www.donate4gyumri.am> website. The website helped to raise money for families living in shelters in Gyumri. It is noteworthy that the donors are both locals and foreigners. The amount of donations varies from 40,000 AMD to 5,000,000 AMD. The organisation disseminates the message "One step from shelters to home" through its Facebook page

<https://www.facebook.com/Gyumrinaranctnakneri/>.

The website <https://shtapognutyun.am/> has been used by the *Food Ambulance Initiative* launched in the context of COVID-19 to raise financial and material resources (mainly food) for families at risk of an epidemic. The message was spread through <https://www.facebook.com/shtapognutyun.am/> Facebook page. In total, 1,700,000 AMD was collected in the course of the campaign. Supermarkets and individuals joined the initiative by donating food, and 1,200 families benefited from the program.

Another example of fundraising through a website is the *ARK NGO*'s campaign at arkcamps.wixsite.com/armenia. This organisation also uses social media for spreading fundraising messages published on crowdfunding platforms and their website. As a result, it was able to raise money to realise their idea of camps / hiking trails.

[Donate.am](http://www.donate.am) website is an online fundraising platform created by *World Vision Armenia*, which allows supporters to make online donations by participating in fundraising for a number of urgent projects. The organisation has well-developed marketing products, the description of which is presented on the website. The site is used both to raise money for long-term projects and to implement rapid response initiatives. Fundraising is done solely to support the most vulnerable children and their families. The promotion of the website is done



through the Facebook page <https://www.facebook.com/worldvisionarmenia.official/>, as well as through all possible offline channels, starting from providing the website link in printed materials up to encouraging donations of potential donors during public events. Noteworthy, that the usual business processes of the organization are very well linked to this platform. There were 3 major campaigns in

2020: Secret Santa, COVID and Strong Tavush (as a response to ceasefire violation on the border with Azerbaijan).



Founded in 1992, the *Hayastan All-Armenian Fund*

(<https://www.himnadram.org/>) aims to create a pan-Armenian network, support Armenia, the Armenians of the world, and implement programs to ensure sustainable and smooth development of Armenia and Artsakh. The supreme governing body of the Hayastan All-Armenian Fund is the Board of Trustees. According to the Fund Charter, the President

of the Republic of Armenia is ex officio the Chairman of the Board of Trustees. The Board consists of representatives of state, church, political parties, public and charitable organisations. The Fund raises money through a variety of channels, including through the organisation's website, events, text messages, and more. Since its foundation, the Hayastan All-Armenian Fund has implemented about 1,300 major projects in the areas of infrastructure development, healthcare, social security, arts and sports in Armenia and Artsakh. The Fund's work is supported by the active involvement of 21 local bodies and partner organisations operating in 19 countries.

The respondents of interviewees mention that in order to organise fundraising through websites and social networks, a clearly formulated message or story is needed, a so-called cause, which fundraising aims to solve. Another possible precondition is a well-structured website, linked to the bank account where the transfer needs to be made. At the same time, continuous, day-to-day work with a large audience of potential donors is very important, as the culture of giving is not yet ingrained in Armenia.

C) SHORT MESSAGES

All mobile operators in Armenia provide opportunities of fundraising through short message service (SMS).

This approach is the most convenient way to raise funds with no investment. There are two ways to work with mobile operators: the message is sent to subscribers on the basis of the operator's database or via NIKITA Mobile service. NIKITA Mobile is a business company that provides mobile marketing and e-commerce services, including organising charitable fundraising through SMS.³⁰ A CSO participated in an in-depth interview notes that the option with mobile operator is more effective, as they have larger databases of users. At the same time, NIKITA mobile service charges smaller fees; besides, it offers additional support, that is, possibility to get feedback from its specialist. The fee for this type of services varies from 0.5% up to 5% and its open for any CSO/ NGO that decides to use this method of raising funds. The funds collected through the short messaging are subject to VAT tax deduction according to the legislation applicable for particular organization, be that mobile operator or another mobile service.

Organisations that used this approach to raise money include World Vision, Armenian Red Cross, the Hayastan All-Armenian Fund, the Foundation for the Preservation of Wildlife and Cultural Assets,

30 <http://nikita.am/product/bjjayin-banking->

“Let’s Help the Armenian Children” NGO and others. Armenian Caritas organised SMS fundraising three times during the recent one and a half year.

D) PUBLIC FUNDRAISING TOOLS



Հոգրոնսաժիրոնսի դեմ պայքարի
նախածեռնու թյան 2 թշանակում,
«Բարձր» Ռոսիամոլի մասնաճյուղը
վերսկսում է «Հայկական Կարիտաս»
բարեսիրական հասարակական

As shown in the Figure 22, Armenian CSOs also use public events to raise money, placing donation boxes and advertising their fundraising platforms and opportunities. Public events include, for example, charity dinners or tea drinks, concerts, exhibitions and sales. A few public organisations and foundations come up with a developed marketing product and strategy. The public fundraising is regulated by the general legislation described in this research. The organization needs to get prior permission from the owner of the venue/ business owner or from the local self-government bodies, in case the space is public to install the boxes. In some cases the process is quiet bureaucratic and time consuming. The donation are usually anonymous, but in some cases people may decide to leave their emails/ phones/ contact info to get reports on

how the donation was used, or simply leave money in the box with any further engagement.

For example, World Vision Armenia promotes its Secret Santa³¹ and Warm Puzzle marketing products through social media as well as boxes placed in malls and other facilities. Donors have the opportunity to make a donation online through www.donate.am, as well as through a cash donation. It is noteworthy that Secret Santa is used for fundraising from both individuals and organisations.

In-depth interviews show that the main difficulty of public events is the logistical work, starting from product / idea development to face-to-face negotiations with potential donors. The implementation of these activities, in particular, the so-called individual sales, requires investing considerable human resources. There should a formal agreement obtained with the managers/ owners/ city council in case donation box is to be installed.

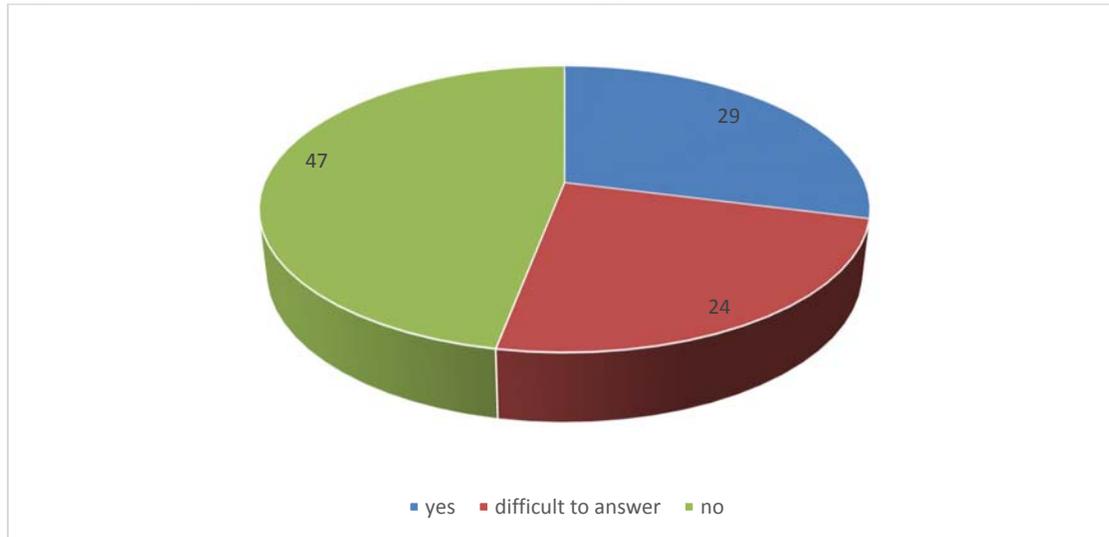
It should be noted that recently Armenian CSOs have been using public events for fundraising quite effectively. Successful organisations include CSOs with extensive and rich experience, such as FAR, Armenian Caritas, SOAR, Orran, as well as organisations with regional and local geography, which take their first steps in fundraising.

INSTITUTIONAL FOUNDATIONS OF FUNDRAISING

Within the framework of the research, the availability of institutional bases for fundraising was studied among CSOs. Figure 24 shows that only 29% of respondents have a formal fundraising procedure, while the rest of the respondents either find it difficult to answer whether these approaches can be considered formal, indicating that there are no written strategies and procedures (24% of the respondents), or mention that there are none (47% of the respondents).

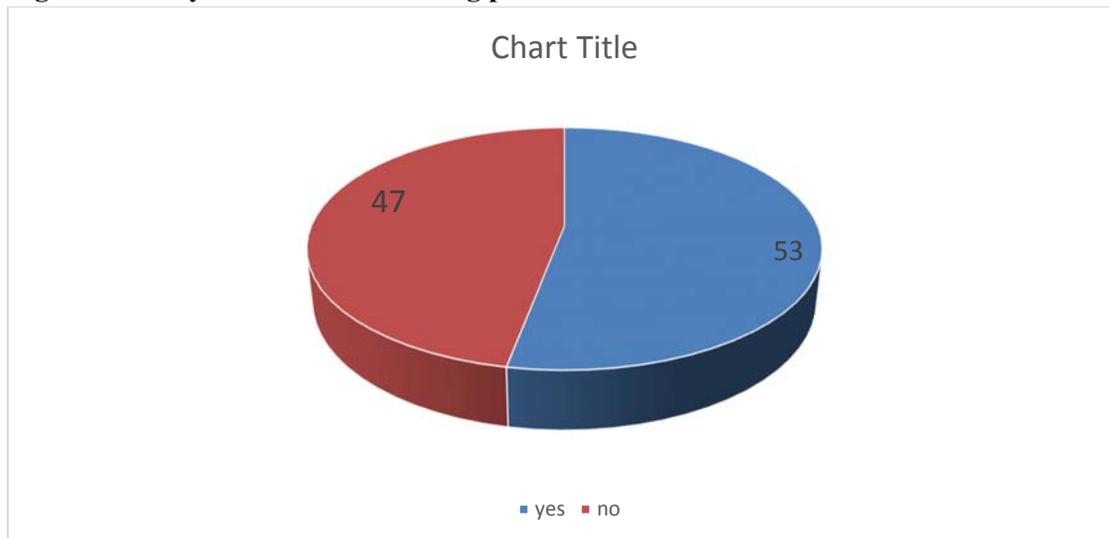
31 <https://donate.am/en/news-and-events/show/69/0>

Figure 24. Do you have an internal fundraising procedure?



This Figure shows that almost half of those who fundraise from individuals and businesses have a clear plan or marketing product. The product is a gamification/ materialization of idea that the CSOs cell. For instance in case of Secret Santa, the product is packaged as a New Year post card/ ball that stays with someone who makes donation/ buys the idea to raise funds in the fundraising market. Within the framework of this report, specific marketing products have already been covered, so they will not be detailed in this part.

Figure 25. Do you have a fundraising product?



The interviewed organisations mentioned that having a marketing product increases the organisation's recognition, trust, as well as the likelihood of fundraising success.

ACCOUNTABILITY

It should be noted that civil society organisations increasingly pay attention to accountability to all types of donors. In this regard, CSOs both apply their own approaches to accountability, which are already embedded within the organisation as a formal procedure and culture, and use the reporting formats and timelines offered by donors.

The expansion of social networks and their penetration in every sphere of life, has certainly played a great role in introducing a culture of accountability.

Organisations start to recognise the power of accountability that can increase their own visibility, as well as improve the trust of donors / benefactors and the donor community. The most common reporting mechanisms are reporting, posting photos, stories, coverage of events, regular news/ updates, publications, etc. It should be noted that the types of accountability listed above have a variety of visual manifestations, from written formal reports to infographics and social clips to movies.

What as to obligatory reporting envisioned by the law, the CSOs have to provide regular reports to the tax authorities, and there is no any obligation to provide narrative reports.



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Երբ ճոճանակից օգտվելն այլևս երազանց չէ. Կանաճորում ք բացվեց առաջին ներառական խաղահրապարակը...
article on project implementation with the money raised

CONCLUSIONS

Legislation

- In Armenia, philanthropy is regulated by the RA Constitution, the Civil Code, the Law on Charity, and other legal acts, as well as international treaties. The current legal framework in Armenia provides certain benefits for commercial organisations engaged in charity, which however do not provide sufficient incentives, as the scope of benefits is not adequate to the amount of donated money. In addition, commercial organisations state that the process is time consuming due to the bureaucratic procedures.
- CSOs may enjoy some tax benefits should the projects they implement qualify to the requirements of the the Law on Charity. A project cannot be qualified as charitable if it assumes getting interest includes financial or other allocations to parties or commercial organisations (except for health organisations) or if an organisation satisfies the consumer needs of its employees or its separate subdivision or institution, or their employees. A project that includes purchase and sale of goods (monetization) cannot be qualified as charitable. And finally, projects may be considered charitable and receive tax benefits only if they are implemented or funded by foreign countries, their diplomatic missions, international intergovernmental (interstate) organisations, their representations, international, foreign, public (including charitable), religious and similar organisations, or individual benefactors .
- The use of the benefits defined by the Law on Charity does not pose a particular challenge for CSOs if their projects are long-term or, in case of short-term projects, if CSOs learn about the possibility of the projects early enough to be able to submit application to the next session of the relevant committee. It should be noted, however, that in the case of small-budget, short-term projects, CSOs rarely apply for tax exemption.

- In case of in-kind donation of material resources or real property (for instance goods to the most vulnerable children and their families), or providing free services for charitable purposes, the provisions of the legal framework are not enabling, as the donor or the service provider has no or minor tax benefits.
- There is no any tax reduction or benefits envisioned for the individuals making donations.

Culture of giving

- There are certain cultural and institutional preconditions for the development of philanthropy in Armenia; however, the culture of giving is not yet quite developed among individuals and business structures. Organisations that raise major amounts through crowdfunding tools are typically represented abroad and raise funds among the Diaspora.
- Corporate donors benefiting from tax benefits make up a very small proportion of total taxpayers, either because they are not involved in charity at all or because the benefits are not attractive. It is noteworthy that only 1 of the 16 of organisations that made financial donations benefited from tax benefits.

Institutionalization of philanthropy

- Commercial organisations generally do not have a philanthropy / donation strategy. Only large companies have CSR procedures in place, which guide the selection of projects and partner organisations, as well as participation in the project implementation, starting from the selection of beneficiaries to volunteering or providing direct support to immediate beneficiaries. It should be noted that, as a rule, organisations with such procedures are representative offices of organisations registered abroad in Armenia and carry the culture of the headquarters.
- Compared to 2006, commercial organisations have not only developed a tendency to collaborate for philanthropy purposes, but have also increased their partnerships with CSOs. The impetus for this change may be an increase in trust in CSOs, as well as the use of their human and institutional potential to implement their own projects.
- At the same time, the main reasons for non-cooperation are the lack of trust in CSOs, lack of the expediency, as their own experience and resources are sufficient to work directly with the beneficiary, as well as the lack of convenient opportunity or relevant offer of such cooperation
- Commercial organisations have low awareness of tax benefits when doing charity work. According to the results of the survey, the respondents are mostly not aware about tax benefits. Interestingly, the percentage of those aware about tax exemptions in 2020 has almost not changed since 2006.
- Almost half of the surveyed CSOs that have raised funds from individuals and business organisations have a specific plan or marketing product to enter the market and attract funds.
- It should be noted that civil society organisations have started to pay more attention to accountability to all types of donors. In this regard, organisations both apply their own approaches to accountability, which are already embedded in the organisation as a formal procedure and culture, and use the reporting formats and timelines offered by donors.

Bank accounts and money transfer

- The bank accounts that are opened for collecting donations are served according to the basic terms and tariffs of banking service set by the banks. The CSOs that participated in the survey stated that they did not have any special problems or difficulties in opening and maintaining accounts.

- The requirements defined by the RA legislation apply to all types of accounts opened in the bank. The process of account opening usually takes about an hour, in exceptional cases - one day as a maximum (in the case of international organisations or organisations registered outside Armenia). Based on international experience, banks considered accounts for donations as subject to high risk. Funds are transferred to such accounts from various and multiple sources, which complicates the process of identifying the source of the funds received. Therefore, banks conduct additional enhanced / due diligence checks of these accounts in accordance with their internal procedures.
- As to the commissions set by banks, CSO representatives and industry experts noted that in case of individual donations outside Armenia, bank transfer rates are quite high. PayPal system with more affordable transfer rates does not operate in Armenia.
- Though CSOs put efforts to raise money from the Armenian population, the main target is the Armenian Diaspora, where the philanthropy culture is well-developed. At the same time, the main obstacle in this regard is the lack of PayPal or similar transfer system in Armenia. As for the existing transfer systems, the fee for each individual transfer is so high that the mechanism for collecting small amounts from many people does not work effectively.

Crowdfunding

- Organisations / initiatives can be conventionally divided into two major groups. The first group implements fundraising directly, i.e. an organisation, individual or initiative raises money for the implementation of its own programs and initiatives. This group includes those organisations that have headquarters or representative offices outside Armenia; the funds are raised for the implementation of the Armenian programs of this organisation. The second group includes those organisations / initiatives that raise funds for other organisations to implement their programs.
- Unlike countries with leading crowdfunding experience, this field is not developed in Armenia yet, but a positive shift is noticeable in recent years. The positive dynamics is partly due to the policy aimed at the development of start-ups, SMEs, as well as the ICT sector in Armenia.
- In contrast to CSOs, individuals and initiatives are more active in using crowdfunding tools, utilising an approach “small amounts from many people”, mainly through using social networks and websites. Individuals often use the platforms to raise money for the treatment of children with serious health problems. As a solution to the lack of an affordable transfer system, these individuals collaborate with individuals outside of Armenia where affordable transfer systems operate.
- In-depth interviews show that there are only few cases when Armenian CSOs were able to succeed in using crowdfunding platforms, that is, to reach the target amount.
- It should be noted that regardless of the platform through which the fundraising took place, the opportunities of social networks have always been widely used to spread the fundraising message.

RECOMMENDATIONS

Government

- Review tax breaks for companies involved in philanthropy, in particular consider increasing deductions from taxable gross income.
- Explore the experience of the countries with similar context and budget capacity to consider the possibility for tax benefits for individual donors.

- Review the legal framework on tax liabilities for property and in-kind donations, as well as for providing services for charitable purposes, in particular, dismiss any taxes for in-kind donations.
- Encourage development of a culture of philanthropy by individuals, in particular, discuss channelling / allocating a certain percentage of the income taxes to a charitable organisation upon the taxpayer's preference. For example, according to SRC data, the total amount of income tax paid by registered employees in the last six months was 23,461,629,539 drams. Thus, 1% of the income tax would comprise 234,616,295 AMD (equal to 412,513 EUR) in total. In case of introducing this possibility, there would be a need for special regulation and oversight mechanism. The mechanism introduced for accumulative pension system can serve as an example for oversight mechanism.
- Conduct information campaigns on existing tax benefits, contributing to the promotion of philanthropy culture among businesses. Similarly, raise CSOs' awareness on tax benefits so that they can use this information when raising funds.
- Simplify the procedure for reviewing applications from organisations on the qualification of their projects as charitable, as well as set up systems to increase the effectiveness of the process (e.g. an online data management system).
- Simplify/ fasten the process of obtaining approvals in case of public events, namely fundraising events for the non-profits organizations.

Commercial organisations

- Institutionalise the philanthropy experience of the company, in particular, develop and implement clear and transparent CSR procedures, which will enable the establishment of long-term and perspective partnerships with CSOs implementing charitable projects.
- Commercial organisations should promote a culture of philanthropy among the private sector through disseminating successful experience and publicising the results of their projects.
- For banks, consider and introduce benefits for charitable accounts (for example, lower or no commission service) as possible within the framework of internal policies. This step would also serve as a good opportunity for banks to review their CSR approaches and create mutually beneficial cooperation.
- Introduce mechanisms for easy tracking/ screening or assessing the risks associated with particular CSOs in order to ease the process of opening bank accounts or any other form of collaboration with the latter.

Civil society organisations

- Develop and implement a clear and transparent fundraising strategy, prepare a well-developed marketing product, which on the one hand will position the organisation among other charitable CSOs, on the other hand will increase the recognition of the organisation.
- Expand the organisation's network of supporters in the virtual and real world in order to increase the likelihood of the fundraising message to achieve different types of audiences and deliver the end result.
- Develop a clear and transparent accountability system that is accessible and adapted to the needs of diverse audiences engaged in philanthropy.
- Participate in and support information campaigns aimed at increasing public trust towards CSOs.
- Develop the organisation's skills of using fundraising tools and opportunities in the modern world. Enhance the organisation's fundraising toolkit and resources.

- Increase the effectiveness of managing relationships with all potential donors / benefactors / givers by constantly exploring their motivations and preferences and taking steps to address them.