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# ASSESSMENT OF PRIVATE SECTOR FUNDING OPPORTUNITIES TO CIVIL SOCIETY ORGANIZATIONS

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**FINAL REPORT**

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## ACRONYMS

VAT	Value Added Tax
USAID	United States Agency for International Development
UATE	Union of Advanced Technology Enterprises
CSA	Civil Society in Action
EU	European Union
CSR	Corporate Social Responsibility
NGO	Non-Governmental Organization
RA SRC	RA State Revenue Committee
UNDP	United Nations Development Programme
CSO	Civil Society Organization
CSO SI	Civil Society Organization Sustainability Index
NENO	Network of Estonian Non-Profit Organizations
BONGO	Business-Organized NGOs
COAF	Children of Armenia Fund
CSDW	Children's Safe Drinking Water
GRW	Global Renewable Energy sources overview



## SUMMARY

Counterpart International implements Civil Society in Action (CSA) program with the financial support of the US Agency for International Development (USAID). Within the framework of the project, CIVITTA AM CJSC has conducted a study, the purpose of which is to assess the challenges and opportunities of funding civil society organizations (CSOs) in Armenia from private sources. It is based on the study of international experience, as well as on quantitative and qualitative research.

Along with Armenia, the environment and funding mechanisms of CSOs of several countries: Georgia, Ukraine, Poland, Estonia, as well as the international best practice in funding these organizations were studied. The results of the study were supplemented with the results of quantitative and qualitative research. A quantitative survey was conducted among 151 private companies, as well as 10 in-depth interviews were held with representatives of the private sector, and 3 panel discussions: two with participation of CSOs and one with representatives of the private sector.

Private companies and CSOs cooperate through both - traditional and innovative mechanisms. Traditional mechanisms are mostly used when the financing body is an international donor organization or a state institution, whereas in international experience, private sector and CSO cooperation is developed primarily through innovative mechanisms. These mechanisms include development (impact) bonds, research and development partnerships, partnerships to create shared values, corporate foundations, skills-based volunteering, and a model of 1% donations.

There are both country-specific and universal challenges within the CSO community of Armenia, which are also faced in other countries. Civil society in Armenia is heavily dependent on donor funding and faces the challenge of diversifying funding sources. Donations from individuals, grants from private companies and income received from services represent only a small part of CSO funding.

Private companies mainly cooperate with CSOs and provide funding through corporate social responsibility (CSR) or CSR-related projects. The latter is being implemented on a larger scale in big companies.

The attitude of private companies towards CSOs is neutral in Armenia. Despite the positive preconditions for private companies and CSOs to work together, the inconsistency of their strategic objectives often turns into an obstacle and private companies want to implement CSR programmes on their own.

In the process of funding CSOs, private companies give high priority to their credibility and work transparency. Normally, the funding process starts with an in-depth review of the applicant CSO's activities and an evaluation of the proposed project to determine how the supported CSO will use the funds and whether it will be responsible and consistent during the project implementation.

Though there are no significant obstacles in already existing partnerships between private companies and CSOs, and the experience is generally evaluated positively, however, private companies still prefer to cooperate with foundations acting in the country, rather than CSOs.

CSR is an evolving direction, which is sometimes misunderstood. It is often equated with charity or financial support. The target areas for private companies are education, employment promotion and community development. The main beneficiaries of CSR programmes are children, youth, and people with disabilities.

In order to strengthen cooperation between private companies and CSOs, there is a need to develop a common agenda for stakeholders and mutual agreement and cooperation to achieve organizational goals.

# INTRODUCTION

As of 31 December 2022, about 6,079 non-governmental organizations (NGOs) and 1,601 foundations<sup>1</sup> have been registered in the Republic of Armenia.

CSOs in Armenia are mainly funded by donor organizations and face the challenge of diversifying financial resources. Donations from individuals, corporate support and service provision represent a small proportion of funding sources, and private organizations often prefer to pursue corporate social responsibility initiatives themselves, minimizing indirect collaboration with CSOs.

To properly identify philanthropic potential in Armenia, cultural and institutional factors are needed. The culture of philanthropy among individuals and businesses is now in its infancy. According to the World Giving Index 2022<sup>2</sup>, Armenia is among the 10 countries with the lowest rating in the world. There are few comprehensive strategies and programs in the field of corporate giving, and they are mostly implemented by large companies with certain priorities.

The USAID CSA program aims to support financial viability and build the organizational capacity of civil society in Armenia, as well as to involve CSOs in policy-making process.

Within the framework of the CSA program, CIVITTA AM has conducted research to assess the possibilities of funding CSOs by the private sector in Armenia. The main areas of the research are: trust in CSOs, cooperation experience and perspectives, the processes of funding, existing obstacles and identification of the potential of CSOs.

**OBJECTIVE OF THE RESEARCH |** The objective of the research is to assess the funding environment of CSOs from private sources in Armenia, considering both - the challenges and opportunities of such funding.

## RESEARCH QUESTIONS |

- What are the current perceptions, challenges and incentives for private companies to fund CSOs?
- How do private sector companies perceive their role in supporting CSOs?
  - What are the main challenges faced by private sector companies in engaging with CSOs?
  - What incentives (e.g., tax breaks or CSR objectives) will attract private companies to support CSOs?
- What kind of CSOs and projects are private companies ready to support?
  - Are private companies inclined to support CSOs with a specific focus?
  - What types of programmes or initiatives can be most attractive and effective for private companies to support CSOs?
- What factors influence private sector organizations to decide to fund CSOs?
- How can the private sector address the challenges of donating to CSOs?
  - What strategies can be used to overcome obstacles? We talk about bureaucratic processes or transparency issues that keep private sector companies from donating to CSOs.

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<sup>1</sup> Number of registered (recorded) organizations as of December 31, 2022, link <https://www.e-register.am/am/docs/670>

<sup>2</sup> World Giving Index 2022, [link](#)



- How can cooperation between the private sector and CSOs be developed to achieve more effective and sustainable experience?
- What successful models and best practices exist in the field of private sector support to CSOs?
  - Which countries have registered successful models of cooperation between the private sector and CSOs, what lessons can be learned from these models?
  - Are there innovative approaches that have proven effective in supporting CSOs?

# 1. OVERVIEW OF CSO DEFINITION

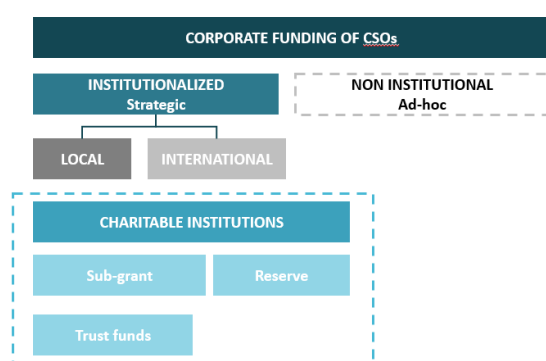
Civil society, often referred to as the “third sector”, differs from both the government and private sectors. It represents the combined efforts of people coming together to achieve common goals, resulting in organized action. CSOs include all groups outside commercial and governmental organizations where individuals join forces to advance common interests of the public sector.

This definition applies to CSOs with memberships, social movements, advocacy groups, associations, unions, cooperatives, professional societies, chambers of commerce, independent research institutes and non-profit media (OECD, 2003).

This definition of CSO is widely accepted and used even by prestigious partners such as the United Nations Development Programme (UNDP) and the European Commission.

# 2. CSO GENERAL FUNDING SCHEMES

There are three main sources of funding CSOs from private sector: corporate contributions, grants from charitable organizations and donations from individuals. Corporate financing can also include institutional and non-institutionalized funding mechanisms, as well as one-time and strategic philanthropy.



Institutional financing may be provided locally or internationally. It is classified according to the following categories: sub-grant, reserve and trust funds. Donations can also be classified according to frequency: one-time and regular (planned) donations, as well as according to the size of the donation: small and significant.

The Government should also be interested in the possibilities of CSOs attracting private funds, as this is a social innovation. There is a need for non-institutional funding for social innovation from both

the government and CSO perspectives. Such social innovations have a high level of risk (at an early stage comparable to venture investment) and are usually financed from private sources, where the probability of unsuccessful experiments is more acceptable<sup>3</sup>.

Private funding is important for financing and protection of expert groups that monitor the implementation of public policies and their impact, especially when the involvement of the state system is incomplete. Multi-stakeholder participation ensures effective policy implementation.

<sup>3</sup> See International Practices of Funding Civil Society Organizations, OSCE PCU Project, 2010, page 25, [link](#)

### 3. CSOs AND PRIVATE SECTOR ACTIVITIES PER COUNTRY

#### 3.1. CSOs FUNDING MECHANISMS AND FINANCIAL VIABILITY PER COUNTRY

##### 3.1.1. GEORGIA

**INTRODUCTION** | CSOs in Georgia, unlike other countries in the region, are known for their effectiveness and activeness.

Civil society in Georgia emerged without any additional intervention from the government and it has shown to be a successful counterbalance to governments and has contributed to regime change.

**CSO SUSTAINABILITY INDEX<sup>4</sup>** | The stability index of Georgian CSOs in 2009-2021 was mainly in the range of 4.2 to 4.0. A country with such an indicator is in the category of “evolving”, and the development process of the CSO environment needs to be improved.

**TABLE 1: CSO OVERALL SUSTAINABILITY INDEX**

GEORGIA	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	4.2	4.2	4.2	4.2	4.1	4.1	4.1	4.1	4.1	4.0	4.0	4.0	4.0

**TABLE 2: DYNAMICS OF FINANCIAL VIABILITY INDICATORS (2009-2021)**

GEORGIA	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	4.2	4.2	4.2	4.2	4.1	5	5	5	5	5	5	5	5

1-3	3-5	5-7
Enhanced	Evolving	Impeded

**FINANCIAL VIABILITY** | The Georgian civil society is heavily dependent on donor funding. Few CSOs have been able to diversify their funding sources, and many continue to receive financial support from only one donor. While in 2021 CSOs were able to benefit from short-term programme funding, particularly within the context of COVID-19 pandemic, it should be noted that long-term support mechanisms remained limited.

The philanthropic environment in Georgia is at an early stage of development. According to the World Giving Index 2022, only 3% of respondents indicated that they had allocated money for charitable purposes in 2021. According to that indicator, the country ranked last. A successful example of a local fundraising initiative is Orbelian NGO, a rapidly growing crowdfunding platform dedicated to social wellbeing projects.

CSOs providing services generate income by providing counselling, teaching, training and related services to both government and corporate customers. Although many donors, including the

<sup>4</sup>For the past 25 years, the U.S. Agency for International Development (USAID) has provided funding for the annual Civil Society Organization Sustainability Index (CSOSI), which evaluates the robustness and sustainability of the civil society organization (CSO) sector in 73 countries.

European Union, are inclined to support social start-ups and social entrepreneurship, the examples of sustainable social enterprises in Georgia are still unique.

Large and reputable organizations usually have clear financial management systems that include recommendations on financial transparency. CSOs are usually audited annually, but few choose to publish financial statements. At the same time, most CSOs publish their funding sources and programmes.

**CORPORATE SOCIAL RESPONSIBILITY INITIATIVES** | The involvement of the private sector in solving social problems and improving social welfare is an evolving trend in Georgia. Modern society expects from private sector to do more than just the business activity. Moreover, private companies see CSR as an effective tool for gaining competitive advantage and often seek to incorporate CSR principles into their business strategies.

Over the past decade, business participation in CSR has increased significantly in Georgia. Although companies are paying more attention to charity and sponsorship in the context of CSR, most organizations do not have a documented and structured CSR strategy to guide decision-making and initiatives. CSR initiatives tend to be short-term and non-systematic.

**TAX INCENTIVES** | The tax legislation allows CSOs to recover value added tax (VAT) paid on grant-related expenses<sup>5</sup>. The enterprises have the right to reduce taxable income by up to 10%<sup>6</sup>.

### 3.1.2. UKRAINE

**INTRODUCTION** | There are more than 20,000 active CSOs in Ukraine operating in various fields and considered an active part of the country's civil society. CSOs are mainly located in Kiev, Odessa, Lviv, Dnipropetrovsk and Kharkov. Foreign financial donors continue to be the main source of funding for CSOs. In addition to traditional CSOs, a large number of agencies are looking for new formats to mobilize and engage citizens, and those can be group initiatives, hubs and social enterprises.

**CSO SUSTAINABILITY INDEX** | Indicators of the sustainability index of Ukrainian CSOs for the period 2009-2021 range from 3.2 to 3.5. This reflects the stability of the civil society sector in the country. According to these indicators, Ukraine is moving towards the "green zone", that is, efforts to support civil society organizations and initiatives are making significant progress here.

**TABLE 3: CSO OVERALL SUSTAINABILITY INDEX (UKRAINE)**

UKRAINE	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	3.5	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.3	3.2	3.2	3.2

**TABLE 4: DYNAMICS OF FINANCIAL VIABILITY INDICATORS (2009-2021)**

UKRAINE	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	4.2	4.2	4.3	4.3	4.2	4.2	4.2	4.2	4.2	4.1	4	4	4

1-3	3-5	5-7
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<sup>5</sup> Assessment of CSO Financial Stability and the Legal Environment for Corporate, Individual Philanthropy, USAID, 2022, [link](#)

<sup>6</sup> Georgia, Corporate Deductions, PwC, 2023, [link](#)

Enhanced

Evolving

Impeded

**FINANCIAL VIABILITY** | According to the 2022 World Charity Index, 47% of respondents in Ukraine reported donating money to charity. In order to attract local resources, CSOs most often refer to crowdfunding as a funding tool. Funding platforms include - KIND Challenge, Big Idea, SuperTeam of Tabletochki Foundation, Patreon, and Benevity. It is worth mentioning that the use of the crowdfunding tool is effective when raising funds for short-term initiatives with an “emotional” component (for example, youth programs, social projects, support for veterans, assistance to displaced, etc.).

CSOs sometimes receive financial support from private companies, which mainly fund charitable projects. In unions and business associations, membership dues are also the source of funding, but they usually make a small proportion.

**CSO AND ENTREPRENEURSHIP** | Some CSOs have increased their revenue flows through paid services they provide to international organizations, local authorities, other CSOs and enterprises. For example, VoxUkraine works with Facebook to detect fake content on social networking platforms. According to the European Education Fund, the main source of funding for large part of CSOs (58.5 %) is the income generated from the sale of goods and services.

CSOs are also able to generate income through entrepreneurship. Some types of services sometimes exceed the specified limit, so some CSOs create a separate legal entity, such as a limited liability company, to enforce the law for such activities.

**TAX INCENTIVES** | According to the Tax Code of Ukraine, organizations whose total value of rendered services exceeds 1 million hryvnia (around 25,000 euros) per year are obliged to register as payers of value added tax (VAT). Only 70% of payments for goods or services provided to non-profit organizations are exempt from taxation. Tax deduction for goods or services donated to non-profit organizations is limited to 4% of the taxable profit of the previous year, and for supporting non-profit organizations operating in the field of sports, physical culture and education, to 8%<sup>7</sup> of the previous year's taxable profit.

### 3.1.3. POLAND

**INTRODUCTION** | Despite the large number of CSOs in Poland, most of them are not functioning. As of 2021, 138,000 CSOs have been registered. These organizations can be divided into two groups: 107,000 associations and 31,000 foundations. Statistically, about 50% of registered organizations are active, only half of CSOs collect membership fees, which is a small part of their budget.

#### CSO SUSTAINABILITY INDEX |

**TABLE 5: CSO OVERALL SUSTAINABILITY INDEX (POLAND)**

POLAND	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	2.2	2.2	2.2	2.2	2.2	2.2	2.1	2.2	2.3	2.6	2.7	2.9	2.9

**TABLE 6: DYNAMICS OF FINANCIAL VIABILITY INDICATORS (2009-2021)**

POLAND	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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<sup>7</sup> Corporate Deductions, PwC, 2023, [link](#)

	2.7	2.7	2.7	2.8	2.9	2.9	2.9	2.9	3	3.1	3.1	3.3	3.3
1-3	3-5				5-7								
Enhanced	Evolving				Impeded								

Overall, the stability of CSOs in Poland remains unchanged. According to observations from 2009 to 2021, the stability index of Polish CSOs is constantly in a favorable range between 2.2-2.9, which is considered a “green zone”.

**FUNDING ENVIRONMENT** | Financial support to CSOs through corporate philanthropy declined in 2021. This decline was particularly noticeable among companies and foundations operating in the financial sector. At the local level, corporate sponsorship has virtually disappeared, and to the limited extent that is almost non-existent and in case it's present, it supports special charitable initiatives.

Individuals donate money to the development of promising areas, especially in areas where the Government is failing. In 2021, active public meetings were held along the Polish-Belarusian border in support of the Border Group (Grupa Granica) and other humanitarian initiatives. However, the small funds that CSOs receive from private donations are usually sufficient only for the short term. Online raised funds are generally not long-term and are not considered a sustainable source of financial support for CSOs.

The share of CSOs engaged in economic activity has recently increased from 11% in 2018 and to 15% in 2021. Social enterprises are still in their infancy. They are mainly supported by the Social Economy Support Centres and EU-funded initiatives and often stop functioning after the end of the programmes.

**TAX INCENTIVES** | In 2021, tax legislation for CSOs allows taxpayers to pay 1% of income tax to CSOs. As part of the Polish Deal Program, the government has implemented significant tax reforms that may lead to reduction of funding for CSOs. On the other hand, the Polish Deal program also offers additional tax incentives to organizations supporting sports, culture and education.

Companies have the right to deduct up to 10% of the total amount donated to CSOs (applying specific guidelines)<sup>8</sup>.

### 3.1.4. ESTONIA

**INTRODUCTION** | There are about 27,000 non-profit organizations in Estonia. The main challenges faced by CSOs in the country are heavy dependence on public or donor funding and private sector funding.

In order to be registered as a non-profit organization, each CSO must have a clearly defined purpose and promote the organization's mission. According to the impact assessment of the National Civil Society Development Strategy, conducted every five years, only 20% of CSOs developed a strategy paper in 2019.

<sup>8</sup> Corporate Deductions, PwC, 2023, [link](#)



## CSO SUSTAINABILITY INDEX |

TABLE 3: CSO OVERALL SUSTAINABILITY INDEX (ESTONIA)

ESTONIA	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1

TABLE 8: DYNAMICS OF FINANCIAL VIABILITY INDICATORS (2009-2021)

ESTONIA	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	2.7	2.7	2.7	2.8	2.9	2.9	2.9	2.9	3	3.1	3.1	3.3	3.3

1-3	3-5	5-7
Enhanced	Evolving	Impeded

The sustainability index of Estonian CSOs is 2.1, so the country is in the “green zone”. The sustainability index of Estonian CSOs indicates a strong and dynamic environment for civil society.

**FUNDING ENVIRONMENT |** According to the Estonian Tax and Customs Department, CSOs registered a total donation of €48.7 million in 2020. This amount includes EUR 19.7 million from individual donations (40.5%), EUR 11.6 million from corporate sources (23.8%) and the remaining EUR 17.4 million from anonymous donations (35.7%). In recent years, both individual and corporate donations have been growing steadily. The joint activities of NENO (Estonian Non-Profit Organization Network) and the fund-raising network played a decisive role in this.

CSOs most often turned to crowdfunding for funding. Over the past ten years, around 165,126 people have donated a total of 5,695,118 euros (1,585 projects were supported through the local crowdfunding platform Hooandja).

According to an Impact Evaluation of the 2019 National Civil Society Strategy, 57% of associations generated income by charging for goods or services.

Although audit is not mandatory, some major funding organizations may require a project audit report as a condition. However, some CSOs prefer to undergo voluntary audits to confirm the transparency of the organization’s activities.

**TAX INCENTIVES |** The current tax deduction system allows tax deductions of up to 10% of income or 3% of salary expenses. Many companies consider this threshold too low<sup>9</sup>. However, efforts are under way to expand and improve the benefits provided to companies, which may have a positive impact on their level of involvement and participation in such programmes.

## 3.2 PRIVATE SECTOR AND CSO COOPERATION MECHANISMS

### 3.2.1 DEVELOPMENT (IMPACT) BONDS | GREAT BRITAIN

This toolkit is used by government agencies seeking to support any social sector or project. By attracting private sector financing for the project, it is formalized in the form of a bond, the payment of which depends on the achievement of the target outcomes of the social project.

<sup>9</sup> Estonian income tax deductible business expenses, [link](#)

To implement the social project, the government usually involves an intermediary organization or project sponsor and pays them according to the extent to which the social impact of the project is achieved.

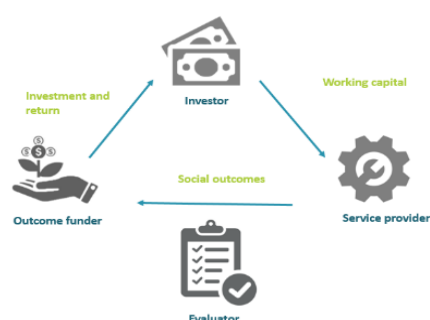
The intermediary solicits project funding from commercial or charitable investors and then hires a CCO service provider to implement the project. If the project does not achieve the desired outcome, the government or project administrator will not pay to investors, and the latter will lose some or all of their investments, depending on the terms of the contract.

The purpose of the tool is:

- link the impact of investment to measurable social outcomes,
- provide access to capital for projects with social and environmental impact,
- increase revenue generation security for the implementation of state programs,
- apply strict approaches to performance management,
- closely link payments to project performance, ensuring efficient use of resources.

Below is the structure of the “impact bond”.

#### STRUCTURE OF IMPACT INVESTMENTS



Models of this structure, which may differ from one another, include either several stakeholders or one stakeholder taking on multiple functions. Despite minor differences, all models have a common goal - to achieve outcomes with pre-allocated private funding.

### 3.2.2 BUSINESS AND CSO COOPERATION WITHIN RESEARCH AND DEVELOPMENT ACTIVITIES

The cooperation between private sector and CSOs in research and development (R&D) is a unique and innovative approach. Such partnerships show that by combining the resources, expertise and connections of private companies, CSOs can find new and different solutions to complex social problems. This phenomenon not only contributes to the strengthening of mutually beneficial relations but has also a positive social and environmental impact.

**MICROSOFT AND NATURE CONSERVANCY |** In September 2022, Microsoft Corporation, Planet Labs PBC and The Nature Conservancy launched a joint initiative called Global Renewables Watch (GRW).

The aim of this innovative project is to use artificial intelligence (AI) and satellite imagery to create a unique and continuously updated map that will include all facilities in the world that are powered by solar and wind energy on a large scale. The objective of the programme is to enable users to measure progress in clean energy applications and to track changes and developments over time.

The objective of GRW is not only to provide a holistic view of the renewable energy potential of each country, but also to provide a brief overview, to promote a better understanding of this

potential and to demonstrate how renewable energy projects have a long-term positive impact on the environment.

As a public resource, it will serve as a tool for researchers and policymakers to assess existing capacities identify areas for improvement and make informed decisions on responsible and sustainable renewable energy expansion.

### 3.2.3 SHARED VALUE PARTNERSHIP

Partnership for creating shared values is a bridge between the private sector and CSOs. This scheme is grounded in the belief that businesses can create shared values by identifying impact creating opportunities that align with business operations.

**P&G'S CHILDREN'S SAFE DRINKING WATER NON-PROFIT INITIATIVE** | The program Children's Safe drinking water (CSDW) was established in 2004 as a non-profit initiative. It works through a network of over 150 partners. CSDW's main mission is to provide clean drinking water by distributing P&G Purifier of Water kits and raising awareness of the global water crisis.

P&G /carrying out the production of water purification packets/ cooperates with non-profit organizations worldwide to distribute them. These organizations play an important role in delivering water purification packets to rural areas, as well as in responding to natural disasters and emergencies.

P&G's goal is to provide 25 billion liters of clean drinking water by 2025. Major partners include CARE, ChildFund, PSI, Save the Children, and World Vision.

### 3.2.4 CORPORATE FOUNDATIONS

Corporate foundations are specialized organizations created and funded by private companies to support, first, CSOs and solve various social problems. These foundations operate independently of their parent companies and are funded through grants and donations. The main mission is philanthropy and social impact investing.

**Cisco Foundation** | The Cisco Foundation was founded in 1997 with a donation from Cisco. Cisco and the Cisco Foundation collaborate with non-profit organizations, community organizations, and community groups to implement many CSR initiatives.

The Cisco Foundation collaborates with non-profits and non-governmental organizations to provide technological solutions to problems. The programs primarily target low-income communities where Internet and communications technology development is needed.

The foundation's activities include:

- providing support through strategic grants to non-profit organizations with long-term impact at the local, national and international levels,
- making investments with social impact,
- encouraging employees to participate in volunteer and charitable initiatives.

### 3.2.5 SKILLS BASED VOLUNTEERING

Skills-based volunteering is an innovative mechanism that is becoming a bridge between the private sector and CSOs. Through this mechanism, the professional experience and abilities of employees of private companies are channelled towards solving public and social problems. The company's employees support the activities of CSOs with their valuable skills and knowledge.

**IBM SKILLS-BASED VOLUNTEERING AND COMMUNITY SUPPORT** | David Boyarsky, an IBM employee, has partnered with the Israeli organization NGO Tech-Career as part of the volunteer-based IBM On Demand Community program. Together, they developed and implemented an eight-month technical and career development program for Ethiopian students, apart from this the volunteers of the company provided individual mentoring. This initiative marked the beginning of a program that subsequently expanded significantly and became an integral part of IBM's CSR activities.

IBM employee contributions to the program include:

- about 20 million hours of skills-based volunteer service contributed,
- over \$470 million of market value of skills-based contributions since the program inception.
- involvement of more than 275,000 active and retired IBM employees.

As part of its CSR activities, the organization provided impact grants to:

- over \$53 million value of 1,900 grants awarded over the program lifetime.
- over \$6 million IBM donated to more than 200 organizations since 2012.

### 3.2.6. 1% MODEL

**SALESFORCE'S PLEDGE 1% or 1+1+1** | Salesforce company has launched a corporate giving program called the 1% Model. The program is based on the concept that companies can have a positive impact on society by donating a portion of their funds to charity and community service. The 1% Model initiative is a donation of 1% of Salesforce products, financial resources and employee time (volunteering) time to support non-profit organizations and communities.

Salesforce's 1% initiative is part of a broader commitment to CSR and sustainability. This 1% Model model has become a prime example of how companies can integrate philanthropy and social responsibility into their core business.

## 4. ARMENIAN CSO FUNDING ENVIRONMENT

**GENERAL OVERVIEW** | As of December 31, 2022, around 6,079 non-governmental organizations (NGOs) and 1,601 foundations<sup>10</sup> were registered in the Republic of Armenia.

According to data of 2018, CSOs in Armenia mainly focus on awareness-raising (88%), capacity-building (86%), consulting (72%) and service delivery (63%). The main areas of activities are: education (77%), community development (68%), children and youth (67%), human rights (54%)<sup>11</sup>.

CSOs have the right to raise funds from foreign donors and to organize fund-raising activities, provide services and participate in procurement processes. Even informal civic groups have access to certain funding sources, such as crowdfunding and local charitable donations.

However, CSOs activities are sometimes not fully aligned with published missions and policies. Instead, they often adapt their activities to the requirements of available grants and programs.

Both - achievements and challenges marked the stability of CSOs in 2022. The main challenge was the sector's struggle with financial viability. This was due to changes in accessing funding from foreign donors and ongoing problems referring to transparency in the allocation of public funds.

### CSO SUSTAINABLE DEVELOPMENT INDEX AS OF 2022<sup>12</sup>



Source: 2021 Civil Society Organization Sustainability Index, USAID, 2023.

1-3	3-5	5-7
Enhanced	Evolving	Impeded

The overall stability index of CSOs in 2022 was 3.6, which put the country in the “evolving” zone. It is noteworthy, however, that the financial stability component of the index is 5.0, which classifies the country as “impeded”. The results show that to achieve a higher index, significant improvements are needed.

**FINANCIAL VIABILITY** | Although CSOs do not face significant obstacles in seeking, accessing and using funding, their dependence on donor funding is high. Individual donations, business support and inflows from entrepreneurial activities represent only a small part of CSO inflows. To ensure self-sustainability, there is a growing need to diversify funding sources among CSOs.

<sup>10</sup> The number of registered (enumerated) organizations as of 31.12.2022, [link](#)

<sup>11</sup> EU Roadmap for Armenian Civil Society Engagement, 2019

<sup>12</sup> Sustainability Index of Civil Society Organizations 2022, September 2023, [link](#)

TABLE 9: DYNAMICS OF FINANCIAL STABILITY INDICATORS IN ARMENIA (2009-2022)

ARMENIA	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.1	5	4.9	4.9	4.9	5	5

Financial viability, which has always been the weakest component of CSO sustainability, deteriorated in 2021 because of disproportionate access to foreign donor funding and lack of transparency in the allocation of public funds.

**FUNDING FROM PRIVATE SECTOR** | CSOs face difficulties in diversifying the funding flows and in cooperating with the business sector. There are no tax incentives to encourage private companies to donate or sponsor social initiatives. The process of obtaining tax incentives for charitable projects is relatively complicated and time-consuming for CSOs.

In 2021, local charity and diaspora donations faced challenges, as the government did not ensure sufficient transparency and accountability regarding the distribution of funds raised through the All-Armenian Fund “Hayastan”. During the war, the foundation received more than 170 million US dollars, of which 105 million was handed to the government. However, information on the use of these funds is not publicly available.

Corporate philanthropy declined in 2021 compared to the previous year, as private companies preferred to pursue their own CSR initiatives by providing support directly to the beneficiary without involving CSOs.

**TAX INCENTIVES<sup>13</sup>** | Tax incentives aimed to encourage donations to CSOs are very limited. Currently, there is a tax deduction mechanism for assets or services provided to non-profit organizations (including libraries, museums, general education schools, boarding-schools, nursing homes, orphanages, health facilities) in the amount of 0.25% of the donor’s gross annual income. As per another existing mechanism, 80% of the real value of these transactions is considered taxable by VAT in the case of transactions involving the supply of goods, performance of works or the provision of services free of charge or at a cost significantly lower than the real value.

**SERVICE DELIVERY** | Civil Society Organizations (CSOs) have diversified their income sources by offering paid services, including consulting, research and rental of premises. In some cases, CSOs also provide publications, trainings or expert analysis on a commercial basis.

Associations usually offer products and services to their members, but their activities sometimes go beyond membership, such as the Association of Social Enterprises, the Corporate Governance Centre, the Association of Small and Medium Enterprises and the Chamber of Commerce and Industry. They develop products or services that are widely used and available to all businesses regardless of membership.

CSOs with an interest in social entrepreneurship often do not engage in direct entrepreneurial activities but establish separate business structures or act as private entrepreneurs. This approach gives them a number of advantages and they deal with simpler administrative processes.

Despite these efforts, the sector still faces challenges in achieving cost recovery and financial sustainability.

<sup>13</sup> Draft on amending and supplementing the Tax Code of the Republic of Armenia, [link](#)



## 4.1. CSO AND PRIVATE SECTOR SUPPORT CASES

**ZINAPAH** | ZINAPAH was established in 2017 with the primary mission of providing fair and consistent support for the welfare of soldiers fallen, missing or disabled while serving in the defense of their homeland and borders. The financial resources of the fund are generated from mandatory monthly payments of taxpayers of Armenia and Artsakh (depending on their income), as well as from voluntary donations received from individuals all over the world.



ZINAPAH funds are generated by:

- Monthly mandatory payments of taxpayers of Armenia and Artsakh in the amount of 1500-15000 AMD per month (depending on the amount of income);
- Voluntary donations received from Armenia and abroad
- Managing ZINAPAH assets.

Donation in the amount of 9.4 billion drams has been made to ZINAPAH since 2017.

**“ARMATH” ENGINEERING LABORATORIES** | Since 2011 the Union of Advanced Technologies Enterprises (UATE) has initiated the educational program of engineering laboratories “Armath”. Since then, UATE has taken on the mission of spreading the Armenian model of technological education around the world. As of 2023, there are 641 engineering laboratories in Armenia, Artsakh, Georgia, Kuwait, France, USA, Bangladesh and India. These laboratories provide free engineering education to around 17,200 students.



This initiative is an example of multi-stakeholders’ cooperation and financial support from the state, private and public entities such as the RA Government, Union of Advanced Technology Enterprises-UATE, UCOM, World Vision Armenia, United Armenia Initiative, Artsakh Bank, Unibank, Viva-MTS, IDEa Foundation Initiatives for Development of Armenia, HSBC Bank Armenia and many others.

**GITUZH INITIATIVE** | “GITUZH” is an initiative created in 2021. The objective of this initiative is to promote the development of science in Armenia and popularization of science. The source of funding of “GITUZH” initiative is the donations. It brings together more than 170 entrepreneurs, founders, senior officials and more than 20 well-known associations and foundations.



**“CHILDREN OF ARMENIA” CHARITY FUND (COAF)** | “Children of Armenia” Charity Fund (COAF) is a non-profit organization whose activity is aimed at improving the quality of life of children and families in rural areas of Armenia, as well as development of educational opportunities and creation of important infrastructures. The sources of funding for the organization are private sector donors and supporters, including Ameribank, Evokabank, HSBC Bank Armenia, Armenia Marriott, Grand Candy, Telecom Armenia, Viva-MTS and others.



**HSBC BANK ARMENIA** | HSBC Bank Armenia, in cooperation with the Armenian Energy Agency foundation, launched the Solar Energy for Cultural Heritage program within the framework of CSR activities. This multifaceted initiative aims to contribute to the sustainable development of Armenia's cultural heritage while



addressing climate change. The main beneficiary of the project is Hovhannes Tumanyan Museum, on the roof of which a solar photovoltaic power plant is installed. The main objective of the project is to reduce the museum's electricity costs and to use the savings for other basic needs. Thanks to the project, Hovhannes Tumanyan's personal library, around 8,000 books, was digitized with the funds saved.

**ARARATBANK** | Within the framework of the CSR strategy, Araratbank actively participated in the afforestation and reforestation initiatives in cooperation with My Forest Armenia CSO. The bank together with its team planted 8421 trees. In addition, the bank financed the participation of employees' kids in Armath technology camp. This camp unites more than 200 children from different regions of Armenia, provides a valuable platform for acquiring basic engineering skills, improving engineering, robotics and programming skills.

**VIVA MTS** | Viva-MTS implemented a CSR program, within the framework of which, together with My Forest Armenia CSO, planted 20,000 trees in the village of Jrashen, Lori region.

Also, Viva-MTS company allocated 100 million AMD to Hayastan All-Armenian Fund within the framework of "We Are Our Borders" initiative. The employees donated additional 31 million AMD, bringing the total donation to 131 million AMD.

In general, Viva-MTS' philanthropic programs include nature conservancy, support for education, and participation in urgent national initiatives.

## 5. KEY CONCLUSIONS OF STUDYING INTERNATIONAL EXPERIENCE

### 5.1. INTERNATIONAL EXPERIENCE OF FUNDING CSOs FROM PRIVATE SECTOR

Cooperation between private sector organizations and CSOs ranges from traditional to innovative. Traditional methods are effective in attracting donor and government funding. Attracting funding from private sector requires innovative approaches to cooperation and funding, which develop in a favorable environment, promoting synergies between the operating sectors.

The private sector uses a number of innovative mechanisms to fund CSOs, including:

- development (impact) bonds,
- cooperation in the field of research and development (R&D),
- shared value partnership,
- corporate foundations,
- skills-based volunteering,
- 1% model.

### 5.2. CSO FUNDING MECHANISMS AND FINANCIAL VIABILITY PER COUNTRY

**GEORGIA** | Georgia's civil society relies heavily on donor funding, moreover, diversification of funding sources is limited and many CSOs depend on a single donor. Though short-term funding was available due to pandemic; however, long-term support remains limited.

The culture of charity in Georgia is at an early stage of development, that is why the country ranks last in the world rankings. CSOs providing services generate income through consultations and training. Despite donor attention to social enterprise startups and entrepreneurship development, there are still few sustainable social enterprises in Georgia. In general, CSOs value financial transparency, so most are audited annually, disclosing their funding sources and projects.

CSR in Georgia has grown significantly over the past decade. Although private companies focus more on philanthropy and sponsorship, most of them do not have a documented and structured strategy for making decisions and implementing initiatives.

**UKRAINE** | Foreign sources continue to be the main source of funding for Ukrainian CSOs. There is a growing number of organizations that similar to CSOs, seek ways to attract funds from individuals, such as collective initiatives, centers and social enterprises. This diversity highlights the dynamic environment in which Ukrainian civil society operates.

CSOs sometimes receive financial support from private companies that support charitable projects. Although trade unions and business associations charge dues, they make a small and relatively insignificant source of funding.

Some CSOs have diversified their sources of income by offering paid services to international organizations, local governments, partner CSOs, and businesses. According to local laws, CSOs have the opportunity to earn income also through entrepreneurial activities.

**POLAND** | Poland has a significant number of CSOs. As of 2021, total of 138,000 organizations were registered, including 107,000 associations and 31,000 foundations. However, only half of registered CSOs are active, and only half of them collect membership fees, which contribute little to their financial structure.

Financial support for CSOs from corporate philanthropy has declined in 2021, particularly among companies and corporate foundations, mostly among CSOs operating in the financial sector. At the local level, corporate sponsorship has virtually disappeared, and if it exists, it mainly supports periodic charity events. Funds collected by the government mainly cover the short-term needs of CSOs and are of a sectoral nature.

**ESTONIA** | There are approximately 27,000 non-profit organizations operating in Estonia. These organizations are heavily dependent on government or donor funding, and there is a lack of long-term and consistent support from private companies.

Both individual and corporate giving have increased in recent years. This positive trend is explained by the joint work of NENO (Network of Estonian Non-Profit Organizations) and the donation network.

In general, CSOs tend to support sound financial management systems. Although an audit is not mandatory, funders may request a project audit as a condition. Some organizations conduct audits voluntarily to demonstrate their accountability and transparency.

### 5.3. PROFILE OF ARMENIA

CSOs in Armenia rely primarily on donor funding and face difficulties in diversifying the funding sources. Individual donations, corporate support and entrepreneurial activity account for only a small portion of financial flows. Typically, private companies prefer to implement their own CSR initiatives without intermediary CSOs, thus reducing their indirect participation.

#### CSO FUNDING FROM PRIVATE SECTOR

- The culture of philanthropy among individuals and businesses in the country still needs to be developed and improved. Organizations that successfully raise significant funds through crowdfunding tools often operate abroad and target the diaspora to raise funds.
- Most businesses typically do not have a donation program or strategy. Only large companies have established CSR procedures, defining their priority programs and partners. These procedures describe the entire process of CSR activities, including selection criteria and regulations.
- Businesses often tend to think that their own expertise and resources are sufficient to work directly with beneficiaries, especially since the lack of collaboration mechanisms and schemes complicates private funding of CSOs.

#### FISCAL BUDGET SYSTEM

- Unlike commercial companies, public organizations must submit an audit report if their annual income from government sources exceeds AMD 10 million. This is a favorable precondition for establishing accountability and transparency between CSOs and sponsors. Unlike businesses, CSOs are less likely to be subject to extensive tax audits.

## 6. RESEARCH METHODOLOGY

### 6.1. QUANTITATIVE RESEARCH

*This part of the report presents the results of the quantitative and qualitative research conducted as part of the study.*

**OPTION** | Given that target group is the large and medium-sized private sector companies, they were considered as general population. Taking into account only private companies as a sample, the list of 1000 large taxpayers /as of the fourth quarter of 2022/ of the State Revenue Committee of RA was reviewed.

A quota sampling method was used and a survey was conducted among 151 companies (the list in Appendix 1). Respondents conducted the study in a hybrid format using both a telephone call and direct completion of questionnaires. The latter was conducted by the research team with active reminder calls. In the event of technical difficulties in contacting the selected companies (companies that did not return calls after several contacts), that company was omitted and switched to the next company on the list, or the list of private companies formed as a result of the partnership CIVITTA AM was used.

Individual employees of the company who are familiar with the PR and CSR strategies of the organization, finance decision makers, directors-general or other senior officials were interviewed, as well as public relations and CSR specialists.

**QUESTIONNAIRE** | The research instruments, Armenian and English questionnaires, were developed by the consultant and finalized after discussion with the client and pilot testing. Before the full start of the study, the questionnaires were tested among up to 3% of the companies in the sample group, the functionality of the questionnaires and areas for improvement were assessed.

**CONDUCTING SURVEYS, QUALITY CONTROL, ANALYSIS AND REPORTING** | The research was carried out with participation of an experienced research team, conducting reminder calls to complete the questionnaire and provide feedback. The online survey tool Kobo Toolbox was used to administer the questionnaire. The average time of completing the questionnaire was 10-15 minutes. In order to control the quality of the survey, all questions in the questionnaire were entered into the online filling system as “mandatory”, and for additional questions or clarifications, a telephone number was available in the questionnaire for feedback.

### 6.2. QUALITATIVE RESEARCH

**IN-DEPTH INTERVIEWS** | Along with the quantitative research, in-depth interviews were conducted among 10 private sector stakeholders. In-depth interviews were conducted with representatives of the banking sector, telecommunications, information technology, manufacturing and other sectors.

A structured guide consisting of open-ended questions was developed. Full recommendations are introduced in Appendix 2. The list of respondents is introduced in Appendix 3.

**GROUP DISCUSSIONS** | The results of the quantitative research and in-depth interviews were complemented by the results of the group discussions. The consultant conducted three online



group discussions: two with the participation of CSOs, one with representatives of the private sector. Each discussion was conducted with an average of 4 participants. The list of participants is introduced in Appendix 4.

The guidelines for discussing qualitative research address topics and key observations received from quantitative research. A matrix approach (in-depth interviews and focus group discussions) was used to analyze the qualitative data.

## 7. RESEARCH RESULTS

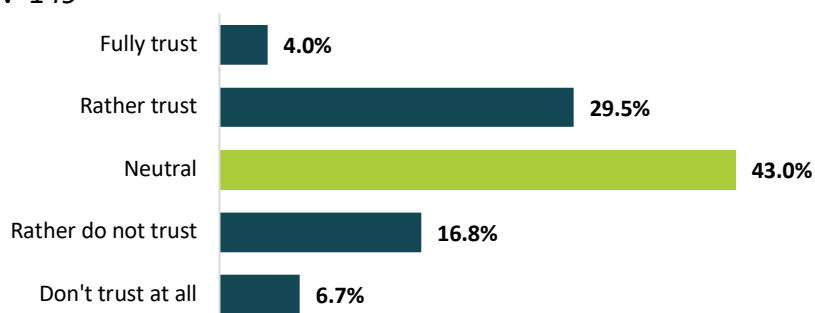
### 7.1. AWARENESS AND TRUST TOWARDS CSOS

*This part of the report presents the degree of trust of private sector companies towards CSOs and the reasons behind it.*

Perceptions about CSOs are very different. Although the majority of private companies believe that CSOs are important and have a positive impact, there is also an opinion that in some cases CSOs are profit seeking and do not always fully fulfill their mission.

**FIGURE 1. ASSESSMENT OF TRUST TOWARD CSOs OPERATING IN ARMENIA**

N=149\*

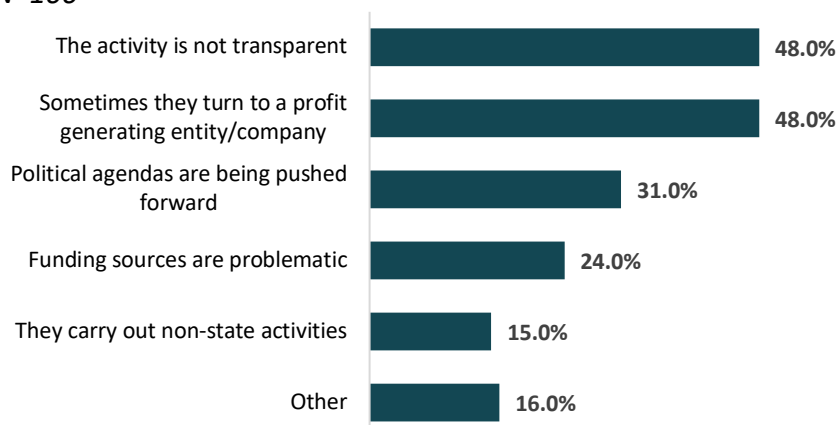


\* 2 respondents did not answer the question

In general, the degree of trust of private companies' towards CSOs is characterized by neutrality. 43.0% of the respondents do not have a clear position regarding their degree of trust. Only 4.0% of the respondents trust CSOs completely, and 6.7% do not trust them at all. Comparing the results of the qualitative research, there are no any issues regarding trust and transparency for already developed private sector-CSO cooperation.

**FIGURE 2: MAIN REASONS OF NOT TRUSTING CSOS**

N=100



There are two main reasons why the private sector does not trust CSOs: non-transparent activity (48.0%) and profit generation priority (48.0%), followed by the pursuit of political agendas and problematic sources of funding. The most rarely mentioned reason is the CSOs' non-state activities (15.0%).

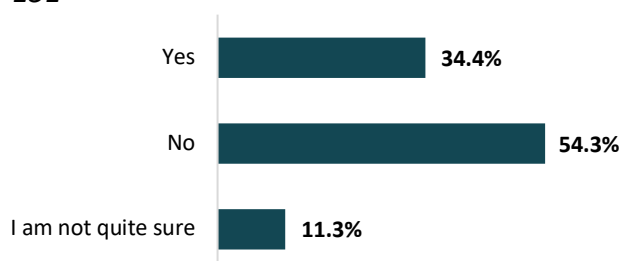
In general, private companies state that transparency and trust are important factors for effective cooperation with CSOs, which are formed through conducting a detailed analysis of the project presented by the latter.

## 7.2. COOPERATION WITH CSOs

*This section of the report presents the experience and approaches of cooperation between CSOs and the private sector, the experience of funding CSOs by private companies in the past, the target areas selected for support and the effectiveness of cooperation.*

**FIGURE 3. SUPPORT OR FUNDING PROVIDED BY THE COMPANY TO CSOs IN THE PAST**

N=151



Most of the private companies surveyed have never supported or financed CSOs. Only 34.4% have ever provided support, which they stated in their in-depth interviews that they mainly cooperated with foundations (COAF, "SOS Children's Villages", City of Smile, "1000+", "4090 Fund", etc.).

### GROUP DISCUSSION WITH PARTICIPATION OF CSOs

*"The organization has experience in cooperating with the private sector, for example, with banks, organizations from telecommunication sector and shops that financed various projects in order to encourage the NGO. However, there are problems now. The private sector is trying to encourage NGO and provide funding, but it should be noted that the vision and principles of the NGO should remain the same and not change, while these changes seem to be a requirement of the funding organizations."*

*"We have experience in cooperating with the private sector. NGO and private sector partners are familiar with the organization and there is a high degree of trust, which makes cooperation possible. Cooperation with the private sector is not institutionalized and businesses can generally offer non-monetary support as well."*

It is crucial for CSOs and private organizations to work together without contradictions of principles. One such example is the stark difference between the activities of organizations in the environmental protection sector and the mining sector.

### GROUP DISCUSSION WITH PARTICIPATION OF CSOs

*"We do not intend to cooperate with private sector, because when the private sector funds NGO, it becomes a business' henchman. There are examples especially in the field of mining, especially in the work related to environmental NGOs, where problems arise during direct cooperation. There are many examples in the world when the state creates mechanisms, due to which the private sector does not directly finance the NGO and does not become the latter's client. There is no such practice in Armenia. Globally, NGOs that directly become henchmen of the business are called "BONGOs" (business organized NGOs-auth.). Acting independently is not so easy in*

*today's reality, and our organization refuses the cooperation offers to avoid such problems and maintain the independence of the organization."*

#### IN-DEPTH INTERVIEW WITH A PRIVATE COMPANY

*"NGOs should not specifically change themselves in order to attract funding, rather they should have their own vision, goals and mission, and if it coincides with the mission of private organizations, then discussions about funding may take place."*

Opportunities for cooperation are mainly created through recognizability of non-governmental organizations and connections with the private sector. The reference points for beginning of cooperation are the priorities of the private company and the areas assigned for carrying out public activities. In addition, private companies are generally open for cooperation and are ready to consider joint projects if they fit with their vision.

#### IN-DEPTH INTERVIEW WITH A PRIVATE COMPANY

*"The organization adopts a cooperative approach, and we mainly cooperate with the CSOs and organizations (foundations-auth.) that we already know. Emphasis is placed on cooperation with those CSOs that have clearly defined strategic plans and are in line with our strategic goals."*

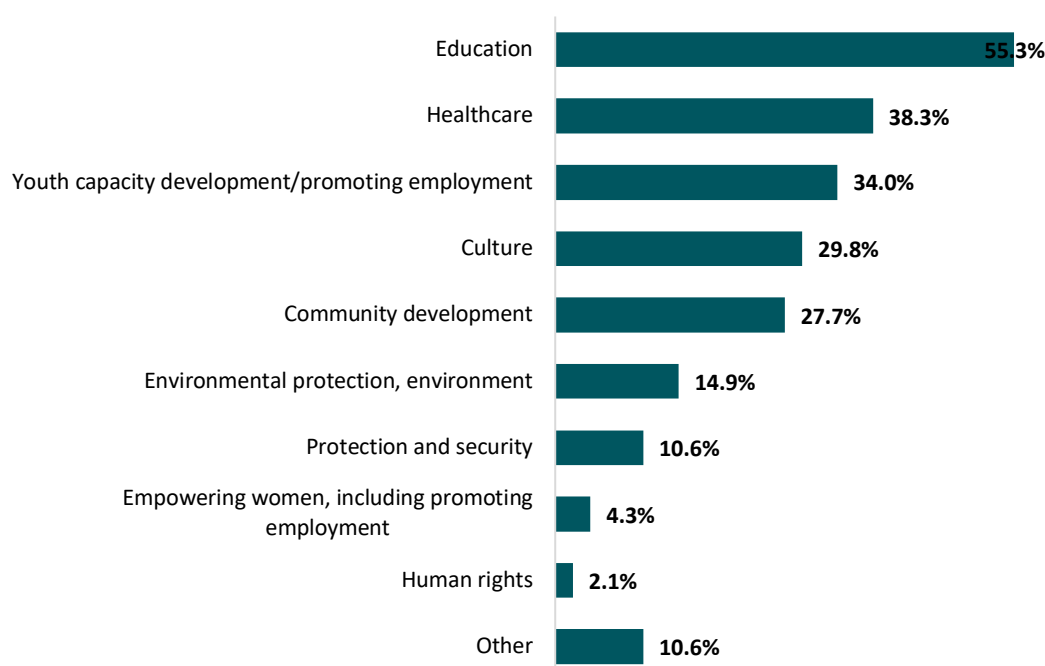
*"In general, we are open to the idea, but it is important that the goal and mission of the NGO align with the goals of the organization (private company). Then we may think about cooperation."*

*"We have cooperated mainly with projects that are in line with CSR directions and are planned. If the applicant program and the project matched, we cooperated."*

*"The experience of cooperation is mostly positive; we haven't thought about who to cooperate with. The organizations within our fields of cooperation were the most well-known and the only ones, that's why the cooperation was successful."*

**FIGURE 4. THE AREAS OF ACTIVITY OF CSOS THAT RECEIVED FUNDING**

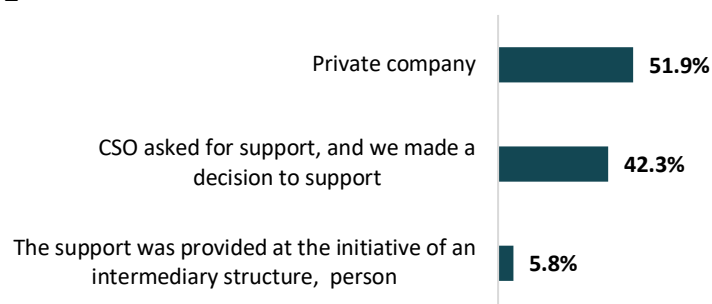
N=52



The private organizations that have provided financial support to CSOs, mostly (55.3%) directed their funds to those operating in the field of education, next is the health sector (38.3%), youth capacity development (34.0%), culture (29.8%) and community development (27.7%). CSOs operating in the fields of environmental protection (14.9%) and protection and security (10.6%) received the least support. 10.6% of respondents provided support to CSOs operating in other fields.

**FIGURE 5. THE INITIATORS OF PROVISION OF FINANCIAL SUPPORT**

N=52



Most of the time private companies (51.9%) initiated cooperation formats and financially supported CSOs, while 42.3% of the respondents indicated that the initiatives belonged to CSOs, to which private companies reacted positively and made a decision to support. Financial support provided by the initiative of intermediary structures or individuals is a rare format. Only 5.8% of respondents mentioned such an initiative.

Public organization's mission, completed projects, the maturity of the planned programs and the conformity of the visions of cooperating organizations (private, CSO) are important factors for the formation of successful cooperation.

#### GROUP DISCUSSION WITH PARTICIPATION OF CSOS

*"Our organization thoroughly studies the donor organization, because its reputation and function are very important for us. There were cases when we refused the proposed funding, taking into account the function of the financing organization."*

*"The problems exist; however, the NGO's position, vision and idea sharing should be formulated properly, and it is NGO that should adapt to business, rather than trying to adapt the business to NGO. If NGO undertakes certain problems existing in business sector and proposes a solution for them, the business will definitely turn to NGO. Of course, there are legislative and accountability issues, but one of the primary issues is the NGO's vague vision and the proposals presented to the private sector."*

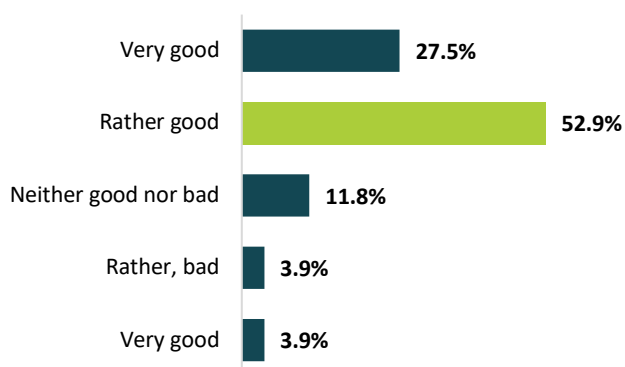
*"We treat the private sector as a group of beneficiaries, which we involve in various programs in order to develop their capacities, promote intersectoral cooperation, and respond to needs. We have had the experience of implementing a business capacity-building program, and in this case, the business became NGO's beneficiary. Through fruitful cooperation, further relations with such organizations have developed into good friendships."*

## IN-DEPTH INTERVIEW WITH A PRIVATE COMPANY

*"NGOs are expected to engage in networking, business education and implementation of positive changes in the field of business activities."*

FIGURE 6. ASSESSMENT OF COOPERATION WITH CSOs BY PRIVATE COMPANIES

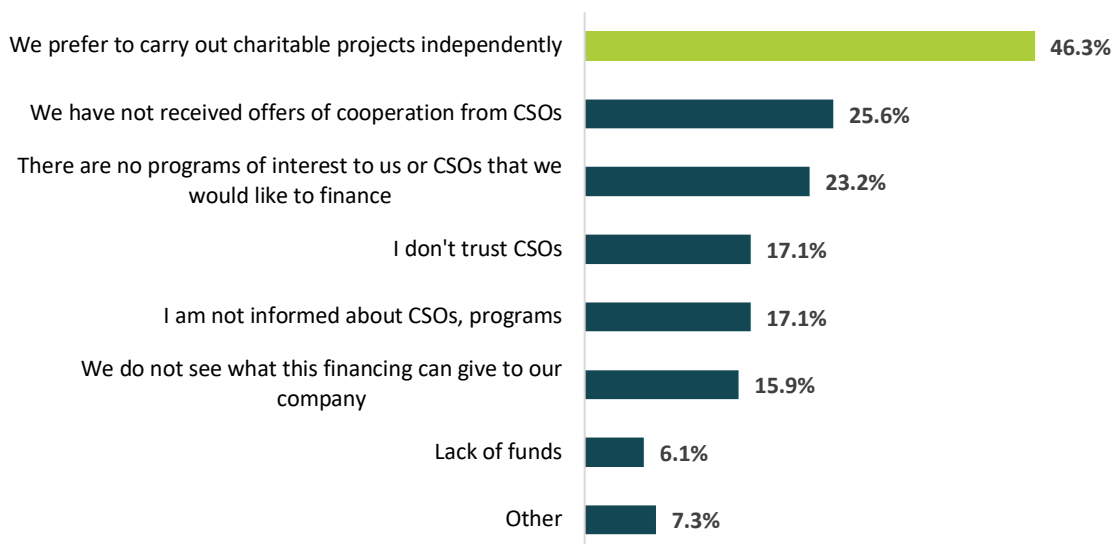
N=51



Private companies that have provided support to CSOs generally have a positive experience: a significant part of the respondents, 52.9%, rated the cooperation as "good", 27.5% of private companies have received a very positive experience. Only 7.8% of respondents had a negative experience as a result of cooperation with CSOs.

FIGURE 7. REASONS FOR LACK OF EXPERIENCE IN FUNDING CSOS

N=82



A significant part of the respondents, 46.3%, prefers to implement the charity programs independently, cooperating directly with the stakeholders. 25.6% of the private sector stated that they had not received cooperation proposals from CSOs, and 23.2% stated that CSOs did not have initiatives of interest to private companies. 17.1% of respondents stated that they did not trust CSOs, the same number of respondents stated that they were not informed about the activities of CSOs.

### IN-DEPTH INTERVIEW WITH A PRIVATE COMPANY

*"Although we have had the opportunity to cooperate with funds (foundations - auth), we consider it fundamental that the programs be developed and implemented by the organization itself ("our" or "private" -auth. ), to have full control over the provided finances and programs."*

*"The programs implemented independently were not successful, that's why we consider it important to collaborate with NGOs. For example, we tried to carry out campaigns independently and deliver food to families in need, and it turned out that the addresses and beneficiaries did not match with one another."*

### GROUP DISCUSSION WITH PRIVATE COMPANIES

*"Initially, when the support program was launched, the organization had the decision to allocate funds independently. Within the framework of the project (during the pandemic), we donated computers to the children of border villages so they could continue their education online. Nonetheless, NGOs helped to organize the process in a quicker and more reliable way, after which the organization fully entrusted the entire process to NGOs."*

The representatives of the interviewed private companies responded positively on opportunities for cooperation between CSOs and private companies. The interviewees noted that in order to encourage the cooperation between private companies and CSOs, credibility, transparency and awareness of the work were needed.

Regarding the creation of successful cooperation formats, the interviewees emphasized the importance of NGOs presenting complete proposals and demonstrating proactivity, which will encourage the cooperation between private companies and CSOs.

## 7.3. FUNDING PROCESSES

*This part of the report presents the processes of funding CSOs, important decision-making factors and sectoral priorities.*

Cooperation between CSOs and private companies begins with an in-depth and long-term study of the program proposed by the private company and the CSO, which guarantees further effective cooperation and the formation of an atmosphere of trust.

**FIGURE 8. AVAILABILITY OF A WRITTEN PROCESS OR GUIDELINES FOR PROVIDING FINANCIAL ASSISTANCE TO CSOs**

N=151



The majority of respondents (94.7%) do not have a written process or guidelines for providing financial support to CSOs, and if they do, only 62.5% mentioned their public availability (for example, publication on a website).



**FIGURE 9: CRITERIA OR FACTORS THAT A COMPANY WILL CONSIDER WHEN FUNDING CSOs IN THE FUTURE**

N=151



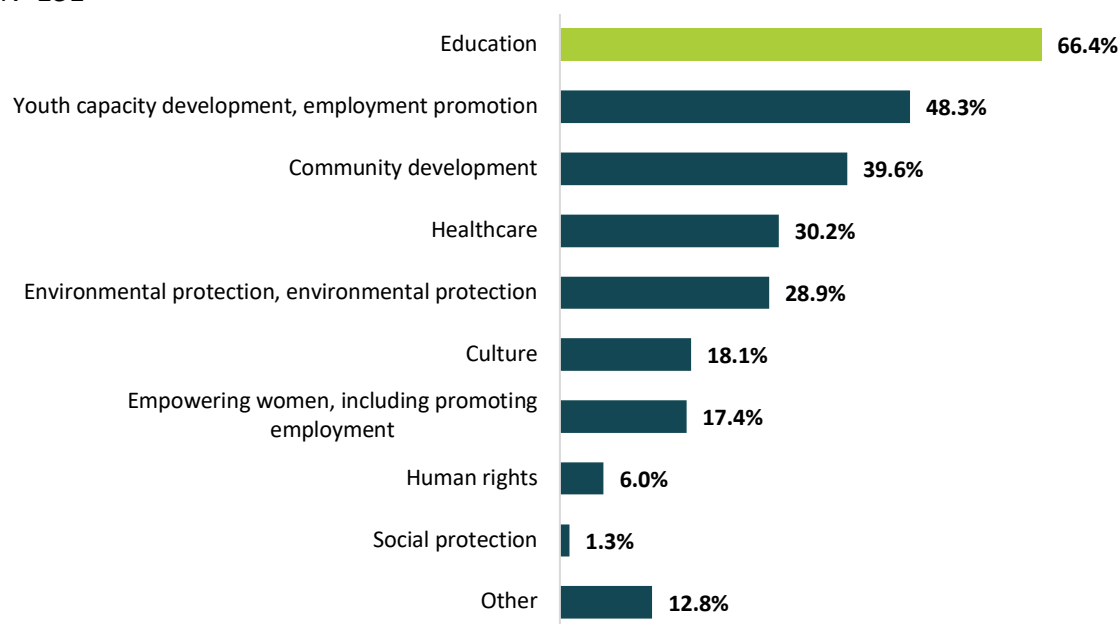
#### GROUP DISCUSSION WITH PRIVATE COMPANIES

*"Our company has a team to implement CSR programs. When making a donation, we take into account the reputation, transparency and, of course, the previous work of the NGO. Our company has adopted the idea of "matching": within the framework of which the company provides its employees with a list of organizations to which employees make further donations, and each donation made by them is doubled by our company and transferred to this organization (NGO)."*

Most private companies surveyed believe that CSO operational and financial transparency (58.9%), CSO mission (57.6%), CSO reputation, and good rating (48.3%) are important factors for funding or supporting a CSO. Secondary priority factors are the organizational capacity of CSOs (36.4%), the CSO's use of innovative and creative methods (35.8%), the geography of activity (16.6%) and financial stability (12.6%).

**FIGURE 10. THE DESIRABLE AREAS FOR FUNDING CSOs IN THE FUTURE**

N=151



The majority of private companies surveyed (66.4%) consider education to be an area of utmost importance and are willing to fund it in the future. Education is followed by youth capacity development (48.3%), community development (39.6%) and healthcare (30.2%). The least mentioned areas were culture (18.1%), women's empowerment (17.4%), human rights (6.0%) and social protection (1.3%).

#### GROUP DISCUSSION WITH PARTICIPATION OF CSOs

*"The state must specify and create standards for CSR programs (activity regulations - auth), which can significantly increase the level of cooperation between businesses and NGOs."*

*"In many cases, the private sector supports or funds CSOs to be visible and for advertising, or, in other words, for business protection reasons, rather than out of responsibility."*

*"Collaboration with private companies is very short-term and there is no sense of responsibility in the private sector to implement social sector financing."*

#### IN-DEPTH INTERVIEW WITH A PRIVATE COMPANY

*"NGOs need to be funded because they do serious work, and it requires experience. Businesses basically want to implement the support program themselves, because in most cases they do it for PR. If they fund the NGO, that part is left out."*

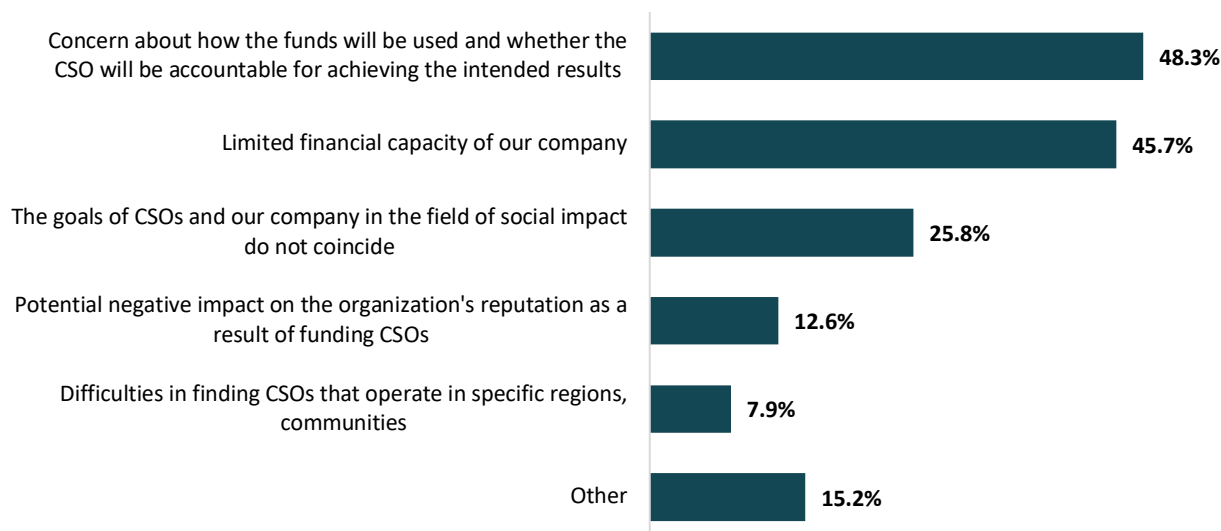
Thus, when funding or supporting CSOs, private companies emphasize the CSO's transparency, mission, and alignment with their company's values and goals.

## 7.4. OBSTACLES

*This part of the report presents the obstacles and challenges that exist in the process of collaboration between the private sector and CSOs.*

**FIGURE 11: CHALLENGES AND OBSTACLES IN PROVIDING FUNDING TO CSOs.**

N=151



48.3% of respondents cited concerns about how funds will be used and how accountable CSOs will be for achieving intended results as the main obstacle to providing funding to CSOs. Private organizations also cited the company's limited financial capabilities as the main obstacle (45.7%). The mildest obstacles are the possible negative impact on the organization's reputation as a result of CSO funding (12.6%) and difficulties in finding CSOs (7.9%). The companies interviewed also noted the issue of limited number of proposals submitted by CSOs and claimed that they are non-targeted.

### IN-DEPTH INTERVIEW WITH A PRIVATE COMPANY

*"There is no feedback after donation. Transparency on NGO's part is extremely important. Although our company has received photos as feedback many times, I think that a detailed report will provide confidence that our investments are making a significant impact. Although there is no official CSR policy, we actively participate in donations based on specific requests."*

*"The experience of cooperating with all the NGOs was based on trust and familiarity with each other (the beginning of cooperation was due to acquaintances)."*

*"The organization has a compliance department, and this department reviews applicants, programs, risks, etc, and since the review is carried out very thoroughly, there have been no problems or risks so far."*

*"We do not target working with or not working with specific NGOs, we receive a large number of applications and funding requests and select the ones that are in accordance with the criteria of our CSR policy, apart from that, we also conduct background checks."*

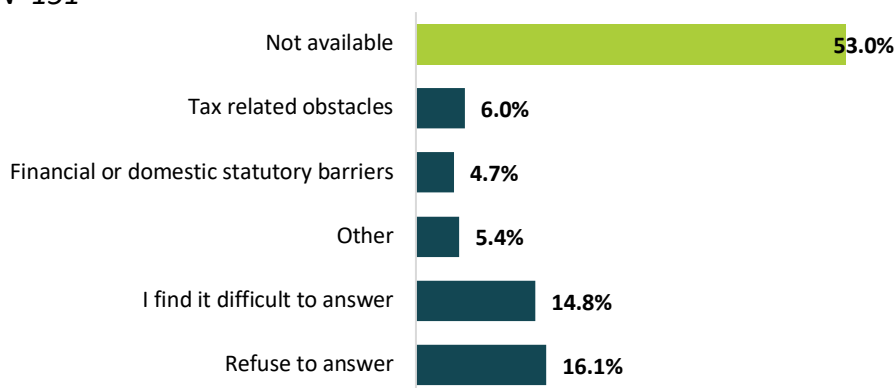
*“Many businesses may prefer to conduct their own charitable activities rather than donate to NGOs due to transparency and trust reasons.”*

#### GROUP DISCUSSION WITH PARTICIPATION OF CSOs

*“In recent years, the accountability procedures for organizations using public funds have become stricter, and according to this all reports must be published.”*

**FIGURE 12: LEGAL, ADMINISTRATIVE OR PROCEDURAL OBSTACLES AFFECTING THE ABILITY TO FUND CSOs**

N=151



Overall, the majority of respondents (53.0%) noted the absence of legal, administrative or procedural barriers. Only 6.0% of private companies indicated the existence of tax related obstacles, and only 4.7% indicated the existence of financial or internal legal barriers.

#### GROUP DISCUSSION WITH PRIVATE COMPANIES

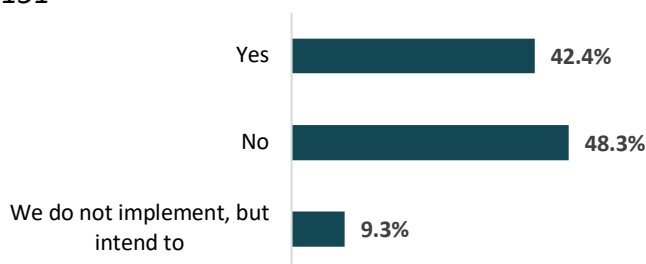
*“Oftentimes, situations arise when a company incurs additional costs when making a donation. In other words, an additional tax is paid when donating, which is not an incentive for the donor. The organization faced such a problem when it paid taxes when making a donation and faced quite a lot of problems with paperwork.”*

*“The threshold of 0.25% is low and there are obstacles related to being 'taxed' more, which is an unfair element for the organization.”*

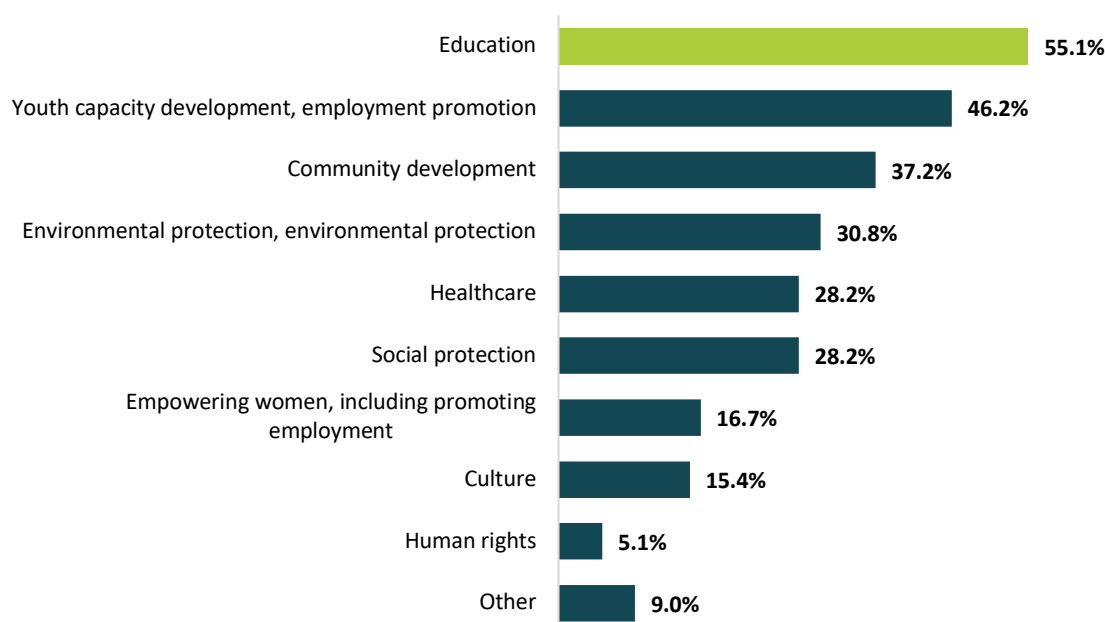
## 7.5. CORPORATE SOCIAL RESPONSIBILITY

*This part of the report presents CSR activities implemented by private companies and the existence of programs related to CSR, sectoral priorities, as well as key factors of effective cooperation in the future.*

Many private companies equate CSR exclusively with charitable donations or financial support. And CSOs tend to turn to private companies only when they seek financial support. This misunderstanding limits the expected impact of CSR as well as the collaboration opportunities between the private sector and CSOs.

**FIGURE 13: CORPORATE SOCIAL RESPONSIBILITY PROGRAMS IMPLEMENTED BY THE COMPANY***N=151*

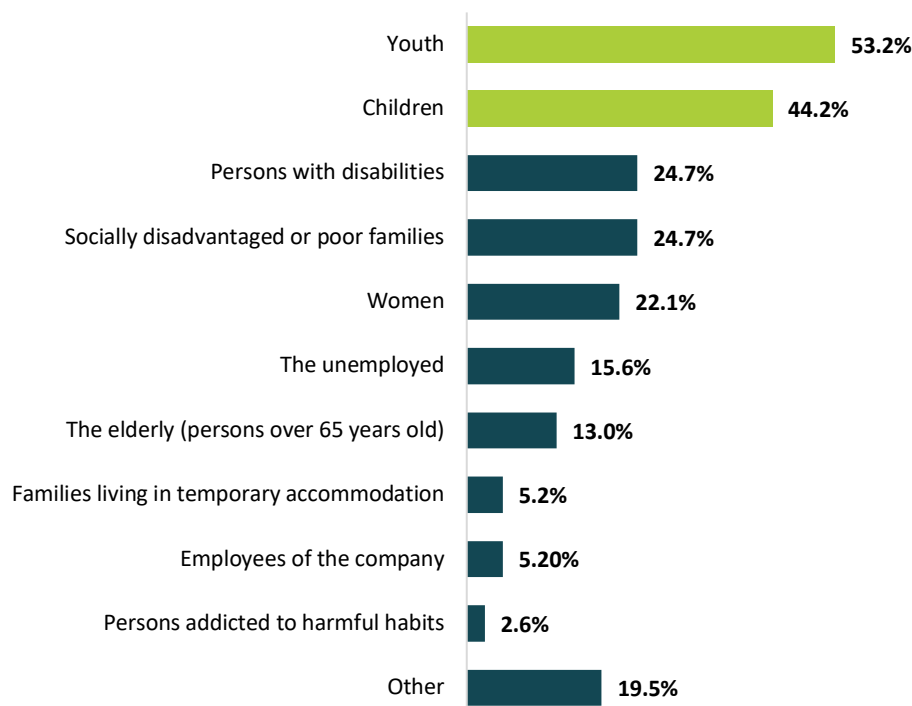
42.4% of the surveyed companies stated that they have CSR programs, and only 9.3% of the respondents stated that although they are not currently implementing CSR programs, they plan to implement them.

**FIGURE 14: TARGET AREAS OF COMPLETED OR PLANNED CSR PROGRAMS***N=78*

Most of the companies surveyed - 55.1%, noted that they prioritize the education sector, 46.2% prioritize the development of youth skills and employment promotion, 37.2% - community development, and 30.8% prioritize environmental protection. The least mentioned areas are women's empowerment, which also includes promoting their employment (16.7%), culture (15.4%) and human rights (5.1%).

**FIGURE 15. TARGET GROUP OR GROUPS OF CSR PROGRAM**

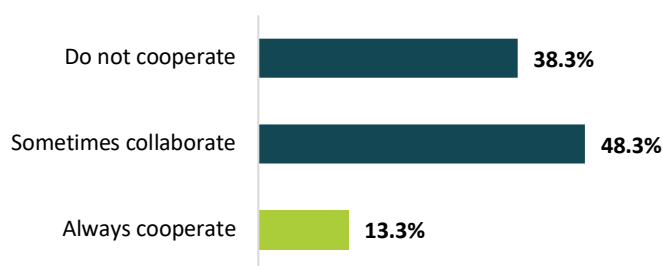
N=74



The main target groups of CSR programs are: youth (53.2%), children (44.2%), people with disabilities (24.7%) and socially vulnerable people (24.7%). Among the main target areas, the most rarely mentioned groups are the unemployed (15.6%), the elderly (13.0%), the homeless (5.2%) and people addicted to bad habits (2.6%).

**FIGURE 16: THE EXTENT TO WHICH THE COMPANY COLLABORATES WITH CSOs ON CSR INITIATIVES**

N=60



Cooperation between the private sector and CSOs is generally not periodic. Only 13.3% of respondents always cooperate, while 38.3% do not cooperate.

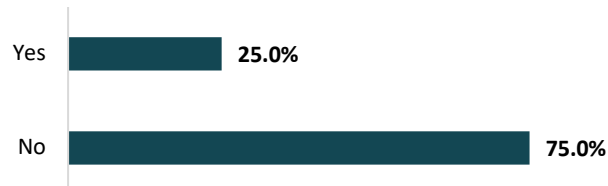
#### GROUP DISCUSSION WITH PARTICIPATION OF CSOs

*"Collaboration with private companies is very short-term, and the level of social responsibility to implement financing in social sector is low."*

*"CSR is not advanced in Armenia, and every organization must have it to implement such programs. Private companies have definitely benefited from such projects, because their name and logo have been used in these projects, but it is also an incentive for the private sector to become a donor."*

FIGURE 17. AVAILABILITY OF A REPORT ON CSR ACTIVITIES

N=61



For the most part, private companies do not have reports on CSR activities, and the mechanisms for assessing the results and impact of CSR programs are in their infancy. According to in-depth interviews, private companies have identified areas of activity; applications received from public organizations are analyzed within the scope of these areas, and program evaluation indicators are determined taking into account the specifics of the program.

In general, the cooperation begins after the development of the project and discussions, and the reports are submitted during the course of cooperation yearly at regular intervals.

#### GROUP DISCUSSION WITH PRIVATE COMPANIES

*“Proper reporting and accountability are extremely important in CSR initiatives. Armenia does not currently require companies to report on CSR activities. Developing clear guidelines and encouraging transparency can improve the impact of CSR.”*

*“We have a clear CSR strategy where we focus on donations in the areas of education, strategy, community and environment. Currently, within the framework of cooperation with COAF, we have a scholarship program, through which 3 students participate in the program annually and receive a scholarship equal to the entire cost of tuition. At the moment, we also have a program to support the Armenians of Artsakh.”*

*The organization focuses on directing its funds to areas where development prospects exist. We also make donations to the Soldiers' Home, and also transfer 10% of monthly marketing income to 1000+ program.*

*At present, a new large environmental project is being implemented jointly with the EU and the Municipality, according to which waste sorting and educational programs will be implemented.*

*When implementing CSR programs, it is important for organizations to work together to educate the public and serve as an example for other companies. We value reputation, transparency and require accountability when choosing funds.”*

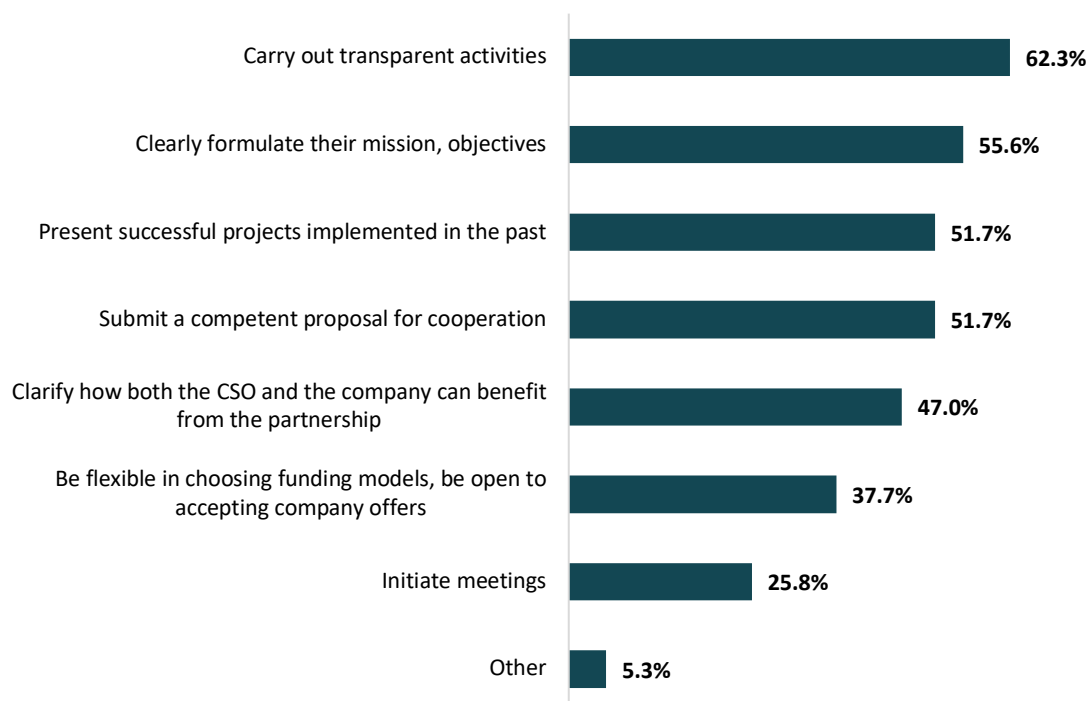
#### IN-DEPTH INTERVIEW WITH A PRIVATE COMPANY

*“The organization has a clear strategy and direction that it adheres to, and also takes into account social impact and the social problem that will be solved as a result.*

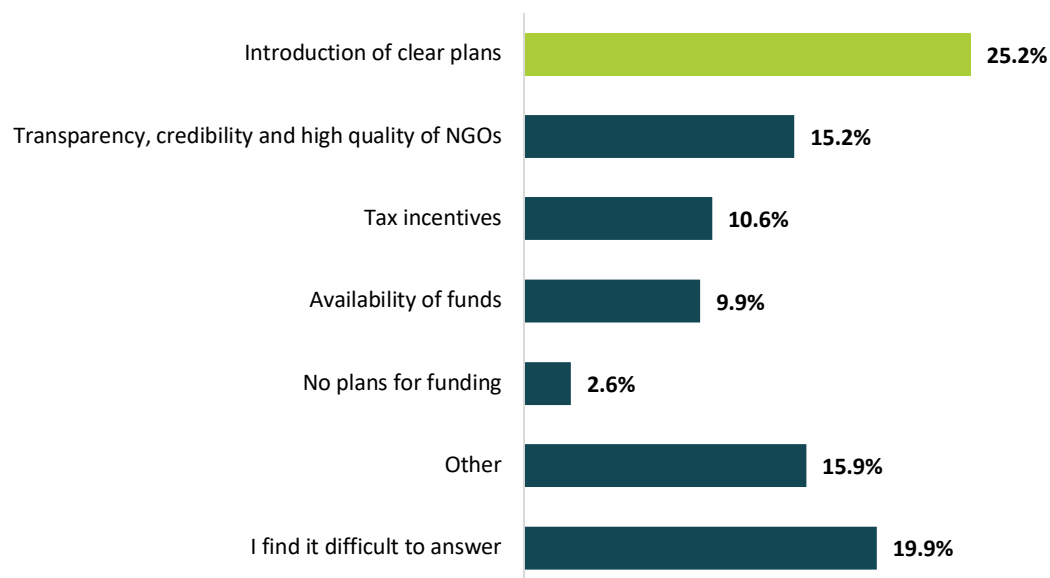
*We track and determine KPI (Key Performance Indicators) based on programme results. Although the organization has been operating for about 31 years, it started implementing social responsibility programs only in 2020. Each program has its own description, planning, and standards by which monitoring is carried out.”*

*“In general, the measurability of programs is implemented based on the nature of the program. There are programs that require clear KPIs and there are programs that are not measured, but general reports are presented.”*



**FIGURE 18. EXPECTATIONS FROM CSOs TO ENCOURAGE COOPERATION***N=151*

According to survey participants, in order to form mechanisms for cooperation between public organizations and the private sector, CSOs should carry out transparent activities (62.3%), clearly formulate their mission and goals (55.6%), have successful experience in implementing programs (51.7%) and competently present proposals for cooperation (51.7%).

**FIGURE 19: FACTORS THAT MOTIVATE A COMPANY TO SUPPORT CSO ACTIVITIES IN THE FUTURE***N=151*

According to respondents, cooperation with CSOs and their funding can be encouraged by presenting clear programs (25.2%), ensuring transparency, trust and quality of CSO activities (15.2%), tax incentives (10.6%), and availability of funds (9.9%).

#### IN-DEPTH INTERVIEW WITH A PRIVATE COMPANY

*“In other countries, there are clear privileges for organizations that have CSR programs. For example, there is a clear allocation of points if CSR is present during tenders, whereas in state tenders in Armenia, the priority is given to the cheapest offer.”*

*“Most businesses in Armenia identify CSR exclusively with charitable donations or financial support. This understanding limits the potential impact of CSR, and NGOs turn to business when they seek financial support.*

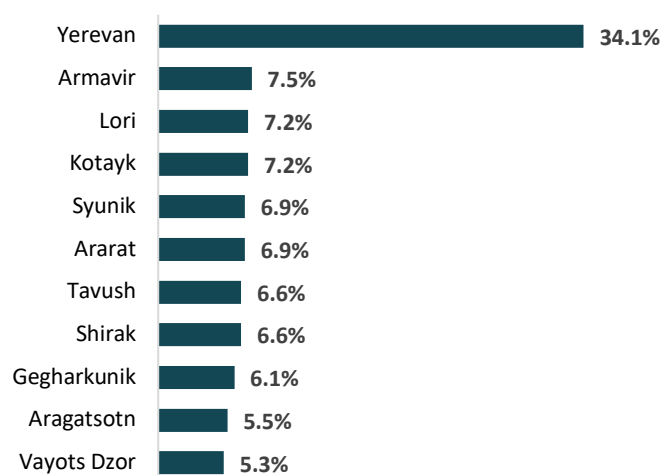
*CSOs may not sufficiently research or understand the true needs of the business, which hinders the effective collaboration. Businesses are more likely to support when they see that the programs offered by CSOs are relevant to their interests and experiences.*

*Successful CSR is more than just a financial investment. CSOs should explore and identify meaningful partnerships with business, such as co-developing projects or initiatives that directly benefit both the company and the community.”*

## 8. DESCRIPTION OF PARTICIPANTS OF THE QUANTITATIVE SURVEY

FIGURE 20. THE REGION WHERE PRIVATE ORGANIZATION OPERATES

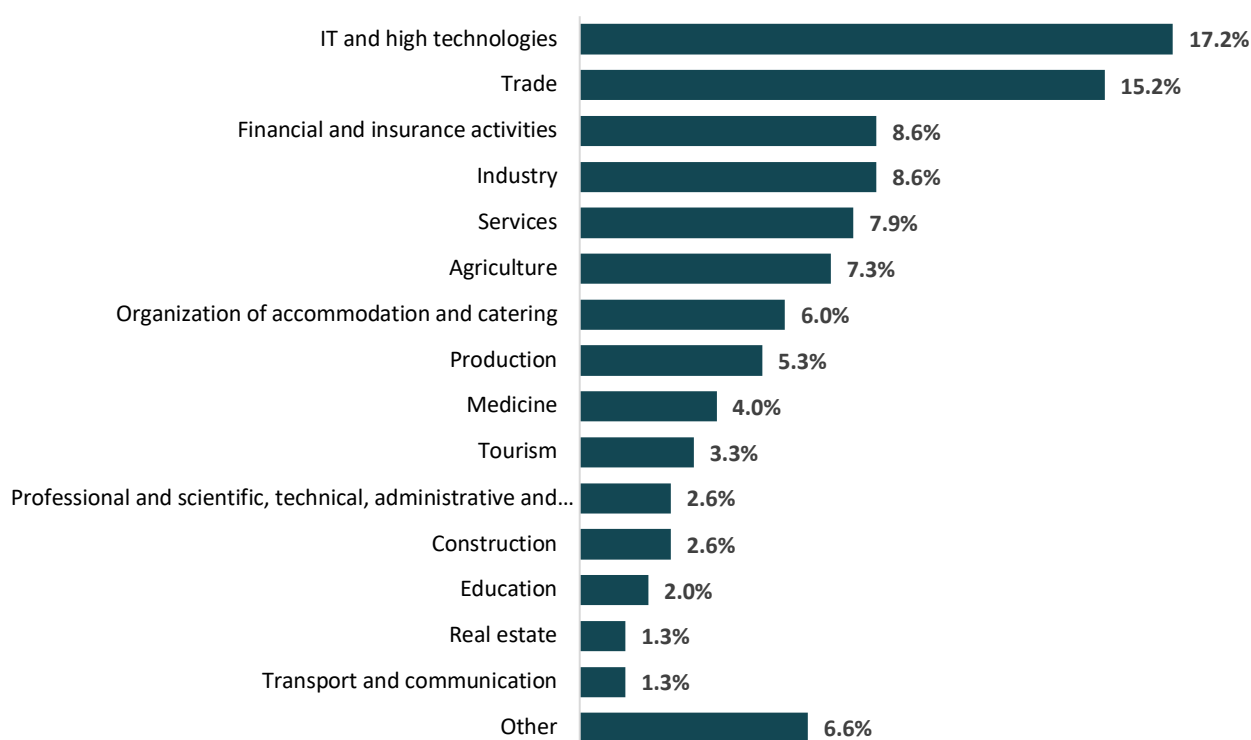
*N=151*



Most respondents indicated that the private organization operates in Yerevan, that is, the highest representation was in Yerevan (34.1%), and the lowest was in the regions of Aragatsotn and Vayots Dzor (5.5% and 5.3%, respectively).

FIGURE 21. THE SECTOR OF PRIVATE COMPANY

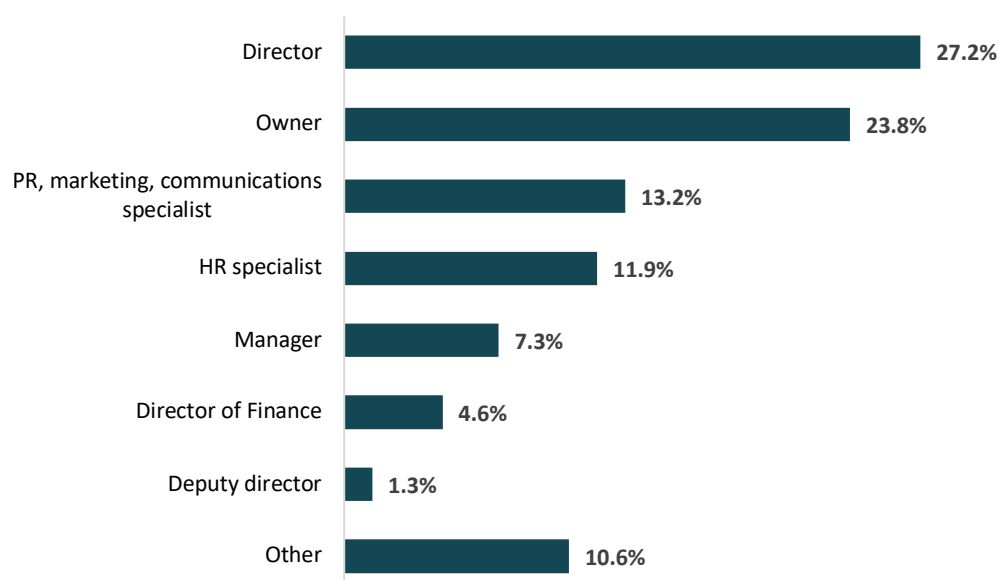
*N=151*



The data represents the sectoral distribution of respondents. The sectors with the largest participation are: IT and high technology (17.2%), trade (15.2%), finance and insurance (8.6%), and transport and communications (1.3%).

**FIGURE 22. POSITION OF THE RESPONDENT**

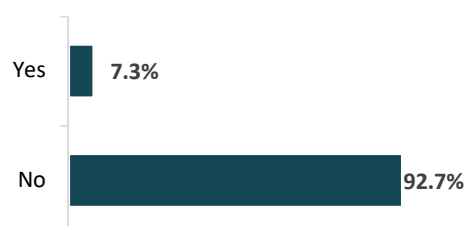
*N=151*



The survey involved people who hold managerial positions in private companies or professionals who play a role in decision-making. The largest group participating in the survey are directors (27.2%), owners (23.8%), people occupying other positions: HR or PR specialists (13.2%), managers (7.3%), financial directors (4.6%), deputy directors (1.3%).

**FIGURE 23. THE EXISTENCE OF A FOUNDATION OR NON-PROFIT ORGANIZATION ATTACHED TO THE COMPANY**

*N=151*



The majority of respondents – 93%, do not have a foundation or non-profit organization attached to the company.

## 9. CONCLUSIONS

### AWARENESS AND TRUST TOWARDS CSOs

- In general, private companies have neutral trust in CSOs. This is due to lack of cooperation between CSOs and private organizations, and on the contrary, by a high level of cooperation with donor organizations.
- The most frequently cited reasons for not trusting CSOs are transparency of activity, the priority of pursuing profit and participation in political agendas. The gaps in awareness of the activities of CSOs and communication lie at the root of these reasons.

### COOPERATION WITH CSOs

- In general, cooperation between the private sector and CSOs is still not widespread, although the prerequisites for its development exist. Those private companies that are involved in such cooperation tend to have a positive experience, and those that have not yet are open to cooperation.
- One of the main challenges of cooperation is that CSOs do not fully understand the needs and industry priorities of private companies, which reduces the effectiveness of cooperation. Private companies are more likely to support CSOs, the proposed programs of which respond to their interests and are based on generally accepted best practices.
- Private companies, which receive a large number of applications, are exploring CSOs more deeply with facets of cooperation, looking for to cooperation with organizations that meet their objectives.
- One of the factors influencing the effectiveness of cooperation is that both - private companies and CSOs, are driven by their own agendas and do not cooperate with each other. That is the reason why private companies prefer to implement charity projects through direct cooperation, and CSOs seek cooperation with donor organizations.

### FUNDING PROCESSES

- Cooperation between CSOs and private companies typically starts with an in-depth evaluation of the applicant CSO and the project by the private company. This approach not only ensures effective cooperation but also builds trust over time.
- The majority of private companies signify some key factors when deciding to fund or support CSOs: the transparency of the CSO's operational and financial activities, the CSO's mission, standing or reputation among both the public and the donor community.
- The credibility of CSOs, implementation of transparent activities and compliance with the values and objectives of a private company are the main determining factors for creating a successful partnership.

### OBSTACLES

- Private companies are usually concerned about how their funds will be used and whether the CSOs they support will be accountable and consistent in implementing projects. Concerns relate mainly to the transparency of the use of funds and the accountability of CSOs.
- The majority of private companies, despite their willingness to support CSOs, stated the lack of financial resources as an obstacle.
- Private companies and CSOs did not encounter significant barriers to existing partnerships.

- Private companies often collaborate with established foundations, limiting cooperation with CSOs.
- The 0.25% tax exemption for charity is considered a minor tax deduction, and the documentation procedures are complicated and time-consuming, which private companies generally avoid.

#### CORPORATE SOCIAL RESPONSIBILITY

- CSR is an evolving concept. In most cases, CSR is mainly associated with charitable donations or financial support.
- CSO applications contain inconsistencies in the strategic directions formulated by the CSO of a private organization, which limits the possibilities of obtaining funding.
- The private organizations surveyed prioritize the spheres of education, employment promotion activities and community development.
- In addition to the target directions, private companies, when implementing their CSR programs, identify the main beneficiary groups: young people, children and persons with disabilities.
- There is a need to improve reporting and performance evaluation of CSR activities. Most private companies do not currently publish full reports on their CSR activities. The mechanisms used to assess the results and impact of CSR programs are in their infancy or, depending on the programs, are sectoral in nature.

## 10. RECOMMENDATIONS

*In this section of the report, a set of recommendations is presented, which was developed taking into account the best examples in the international practice, combining the results of quantitative and qualitative research data, the peculiarities of Armenia. The package of recommendations is intended for the main stakeholders: CSOs, state bodies and private companies.*

### 10.1. RECOMMENDATIONS TO CSOs

#### **Aligning strategic objectives with private sector**

CSOs must conduct a comprehensive study to form partnerships in the private sector. By understanding the objectives and priorities of CSR or CSR-related activities set out by funding companies, CSOs can develop their plans, emphasizing how collaboration will help achieve common objectives.

CSOs that can demonstrate the relevance of their initiatives to private sector goals and values will be more likely to receive support from them.

#### **Capacity building**

Developing the capacity of CSOs and identifying expertise are important for obtaining private sector funding and effective implementation of joint projects.

Capacity development of CSOs should be carried out in many directions, including acquisition of expert knowledge, program development, implementation and evaluation, financial management and accountability. CSOs with good governance principles and capacity are more attractive to private sector companies because they guarantee efficient management of funding and long-term effective cooperation.

#### **Transparency and accountability**

Transparency of CSO activities is an important factor in building trust with private companies. CSOs should set a high threshold of transparency by regularly publishing reports and being transparent regarding the use of funds, program results and implementation progress.

#### **Innovation**

The success of CSO-private sector partnerships often depends on the willingness of both parties to innovate. Ways of offering innovative solutions by CSOs may include new partnership formats, use of digital technologies, sustainable economy approaches, etc. Private companies are often looking for organizations for cooperation that can offer unique and effective solutions to their complex problems with innovative approaches.

### 10.2. RECOMMENDATIONS TO PRIVATE COMPANIES

#### **Systemic approach to social programs**

CSR is a direction in the early stage of development for the private sector. While most private companies have established teams and implement many programs, CSR is generally not systematic and is rather programmic. Private companies should clearly define CSR objectives and priorities and ensure their public availability.



**Enhanced collaboration**

The CSR activities of private companies are mainly formed through cooperation with foundations, hence the companies are encouraged to actively explore other CSOs according to their organization's vision and CSR strategic directions, to promote new partnerships.

**Long-term cooperation**

Instead of one-time donations, private companies should strive for long-term cooperation with CSOs.

**Ability-based volunteering**

In the formats that exist in international best practices, private companies, apart from financial support, support also CSOs' capacity building by sharing the professional experience and knowledge of their company employees.

**Private-to-private dialogue**

Conduct CSR knowledge and experience exchange activities with other private companies.

**Impact investment**

Consider making impact investments in CSOs, allowing the company to generate revenue while helping to address social challenges.

**10.3. RECOMMENDATIONS TO STATE BODIES****Develop state policy**

The government's commitment to support CSOs and promote partnerships with private and public sectors should be made clear within the framework of state policy. It should define the role of each stakeholder, provide guidelines on reporting and partnership formats, outline potential and development directions for CSO-private partnerships, and define how such partnerships will contribute to achieving national development goals.

**Simplifying regulatory processes**

Simplification of bureaucratic procedures is an important condition for reducing obstacles to cooperation between CSOs and private companies. The government should create supporting and regulatory frameworks for CSR activities. These may include benefits, tangible tax incentives, simplified procedures or legal arrangements that encourage private sector involvement in social and public initiatives.

**State-private-CSO cooperation**

The government should facilitate state-private-CSO cooperation by providing platforms and facilitating the establishment of trilateral dialogue. These can be in the form of discussions, conferences, forums or joint initiatives, which will provide the partnership with the opportunity to implement projects that are more viable. This partnership can create synergy and effectively address the most significant economic and social challenges.

**Tax incentives**

Private companies consider the current charity tax incentives (0.25%) to be insignificant, thus to avoid time-consuming bureaucratic procedures, they generally do not apply for the tax deduction. Tax incentives with simplified procedures, such as more tangible tax deductions, provide incentives for private sector to fund CSOs. Such incentives can significantly increase private funding of social and public initiatives.

**Raising awareness about CSR**

To discuss educational and awareness-raising programs on CSR principles with educational institutions. Education and social responsibility awareness programmes will help future leaders understand the importance and social utility of a responsible organization.

Develop a national CSR framework. This framework should include guidelines and reporting standards for private companies engaged in CSR activities, as well as encourage and raise awareness of the importance of CSR and CSR-related programs among private companies.

## 11. APPENDICES

### 11.1. APPENDIX 1

#### 11.1.1. QUANTITATIVE SURVEY QUESTIONNAIRE

Information on private organization			
Q1	Company Name		[.....]
Q2	Sector	1	agriculture
		2	industry
		3	construction
		4	trade
		5	accommodation and public catering
		6	transport and communication
		7	IT and high technologies
		8	financial and insurance activities
		9	real estate activity
		10	professional and scientific, technical, administrative and support activities
		11	other
Q3	Number of employees		[.....]
Q4	Field of activity (more than one answer is possible)		[.....]
Q5	The position of the respondent	1	Owner
		2	Director
		3	Financial Director
		4	Public relations, marketing, communication specialist
		5	Other (specify)
Q6	Availability of a foundation or non-profit organization associated with the company	1	Yes
		2	No
Awareness and trust towards CSOs			
A1	In your opinion, what role do CSOs play in Armenia?		[.....]
A2	Rate your trust in CSOs operating in Armenia on a scale of 1-5, where 1 means "I don't trust at all" and 5 means "I fully trust".		[1-5]
A3		1	Funding sources are problematic.

	What is the main reason for not trusting CSOs?	2	They carry out non-state activities.
		3	The activity is not transparent.
		4	Political agendas are being pushed forward.
		5	Sometimes they turn into a profit generating entity or company.
		6	Other (specify)
Cooperation with CSOs			
B1	Has your company previously provided funding (support) to Armenian CSOs?	1	Yes
		2	No
		3	I find it difficult to answer
B2	Financial support was provided to CSOs operating in which field?	1	Human rights
		2	Environmental protection, nature conservancy
		3	Healthcare
			Social protection
		4	Education:
		5	Youth skills development, employment promotion
		6	Empowering women, including promoting employment
		7	Culture
		8	Community development
		9	Other (specify)
B3	Basically, whose initiative was the provision of financial support (if there was more than one cooperation experience, indicate the last cooperation).  B1=1	1	It was initiated by our company
		2	The CSO itself asked for support, and we decided to support.
		3	The assistance was provided at the initiative of an intermediary institution or person.
B4	How will you rate your cooperation on a scale of 1-5, where 1 means "very bad", 5 means "very good" (if there was more than one cooperation experience, indicate the last cooperation).  B1=1		[.....]
B5	What is the reason for not having experience in funding CSOs?  B2=2	1	I am not informed about CSOs, their plans.
		2	I don't trust CSOs.
		3	There are no projects or CSOs that we are interested in that we would like to finance.
		4	We prefer to carry out charity programs independently.
		5	We did not receive any offer of cooperation from CSOs.
		6	It is not clear whether this funding is useful for our company.
		7	Other (specify)

Funding processes			
C1	Does your company have a formal written process or guidelines for providing financial support to CSOs?	1	Yes
		2	No
C1.1	In what document is it fixed? (C1=1)		[.....]
C1.2	Is the written process or guidance available on the website or elsewhere?	1	Yes
		2	No
C2	What are the main criteria or factors that your company considers or will consider in the future when selecting CSOs for funding?	1	CSO mission
		2	CSO authority, good reputation
		3	CSOs use innovative and creative methods to solve problems
		4	CSO Long-Term Impact and Sustainable Resource Management Program
		5	CSO transparency in its financial and operational practices
		6	Organizational capacity and skills of CSOs to effectively implement proposed initiatives.
		7	Financial sustainability of CSOs
		8	Geography of activity
		9	Other (specify)
C3	CSOs of which sector do you tend to fund or will you tend to fund in the future?	1	Human rights
		2	Environmental protection, nature conservancy
		3	Healthcare
		4	Social protection
		5	Education
		6	Youth skills development, employment promotion
		7	Empowering women, including promoting employment
		8	Culture
		9	Community development
		10	Other (specify)
Obstacles			
D1	What challenges and obstacles does your company face or may face when providing funding to CSOs?	1	The goals of CSOs and our company in the field of social impact do not coincide.
		2	Limited financial capacity of our company.
		3	The concern is how the funds will be used and whether the CSO will be accountable for achieving the intended results.
		4	Difficulties in finding CSOs that operate in specific regions, communities.
		5	Potential negative impact on the organization's reputation as a result of financing CSOs.

		6	Other (specify)
D2	What are the legal, administrative or procedural obstacles that affect your company's ability to fund CSOs (if any)?		[.....]
<b>Corporate Social Responsibility Initiatives</b>			
E1	Does your company implement CSR programs or initiatives?	1	Yes
		2	No
		3	We do not implement, but we intend to.
E1.2	What areas does your CSR program target or intend to target (more than one answer is possible)?	1	Human rights
		2	Environmental protection, nature conservancy
		3	Healthcare
		4	Social protection
		5	Education
		6	Youth skills development, employment promotion
		7	Empowering women, including promoting employment
		8	Culture
		9	Community development
		10	Other (specify)
E1.3	Who are the target group or groups of the CSR program?	1	Children
		2	The elderly (persons over 65 years old)
		3	Persons with disabilities
		4	Women
		5	Youth
		6	The unemployed
		7	Socially disadvantaged or poor families
		8	Families without a permanent place of residence or living in a temporary place of residence
		9	Persons addicted to harmful habits
		10	Seasonal migrants and their families
		11	Other (specify)
E3	To what extent does your company collaborate with CSOs as part of its CSR initiatives?		We always cooperate.
			We collaborate Sometimes.
			We do not cooperate.
E4	Does your company have a reporting mechanism to share the results and impact of its CSR activities with CSOs and the public?	1	Yes
		2	No
E7	What do you see as trends or opportunities for private companies to partner with CSOs?		[.....]

E8	What can encourage your company to support the activities of CSOs in the future?	1	[.....]
E9	What can CSOs do to encourage cooperation (more than one answer is possible)?		Clearly define their mission, goals.
			Present successful projects implemented in the past.
			Carry out transparent activities.
			Submit a competent cooperation proposal.
			Be flexible in choosing funding models and open to accepting company proposals.
			Clarify how the partnership can be mutually beneficial to both the CSO and the company.
			Initiate meetings.
			Other (specify)

### 11.1.2. LIST OF COMPANIES PARTICIPATING IN THE SURVEY

	COMPANY
1	Orders.Co
2	CrossNet LLC
3	Tushpa wines
4	TunTunik kindergarten
5	Tonus sports club
6	Holiday Visage Studio
7	Wood Steel LLC
8	Viva-MTS
9	Villa Rest House
10	Veolia Water CJSC
11	SP 2
12	Civita AM CJSC
13	Synergy International Systems
14	CFT LLC
15	Ready-Steady LLC
16	Jermuk International Pepsi-Cola Bottler LLC
17	JCA Armenian jewelry company
18	PROFAL LLC
19	Shincement LLC
20	SHENGAVIT Medical Center
21	MF LTD
22	Musaler Printing House LLC
23	Milco CJSC
24	Meridian Travel
25	Manukyan Team
26	Hotel Alva LLC
27	Hekiatum care and development center
28	Hasis



29	Science and Technology Foundation of Armenia (FAST)
30	Hatterk Food LLC
31	Converse Bank CJSC
32	Computer Service LLC
33	Coca Cola
34	Karen Rafaelyan PE
35	KARMILAN LLC
36	Green Queen (Anahit Sargsyan PE)
37	Calibri Group LLC
38	Lymph
39	Instigate Mobile CJSC
40	IKKA
41	Tech Service LLC, staff.am
42	TAKTUN LLC
43	TAD-M LLC
44	Effect Group CJSC
45	MUK Computers LLC
46	MKM Travel
47	Elcor Distribution LLC
48	El Consult
49	Zangezur Copper-Molybdenum Combine CJSC
50	Yerevan Chocolate Factory CJSC
51	Eraskh Wine Factory LLC
52	Doctor Best LLC
53	Granatus Ventures CJSC
54	Wine factory
55	Geomining Gold LLC
56	confidential
57	Galik LLC
58	Galaxy group of companies
59	Arkolad CJSC
60	Fruitful Armenia
61	Dried fruits Arpi
62	Armenian Leasing Company UCO CJSC
63	ARMBROCK CJSC
64	Armberry CJSC
65	Arkolad CJSC
66	Aregi LLC
67	ARGO LLC
68	ARARATBANK OJSC
69	Avtofan AC LLC
70	Anna Mirzoyan PE
71	AM Partners Consulting Company LLC
72	Aqua-Len Shin
73	Akotek LLC

74	Akba Bank OJSC
75	Alfa Pharm
76	Agrobarik
77	Yerevan-Audit Consult CJSC
78	Yerevan home care
79	Yandex (in Armenia)
80	X-Art LLC
81	Vecto Digital
82	UNICOMP
83	Telcell CJSC
84	Teambyconsulting
85	Team Telecom Armenia
86	Synopsys Armenia
87	SVLAND
88	RED Invest Group
89	QuestLine Academy
90	Primesoft
91	Premier Foods LLC
92	PMI Science
93	PMA
94	Picsart
95	ORG service
96	Office class LLC
97	NOR projects
98	New Green Way
99	Narekavanq tour
100	MOSH STUDIO
101	Marktguru
102	London Medical
103	Lidia décor
104	Level Print
105	JTI Armenia CSJC
106	JATO LLC
107	It Training Center
108	Internet projects
109	IMR
110	Import Solutions LLC
111	HSBC bank
112	Holiday Inn Express Yerevan
113	Hexact
114	Griphon PR company
115	Gradus Solutions
116	FSP Advice LLC
117	Fotomaster LLC
118	Fortuna LLC

119	Flash Spy
120	FeedConstruct
121	Engineerinc.io
122	Disqo Armenia
123	Decora Group LLC
124	DDC
125	Cypress
126	Creative Web
127	Color boom
128	City Spa
129	City central llc - Ramada hotel
130	C square
131	BeBeeWAY
132	BANA Angels, The Factory
133	Bagine Fashion House
134	Babyland
135	Aygi Products
136	AS Concern
137	Artuyt
138	AMP LLC
139	AMC ՓԲԸ
140	Alpha food Service
141	AGG group LLC
142	AGG
143	ACRA CREDIT REPORTING CJSC
144	10Web
145	REGO INSURANCE insurance CJSC
146	Ucom CJSC
147	AN Audit CJSC
148	Arpilar LLC
149	Arax Poultry Factory CJSC
150	Every Day CJSC
151	Ani Plaza Hotel CJSC

## 11.2. APPENDIX 2. QUALITATIVE SURVEY GUIDELINES

### 11.2.1. IN-DEPTH INTERVIEW GUIDE | PRIVATE SECTOR COMPANIES

#### Current perceptions of CSOs

1. Are you familiar with the activities of civil society organizations (CSOs)? Have you previously had experience of cooperation with CSOs or charitable initiatives without CSOs participation?
2. How would you rate your trust in CSOs operating in Armenia? Please indicate factors that give you confidence. What are the reasons for forming your opinion?
3. Do you believe that private organizations should cooperate and support CSR?

#### Collaboration with CSOs

4. Has your organization collaborated with or funded CSOs in the past? If so, please share your experience of collaboration with CSOs. If not, please justify your decision.
5. In what areas has your organization provided financial support in the past? Can you provide examples of funded initiatives or projects?
6. Have you ever implemented charitable initiatives without CSO participation? If so, explain the reasons.

#### Funding expectations and criteria

7. What criteria or factors does your organization consider when selecting CSOs for funding? What factors influence your decision to donate to civil society organizations?
8. Do you have a CSR strategy, a responsible team or an employee for such cooperation? If so, please provide detailed information (whether CSR strategies and procedures are available to CSOs, etc) and, if not, provide the reasons. Please share your experience of collaborating with CSOs on CSR initiatives.
9. How do you measure the impact of funded projects or the impact of your organization's CSR initiatives?
10. How open is your organization to cooperate with CSOs in their CSR initiatives? Have you encountered any problems or obstacles in establishing such a partnership?
11. In what areas or projects can your organization provide financial support? Are there specific topics or issues that are priorities for your organization?

#### Challenges and obstacles

12. Based on your own experience, what are the major challenges for your organization in funding and cooperating with CSOs in Armenia?

13. Have you encountered transparency or accountability issues in dealing with CSOs? How can existing barriers be overcome to create more trusting relationships?

#### Possible options for cooperation

14. If you know successful cases (examples) and models of cooperation (private sector-CSOs), please share with us.

15. What incentives are needed for cooperation between the private sector and CSOs?

#### Other options

16. In addition to financial support, do you see other ways in which you can contribute to the capacity and organizational development of CSOs? If so, in what formats?

17. What are your expectations for further cooperation between private sector companies and CSOs? What would be the ideal results of such a partnership?

18. What would you like to add or suggest?

### 11.2.2. GROUP DISCUSSION GUIDE | CSO

#### Initial questions

1. Please briefly introduce yourself, your position in the organization and the nature of business of your organization.

2. Do you use or have funding from private sector companies in your organization's funding strategy?

3. Are you aware of the availability of funding opportunities for civil society organizations (CSOs) from the private sector?

#### Perception and trust towards private sector companies

4. How important is private sector funding for you? How confident are you in the continuity of this support? Please indicate reasons.

5. What is your opinion about private companies funding the CSOs in Armenia?

#### Cooperation with private sector companies

6. Has your CSO been previously funded by a private company? If so, please share your experience. If not, please elaborate on possible reasons that you think may prevent private sector companies from providing funding to your CSOs.

7. In what areas has your CSO been funded by private sector? Please share a specific initiative or program where you received support?

### Funding processes

8. Please describe your approach to referring to private sector companies for funding.
9. How does your organization differ from other CSOs in seeking funding from the private sector?
10. How do you research a private company's funding policies before applying? What changes do you make to your applications based on this?
11. If yes, describe in detail the main criteria or factors based on which you believe your CSOs should receive funding.
12. Do you provide a regular report, annual report or you have other reporting format? Please provide the details.

### Obstacles and challenges

13. What challenges or obstacles does your CSO face in seeking funding from the private sector? Are there any specific obstacles preventing you from obtaining the necessary funding?

### Partnerships and opportunities

14. Is your CSO actively seeking partnerships or cooperation with the private sector? If so, describe the nature and main objectives of these partnerships.
15. What opportunities do you see for private companies to continue their collaboration with CSOs? How can this cooperation benefit both sides?

### The role of CSOs in promoting cooperation

16. In your opinion, what can do CSOs to attract private companies in further expanding the range of support and cooperation with them?
17. Do you have any suggestions or comments?

### Closing

Thanks to all participants for the discussion and valuable feedback.

## 11.2.3. GUIDE TO GROUP DISCUSSIONS | PRIVATE SECTOR COMPANIES

### Initial questions

1. Please briefly introduce yourself, your role in the organization and nature of business of your organization's activities in Armenia.

### Perception and trust towards CSOs

2. Please share your views on the activities and role of CSOs (NGOs) in Armenia.
3. What is your attitude towards CSOs (NGOs) operating in Armenia? What are the reasons that shaped this opinion?

#### Collaboration with CSOs

4. Has your company previously funded CSOs? If so, please share your experience. If not, describe possible reasons that may have prevented your company from funding CSOs.
5. In which areas did your company fund CSOs? Can you describe the specific initiative or program you supported?

#### Funding expectations and criteria

6. Do you have a CSR strategy and a team responsible for such cooperation? If so, please provide detailed information, and if not, provide the reasons. Please share your experience of engaging CSOs through CSO initiatives.
7. What criteria or factors does your organization consider when choosing CSOs? What factors influence your decision to donate to CSOs?
8. In what areas or projects can your organization financially support CSOs? Are there any specific topics or issues that are of primary importance for your organization?

#### Challenges and obstacles

9. Based on your experience, what challenges does your organization face when cooperating or funding CSOs in Armenia?
10. Have you encountered any transparency or accountability issues when dealing with CSOs? How can these challenges be addressed to create more trusting relationships?

#### Legislative environment

1. How do you assess the current legislative environment for providing support to CSOs from the private sector? Does this facilitate or limit?
2. Are there any legal or other obstacles that your company has encountered in cooperating with CSOs, and what are the restrictions on funding or collaboration?
3. Do you have any recommendations for policymakers to improve the legislative environment to encourage the private sector to cooperate with CSOs?
4. How does your company measure the impact of its collaboration with CSOs and what criteria and indicators do you consider the most important?

#### Possible options for cooperation

11. What incentives are needed for cooperation between the private sector and CSOs? What do you imagine as “ideal” mechanisms for cooperation between CSOs and the private sector?
12. Do you have any suggestions or comments?

#### Closing

Thank you to all participants for their valuable feedback and participation in the discussion.

## 11.3. APPENDIX 3. LIST OF IN-DEPTH INTERVIEW PARTICIPANTS

	COMPANY	TITLE	NAME SURNAME
1.	Ameriabank	Senior specialist, Corporate Social Responsibility Department	Shushan Isoyan
2.	Ararat Bank	Advisor to the Executive Director on Public Relations	Anna Allahverdyan
3.	Coca-Cola Hellenic Armenia	Director of Corporate Affairs and Sustainability	Elina Margaryan
4.	Picsart	Communication and corporate affairs specialist	Laura Hovakimyan
5.	Team Telecom Armenia	Head of Public Relations Department	Grigory Yuri
6.	ArtLunch	Founding director	Bakur Melkonyan
7.	Hard Rock cafe (Food Republic)	Marketing Director	Elina Sahakyan
8.	Hellotex	Director	Andranik Harutyunyan
9.	ANIF	ESG and communications advisor	Anna Saghbalyan
10.	CSO DePo Program (Eurasia Cooperation Foundation) PO	Project Manager	Gayane Mkrtchyan
11.	CSR expert in the private sector		Nazareth Seferyan





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