

REGIONAL POST

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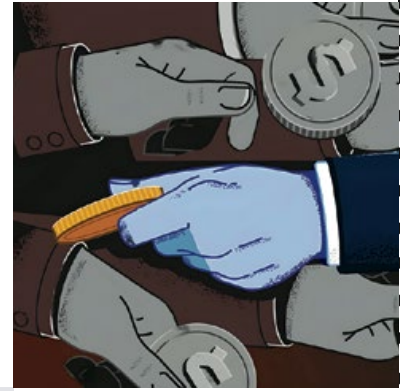
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CSR IN ARMENIA:
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REGIONAL POST

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EDITORIAL



Dear reader,

I first wrote about Corporate Social Responsibility in the pages of Regional Post in 2017, and the article took a look at how the business sector in Armenia perceived this concept and what it was doing in this area. Given that it is now 2023, I wish I could use this editorial to say that things have advanced immensely, that responsibility and sustainability are keywords in how business is run in Armenia today. They are not, but the fact that Regional Post is dedicating a whole issue to Corporate Social Responsibility, compared to just a couple of pages in 2017, suggest that change is happening.

The objective of this issue is two-fold – on the one hand, I hope that it will help raise awareness about responsibility and sustainability in the private sector, and provide key insights into how businesses can impact their community. This impact is for mutual benefit – it is not just an altruistic action that a business must undertake in order to look good, or feel good. I hope that some of the articles in this issue will help practitioners in the private sector better understand what CSR is and how it can be aligned with the company's strategic aims. There are also some interesting examples from the international community that can fuel our imagination here in Armenia.

The second objective of the issue is to showcase what is being done in Armenia in the area of business impact. How are companies in Armenia giving back to society? Why are they doing so? Which organizations on the ground partner with them to achieve this impact? The intention here is first to recognize that some steps are being taken, and to use those as a springboard for future action by everyone in the private sector.

As you read through the articles in this issue, it is only natural for the following question to come up in your mind – are these all really good examples of strategic CSR? In fact, some of the articles describe activities that would fall under corporate philanthropy, and that not be very long-term or strategic. But these businesses have taken the first step by deciding to give back to the community in which they work. I hope that this editorial and some of the articles in this issue will prompt you to mentally critique some of the featured businesses (and then extend this critique to your own company) so that we can all then think about how the private sector can maximize its impact in Armenia, for the good of everyone involved.

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VACHE GABRIELYAN:

“More Active Policies are Needed to Help Businesses Better Adapt to the New Reality”

Regional Post discussed the many challenges and opportunities for the Armenian economy with Vache Gabrielyan, the Dean of the Manoogian Simone College of Business and Economics at the American University of Armenia (AUA).

Dr. Gabrielyan’s insights come from a deep understanding of the issues, also given that he has served Armenia in a range of capacities in the public sector, including Vice-Governor of the Central Bank of Armenia (2008-2010), Minister of Finance (2010-2012), Deputy Prime Minister of Armenia and the Minister of International Economic Integration and Reforms (2014-2018).

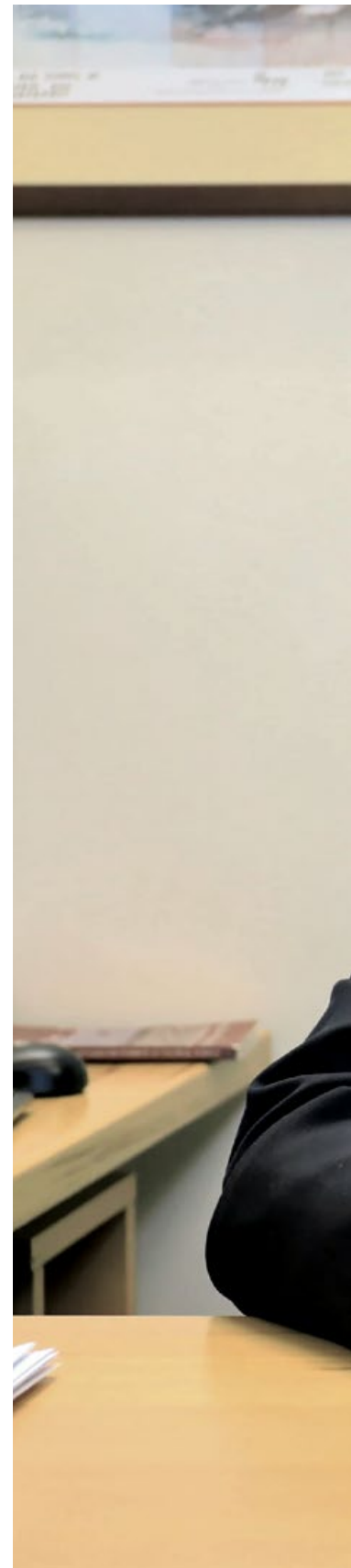
INTERVIEW : NAZARETH SEFERIAN / PHOTO : AUA

In 2022, we witnessed considerable economic growth in Armenia against the backdrop of the war in Ukraine. Still, there are fears that this could just as quickly turn into a rapid decline. What risks does the Armenian economy face in this regard, and what steps should be taken today to prevent such a thing?

— I do not expect a dramatic decline, but it is essential to understand that this economic growth was higher than our potential allows. In this case, the potential is the economy’s ability to produce goods and services to a certain level. To increase this potential, we either need more capacity and inputs in terms of materials, resources, and labor, or we need to increase productivity, which basically means that we innovate or secure technological advancement through

newer, more productive capital that allows us to produce more with the same level of available resources. Given the rate at which we invest in new technology in Armenia, we can have the potential for economic growth at around 4.5-5% annually. Even the Government analysis in 2021 (and the 2022 budget address) estimated the possibility of 4-4.5% for economic growth to be realistic. Of course, the Minister of Finance explained the setting of a “stretch” target of 7%, but the estimate remains the same. We see now that we have grown more than three times what was considered realistic, and we clearly cannot sustain this without taking some actions. We must understand that the basis for this considerable growth was not the

GIVEN THE RATE AT WHICH WE INVEST IN NEW TECHNOLOGY, WE CAN HAVE THE POTENTIAL FOR ANNUAL ECONOMIC GROWTH AT AROUND 4.5-5%. EVEN THE GOVERNMENT ANALYSIS IN 2021 (AND THE 2022 BUDGET ADDRESS) ESTIMATED THESE NUMBERS TO BE REALISTIC





sudden threefold increase in productivity – we did not build large new factories or installed production lines to secure a thrice increase in output. As you said, it was all related to the war in several ways.

The most important factor was the fleeing of capital from Russia. Due to the war and rapidly increasing list of sanctions, economic agents (investors, businessmen, etc.) saw the uncertainty in the country (especially those dealing with the West) and decided to move some or part of their capital and their operations outside of Russia and Ukraine, which is a very logical move. To secure, say, their future imports and exports and many Russian banks being sanctioned without any predictable pattern, they need to ensure legal ways of payments. This is not about escaping sanctions (our banks are pretty sensitive to the topic, they often choose the motto ‘better safe than sorry’) but simply about making sure that your money and your businesses are in a relatively safer environment. So, many Russians – including Russian-Armenians – chose to move their capital, and Armenia was not the unique beneficiary of this phenomenon. Turkey, the UAE, Kazakhstan, and Georgia all benefited to varying extents.

Comparing the numbers in Armenia and Georgia, we will see roughly the same trends for this period, even though the two economies are quite different. There was a similar rate of increase in bank accounts serving foreign citizens in Georgia and the same growth in solo entrepreneurship licenses to foreigners. The picture is the same regarding more free reserves on the bank’s balance sheets in both countries. On the other hand, in both countries, we do not see a significant increase in business loans, for example.

There is one sector where we see growth in productivity due to a substantial increase in human capital. This is the IT sector. We have an

increase in the potential here, but we must be clear that this is a “mobile” increase. Unlike a new factory, which is more or less stationary and fixed in the country. This potential consists of people who can leave Armenia on relatively short notice – not necessarily back to Russia, but to third countries. I don’t think that the tens of thousands of IT professionals coming here will leave so quickly. Still, these people are not organically linked to the Armenian economy. The sector where they work serves the external market. By and large, they are part of international IT companies that have customers abroad. They do not have a major impact in Armenia regarding B2B solutions, either. They are not increasing the

So, to prevent a possible economic decline, steps must be taken to keep these people in the country for as long as possible. This includes visa regime solutions and developing an infrastructure that serves foreign citizens well – medical facilities, educational institutions, etc. I am not saying that we should neglect the local needs here and focus only on this group of people, but we should support the system to effectively serve a larger international (expat) labor force. And I do not suggest that we need to open Russian-language schools, for example. Many Russians that have moved here would be happy for their children to get an English-language education or Armenian education with more

THERE IS ONE SECTOR WHERE WE SEE GROWTH IN PRODUCTIVITY DUE TO A SUBSTANTIAL INCREASE IN HUMAN CAPITAL. THIS IS THE IT SECTOR. WE HAVE AN INCREASE IN THE POTENTIAL HERE, BUT WE MUST BE CLEAR THAT THIS IS A “MOBILE” INCREASE

capacity of other Armenian businesses (of course, there are sources of increased demand for goods and services).

In any case, they have impacted Armenia as a whole, and all the other sectors – hospitality, transport, finance, etc. – have had to adapt to the changes that their arrival (together with many tourists) has brought to the country. When it comes to how they have adapted, this has also more or less mirrored the situation in Georgia, the UAE, and Turkey. In terms of balance sheet growth, at first glance, our banking sector has been a bit more conservative than their colleagues in Georgia, for example, but a more detailed analysis is needed to discern whether the pattern is due to harsher compliance, the more considerable inflow of people, or other factors.

foreign-language classes, and they would be satisfied with being treated in European-style clinics, and so on. Comparing Yerevan to Tbilisi, the latter seems better prepared to serve an international labor force. However, this has always been the case given that city’s historic role as the political center of the Caucasus, the Armenian-Azerbaijani conflict, the permanently larger expat community, etc. Making rentals more affordable is one clear area where action is urgently needed. But unfortunately, this is a major obstacle to attracting business in Armenia today, not just for those who have arrived recently; it is also a problem for the local population.

These are the general areas in which action may be needed. Although, again, I am not implying that the Government is not acting (there is not

enough information to claim either that or the opposite), I mention the essential directions.

Speaking of the IT sector, the Government has used specific protectionist policies for this part of the economy, including subsidization. In your opinion, is there a need for such actions, and is this the most effective approach?

— Like all exporting sectors, the IT sector had significant problems in 2022 due to the rapid appreciation of the Armenian Dram. And the Government has decided to provide support of around 10 billion AMD. However, this support should not have come through co-financing their costs but by providing liquidity until the companies adapted their cash flows to the new reality. Let us take a closer look at what happened. The greatest degree of appreciation of labor costs (December 22 compared to January 21) was against the Euro, around 60% – i.e., the labor is now that much more expensive when expressed in Euros than it was in 2021. This means that the most significant blow was for the countries that export to Europe and only then for the ones that sell in USD. From this point of view, I see no reason why one should not also subsidize the companies that export, for example, agricultural products to Europe when they impact a bigger value chain in Armenia than the IT sector. Not to mention that average salaries in the IT sector are around three times the national average. The IT sector could have adapted more quickly and less painfully than other parts of the economy, and the best solution for this would have been liquidity support, not co-financing. This liquidity could have been provided for the medium term, and the interest on provided financing could have been subsidized. When you fund the Armenian companies' costs as our state did, that money often goes to foreign companies where the proportion of their Armenian operations may be relatively insignificant. So, the Government did the right thing in sup-

porting the IT sector, but they needed to choose the best tool, which would have been liquidity support.

You mentioned the appreciation of the Dram, another consequence of the War in Ukraine, and the massive foreign currency inflows into Armenia. But unfortunately, this was also accompanied by inflation. What risks or opportunities come with these developments for the Armenian economy today?

— I disagree that there was inflation due to the foreign currency inflow. If one asks why the Central Bank did not buy even more dollars (it bought a lot), then the answer is clear – so that the appreciating Dram would control inflation (in Armenia, the consumer basket has more imported than locally produced elements). It was not the inflow of foreign currency that caused the inflation. There was inflation already, and the appreciation of the Dram helped control it.

Inflation was already a problem before this, it had been from the previous year, which is why the Central Bank is keeping interest rates high, which impacts the available credit in the economy. All that is true. But this inflow of foreign currency has not caused inflation.

The appreciation of the currency is not a problem in itself. Economic development always leads to currency appreciation. The problem is the rate at which this took place. When currency rates change as quickly as they did in 2022, it needs to give companies more time to adjust their business models. You might suddenly find that your costs have doubled when expressed in foreign currency, and your current model no longer makes business sense. As I said earlier, the Government should provide liquidity but not solve the companies' problems for them. It should be careful not to create “zombie companies,” meaning companies that were on the path to failure anyway, and are now being kept alive artificially, thanks to state

support. More work should be done on understanding each company's issues in these conditions so that the support provided can be better tailored to their needs.

According to anecdotal evidence, currently, the Government is more actively engaged in industrial policy, which is good. But there have yet to be any published reports on this policy (neither the scope nor the implementation), so we cannot make any judgments about the impact yet. It would be wrong to say that nothing is being done, but it is still quite hard to evaluate the impact of the action that has been taken.

We briefly touched on the agricultural sector earlier, but let us take a closer look at it. There has been a decline in agriculture, which needs further analysis. Would you say this signifies the economy's modernization, or is it a cause for worry?

— I do not see modernization as a possible cause for this picture. If this were the case, we would have seen greater productivity, which we have not. Part of this is because of the security situation in the country. We have lost some of the state's territories, and certain parts are no longer usable for agricultural purposes because they are within the crosshairs of the Azerbaijani army. This is true for both arable lands as well as pastures. All the results show a decline in animal husbandry, except for sheep rearing, when expressed in terms of actual mutton production.

On the other hand, there is an increase in fruits and vegetables and processed agricultural products. These are all items that are predominantly sold in the Russian market. Moreover, the War in Ukraine has not affected Armenia's sales to Russia – the Ruble has shown less variation with regard to the Armenian Dram compared to other foreign currencies. And the Russian market has absorbed a much higher volume of Armenian products than before,

given that it now has a more limited range of options from which to choose. Once again, as we saw in 2015, our economic ties with Russia only grow stronger when there is economic turmoil.

The agricultural sector's main issue is the lack of new technologies and innovation. The Government is taking the proper steps regarding land consolidation or cooperative cultivation, which will allow greater productivity on the same land and facilitate the use of new technologies.

The agricultural sector's biggest problems – water or irrigation issues, small land plots, and a lack of technology – are not new, and they need serious investment and know-how when it comes to finding solutions.

According to the World Bank's human capital index, Armenia has results that are among the worst in Europe and Central Asia. What are the factors behind such a result?

— It is difficult to say, this needs more research. But the results are not as far behind the rest as you suggest – Armenia is equivalent to Georgia with a score of 0.5 and is close to the same level as some Eastern European states such as Romania and Moldova, as well as some Central Asian countries.

We need more clarity when it comes to the overall infrastructure. There are three components to this human capital index – education, healthcare, and social protection. Unfortunately, changes in these areas do not occur quickly, irrespective of the country being considered. These systems have considerable inertia, they progress slowly.

Research suggests that Armenia stands to gain the most from investing in preschool education in rural areas. Everyone knows that early intervention is crucial when it comes to developing the education system. If you better prepare children, their performance improves in school, and these gains benefit the rest of their educational

path. And the gap with their peers in urban areas decreases.

But it is easier said than done. It is difficult to do this in Armenia as this is linked to the development of whole communities. We need an educational infrastructure in communities that can deliver general education at every level, i.e., from preschool through grade 1 to the end of high school. And, for this, we need well-trained teachers, equipped facilities, and so on. This will take time. The first step in this direction is community consolidation, which is now ongoing in the country (the decisions have been made already). But if this is not followed by the consolidation of schools in the communities, it would be a missed opportunity. These are broad issues, so more than an intervention in just one school or community will be needed to produce an impact.

Mining in Armenia is once again a hot topic, with one official recently stating that it is impossible to imagine the Armenian economy without mining. Regarding the state budget, 10% came from the mining sector in 2022. Do you agree that it is impossible to imagine the Armenian economy without mining? Do you believe in responsible mining?

— In theory, the Armenian economy can exist without mining. But taking the country down that path would be a terrible decision. Let me explain why. Syunik is the only region in the country where salaries are comparable to Yerevan – even higher for some jobs. Syunik also has the lowest levels of labor migration. These are the direct results of the opportunities created by the mining sector in that part of the country. If we did not have any mines in Syunik, we would have a smaller population there, which would mean less resilience in what is now a politically critical part of the country. Let us think about more than just mining in terms of population income or state budget revenues. If we look at foreign currency entering the country, 30-40% comes from mining. This

is significant for a small country like Armenia. It would be tough to manage without the mining sector when financing the country's economic needs. The trickle-down effect of these mining companies, which are almost always large corporations, is also significant. Communities hosting mining companies end up having better kindergartens, clinics, etc. People with relatively low skills end up having a better quality of life in such communities than they would elsewhere in the country.

At the same time, mining companies must respect the principles of corporate responsibility to be allowed to operate. There needs to be more public dialogue in this direction. We need to ask ourselves questions such as – could the additional taxes collected in 2021-22 from the mining sector (when copper prices increase) have been used to make environmental requirements stricter? If we work with the strictest ecological norms, how many mines in Armenia would remain economically viable? What is the logical time frame that can be provided to mining companies so that they achieve these norms and remain viable businesses? Unfortunately, such questions are not part of our political discourse. We need to do more work here.

When it comes to corporate responsibility, what is the definition you use? How do you link corporate responsibility to Armenia's sustainable development, and what should the state do to encourage its development?

— We can look at some of the principles set by a prestigious institution like the Calvert Company. For example, when discussing corporate responsibility, they look at the five directions of a company's commitment – to its shareholders, employees, customers, the community, and the planet. If we consider mining companies again, it looks like they have no problems in Armenia regarding the first three directions, and their support to their

local community is also above average since they often finance the construction or renovation of local infrastructure such as kindergartens. But they need to also commit to the planet.

Corporate responsibility is clearly linked to sustainable development. Whenever a company or an economy wants to attract investment, the best funders will be asking for data on responsible practices in one way or another. Companies need to be more accountable in this area if they want these big investors to put money. Anyone who believes that Armenia would stand to gain from more investment needs to think seriously about this.

Many have their definition of CSR, but international standards are available to us. For example, the Global Reporting Initiative (GRI) mainstreams specific criteria, and many of the initiatives that Armenian companies call CSR come far from what is expected at that level. There is perhaps only one Armenian company that has produced a CSR report in line with GRI standards, and this is probably because they are part of an international company – it is Coca-Cola. Specialized consulting companies prepare their reports. So if we look at their efforts and compare them to others, there is a large gap, and this culture of accountability needs to disseminate to the rest of the business community gradually. In terms of the development of CSR in Armenia, the state must encourage it. For example, there is a debate in the US Congress about pension fund investments. Should pension funds be allowed to invest only in responsible companies? The progressive Democrats insist that this is how it should be, while some Republicans consider such regulations to be against the very spirit of capitalism. We need to find a balance such that the state encourages more responsible business practices without making it an obligation that goes against business viability.



AUA MAKES IT MANDATORY FOR ALL STUDENTS TO TAKE A COURSE ON AN ENVIRONMENT-RELATED TOPIC. **IN THIS WAY, WE ENSURE THAT SUSTAINABILITY REMAINS ON THE RADAR FOR ALL OUR STUDENTS, IRRESPECTIVE OF THEIR FIELD OF STUDY**

As the leading business school in Armenia, what is your assessment of how CSR is perceived among the student body at AUA? How is this topic being maintained on their radar?

— In general, our students accept the concept of CSR and do not consider it a foreign notion that is being artificially introduced in our discourse. Our undergraduate students, I believe, think that responsible business should be the norm, not the exception. We talk about CSR in general terms within the scope of different courses, but we do not have a specialized course on CSR. It would be good to start by doing more research at our Acopian Center for the Environment or the Paul Avedisian Center for Business Research and Development. Then, based on that research, we can develop specific content for our

students grounded in the local reality. This will only be effective if we provide theories with actual local knowledge. I want to make a particular mention of the policy at AUA that makes it mandatory for all students to take a course on an environment-related topic. In this way, we ensure that sustainability remains on the radar for all our students, irrespective of their field of study. And we need to ensure that their engagement with these topics is also relevant on the practical level— subject matter discussions about the existing trade-offs, for example, or how to make real progress in some cases, even if it is a series of small steps. The real benefits of corporate responsibility in terms of sustainable development will only be seen if we remain grounded and practical in the way forward. ♦

BAGRAT YENGIBARYAN:

“We’ll Make Armenia the Next Global Tech Hub”

Regional Post Caucasus spoke to Bagrat Yengibarqan, the Founding Director of Enterprise Incubator Foundation (EIF), about the inception of the organization that is celebrating its 20th anniversary this year, EIF’s path, and the technological power that drives Armenia forward.

INTERVIEW : MARGARIT MIRZOYAN / PHOTO : EIF



Mr. Yengibarqan, what has been the foundation's mission for the past 20 years?

— After Armenia gained independence, it became imperative to institutionalize its technological potential through an environment that would foster talent and attract investment. We knew that as experts in the field, we had to undertake such an initiative. Eventually, we came forward with an idea of how exactly it could be done.

Both the technological community and the government of Armenia recognized the critical need to develop the IT industry. Therefore, we formulated a model to support that initiative and accelerate Armenia toward becoming a top technological hub. The first step in this direction was the establishment of the Enterprise Incubator Foundation, which would initiate and coordinate the operations within this process. EIF was set to start with informational technologies and, if the experiment succeeds, cover the High-Tech industry as well.

As one of Armenia's technological pioneers, how has the EIF's mission, activities, and objectives changed over the last two decades?

— Our primary goal has constantly been advancing the tech industry through discovering and testing various models for future development and expansion. The models we use aim to position Armenia as an independent, ambitious, and innovative country. We want Armenia to be and to be seen as



a place with the full potential to become the next global tech hub. This objective was experimental at the beginning, and at first, our aspirations were quite humble. The goal was to create high-paying jobs, secure outsourced projects from international companies, facilitate multinationals' entry into the country, and align educational standards with market demands. The most crucial aspect was motivating and encouraging people to pursue careers in technology and showing them the opportunities. Based on our enormous colossal success in the tech industry, our primary efforts are now focused on making Armenia a High-Tech destination and developing the Engineering, Material Engineering, Science, Cybersecurity, and Artificial Intelligence (AI) sectors in Armenia.

From the very beginning until nowadays, we put a lot of effort into drawing the attention of the technological giants and bringing them to Armenia. It wasn't easy because we did not have significant success stories then. What we did have was the solid technological and engineering legacy of Soviet Armenia, the potential, and the desire to work and cooperate with international partners. Multinationals trusted our potential and the ecosystem we built. The strategy, as you see, has paid off for both them and us. It was vital to have several successful cases to initiate the snowball effect. We also negotiated with the government to get financial support or grant tax privileges, which is one factor that attracts foreign companies to consider investing in Armenia.

BOTH THE TECHNOLOGICAL COMMUNITY AND THE GOVERNMENT OF ARMENIA RECOGNIZED THE CRITICAL NEED TO DEVELOP THE IT INDUSTRY. THEREFORE, WE FORMULATED A MODEL TO SUPPORT THAT INITIATIVE AND ACCELERATE ARMENIA TOWARD BECOMING A TOP TECHNOLOGICAL HUB



We opened offices in Canada, the United States, and Austria in the first 5-6 years to gain access to larger markets. Based on our success, we expanded our activities and began assisting local companies and startups in entering global markets and regional development activities. That was when we realized that developing our products and solutions and making them available to the rest of the world would be the key to our success. During those years, we established our first grant projects, venture foundations, and technological centers. >

What were the key moments in the history of the EIF?

— There have been three such points in EIF's history so far. The first pivotal moment was in 2002 when we secured financing from the World Bank, and the Enterprise Incubator Foundation was born. Next, after the initial success, we turned toward creating a favorable environment and ecosystem for tech development in the 2010s. That second key moment also included entry to the regions of Armenia, as we established technological centers in Gyumri and Vanadzor. The third key moment began in 2017-2018 when we expanded into engineering, science, artificial intelligence, and cybersecurity. Each of those moments is special for us because it took a massive effort from our team. The establishment of the first multinational companies in Armenia, which in turn resulted in the

establishment of innovation centers of IBM, Microsoft, PMI Science, and others, was particularly memorable. In terms of regional development, establishing technological centers in Gyumri, Vanadzor, and Stepanakert was crucial, and these centers play a vital for developing the Tech ecosystem in the regions. It was also quite motivating to see local companies, which are the beneficiaries of our grant projects, secure their first venture investments and grow into global players. Right now, the most inspiring project for us is the foundation of Engineering City. It will create an ecosystem that enables Engineering and High-Tech companies to develop and implement innovative ideas for local and international markets using modern infrastructure and tools. It will become the catalyst for developing the second High-Tech sector in Armenia after IT.

The technological centers in Gyumri and Vanadzor play a crucial role in the regional development of Armenia. Why is regional development so important for the foundation?

— The tech industry is based on human potential, and we must involve all the intelligent and bright people who can help us reach our goals. We are eager to use the full potential of the talent in every single Armenian town and village. There are plenty of fantastic specialists living in the regions of Armenia, and helping them get their dream jobs without moving to Yerevan solves several problems simultaneously. These people had the opportunity to stay with their families, earn high salaries, and inspire others in their communities to consider getting technological education. Our various educational programs in the regions are helping thousands of people to become tech professionals every year.

Enterprise Incubator Foundation (EIF) is one of the region's most prominent tech business incubators and development agencies, operating in Yerevan, Armenia. For 20 years, EIF has been called to support the development of IT and High-Tech sectors in Armenia by creating a productive environment for innovation, science and technological advancement, and company growth. EIF activities are directed towards business development, investment attraction, marketing and promotion, management, start-up creation, assistance to companies in improving professional and business skills, and creating learning partnerships within the industry and universities. These goals are achieved through numerous initiatives, each of which is a complex and inclusive platform where private and public sector, academia, research institutions, and multinational corporations cooperate and leverage each other's knowledge for shared interests, targets, and goals.



WE ARE EAGER TO USE THE FULL POTENTIAL OF THE TALENT IN EVERY SINGLE ARMENIAN TOWN AND VILLAGE. THERE ARE PLENTY OF FANTASTIC SPECIALISTS LIVING IN THE REGIONS OF ARMENIA, AND HELPING THEM GET THEIR DREAM JOBS WITHOUT MOVING TO YEREVAN SOLVES SEVERAL PROBLEMS SIMULTANEOUSLY



This model has proven to be highly successful not only in Gyumri and Vanadzor, but also for the whole Armenia, and it is now being used in other countries as well (Moldova, Montenegro). Creating Tech centers in areas far less developed and populated than the capital is, of course, no easy task for any country, and we are pleased to see how our experience can help others.

Next, we consider opening a technological center in Armenia's Syunik region, which could specialize in heavy industry solutions, as that industry is developed there. We decided to focus on these three regions – Shirak, Lori, and Syunik – because there are higher education institutions.

I would also like to add that in the modern world, it doesn't matter anymore where you work, you can connect with international partners from anywhere. The COVID-19 pandemic has proven that.

Our current issue is about investing in Armenia. In terms of the tech sector, how do you assess the existing potential of the country for investments?

— Our model attracted investment in three ways: we educated good specialists, created an environment that is favorable for investment, and when our work produced success stories, Armenia became even more attractive for investments.

Our companies and specialists are of great interest to large multinational companies in terms of investment. So today, there is no lack of financing opportunities, but there is a problem with directing the money and having an environment to realize these opportunities. The technology sector in Armenia is quite diverse and can satisfy the interests of any type of company. Another area of investment is education. Multinational and local companies realize that if they want to get the benefits of the technological ecosystem continuously, they need a regular inflow of new specialists, and therefore, they have to plant new seeds. Those companies understand that planning just a few years ahead will

Bagrat Yengibaryan has been the Founding Director of the Enterprise Incubator Foundation since 2002. 1992 Bachelor YSU Mathematics In 1994, he received an MBA from the American University of Armenia, Department of Business Administration, and a Ph.D. in Mathematics from the Armenian National Academy of Sciences in 1997. Previously, from 1994 to 1995, he was the Third Secretary of the Armenian National Commission for UNESCO, Ministry of Foreign Affairs of Armenia. From 1995 to 1998, he worked as Chief Program Officer at the Foreign Aid Coordination Center (FACC) in the RA Ministry of Economy of Armenia. From 1998 to 2002, Mr. Yengibaryan worked as the Executive Director of the Foreign Financing Projects Management Center (FFPMC) of the Armenian Ministry of Finance and Economics.

not give any result, so they think long-term, which requires quality infrastructure and a solid education level.

Armenia is also attractive to potential investors as a pilot ecosystem. Our country appears suitable for companies to launch and test their innovative products. That is why EIF is currently creating Science Incubation projects, which are also aimed at contributing to scientific initiatives and projects.

Let's try to predict the future of the tech industry in Armenia. Is it bright?

— Armenia's technological future lies in the development of its own products in cutting-edge high-tech areas such as AI, cybersecurity, biotechnologies, material engineering, electronics, and space. Armenia can, indeed, grow into a top integrative hub for developing and testing new innovative solutions. At this moment, the sector's overall progress makes Armenia's technological future appear close and bright on the horizon. I am confident that we can make Armenia the next global tech hub. ♦

“NOTHING FUNCTIONS WITHOUT VALUES”

Interview with Antonio Montalto

Regional Post-Caucasus interviewed the “most Italian citizen of Gyumri” Antonio Montalto – the honorary consul of his country in the city. Mr. Montalto shared his impressions and visions of social and business activities in Armenia and Artsakh carried out by the institutions he had led or continues to lead.

INTERVIEW : TIGRAN ZAKARYAN / PHOTO : FROM ANTONIO MONTALTO'S PERSONAL ARCHIVE



Mr. Montalto, how did you come to Armenia and decide to stay? Was it planned?

— I came to Soviet Armenia at the beginning of 1989 as a physician coordinating an assistance project in the Spitak region. Only when I agreed to join the program did I ask “Where is Armenia?” I wasn’t an ignorant person, it’s just that I’ve always valued unexpected human encounters, which eventually turn out valuable and decisive. My stay in Armenia was very interesting and full of historical, political, and social events. The first years were particularly dramatic – the earthquake, the war in Karabakh, and the collapse of the USSR. But, of course, there is a price for such things. I remember the electricity shortage and the hardships of the early years of independent Armenia. Regardless of all that, I felt fortunate, immediately finding so many commonalities between Armenian and Italian temperaments. Thus, I accepted those limitations without losing heart. I continue enjoying it here because human kindness is the precious treasure of Armenia. It is interesting to observe how bridges are being constructed between Armenians and Italians. In my case, spontaneity is why I chose to stay and continue our work here. It was a natural choice, and I never thought I should have made a different decision.

➤ Concert for the population of Spitak, 1996



Of course, with all that, I see negative things here, too, but the positive things are much more. I don’t like people who see only the positive side of things and are excessively enthusiastic, and I am cautious about people who tend to oversee difficulties.

Please tell us a bit about your activities in Spitak following the earthquake.

— In Spitak, in the beginning, we constructed a pediatric hospital and a maternity center, which commenced in 1989. Here’s a fascinating fact – initially, it did not look like the general situation in Armenia would soon turn for the worse. We worked with the conviction that everything would go back to normal. I love ordinary things,

normality means constructing something diligently, step by step, for long-term functioning instead of assuming it will serve for a brief period. The best projects are integrated into the nation’s fabric in the areas where you are doing your work. The most crucial part of those projects is the relations with the involved counterparts, i.e., the people. These people are doctors, paramedics, and technicians with professional education and human skills. Turning from emergency operations to development activities is fundamental in this kind of assistance projects. So back to the pediatric hospital. We have cooperated there with Spanish experts, and this is a beautiful thing that people from various nationalities come together to transfer knowledge and skills. Such projects are complex – they require years and years of training and patience, too. Their long-term objectives take time to implement in the beginning. When you sow the seeds of some new idea, you cannot expect to see its results very soon. But what matters most are the values, and without values, nothing functions. One of the reasons for the present crisis in the world is that we rely too much on experts, and they usually differ from those who build the future. The future is created by sound and knowledgeable people with skills and a vision of life. But, even with good and skillful people, it takes work to build something. Our projects reckon with this reality. ➤



^ OFMA, Spitak, training activities, 1996

I am well aware of your input in the development of neonatology in Armenia and Artsakh. Could you elaborate on that?

— We have worked in Armenia and Karabakh, as well as in specific maternity centers in the regions. We channeled our efforts towards establishing connections between those institutions and the central ones in Yerevan and also – which is even more critical and fundamental – renovating regional institutions, refurbishing, providing equipment, and supplying sufficient medication. Last but not least, we also organized visits of specialists from abroad who came here to work with their Armenian colleagues. The last point is of utmost importance because seminars and theoretical training might be helpful – I don't argue – but it is only through working together for some period that a natural skill-learning process happens. So we have to pay attention to what is taught and how it is taught, which requires lots of time.

Seeing how a human feeling drives people to make sacrifices is beautiful. A heartless person is not capable of sacrifices. A mother is undertaking self-sacrifice for the sake of her own child but does not get exhausted by it because she has a caring heart. With this approach, we did our job in different parts of Armenia, such as Goris, Martuni, Gyumri, Maralik, Artik, etc. We worked in Karabakh from 1998 to 2003 and renovated the maternity center there. It has been a key institution there, and there were doctors from Italy and the UK who visited there and specialists from Karabakh who have been in England. This was a very efficient exchange and thus became the new neonatology center in Stepanakert. Neonatology is complex; thanks to the excellent job done in those centers, many prematurely born children's lives were saved. After Stepanakert, we also set up maternity centers in Karabakh's Martuni, Martakert, and Hadrut. These have been success stories, and we

➤ Spitak Art School, 1995



WE CAN HELP BUT CANNOT SUBSTITUTE PUBLIC INSTITUTIONS. WE SHOULD GRADUALLY RETIRE FROM THE SCENE IF WE DO A GOOD JOB. BY THIS, WE WOULD ENCOURAGE PUBLIC INSTITUTIONS TO DO THEIR JOB

served families there. This has been revolutionary even though it is a rather challenging project.

We have arrived at this point only because we stayed so long here. Our projects were not short-term ones. This implies a significant responsibility, and we could see the results of our work and assess whether we succeeded or failed in the long run. It is not like seeing an immediate positive impact, declaring it a success, and going away. In reality, projects are of value if their outcome remains at least six months after their conclusion. Therefore, we should have the courage to face the outcomes after months, a year, and a longer period following their conclusion.

We have learned many lessons based on our previous errors and experience, and in the early 2000s we decided to stop providing humanitarian assistance and shift to other activities. After all, it is to the benefit of Armenia that its national institutions – i.e., the State – took charge of supporting the needy. We are but a small organization with limited means that could not

implement a project of such magnitude. It was time to shift from emergency mode to normalcy. It is the Government that intervenes in favor of the needy under normal conditions. We can help but cannot substitute public institutions. We should gradually retire from the scene if we do a good job. By this, we would encourage public institutions to do their job.

How did you shift from assistance projects to growth-oriented ones? What about social business projects and their success?

— I was going to talk about the second phase. Our decision was a rather bold step. When you do a humanitarian project, there's always a specific budget. But we opted not to have one in this case. We assumed that looking only into the shortcomings of Armenia to pursue our work would not serve the country the best way. We decided to address the roots of the problems. This was a somewhat risky enterprise because, by that time, Armenia was only starting to recover from economic hardships.

However, once the country entered a period of relative stability, a marker of such normality should have been the presence of properly preserved and renovated historical buildings in the city. So I had to struggle with my colleagues over the decision to buy the first house and start a social business of a boutique hotel with one room, then came the second, a third, and so on. Currently, in sum, we have 60 rooms in our hotels.

The idea was to take on our own shoulders some responsibility in such areas, which is not precisely the primary mission of the State.

We started to carry out regular business activities. We took bank loans, regardless of the tremendous personal risks put at stake. If we failed, we would have to close the business, if not – we would continue. Thank God it's been 25 years since the comparatively unstable year of 1998 that we are in business, and the Family Care Foundation is developing this kind of business with its particular philosophy. So we have renovated Villa Delenda, Villa Aygedzor, Villa Kars, Villa Kumayri, and so on.

This is an area from which we will smoothly retire, too. We have done things that were noticed. Our business has seen apparent success stories, including restoring historic buildings. In Gyumri, we have had time to take a particular building and recreate it, salvaging a piece of the city that can become a development model in miniature. This includes the restoration of historic buildings, tourism, and handicrafts as a source of income. The last point was mainly but not exclusively about ceramic artisanry. We also had the idea of adding here silversmithing and carpet weaving. A fourth element is essential here – it is not what we do but how we do it. If we are not good citizens of Armenia and don't encourage others to become the same, our job is pointless. Transferring from a state of emergency to some normality requires interaction between solid State structures and

➤ Villa Delenda, Yerevan



its citizens. Many would say on any occasion – this is the State's responsibility! However, the reality is not that simple.

If one asks me what is the result of our work? I would answer: Being good citizens and helping others to be good citizens is fundamental. Armenia can easily integrate into the world. But Armenia has first to regain its position, which is of a small yet significant nation. The value of a nation is what it succeeds in giving to the world and how it achieves the goal of making the world a better place, and with beautiful Armenian traditions, that is possible. This is not a complex task, and many looking at the present state of affairs globally can assume we have failed. In reality, Armenia is a gift from God, and Armenians are among the most positively influential people in the world. This sector we are engaged in – the restoration of historic buildings, handicrafts, and cultural activities – is a beautiful illustration of that point.

I know about other social and social-business activities in Gyumri which were quite a success; what is the idea behind them?

— We have set up a European library, an Italian one, and currently, we are setting up a Russian one. This has nothing to do with politics, it is simply cultural, as people become better with culture. We have to create meeting points for the community. We must do our job; we are not politicians and should not judge others. We have to help everyone to feel in their proper place culturally. We have to create conditions for someone who comes to Gyumri and wants to take a Russian book to sit and read that book and feel exactly at home. Others resolve things other than this. Armenia is a hospitable nation; we welcome people regardless of many motivations. Life is a one-way journey, and solidarity among people is precious. There is another important thing we have been discussing recently: the

school of ceramics. I am a doctor and have yet to learn about ceramics. Still, the providence has put us in a situation where we met with people of immense generosity – I have no idea how – who have agreed to provide education in that area. Thanks to trained artisans, Armenia can resurge in the handicraft sector, particularly ceramics. Who were those people? Armenians from Turkey and Jerusalem, but amazingly not from Armenia, as it happens frequently, and we have painstakingly brought back that knowledge to Armenia. Apart from this, the important thing for me is the opportunity to work and to improve the living standard here.

Our ceramic producer had an exposition in France – in Lyon and Paris. Presenting Gyumri's ceramics abroad is very touching. It means we are on the right track regardless of all difficulties. This project was a venture which has developed beyond our expectations.

We had special Christmas events in France, but otherwise, the recent times were full of challenges: COVID, to name a few. But we have worked hard and with great hope, despite those difficulties, to help the ceramics of Gyumri gain recognition. It is an element in the touristic product we offer – Armenian authenticity. At least we have to preserve the Armenian ceramic traditions whose origins are in the cities of Kutahya and Iznik and which have moved elsewhere. Otherwise, we are happy because handicrafts and agriculture are the bright future of Armenia. I believe that technologically-managed bio-agriculture and ceramics using modern technologies, added to the immense potential for inspiration from the untapped Armenian traditions, would produce great results. Armenia has no match in this sector globally. These sectors can be an integral part of economic growth. Everyone, including those engaged in the intellectual type of job, should do some handicraft because it helps people in life, pushing their limits beyond, opening up new horizons for creativity.



PRESENTING GYUMRI'S CERAMICS ABROAD IS VERY TOUCHING. IT MEANS WE ARE ON THE RIGHT TRACK REGARDLESS OF ALL DIFFICULTIES. THIS PROJECT WAS A VENTURE WHICH HAS DEVELOPED BEYOND OUR EXPECTATIONS

We are moving in these directions, having at our disposal the studio in Gyumri, the handicraft promotion center, which means a permanent vernissage.

How well do you think you and your projects are integrated into local community life, particularly in Gyumri?

— We have to dream and keep collaborating, uncovering the most general and authentic aspects of governance, I mean the local one, and understanding the people in the communities. So this collaboration with the public sector is a challenge we currently face. It might look like things are pretty good in that sector, so why should we cooperate? Because we have to serve our brothers and sisters. When asked about tourism, I say tourism is not my prime objective. The project goal is a better quality of life for the citizens. So we must take that point and think about developing tourism. Otherwise, tourism is essential, too. We'll have millions of tourists here if we work by involving the local com-

munity. If the locals are concerned, they will be additionally motivated to clean their doorsteps and renovate their house facades, which are all essential elements for tourism. We can create a paradise on earth, and we can do that in Armenia by working and setting ambitious goals, such as creating better conditions for the neediest. The state should take care of not only the intellectuals and the rich but everyone. Things go wrong if they think of only a section of the population. The private sector does so, but that sector has its motivations, and it is the state's duty to act for the sake of the public good. It should consider the interest of the entire society from the bottom to the top. While the importance of the state is fundamental, it is strengthened only when the citizens are empowered. Collaboration between the two is a must. This applies not only to Armenia but also to every other country. This country has so much kindness and generosity that should radiate worldwide, its tremendous spiritual energy should be set free.



◀ Antonio Montalto with a customer, Family Care Foundation, Muscari Association, Gyumri ceramics expo, Paris, 2017 Dec

▼ Family Care Foundation, Muscari Association, Gyumri ceramics expo, Paris, 2017 Dec

And you are one of those contributing to it.

— I hope so. When I see my Armenian colleagues catching up with me and going ahead, I say to myself, “Ok, maybe it’s high time for us foreigners to leave the scene gradually; we shouldn’t be overrepresented.” So then, it’s the turn of our Armenian colleagues to further the cause. In that case, I can state that we have succeeded. Otherwise, it is a failure.

Why is Gyumri so important to you? Why are you so attached to it?

— I have been an honorary consul in Gyumri for 22 years. The city has been reanimated economically and more fundamentally, with elements of hope germinating. I say only “elements” because an ungrounded and inflated

hope will be counterproductive. Meanwhile, my hope is based on the hard facts of the great potential that Gyumri has had historically.

This large city center is essential for the further development of Gyumri, and I mean the development in terms of this city’s mission – arts and culture. You can otherwise do high tech and stuff like that, but this is more fundamental. So we have worked out a project on the city’s historical center. This means providing thousands of jobs to the locals and creating conditions for increasing the living standard.

But all this requires determination and adapting to saying “no”. Let me explain what I mean: one can give up a general good for the sake of a particular one. It happens when relations matter more than values, which should not be the case. This happens especially in smaller communities where one has to have strong convictions to say “no” to friends, relatives, or neighbors. Instead, the common good should be prioritized over a particular one – this should be the guiding principle for a person in the office. This is a challenging task, however. In that fight, one loses friends, significant connections, and some relatives who could otherwise be supportive. We need warm-hearted people, and Armenia is blessed with such people. You can feel it here for some reason, which is why I have never thought of leaving this country.



Looking back on your accomplishments and maybe some failures, what is your feeling about them?

— I say two things. One – I am very thankful for the providence which has put me in touch with a world that is both small and big simultaneously, such as Armenia. Another thing I say – and generally I feel very uneasy at – is that I have made many errors of which I am ashamed. On the one hand, I am creative and have done lots of things, but on the other hand, without the support of God and my Armenian friends, all this would have been impossible. I hardly notice people complaining about me or telling me I’m fantastic. But behind all the achievements, there is a lot of sacrifice by the people. All this gives me hope that even with all the errors and mistakes, one can build something meaningful. ♦



^ Antonio Montalto & Manoug Pamokdjian, Gyumri ceramics expo, Lyon, 2016



A SMOKE-FREE FUTURE THROUGH INNOVATION:

Interview with PMI's Senior Vice President Grégoire Verdeaux

Philip Morris International is present in Armenia not only as a market player but also as an organization promoting research and development. Regional Post founder and executive director Arshak Tovmasyan talked to PMI's Senior Vice President of External Affairs Grégoire Verdeaux, discussing the company's vision for the future and game-changing initiatives.

INTERVIEW : ARSHAK TOVMASYAN / PHOTO : PMI

I have heard many times that PMI wants a world without cigarettes. You know that not everybody's going to quit smoking. Some people will continue to smoke, so your responsibility as a business is to create products that will reduce harm. How is this transformation going, and where is Philip Morris right now?

— I think it's been a long journey. When you look at the totality of the research on what would be a less harmful alternative to cigarettes, in 15 years, Philip Morris has invested over 10.7 billion dollars in developing, scientific substantiation, manufacturing, commercialization, and continuous innovation of smoke-free products. Such products started to be launched in 2016. Today we haven't launched them everywhere. But today already, our smoke-free products are available in 78 markets. Our company expects them to be in 100 markets by 2025. So it is sort of a revolution in the making and likely the most significant business transformation. The critical factor is to look at what the society and the consumer need. Society clearly was at a point of no return regarding cigarettes and reducing the harm of cigarettes.



And also how other people view cigarettes, non-smokers.

— We wanted to realign with the governments and the societies and really try to address the reality of quitting smoking. Not smoking is great. But the truth is different, and as many people start smoking, many don't quit. So, what do you tell them at that step in the journey? And that's where

the idea came: even if you cannot quit nicotine altogether, you can go to better alternatives. The challenge at the same time was to meet both the requirements of the consumers and the requirements set by the government regulations. From a purely commercial point of view, things are going at lightning speed for smoke-free products, which constituted 0.2 percent of the company's net revenue in 2016 and

are now at almost 35 percent. Our horizon is to have the majority of the net revenues within two years from smoke-free products. Just think about it. In less than ten years, a company of the size of Philip Morris, with a history of the production of cigarettes, would have moved dramatically away from it. And it is not that another company will fill that gap in the business. In fact, we help millions and millions of people to switch from cigarettes to less harmful products.

You are, in the meantime creating new products with lots of innovation and investment; would you comment on that?

— That's a pretty new approach. I mentioned government regulations because it is my day-to-day job to speak to them and find the path toward the end of cigarettes. The traditional tobacco control policies we fully support are prevention, cessation, and then taxation, which are supposed to regulate consumption. All those policy tools are perfectly ok and have been in place for a long time. But when you look at, for example, smoking prevalence in Armenia, it was over 25 percent in 2015. It will take a long time before the end of cigarettes, and that's where we say that you can accelerate the whole thing by providing these adult smokers who do not quit with better alternatives. It's constant research in motion by PMI to find what is going to be the best solution and for whom. The more we develop products, the more success it has, and the more we need to address the needs of the consumers.

One of the critical elements of this is harm reduction, especially for the people close to the smokers - second-hand smokers. That is what excites me. I have never been a smoker, and I am happy that it addresses this category.

— It is helpful to mention harm reduction as many people don't know it, instead thinking about the government policies on tobacco and cigarettes,



specifically prevention, taxation, and cessation. Harm reduction is a principle enshrined in the only international tobacco control treaty, the Framework Convention 2002. What we see is the potential of that concept to be used not only for tobacco control but also for other sources of non-communicable diseases. And several governments are going in that direction. I think a most formidable example of this is the case of the United Kingdom. There has been an explicit endorsement by public health and a clear recognition that if you are a smoker, you should have access to a less harmful alternative. That is a kind of pattern that we want to see elsewhere.

Let's come back to Armenia. PMI decided to open a Research and Development Center, one of just a few worldwide. Why did Philip Morris decide to do it in Armenia, and what is your impression of the Armenian R&D Center?

— Armenia has an outstanding reputation in terms of academic excellence. This is true for us and in a number of sectors, and we're looking at things which will positively contribute to our company's development. We are doing various stages of research. A particular footprint we have here is the combination of engineering and data science. We are supporting


thousands of students who have been able to use our facilities for years. So we are completely fine with keeping the science and research ecosystem here in Armenia. And the fact is that we have diverse activities conducted on behalf of the PMI here. It's a bit like a Swiss army knife in innovation and research that we are positioning here. It's been a sizable investment here because, since 2018, we have invested 20 million dollars as a commitment over the past five years, regardless of the external circumstances. That's the reason why I am here today. We would like this research and development footprint to help us go further.

The establishment of the R&D Center in 2018 here was a great thing, and PMI coming here said, "I'm not only going to use your science potential but also invest here," and I think Armenia has greatly benefited from it.

— It was a win-win partnership. We know the importance of the research and scientific or academic excellence of Armenia. Brain drain is one of the most significant facts for the country's future. The fact is that these talented people of Armenia go abroad and bring their expertise back to the country. We like to think that this positively affects a fundamental point for the country's future, which is the ability to retain scientific and research talent. ♦

SUSTAINABLE LIVESTOCK AGRICULTURE AS A KEY TO ECONOMIC PROSPERITY IN RURAL AREAS OF ARMENIA

TEXT : TIGRAN ZAKARYAN / PHOTO : STRATEGIC DEVELOPMENT AGENCY (SDA) NGO

 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development
and Cooperation SDC

 SDA Strategic Development Agency
Strategies for Development

TRADITIONAL TRADE WITH A LOT OF IMPACT ON MODERN SOCIETY

Livestock farming is a traditional business, but even in the 21st century, it would be wrong to consider it outdated. This sector has a far-reaching impact on local communities and the country as a whole, both in the public and private sectors, with a solid potential to address unemployment and labor emigration issues and improve living standards in the regions. Through multiple implementation phases, the “Livestock Development in Armenia” project seeks to address such issues through a systemic approach of pioneering efficient livestock practices, initially in southern Armenia and then expanding to the north. Closely linked to other specific industries and services, livestock production can contribute to their development with minimal environmental impact when

Definition: A value chain covers the whole trajectory of a product, from inputs through farming, harvesting, processing, and transport, to sale to the consumer.

effective methodologies, modern technologies, and appropriate equipment are placed in the hands of skilled and knowledgeable farmers.

Thanks to the Project, smallholder farmers, milk and meat processors, cattle buyers, providers of farm support services, wholesalers, other stakeholders in the milk and meat value chains, and communities in the Project locations have experienced tangible successes, including but not limited to better access to markets, stable links to collecting and processing businesses, increased productivity, investments and, ultimately, profit. Farms productivity improved due to the development of farm support services (e.g. veterinary and animal artificial insemination, extension services) by veterinarians, agro-input suppliers, mechanization specialists, efficient animal breeding and fodder production practices, as well as improved capacities of farmers/smallholders in animal husbandry. In addition to the increased productivity, the enhanced milk collection and cattle trade infrastructure and better market linkages between farmers and processors allowed absorbing additional milk and meat produced by smallholder farmers in the target area. Notably, the Project also helped establish the Syunik Animal Market, which later transformed into a social enterprise called The Ranch. The Project has also supported local self-governance bodies to enhance their capacity to address the needs of farmers in their communities, such as the access and use of community pasture lands and relevant infrastructure development, availability of support services and access to information, improvement of municipal services, public animal health services, data management and documentation related to livestock.





LIVESTOCK REARING IN ARMENIA'S RURAL AREAS AND ITS SOCIAL SIGNIFICANCE

Agriculture is the main occupation and source of income for most rural residents of Armenia, constituting roughly one-third of the country's population. Livestock farming, in particular, has been the primary income source for centuries in more elevated areas, where flat land is scarce and climatic conditions are less favorable for farming. Meat and milk processing have traditionally given rise to a number of trades, the importance of which is hard to overestimate.

However, with global warming and population growth, the modern age requires more efficient animal husbandry to adapt to changing conditions. The Project's main achievement is not simply the growth of meat and milk production and improvements in the value chains linked to them but, more importantly, the development of knowledge and skills in livestock farming. Improved livestock breeding and rearing methods can have profound social and economic effects, especially in regions with lower living standards than the capital, Yerevan, or other villages that can quickly grow and sell crops. It also has untapped potential to revive disadvantaged communities and create new jobs locally. ➤



Key Achievements: General*

- ▶ Over 150,000 residents of rural settlements have improved access to agricultural markets and farm support services
- ▶ 168 farm support services providers such as veterinary, cattle artificial insemination, and supply of agro-inputs were established or capacitated to serve farmers in the selected 220 villages
- ▶ Around 70% of male and female farmers used farm support services to ensure animal health and implement breeding programs. Thus increasing farm productivity, quality, and output of milk and meat
- ▶ 74 businesses invested in milk collection, processing, marketing, and cattle trade infrastructure
- ▶ Dairy cattle productivity increased by 25%, and beef cattle productivity increased by 32%
- ▶ 46,450 direct beneficiary farmers (44% were female) earned more income from milk and meat. Cash income per smallholder farmers increased by 60%
- ▶ 396 off-farm jobs (33% for female) were created in milk and meat value chains in addition to 1,311 on-farm jobs or self-employment
- ▶ Farmers and private intermediary businesses in meat and dairy value chains invested AMD 2.2 billion (CHF 5.1 million) with the facilitation of the project
- ▶ The volume of milk traded by farmers increased by 86% (comprising 201,000+ tons in 2020)
- ▶ The volume of meat trade by farmers increased by 60% (containing 11,700+ tons in 2020)
- ▶ Additional net income received by farmers from milk and meat in 2020 included more than AMD 13 billion (CHF 23 million)

“ I HAVE PARTICIPATED IN VARIOUS TRAINING SESSIONS AND HAVE LEARNED NEW THINGS, FOR EXAMPLE, THAT VENTILATION IS ESSENTIAL. WE ALWAYS KEPT THE ROOF STACKS CLOSED IN WINTER, AND NOW WE HAVE LEARNED THAT IT DOES NOT HARM, BUT ON THE CONTRARY, IT HELPS BECAUSE THE MOISTURE DISAPPEARS FROM THE CATTLE SHED. BESIDES, WE SAW IN THE FARMS OF SISIAN THAT THE ANIMALS ARE SITTING OUTDOORS DESPITE COLD WINTER AND ARE VERY CALM AND STAND THE COLD” (FARMER, FEMALE, VAYOTS DZOR, KHACHIK)



* All presented key achievements are related to Phase 4 (2014-2021) and Phase 5 (2017-2021) covering respectively the South and North of Armenia.

GEOGRAPHY, PROJECT PARTNERS, AND BENEFICIARIES

The Livestock Development in Armenia Project has been implemented by the Strategic Development Agency (SDA) and funded by the Swiss Agency for Development and Cooperation (SDC) since 2006. The 5th phase of the Project (2017-2021), which covered northern Armenia, was also co-funded by the Austrian Development Agency (ADA).

The geography of the Project is impressive, including a significant and strategically important part of the territory of Armenia in its northern, eastern, and southern regions along the borders. In fact, it included a good number of the rural communities of the Syunik and Vayots Dzor marzes and Gegharkunik, Tavush, Lori, and Shirak (in total 220 settlements), thus ensuring the Project's presence in the majority of Armenian administrative districts.

The beneficiaries and partners of the Project were on multiple levels and in both public and private sectors, such as farms, municipalities, processors, service providers, etc. In particular, the Project had five phases and gradually increased its support from 3000 farmers around Goris during the 1st phase to around 160,000 farmers in total during the final 4th and 5th phases, which ran simultaneously in southern and northern Armenia.

Meanwhile, thanks to the Project, the income of 46,450 livestock farmers (44% female) has increased by 60%, engaging 17% more end-beneficiaries than initially targeted.



LIVESTOCK HEALTH IS THE FARMERS' WEALTH

One of the components of the Project was dedicated to improving veterinary medicine and cattle artificial insemination services in target regions through investment and capacity building of existing or new service providers to increase service efficiency, quality, and sustainability. Establishing a network of veterinary services and artificial insemination points brought about significant changes in the quality of cattle breeding and rearing in those areas.

Thanks to the Project, local professionals were capacitated to establish 102 veterinary and 52 artificial insemination points from 2014 to 2021 in the Syunik, Vayots Dzor, Gegharkunik, Tavush, Lori, and Shirak marzes. These private veterinary service points provided services to over 15,200 households involved in animal breeding in 217 rural settlements in 2020. Over 50,000 private cattle insemination services were provided during the Project's lifecycle.

The quality of the services offered by such points received high satisfaction ratings from the farmers (92%), who noted the importance of veterinary services in preventing and treating animal diseases and contributing to the growth and improvement of their livestock.

Project Phases:

Funded by SDC:

- ▶ Phase 1 – 295,000 CHF (2006-2008)
- ▶ Phase 2 – 2,500,000 CHF (2008-2011)
- ▶ Phase 3 – 5,412,520 CHF (2011-2014)
- ▶ Phase 4 – 11,245,756 CHF (2014-2021)

Co-funded by SDC and ADA:

- ▶ Phase 5 – 5,432,600 CHF (2017-2021)

Total: 24,885,876 CHF

The Project's scope not only gradually increased in terms of geography and number of beneficiaries but also in the number of supportive services, systems change, level of impact, and even crisis response, given the situations around the COVID-19 pandemic and the 2020 war in Nagorno-Karabakh.

“IN THE SYUNIK AND VAYOTS DZOR MARZES, VETERINARIANS ARE MORE AWARE OF THE AVAILABLE MEDICATION. THEY KNOW WHAT MEDICINE CAN BE USED IN CASE OF ANY DISEASE. THE PROJECT HAS A TREMENDOUS ROLE IN ALL THIS SINCE IT HAS ORGANIZED SEVERAL TRAINING SESSIONS FOR VETERINARIANS AND HAS CREATED OPPORTUNITIES FOR US TO MEET EACH OTHER AND COMMUNICATE” (SUPPLIER, YEREVAN CITY)

Furthermore, during the implementation of the Project, the veterinary and artificial insemination service providers continued receiving support to optimize their investments and costs gradually. As a result, the established veterinary and artificial insemination points started to profit relatively quickly, making way for reinvesting profits into providing additional demand-driven paid veterinary services. The veterinary points also became self-financing over time, reinvesting profits into necessary instruments and medication. The farmers themselves emphasized the importance of preventive measures and regular visits to the veterinarian, which was the direct result of improved knowledge via the training and consultation sessions provided by the Project.

In 2020, well around 70 percent of the targeted farmers involved in animal husbandry were served and/or consulted by a veterinarian on disease prevention, animal care, and livestock rearing practices, thanks to the 102 veterinary points operating in the target areas. The Project also improved interactions between local veterinarians and veterinary medication and instrument-supplying companies, expanding their distribution geography, supply volumes, and the number of customers. The most impressive shift was the transformation in farmers' mentality and stance towards paid veterinary services, with its positive impact becoming universally accepted among them.

Interbreeding cattle due to the overuse of a small number of bulls was an increasing problem in Armenia, resulting in a degenerating cattle stock. To address this issue, the Project capacitated local professionals to provide cattle artificial insemination services, an internationally accepted practice of improving the genetics and, therefore, the health and productivity of cattle. It is important for the farms' performance since the quantity and quality of milk and meat production increases by respectively resulting in increased income. Artificial insemination also gives farmers more control over the timing of insemination and therefore calving, enabling farmers to avoid calving during peak dairy production times



or when milk prices are highest. For example, in South Armenia, more than half of the households engaged in animal husbandry applied to artificial insemination points established by the Project, resulting in over 30 percent of the local cows being inseminated artificially in the target area in 2020. In addition, to improve farms' herds from year to year, having a good replacement policy (replacing old/non-productive animals with better/younger ones) is essential. This was not a common practice in the target areas of the Project, leading to low productivity and additional costs due to cattle poor fertility, calving issues, age, lameness, poor milking, udder problems, calf quality, and cow docility. The Project continued to support improving cattle pedigree characteristics and promoting replacement practices. The livestock replacement scheme was first successfully tested during earlier phases of the Project. Interventions in this direction also improved farmers' understanding of cattle valuation by differentiating between "bad/with poor and good cows, which can be twice expensive, reaching over AMD 1 million (CHF 2,300) per cow. One of its spectacular advantages was the immediate effects on animal productivity while proving the commercial benefits of improved cattle genetics and stimulating demand for artificial insemination services.

New cross-border market linkages have been established between wholesalers and retailers in Georgia and Armenia. Private businesses (dairy processors and inputs suppliers) were supported to develop or improve their export strategies, which increased the export volume of cheese, sour cream, curd, Armenian yogurt (matzoun), and dairy ferments to Georgia. Thanks to the established partnerships and improved export capacities of private businesses, trade turnover (on farm inputs and dairy products) between Georgia and Armenia constituted over 1 million USD in 2021.

CROSS-BORDER COOPERATION

To safeguard the strategic and long-term impact of the Livestock Development in Armenia project, it was essential to facilitate private sector development and establish intensified cross-border economic relationships, including export opportunities of dairy products to neighboring Georgia. As a result, of the Project, Armenian and Georgian consumers directly benefited from products with increased availability, higher quality, and better prices, thanks to the intensified cross-border trade of meat and milk products. Additionally, in the northern regions of Armenia, the Project linked the commercial wholesalers of veterinary and artificial insemination inputs directly to the network of village vets to ensure a sustainable and direct supply of a diverse range of materials. >

MANAGING PASTURES FOR INCREASED QUANTITIES AND QUALITY OF MILK AND MEAT

With shifting climatic conditions and limited availability of land suitable for pasture, the latter's management has become and remains relevant for any farmer in Armenia. This needed lots of expertise and incentives to revise the established practices. Availability and access to natural pastures are vital for sustainable livestock development. The impact of risks on natural ecosystems, which are formed as a result of spontaneous livestock breeding, could increase drastically: the entire biodiversity, fodder production, and agricultural food production are endangered, which in its turn



Key Achievements: Infrastructure*

- ▶ 212 km of roads are built toward remote pasture areas
- ▶ 213 stock watering points for cattle are built
- ▶ 70 camping places for cattle and 13 milking parlors are built
- ▶ 58 shelters for shepherds are built
- ▶ 210 ha of overgrazed, degraded pastures are rehabilitated

- Rural municipalities implemented 309 initiatives to improve pasture infrastructure and rehabilitate overgrazed or degraded pasture lands.
- Municipalities invested 31% of AMD 1.2 billion (CHF 2.8 million) total investment, ensuring that:
 - ▶ 105,000 ha of remote pastures become accessible to farmers

negatively affects the social-economic state of rural communities and, in a broad sense, the income of the population. Communal pastures are owned by the community and managed by municipal authorities. The Project focus in this area is strengthening local/village authorities' capacities in sustainable pasture management issues and leveraging investments in infrastructure. To improve the efficiency of Natural Resource Management and develop practical approaches to pasture management, the Project facilitated the development and introduction of the institutional framework for implementing the Pasture Management system at the community level. In each rural settlement, working groups were formed, including farmers, representatives of community councils, local authorities, and other relevant stakeholders, which received extensive training on pasture management practices and developed 189 pasture management plans. The local authorities adopted and applied these pasture management plans, which led to improved practices on 235,000 ha of community pasture lands. All target rural settlements improved the mechanisms and procedures for inclusive access and sustainable use of communal pastures and maintained the pasture management system.

To ensure the sustainability and continuity of the efforts on pasture management, SDA established the Coordination Platform for Sustainable Management of Armenia's Natural Fodder Areas: Pastures and Grasslands in 2017 (www.arot.am). The platform allows coordination and collaboration of different stakeholders interested in the topic through regular working discussions and advocacy.



BOOSTING MEAT AND MILK PRODUCTION AND A LOT MORE

Livestock rearing aims to get and market better quality milk and meat in larger quantities. To increase milk and meat production and sales, the Project provided capacity building and technical assistance to milk processors and farmers in the target regions and promoted investments in milk collection and cattle trade infrastructures. Interventions focused on expanding the collection network of buyers and establishing milk collection and cooling points, particularly in the most remote villages with limited access to markets. In addition, technical assistance, such as marketing and management advice, was provided to dairy processors to raise the efficiency of milk supply



Key Achievements: Regions*

Gegharkunik, Lori, Tavush, Shirak

Syunik, Vayots Dzor

- ▶ Dairy cattle productivity increased by 23%, and beef cattle productivity increased by 23%
- ▶ The total volume of beef annually produced increased by 98% (in 2020 compared to 2014)
- ▶ The total volume of milk annually produced increased by 78% (in 2020 compared to 2014)

- ▶ Average milk yields from dairy cows have increased from 1,977 liters to 2,490 liters per cow per year (26% increase), and in one year, cattle average live weight increased from 148 kg to 208.5 kg (41% increase)
- ▶ 28,600 livestock farmers' income (45% female of the total number) from milk and meat value chains increased on average by 36% (in 2020 compared to 2017)

Constant links between farmers and processing companies are necessary to make milk production sustainable and attractive for investments. Therefore, milk market players usually consult farmers to get better quality milk.

Thanks to all this, the relations between farmer milk collection points and milk processors have also improved, and many have ventured to sign contracts with farmers for one year or even more extended periods.

Beef production in the targeted regions continued despite various challenges, including the deterioration of the security situation in the affected areas since the 2020 war and subsequent escalations. In 2020, the volumes of beef supplied to the local market from Syunik and Vayots Dzor marzes more than doubled compared to 2014, thanks to increased cattle productivity and the Project interventions. >

and processing and increase internal consumption and export.

During the Project period, 74 milk processors and milk collection points, including quite a number of new businesses, have improved their efficiency, increasing the volume of milk collected from female and male farmers. Private intermediary businesses invested around AMD 1.9 billion (CHF 4.4 million) in milk collection and processing infrastructure, particularly for establishing milk collection points, upgrading equipment at milk processing plants, providing food production requirements, marketing dairy products and cheese, etc.

“WE USED TO HAVE MINIMAL PRODUCTION OF SAINFOIN IN THE PAST. I DIDN'T KNOW THE PROPER TIME, SOWED IT BUT REPEATED IT LATE, AND IT WOULD THICKEN. WE WASTED AS MUCH AS WE PUT INTO THE COWS TO EAT. I DID NOT KNOW HOW TO GROW IT RIGHT. I DID NOT HAVE THAT KNOWLEDGE. THANKS TO THE PROJECT, I BEGAN TO MASTER THOSE NUANCES. IF IN THE PAST, THE CATTLE WE KEPT USED TO GIVE 5-6 LITERS OF MILK A DAY, NOW THEY GIVE ABOUT 10 LITERS. THERE IS A DIFFERENCE OF 4 LITERS PER DAY” (FARMER, MALE, SYUNIK, SHAKI)

FOSTERING WOMEN'S PARTICIPATION

Livestock is a crucial sector for the economy of the most remote and mountainous rural areas. It has a vital role in rural livelihoods as a critical source of employment for women at the household level. Rural men and women play a significant role in livestock management activities, and an absolute requirement for the Project was to ensure that its activities in animal husbandry did nothing to undermine the role and economic involvement of women within the farm, family, and community. The ultimate aim was to maximize the potential of the Project to benefit and include women economically. Specific activities were initiated to encourage female farmers and improve their capacities to apply efficient animal husbandry practices.



“WITH THE SUPPORT OF THE PROJECT, IN 2016, I BOUGHT A BEEF CATTLE. IT WAS A GOOD ANIMAL, I KEPT IT FOR A YEAR AND IT GAINED GOOD WEIGHT, SO I SOLD IT AT A GOOD PRICE. NOW I ALSO WANT TO GET THAT KIND OF ANIMAL THROUGH INSEMINATION AND WORK ON ANIMAL FATTENING”
(FARMER, FEMALE, VAYOTS DZOR, KHACHIK SETTLEMENT)



Thanks to the Project, female farmers have improved their skills and knowledge of animal husbandry and their confidence and ability to make informed decisions at the farm level. The Project enhanced income-earning opportunities for both men and women: of the 46,450 farmers that earned more income from milk and meat during the Project, 44% were women. One-third of the 396 off-farm jobs created by the Project were for women. Due to the increased trade of raw milk in the selected areas, the volume of cheese production within households decreased, and women, who were predominantly responsible for cheese processing, could dedicate time to more productive and valuable activities. The Project also facilitated and motivated farmers to buy milking machines on credit, reducing the burden for women since milking is primarily a role that women take in traditional Armenian setup. Moreover, women's participation in different capacity-building activities (including training on gender issues, farm and budget management, marketing, presentation skills, etc.) contributed to increased skills, knowledge, and self-confidence to participate in decision-making at farm and household levels. For example, in Vayots Dzor and Syunik, women's involvement in the income management process was greatly influenced: the share of farming households where women participated in income management increased from 67% to 93%. Last but not least, despite women's increasing involvement in milking and milk processing, their manual workload decreased thanks to the automated milking machines used, also leading to increased sales of raw milk (which meant a decrease in milk processing by women at home).

ANIMAL MARKET: THE RANCH

Access to markets is a critical component in the value chain associated with cattle breeding and meat and milk production. It can enable the more effective sale of cattle and meat and access to high-breed stock. This is why the Syunik Animal Market was established in southern Armenia in 2015 (renamed The Ranch LLC social enterprise in 2022).

The Ranch aims at systematizing animal trade in Syunik and Vayots Dzor and has had an impressive impact on the increase of meat production volumes in southern Armenia. The Ranch helps establish direct and stable relations between beef buyers, major cattle buyers, and farmers with its services and infrastructure. It also serves as a platform for knowledge transformation and experience exchange. Within the Project framework, a range of intermediary cattle trade services were piloted and introduced to smallholder farmers and meat traders to organize animal trade better. Such intermediary services included, for instance, the provision of information on livestock available for sale in rural communities of Armenia, organization of regular sales of beef cattle to slaughterhouses and other institutional buyers, sale of milking cows and beef cattle on credit, sale of high-quality heifers and cows, etc. Among other services, credit schemes for animal trade and agricultural equipment trade were available for farmers, which helped them increase the number of cattle with better breeds and equip their farms with fodder mills and milking machines without substantial and immediate investments. The farm equipment was sold on credit to make it affordable for small farmers, and embedded extension services were provided (e.g., feeding ratios for different types of cattle, maintenance of milking machines, etc.). Agricultural tools and equipment targeting female farmers were introduced to ease their activities in milking, milk storage, and transportation to milk collection points.

The Syunik Animal Market website promotes the services provided by the Animal Market (www.animalmarket.am) and informs farmers about them. In addition, the website contains a page called “Farmers’ Corner,” where farmers can find information on advanced methods and practices in animal husbandry and related fields, including professional materials, guides, leaflets, etc. Working as a social enterprise rather than a commercial business entity, the Animal Market also welcomes students majoring in agricultural professions, including those specializing in veterinarians, to undertake internships at its premises. This platform is a learning hub for farmers and veterinarians from

all the regions of Armenia to enrich their expertise in areas like fodder production, breed improvement, animal health, biosecurity practices, poultry and cattle farm management, and many others.

The Animal Market has great tourism potential as well. Since 2017, The Ranch has been hosting the yearly Sheep Shearing Festival, a unique attraction for tourists and an excellent opportunity for farmers from nearby villages to sell their products.

The overall success of the Animal Market in the Syunik Marz can be an inspiring model for creating similar hubs in other parts of the country and, in general, serve as a successful model for the future of the agriculture sector in Armenia.



CONCLUSION

In general, the Project has shown great potential for applying innovation and being forward-looking through the example of livestock-related value chains in Armenia. This approach has the potential for significant development at different levels of the relevant value chains, improving the quality and quantity of agricultural products. Moreover, it creates a substantial opportunity for skill development and employment for many, including women, in the country’s rural areas.

There is no alternative to using new technologies and methods since there seem to be more external challenges now than at the launch of the Project – the staggering instability along the border has added further complexity to the current climate issues. Despite the difficulties emerging from COVID and the war in Nagorno-Karabakh, the systems change achieved by the Project led to a critical improvement in the attitudes toward reasonable practices of pasture management, veterinary service, and livestock rearing. These principles continue to be applied in new SDC-funded projects in Armenia, focusing on sectors such as agriculture, tourism, vocational education, and training. ♦

CSR in Armenia: Business and Impact



A Commitment to Impact:

COAF's Story

While many organizations work to improve lives in rural Armenia, few can claim to have the impact that has been achieved since 2003 by the Children of Armenia Fund (COAF). This article looks at what they have done so far, what lies ahead, and how the Armenian private sector can join the effort.

TEXT : NAZARETH SEFERIAN / PHOTO : COAF



More than 20 years ago, an American-Armenian with roots in Istanbul, Dr. Garo Armen, visited Armenia for the first time and ended up in the village of Karakert in Armavir. Much to his shock, he discovered that the local residents did not have access to fresh water, and had to buy this essential resource from the neighboring village. He recognized the need for urgent action and the idea that took shape in his mind on that day is now one of the most impactful organizations in Armenia – the Children of Armenia Fund, or COAF. From that initial focus on infrastructure, COAF has evolved into an organization that provides holistic support to 76 communities and 6 regions in Armenia, and 6 communities in Artsakh, with three programmatic pillars – education, economic development, and healthcare.

INVESTING IN EDUCATION

COAF has a long-term vision for the development of Armenia and this includes very early investments in the education journey undertaken by children in the organization's beneficiary villages. Anyone in Armenia with even the slightest of knowledge of COAF's activities is aware of the SMART



Center in Lori, a 2300-square-meter, state-of-the-art educational hub in north Armenia that provides more than 2000 children from 27 communities with free education in a range of areas such as engineering (mechanics, programming, agritech), languages (Chinese, English, Russian), entrepreneurship (finance, management, marketing), music (vocals, sound design, musical instruments), and much more. The success of this center has led to plans for expansion

in Armavir, Gyumri, Goris, and Kapan. The plans in Armavir consist of clean energy programs, while in Gyumri, there is a partnership in the works for a potential branch of the prestigious EHL (École hôtelière de Lausanne) Hospitality Business School. COAF also gained the aid of the European Union by receiving around €20 million in grants and loans along with land donated by the state for their plans in Syunik. With this aid, they intend to open two sites



▼
Liana Ghaltaghchyan,
Managing Director of COAF



in Goris and one in Kapan that will include not only SMART centers but also agriculture activities and sports complexes as part of their SMART Initiatives. “COAF’s SMART Citizenship curriculum was built using the 3H Theory of holistic learning. The 3H theory targets simultaneous cognitive (head), emotional (heart), and psychomotor (hand) development of students through project-based instruction of 18 different programs that help students discover themselves, develop life-long skills and reinvent a cosmopolitan outlook,” says

Liana Ghaltaghchyan, Managing Director of COAF. But COAF’s investment in education is not limited to the SMART Center. Their programs also provide scholarships to promising young citizens and allow them to access the best opportunities in university education in Armenia. Several foundations and businesses have supported them in making this possible, especially the Jack Youredjian Family Charitable Foundation as well as Armenia Educational Foundation, HSBC Bank Armenia, and others. “COAF’s message to the busi-

ness community in Armenia is one of collaboration and shared responsibility for the development of rural areas of Armenia. We believe that sustainable development requires the active involvement of businesses, and we encourage partnerships that leverage the expertise, resources, and networks of both COAF and the private sector,” says Ms. Ghaltaghchyan, “Through a partnership with COAF, businesses can expect to contribute to positive social change, enhance their corporate social responsibility efforts, and align their business goals with sustainable community development.”



SMALL BUSINESS AS THE BACKBONE OF RURAL ARMENIA

COAF has recognized the importance of supporting the development of small businesses in beneficiary communities. This promotes local entrepreneurship and self-sustainability, empowering individuals to create their own livelihoods. It also helps to diversify local economies and reduce dependency on traditional industries. Additionally, the growth of small businesses stimulates job creation, enhances income levels, and contributes to overall

economic resilience. For example, COAF has also provided grants for the development of local businesses here such as the CheeseUp enterprise and Chamich B&B.

Like these two small businesses, the biggest investment into COAF's economic development pillar can also be seen in Debet, Lori. As a boost to the region's economic infrastructure and to support the SMART Center's sustainability, COAF built the Concept Hotel, featuring modern architecture that treats guests to a scenic view of the surrounding natural landscape. An expansion of this facility, with a new conference center, will soon be complete, while a visitor's center on the M6 Highway will allow people driving through this part of Armenia to make use of much-needed facilities such as a cafeteria, ATMs, chargers, and restrooms. Thus, COAF's economic development pillar recognizes the importance of creating new opportunities in the regions, and they see a role for Armenian corporations in this work. "Bigger businesses can benefit from the development of these smaller enterprises through potential collaboration and supply chain opportunities. They can work with COAF by providing mentorship, technical assistance, and access to markets and distribution channels for these small businesses," says Liana Ghaltaghchyan.

A HEALTHY FUTURE FOR COAF AND ARMENIA

The third pillar of COAF's work in the country focuses on family and child



health. There are many gaps when it comes to primary care in rural Armenia, and COAF has done tremendous work over the past 20 years when it comes to dental care, both in terms of prevention and treatment. There are very ambitious plans in 2023 for the Dsegh health center, which will provide services to 7 communities in the region, including best practices in chronic disease management to improve health outcomes and the overall well-being of the communities. Subsequent phases will include expanding to areas such as cancer screenings and child care. "we're bolstering healthcare services in rural communities and supporting the Government's primary healthcare system reform agenda. We're dedicated to working with the Ministry of Health and regional government to explore and implement innovative solutions for accessible, high-quality healthcare," Liana Ghaltaghchyan added. The Dsegh health center will be providing an institutional backbone to high-impact work that COAF has been doing in this area for a very long time. Schoolchildren in COAF beneficiary villages have received education on oral hygiene and innovative initiatives like "brush-dromes" in schools have ensured that this has led to real behavior change and a measured impact of 30% less decay. In addition, the organization has created three dental units serving more than 15 villages, meaning that 5,325 children have healthier teeth. Another important focus within the healthcare

activities is the prevention of cancer. COAF provides villagers with access to regular cancer screenings, which is critical for their future health. While there is a state policy to provide all citizens with free screenings, this has not been evenly implemented on the ground, and COAF has bridged that gap. Since 2008, 1,771 women and men have been screened on early detection of breast, thyroid, and prostate cancers. 48 cancer cases were detected and complications prevented. A lot can be said about what COAF has achieved over the past 20 years, and they make a strong case for partnership when it comes to any donor or business that wants to have real impact on the ground. It is best, perhaps, to let the numbers do the talking. As Ms. Ghaltaghchyan proudly says, "Our work and our partnerships have had a tangible impact on the communities we serve, enhancing educational opportunities, fostering economic growth, and improving the well-being of individuals. For businesses, these collaborations have demonstrated their commitment to social responsibility, strengthened their brand reputation, and provided opportunities for employee engagement and skill-building. As of this moment, the Children of Armenia Fund has aided 64 communities in 6 provinces via 170 infrastructure projects and 35 active programs, totaling \$50 million in investments. With this massive effort, more than 107,000 Armenian lives have changed." ♦



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THE POWER OF ONE DRAM/ PERSON/ SOCIETY/ COMPANY

Head of PR at IDBank, Tatevik Vardevanyan, told Regional Post about their CSR project titled “The Power of 1 Dram” and some other responsibility initiatives implemented jointly by IDBank and Idram.

TEXT : MARGARIT MIRZOYAN / PHOTO : IDRAM



REAL-TIME CHANGE

IDBank and Idram have continuously implemented dozens of CSR projects that tackle diverse issues. Around three years ago, the companies devised an exact strategy to map their directions regarding corporate social responsibility initiatives. “The Power of 1 Dram” became the flagship project of their strategy. The idea of the project is pretty simple – each time someone makes a payment via the Idram payment system, namely Idram.am, IDBanking.am, payment terminals of the Bank, and, of course, the Idram&IDBank application, companies contribute 1 AMD to this project. The nuance is that this scheme works only for payment transactions, not transfers.

Initially, the companies would choose a particular project and finance it via the fund accumulated over several months, but now they mostly fund one project each month, thus managing to support a more significant number of initiatives. At this moment, the initiative surpassed the 132,000,000 AMD mark. You can follow via the application how each second someone makes a payment and the number changes in real-time. “Any organization is obliged to return a part of its profits to its society to address the problems and demands of that society,” says Mrs. Vardevanyan, “Our CSR projects reflect our attitude towards our country, illustrating our willingness to support its prosperous and more sustainable future.”

STRATEGIC THINKING

The Idram&IDBank application and website display both the ongoing project that will receive the collected fund by the end of the program and the previous projects that have already received support. These also allow you to see the amount you’ve contributed to a specific project without actually spending any of your own money since it’s not the customer who pays, but Idram and IDBank that transfer 1 AMD each time you pay. According to Tatevik, they decided not to charge the customers this 1 AMD because just making this payment allows people to express their goodwill and join this global initiative. Furthermore, Idram users regularly express their desire to make this payment on their own and want to contribute even more than 1 AMD. Considering this interest, the companies are thinking of adding relevant features in the future. In the initially identified strategy, security, healthcare, education, and the environment are the critical areas on the radar of IDBank and Idram. But before identifying which foundation to support, companies consider the current concerns of society and the needs of the country. “When the 2020 war started, of course, our priorities shifted to defense. After the war, we added educational and rehabilitation projects for servicemen, supporting such initiatives as the 4090 Charitable Foundation, the Homeland Defender’s Rehabilitation Center, Rehabilitation City of Heroes, the 1000+ foundation, etc. Then we again

turned to other areas of interest, but when the situation escalated in September 2022, the servicemen-related projects became predominant within our scope,” says Mrs. Vardevanyan.

ACCOUNTABLE TO SOCIETY

“The Power of 1 Dram” project doesn’t have a deadline, Idram and IDBank consider CSR projects from a long-term perspective as they believe that a company should be accountable to the society in which it operates. “If we were a company that harms the environment, we would focus on eco-friendly projects, but in the case of a Bank, we don’t do any harm, we even benefit the country’s economy. Thus, CSR projects serve as a means of expressing our gratitude to our customers,” says Mrs. Vardevanyan, “We think that this is our country, we do business here, and besides paying taxes and other obligations, we should return something to our ecosystem.” In parallel with this, the companies implement dozens of short-term projects, but with “The Power of 1 Dram”, they bring a more extensive solution that is more understandable and impactful for the public. Mrs. Vardevanyan highlighted that companies usually don’t have clear CSR strategies, but when IDBank and Idram started this project, they already had a strategy with exact directions central to the company, and it made their lives a lot easier. “Corporate philanthropy can have a one-time nature and be aimed at solving one or more problems, while CSR has a strategy, and we as a responsible company pursue this strategy to deliver a more systemic approach to the problems of our very own community.”



INDUSTRY-SPECIFIC CSR

It is no coincidence that Idram and IDBank have chosen education, health care, defense, and environmental protection as the main directions of “The Power of 1 Dram” project. Since the companies firmly believe that these areas require constant interventions, and it is the development of these areas that will lead to the reduction of poverty. Besides that, the companies also try to tackle industry-specific issues, namely financial literacy. They have started a series of webinars with the “Ayb” Foundation, in the framework of which they talk to children about financial literacy. The companies also use media and digital platforms to regularly present articles, videos, and other materials educating the citizens about counterfeiting. “Recently, we launched the Idram Junior application, intended for children up to 16 years old, teaching them how to properly manage their money, make online payments, collect savings, and set financial goals. This is yet another way to create a financially literate society,” says Mrs. Vardevanyan.

THE CULTURE OF GIVING

By implementing CSR projects, IDBank and Idram try to develop the mindset of their customers while also contributing to establishing a solid corporate culture. The people working here are also proud to be part of a company that constantly emphasizes responsible projects. In 2022, the companies allocated a considerable amount of their corporate budget for New Year’s Eve to the House of Soldiers Center. They also began a campaign under the “Do Good” motto. They teamed up with Tumo Studios to prepare souvenirs in the form of little pins. Companies sent three pins to those to whom they were to send a New Year present. Thus, the recipient of the gift already became a contributor because the budget of his gift would be directed to charity by the companies: one pin remained for the recipient of the gift, and the other two pins were to be sent by the recipient to two other people, actually challenging them to do good. A number of companies and many individuals joined this initiative.

The beneficiary of “The Power of one dram” for July is the “Children of Armenia” Fund. ♦



>
reArmenia 1.0
Community Meetup,
October, 2021



New Approaches to Corporate Giving: reArmenia as a Collaboration Platform

While some businesses in Armenia choose to partner directly with non-profits on various projects, reArmenia provides an innovative new option. Regional Post spoke to their team to understand how they are making it easier and more effective for companies to give back to the community.

TEXT : NAZARETH SEFERIAN / PHOTO : REARMENIA

“Many young people have left our village because they couldn’t find a job. But we don’t need to leave the village to find one. All we need is access to computers and the internet,” says Shushan, a 17-year-old girl living in the rural community of Haghorti, Artsakh. The bright faces of Shushan and other young people from Haghorti can be seen on the reArmenia platform page dedicated to the Moonq TechnoSchool project. “The Moonq Technoschool project in Artsakh’s Martouni region demonstrated the power of collaboration between diverse organizations. The government, businesses, non-profits, educational institutions, and thousands of individuals came together to establish the technoschool. Despite the blockade in Artsakh, the students are continuing their education, working towards creating a better future for the region. Additionally, startups are operating from the school, exporting their knowledge and skills despite the challenges posed by the blockade,” says Armine Mkrtchyan, a member of the Board of Trustees at reArmenia. After the war in Arstakh in 2020, a team of dedicated people tried to understand where the country had failed and what we had

to do next. They came to the conclusion that a solution was needed to counter internal divisions and the lack of effective collaboration. This led to the birth of reArmenia – a platform to bring Armenians together in order to contribute knowledge, expertise, and funds, as well as to network, all with the aim of solving problems for the country and its people. In 2022, reArmenia launched its Corporate Philanthropy Program, designed to encourage businesses to invest in social programs and increase employer-employee engagement in social activities. The program also aims to assist companies in making more informed decisions regarding their Corporate Social Responsibility (CSR) and charitable efforts, resulting in better outcomes and a more impact-driven approach. The Program offers several different ways for companies to have an impact; matching donations made by employees, purchasing corporate gift cards for their partners and employees, setting a price for each volunteering hour, and when their employees volunteer through reArmenia projects, they earn credits that can be used as a donation to any project on the platform. Another option is to ask reArmenia





◀ Children getting their school ready for winter classes in Martouni, Artsakh, Autumn, 2022

▣ National Celebration of Vardavar in the 3-side Bordering Komidzor Village, July, 2022

▲ A visit to St. Hakobavank Monastery within the "Hakobavank Revival" project, October, 2021

to vet charitable projects and provide an assessment report to help companies make informed investment decisions. For companies looking to invest in a specific area or field, reArmenia finds projects that meet their criteria. Finally, for companies that lack direction or touchpoints, reArmenia helps them develop a CSR strategy that aligns with their purpose and directs their activities.

"The reArmenia Corporate Philanthropy Program offers several advantages. Firstly, the program offers a more structured approach to corporate giving, with a range of products that companies can choose from to tailor their giving to their specific needs and preferences. This helps businesses to make more informed decisions regarding their philanthropic efforts, resulting in greater impact and a more strategic approach. Secondly, the program offers a range of options for employees to get involved, such as the Matching Gift Program, Corporate Gift Cards, and Volunteering Program, which can boost engagement and morale within the company. This can lead to a stronger sense of community and purpose, as employees work together towards a common cause. Finally, the program also provides vetting and hunting services to help companies identify and evaluate charitable projects that align with their values and objectives," says Armine Mkrtychyan.

Indeed, besides the sense of satisfaction that comes with supporting a good cause, companies can expect several tangible benefits. Businesses can engage their employees directly and really motivate them by involving employees in charitable activities and giving them a sense of ownership and pride in the company's philanthropic initiatives. The businesses can also boost morale and increase retention rates. Ensuring that a charitable cause is aligned with the core values and business objectives of the company is also crucial. This can help businesses create a more cohesive and purpose-driven culture, which can improve overall performance

and competitiveness. The platform also allows all contributors, including company employees, to get more information on how a project is progressing. "At reArmenia, we strongly believe in empowering our contributors to monitor the impact of their contributions. Rather than monitoring the impact ourselves, we require all projects on our platform to provide regular financial and progress reports. This way, our contributors have access to transparent information about the project's financial health and progress, allowing them to track how their contributions are being utilized," says Armine Mkrtychyan.

The businesses in Armenia are clearly responding positively to this new opportunity. "As we approached the end of 2022, we witnessed a significant shift in corporate gifting practices, with many companies opting to provide social impact as a gift rather than material goods. The most popular option among those we offer has been our Corporate Gift Card, which gives companies the opportunity to shift from physical gifts to social impact. Thousands of employees received a present in the form of an opportunity to donate to a cause they care about, while partner companies learned that the fund for their gifts was dedicated to meaningful projects. We also noticed companies matching their teams' donations or allowing them to select projects through team voting."

The Moonq Technoschool project was supported by a very large number of contributors, including donations from a large IT company and two clubs of entrepreneurs and business investors. It raised close to 180,000 USD and will serve several hundred schoolchildren in the years ahead. Encouraged by this result, the team now wants to expand their capacity and reach 100 more schoolchildren in Artsakh. Their new project, "Expansion of the Moonq Technoschool" is on the reArmenia platform today. Let us see which companies will make this a part of their corporate giving program in the country. ♦

“CORPORATE SOCIAL RESPONSIBILITY IS NOT A SIDE PROJECT”

Regional Post interviewed Irina Seynalyan, the Chief Executive Officer at HSBC Bank Armenia CJSC, about the CSR activities of HSBC and, generally, the state of CSR in Armenia

PHOTO : HSBC



How does HSBC define Corporate Social Responsibility?

— Corporate Social Responsibility (CSR) is an integral part of the business strategy for modern organizations, as companies are now expected to act in ways that benefit not only their shareholders but also their employees, customers, and the broader community.

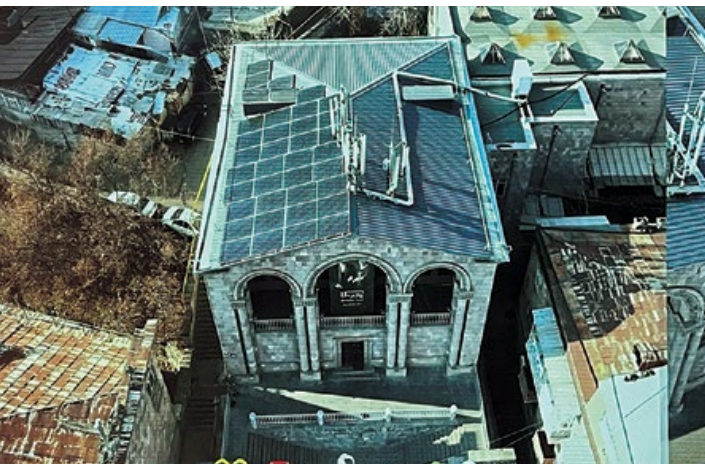
It is about the ethics which drive an organization’s activities and how it operates to be viable over the long term. CSR is a broad concept that was established decades ago. Today, there is no one-size-fits-all CSR model, as it depends on the size of the company, the industry in which it operates, and the priorities it chooses. However,

CSR is typically broken down into four categories: environmental, philanthropic, ethical, and economic responsibility. Broadly speaking, socially responsible companies aim to reduce pollution, increase the use of renewable energy or otherwise offset the impact they make, ensure fair treatment of all stakeholders from employees to customers, dedicate a portion of earnings to charitable giving, and link their financial decisions to the company’s commitment in the above areas.

To me, it’s important to highlight that corporate social responsibility is not a side project. Instead, it should be fully integrated into the company’s business practices.

Does HSBC Armenia have a CSR strategy?

— At HSBC, we recognize that how we do business is as important as what we do. Our people, our customers, and the community we serve remain at the heart of our business.



◀ Solar power station and digital library for Hovhannes Toumanian museum sponsored by HSBC Armenia

From the very first days of our operation in Armenia, HSBC Armenia has always acted on the belief that sustainable growth is the prerequisite of our business success. In line with HSBC Group’s Sustainability strategy, we have given our best efforts to support and deliver projects which positively affect the lives of community residents, open up new opportunities and bring hope to less advantaged groups of people. We aim to help build resilience in areas where we can make a difference and support sustainable economic growth. Accordingly, our approach to community investments is based on four pillars: educating youth to make job opportunities available to them, offering financial education to people with less financial literacy, supporting local communities in need, as well as investing in projects that support the transition to net zero economy. We implement these projects through collaboration with NGOs. As part of our strategy, we also encourage our employees to volunteer their time and expertise to various causes. Apart from benefiting the communities, volunteering can bring great personal rewards, enabling people to build connections, develop new skills, and gain a fresh perspective. I am incredibly proud of my colleagues, who spend hundreds of volunteering hours in the community to make a difference in people’s lives.

Do you track the impact of your CSR projects?

— We’ve all heard the saying, “What gets measured gets done.” Considering the importance of corporate responsibility to our overall business strategy, we have a well-established mechanism for tracking the execution of the projects we support. Measuring enables us to understand the scale of the impact of our actions, as well as to improve our decision-making as we plan our next CSR programs.

What areas do you believe should be of focus for CSR in Armenia?



— A wide range of causes need attention and support in Armenia, and different companies will have different strategies and priorities in implementing their CSR projects. As I already mentioned, for us, the focus of corporate responsibility is on achieving sustainable economic growth. To ensure sustainable economic growth in Armenia, we believe that it’s important to address the significant imbalance between the capital of Armenia and its regions, create opportunities for rural communities and people, ensuring balanced development and inclusive economic growth. Therefore, at HSBC Armenia, we prioritize the projects implemented in the regions. While all our branches are located in Yerevan, most of our projects are implemented in the regions, which helps us keep connectivity with the regions and hopefully helps ensure a more balanced and sustainable development of our country.

Which of your recent CSR initiatives are you most proud of and why?

— We implement a number of initiatives each year, and all of them are close to my heart. However, one of the recent projects I’m really proud of is the “Solar Energy for Cultural Heritage”

project, which we implemented with the Armenian Energy Agency Foundation. I’m mentioning this specific project because it was a multi-objective initiative, contributing to the sustainable development of Armenian cultural heritage while helping to address climate change challenges. The project’s beneficiary was the Hovhannes Toumanian Museum, on the roof of which a solar photovoltaic power station was installed. The project’s primary purpose was to reduce the museum’s energy costs and use the savings to benefit the museum’s other fundamental needs. Thanks to the implementation of this project, the museum saves on its annual electricity costs. Meanwhile, the money saved is used to digitalize Hovhannes Toumanian’s personal library, consisting of nearly 8000 books. Once the digitization is complete, our famous poet’s personal library will become available to art lovers. Nowadays, digital libraries are effective and sustainable sources of knowledge for future generations, and I am proud to have contributed to opening up this opportunity for Toumanian lovers. Moreover, this project is a tremendous chance to demonstrate the relevance of cultural heritage for sustainable growth and inspire other businesses to invest in this area. ♦

“As the First Mall in Armenia, We Naturally Seek to Be a Leader Among Our Peers in Corporate Responsibility”

Regional Post met with Mariam Chakaryan, the Deputy Director for Internal and External Relations at Dalma Garden Mall, to discuss the responsible business approaches fostered by the mall and its recent CSR projects.

TEXT : NAZARETH SEFERIAN / PHOTO : DALMA GARDEN MALL

Over a decade ago, Dalma Garden Mall opened its doors to shoppers in Yerevan, providing an unprecedented experience in the country. While other large malls have since emerged in the capital, Dalma Garden Mall continues to lead the way in various aspects, including responsible business practices. In the past, Dalma Garden Mall occasionally contributed to different corporate social responsibility (CSR) projects across the country, such as the tree planting project in Koghb and supporting children from borderline villages. However, in its 2022 strategy, the mall made CSR a core part of its direction. “We transformed the shopping culture years ago, and now we’re taking significant steps to make our customers more responsible consumers,” explains Mariam Chakaryan, Deputy Director for Internal and External Relations at Dalma Garden Mall. As a space where customers, individuals, couples, or families, spend several hours per visit, the company sees ample opportunity to raise awareness about important issues. In Spring 2022, the mall organized a campaign with various activities for people, including riding stationary bikes in the Mall, generating electricity from the movement of the pedals. This energy was stored in batteries and used to support schools in borderline villages of Armenia. It was a practical



demonstration of how customers can help children living near the border and make their shopping experience more meaningful. This campaign was a collaborative effort with Ameria Bank and the World Wildlife Fund (WWF) and also aimed to raise awareness about clean energy sources and environmental protection. Dalma Garden Mall took a different approach during its tenth anniversary in the autumn of 2022. Instead of hosting a big commercial event or concert, the entire budget allocated for the event was donated to various charitable causes. “At the beginning



WE TRANSFORMED THE SHOPPING CULTURE YEARS AGO, AND NOW WE'RE TAKING SIGNIFICANT STEPS TO MAKE OUR CUSTOMERS MORE RESPONSIBLE CONSUMERS



▲ Mariam Chakaryan and former Managing Director of COAF Korioun Khatchadourian signing a memorandum on a joint scholarship program

◀ A part of the heart-shaped artwork made of waste placed on the occasion of Valentine's Day



of the year, we had identified five key areas: children's development, development of border villages, military personnel, education, and the environment,” shares Mariam. With the additional resources from canceling the celebrations, they aimed to have a more significant impact. Memorandums of cooperation were signed with local and international organizations to support these CSR initiatives. One such organization is Bari Mama NGO, which supports children with disabilities, particularly those who have been abandoned or ended up in orphanages due to their disabilities. While Dalma had helped the organization for years, the memorandum strengthened their cooperation. Bari Mama fundraises

through donation boxes in Dalma Garden Mall twice yearly, collecting money for administrative costs and the Sevan summer camp for their beneficiaries. The funds raised in spring 2023, totaling over 3 million AMD, are being used to provide much-needed physical and speech therapy for the children. Additionally, the mall's top management visits the camp to share their knowledge and experience with the children on various professional topics. Furthermore, Dalma and Bari Mama organize visits to the mall for 40 beneficiary children at least twice a year, allowing them to watch movies in Cinema Star, participate in different



^ From Left, Cybersecurity and blogger Samvel Martirosyan, the Deputy Director for Internal and External Relations at Dalma Garden Mall Mariam Chakaryan, and HFC Armenia's founding director Armen Armos Martirosyan

events, and have a great time at Dalma Garden Mall. Also, this year, instead of sending traditional New Year gifts to corporate partners, Dalma Garden Mall used the funds to provide gifts to over 320 children in the village of Tegh and several communities in Artsakh. Corporate partners received postcards informing them of the gifts made to the children in their name, wishing them a Happy New Year.

^ Nemra band's concert on the opening event of the "Connect to Earth" campaign



> "Women Create" panel discussion at Dalma Garden Mall on April 7th

> Bicycles generating electric energy within the "Connect to Earth" campaign

SUPPORTING OUR HEROES IN THEIR PURSUIT OF SUSTAINABLE VALUE CREATION, STABLE INCOME, AND THE DEVELOPMENT OF OUR COUNTRY IS ONE OF OUR TOP PRIORITIES

> "Women Create" market at Dalma Garden Mall on April 7th

Another memorandum of cooperation was signed with the Aznavour Foundation and Zinvori Tun Rehabilitation Center to support the business ideas of the veterans who were injured during the recent war in Artsakh. Four business ideas were funded, each receiving around 3 million AMD. Since its 10th anniversary, Dalma Garden Mall has been making a monthly donation of 10% of its advertising banner income to ZINAPAH – National Foundation for Servicemen Insurance (formerly 1000+). "Supporting our heroes in their pursuit of sustainable value creation, stable income, and the development of our country is one of our top priorities," says Mariam Chakaryan. In the realm of education, Dalma Garden Mall has partnered with the Children of Armenia Fund (COAF). Thanks to the Mall's support, three students from COAF's beneficiaries can apply for Dalma's scholarships every year to study at the top universities in Armenia. The first three students were already awarded scholarships for the first academic year in January 2023. Nine other students will receive them in the upcoming years. "Our support goes beyond financing their tuition fees. We provide mentorship and even offer them the opportunity to gain practical work experience here at Dalma Garden Mall." These young individuals benefiting from the part-



nership will come from the regions of Armenia where COAF runs its programs, particularly those focused on marketing, business, accounting, or law. Moreover, staff from Dalma Garden Mall will visit the COAF SMART Center to engage with the children and discuss various topics of mutual interest. Dalma Garden Mall's commitment to CSR extends beyond the projects initiated during its 10th anniversary. In 2023, the Mall made donations to various other initiatives, including the Zinvori Tun Rehabilitation Center's 301 initiative. The Mall's upcoming major projects in the second part of 2023 will primarily revolve around environmental protection activities. Dalma Garden Mall plans to install waste classification bins by the end of July. This initiative will enable

customers properly separate and dispose of plastics, paper, and other types of waste, ensuring that each material undergoes appropriate processing. This signifies an important transition for the Mall, moving from one-time awareness-raising events to a more consistent approach, engaging customers in responsible shopping. To educate customers and maximize the impact of the installed bins, Dalma will collaborate with Coca-Cola HBC Armenia, Yerevan Municipality, and the European Union. Looking ahead, Dalma Garden Mall is already planning a significant CSR initiative scheduled for spring 2024. Anyone can be a part of it and contribute to the cause with a small effort. The Mall will announce the details of this initiative on its social media accounts and website in the near future. ♦

“WE VIEW CSR ACTIVITIES AS A GUARANTEE OF A LONG-TERM, SUSTAINABLE FUTURE”

Regional Post met with Anna Allahverdyan, the Advisor on Public Relations to the Executive Director of AraratBank, to delve into the human-centric approaches fostered by the Bank and discuss some of its notable CSR projects.

TEXT : MARGARIT MIRZOYAN / PHOTO : ARARATBANK

NEW IDENTITY, CONSISTENT VALUES

“Rising together” says the new motto of AraratBank, hinting at the revamped ideology of the latter after the rebranding three years ago. The Bank introduced its new identity on the heights of Mount Teghenis, which, quite symbolically, overlooks almost the entire Armenian highland, including Mount Ararat. The name and core values of the Bank remained unchanged, but the Bank introduced vibrant yellow as its new signature color. Aiming to create a unique banking culture, AraratBank now focuses on a more human-centric way of working. While providing modern banking services seasoned with advanced digital technologies and new working culture, especially after the rebranding, AraratBank started significantly emphasizing the CSR component of its activities.

“Social responsibility is one of the most important metrics when assessing our activities,” says Mrs. Allahverdyan, “This

is a voluntary obligation, and we willingly consider the positive impact of our decisions and activities on society and the environment. I emphasize positive impact because responsible projects hold no value if they harm society. Through its CSR projects, the Bank determines how it contributes to sustainable development, shareholder relations, and ethical conduct. We view CSR activities as a guarantee of a long-term, sustainable future.” AraratBank considers several types of CSR, including environmental, ethical, philanthropic, and financial, and strives to implement or fund projects in all these areas. Mrs. Allahverdyan highlights the importance of a strategic approach in conducting CSR projects that ensures alignment with the Bank’s mission. She adds, “A strategic approach provides a clear road map, guiding us in the right direction and allowing for necessary assessments in dialogue with society.” In 2022, AraratBank joined the UN Global Compact international initiative, expressing its willingness to follow the UN Sustainable Development Goals that ensure the overall corporate responsibility frameworks and provide principles for responsible business management.

TEAM EMPOWERMENT

Following the ethical direction of its CSR activities, in 2022, AraratBank joined the UN Women Empowerment program. The WEPs initiative aims to promote the empowerment of women in the community, business, and the workplace by implementing seven key principles, namely, establishing high-level corporate leadership for gender equality, treating all women and men fairly at work – providing respect and support for human rights and non-discrimination, ensuring the health, safety, and well-being of all women and men workers, promoting education, training and professional development for women, imple-





◀ Anna Allahverdyan, the Advisor on Public Relations to the Executive Director of AraratBank

▲ "My Forest Armenia" and AraratBank joined hands for a sustainable green future

ARARATBANK OJSC was established in 1991 with a mission to foster the economic development of the country while also bearing social responsibility and creating value for shareholders, customers, and employees. The Bank's ideology revolves around healthcare, education, environment, and art, and all their CSR projects to date aim to contribute to the advancement of society and the well-being of the country. AraratBank takes its responsibility seriously in building and evolving society and a powerful state. Today's strategic programs of AraratBank are dedicated to shaping a promising tomorrow. www.araratbank.am

menting enterprise development, supply chain and marketing practices that empower women, promoting equality through community initiatives and advocacy, measuring and publicly reporting on progress to achieve gender equality. Having these values at the core of its activities, with several female employees in leadership positions, AraratBank wants to enhance and create a better corporate culture that promotes equity and contributes to the well-being of its employees and their families. In this regard, in addition to the advanced Orange Fitness Club membership opportunities, the Bank provides health insurance, which also can include family members.

"A company is nothing if its team does not embody the same values or does not believe in its strategy," says Mrs. Allahverdyan. "We want our employees to be proud of working at AraratBank." Following this commitment, the Bank celebrated its 30th anniversary with its employees rather than organizing a public event, which strengthened the team and provided new opportunities for enhanced internal communication. "Ultimately, we share our success with our team and want them to love their job," adds Mrs. Allahverdyan. Aiming to inspire its team further, give back to the society in which it operates and follow up on its CSR strategy goals, AraratBank has joined the afforestation and reforestation efforts of My Forest Armenia NGO and, together with its team, has already planted 8421 trees across Armenia. In July 2021, as a part of its CSR strategy and again wishing to support its team members, the Bank also covered the expenses of the Armath Techno Camp organized by UATE for those of the employees' children who attended the Armath Engineering Laboratories. The Armath Techno Camp gathers over 200 children from all regions of Armenia and serves as a hub for enhancing their engineering, robotics, and coding abilities. This was not the only partnership

between AraratBank and UATE. That same year, AraratBank signed a trilateral agreement with the organization and the Karen Vardanyan Educational Foundation and sponsored the Hawk Aerial Robotics Contest. The core idea for the participating teams was to propose solutions to increase the efficiency of rescue measures during emergencies. The groups received the following three tasks: detecting the source of a fire, finding the injured, delivering the survival package, and spreading liquid substances. The contest was held in three categories: students, amateurs, and start-up companies. Considering the groups, the problems were simple, medium, and complex. This was the second such competition, which took place at the UAV airport in Lernapat village, Lori. 106 teams applied for participation, of which 6 were professional groups, 11 were amateur companies or startups, and 89 were school teams. This year, AraratBank had another cooperation with UATE, taking up the role of the general sponsor at the Digicode 2023 applied programming youth national contest. For the Bank, this was yet another opportunity to contribute to the growth and development of the generations that are already shaping the future of Armenia.

FOR THE GENERATIONS TO COME

AraratBank's corporate social responsibility policy greatly targets the education sector, considering the latter as the basis of national prosperity. The Bank is interested in tomorrow, so it continuously implements programs to support quality education as a way for Armenian society to thrive. "An educated society makes us stronger, leading to a knowledge-based country. One or two projects might be a drop in the ocean, but with each drop, it will have a much more significant impact," says Mrs. Allahverdyan.



One of the most notable projects within this pillar of education is *The Will To Get Back On Their Feet*, a documentary by Vahe Sukiasyan sponsored by AraratBank. Pride, unity, and victory are the key values behind the project. The film is designed mainly for high school children, providing an alternative view of our history by presenting five glorious victories and five tragic defeats that shaped Armenian history. Such famous actors as Arthur Karapetyan, Davit Hakobyan, Babken Chobanyan, Nazeni Hovhannisyian, Samvel Topalyan, and Ruben Muradyan took part in the film, narrating the content. The musicologist, pianist Gisane Palyan and guitarist Karen Arzumanyan composed the music for the film. The film's pilot screenings were organized in several schools in Armenia and the Armenian Diaspora communities, introducing an alternative method of presenting episodes of history. Recently, AraratBank also supported the production of the second part of the project, *The Will To Get Back On Their Feet: Self-Discovery*. If the first part of the project was designed mainly for school children, now it targets each and every one. The movie's narrator is famous actor Arthur Karapetyan who contemplates the historical path of Armenia, posing the question of whether we really know ourselves. According to the film director Vahe Sukiasyan, the film challenges its viewers to consider history not as something ruined from the past but to perceive it as something philosophical that should be profoundly examined to get to know ourselves and to learn our lessons for a better future for Armenia. In cooperation with The National Center for Education Development and Innovation Foundation of the RA Ministry of Education, Science, Culture and Sport, a methodical teaching manual was developed based on the first film, *The Will To Get Back On Their Feet*, which will enter the general education schools of Armenia and Artsakh, as well as educational establishments of the Diaspora, starting this September. 11 mentor-teachers from Tavush region participated in the creation of the manual under the lead of Hasmik Margaryan, Head of National Studies in the

Department of Design and Development of Educational Field of the Foundation, helping to determine the best methods for class planning.

Children are in the spotlight of the Bank also within its CSR strategy's healthcare direction. In this regard, the Bank cooperated with the City of Smile Charitable Foundation, covering the provision of 20 chemotherapeutic agents for children and young adults with cancer and blood diseases.

SUPPORTING CHILDREN FROM RURAL COMMUNITIES

Another educational project supported by AraratBank is the Student Home initiative by Armenia's Strong Mind NGO, which provides comfortable and affordable accommodation for students from remote villages of Armenia and Artsakh attending higher education institutions in Yerevan. The Center also organizes non-formal educational, intellectual, and entertainment programs, provides housing for up to 50 students, and can host around 90-100 students participating in various activities within its walls. Moreover, the project mediates and helps the most vulnerable students find scholarships to cover their tuition fees. The Student Home includes a large shared kitchen, a meeting room for public events and socializing, bathrooms, and laundry. The library of the building, which was renovated with the support of AraratBank in 2021, is gradually growing, providing an ideal self-learning opportunity for its beneficiaries. The Bank also partnered with the NGO to organize a career guidance camp, hosting dozens of young people from different regions of Armenia and Artsakh.

Continuing the support of the educational field, AraratBank joined the "Donate minutes for reading" project implemented by the LOFT NGO. The project was launched in Vanadzor City, with beneficiaries being school-age children from disadvantaged families. Within the project, by the sponsorship of the Bank, about 100 beneficiaries received deposit cards charged with 6000 minutes to attend the LOFT Vanadzor Center, participate in non-formal educational and cultural projects and events, and socialize with their peers. "We contributed to the



AraratBank and UATE joined hands for the technological future of Armenia

> AraratBank and 4090 Charity Foundation joined hands for the education of war participants



establishment of a social mechanism providing these kids with opportunities for life-changing development and networking,” says Mrs. Allahverdyan. On the regional level, AraratBank has supported a number of projects. In 2023, in the Syunik region, the Bank co-financed the largest sports club in Kapan, InSport Syunik. This resulted from a long-term and reliable cooperation between AraratBank and the YSU Alumni Association NGO with the signing of the memorandum in 2013. With this funding, the Bank contributed not only to the construction sector development in the border areas but also to the increase of employment opportunities and a healthy lifestyle in the region. AraratBank also ensured the participation of 162 kids from bordering villages in the event of the MshakutaMet NGO at Karjaghbyur village. The NGO is a community development project started by a group of enthusiasts wanting to provide cultural education opportunities in the rural settlements of Armenia. The volunteers of the initiative regularly travel to border villages and teach around 30 subjects to the kids there, including musical instruments, applied arts, and several other courses.

THE AFTERMATH OF THE WAR

The Bank’s rebranding was announced just a few days before the outbreak of the war in Artsakh, and as the war unfolded, the Bank quickly sought ways to contribute to minimizing the war’s aftermath under its CSR strategy. In 2022, AraratBank strongly supported the 4090 Foundation in raising funds through a charity concert. The Foundation was established after the 44-Day War to improve the quality of life of the defenders of our homeland and to change their future in our country through education. This year AraratBank joined the Foundation in supporting the funding of over 100 beneficiaries of the latter, who defended their homeland during the recent war and now wanted to continue their higher and secondary professional education. One of the recent fundraising events was the “Symphonic Mansuryan”

charity concert, held at the Aram Khachatryan Concert Hall. The concert featured compositions by the maestro and scenes from movies produced by HayFilm. AraratBank sponsored this event in collaboration with the State Symphony Orchestra of Armenia, and all the proceeds directly benefited the 4090 Foundation.

Earlier, aiming to minimize the impact of yet another war, this time in Syria, AraratBank joined the SOS Children’s Villages Armenian charity foundation. The Bank fully funds the children’s daycare canteen as a part of the “Socio-economic Integration of Syrian-Armenian Families in Yerevan” project. Currently, around 50 children visit the canteen daily. The project aims to support the socio-economic integration of vulnerable Syrian-Armenian families forced to immigrate during the Syrian War and currently reside in Yerevan. The project has been implemented since 2019 and directly targets 400 Syrian-Armenian families, providing social, educational, and psychological support to over 1600 members of these families.

UNITING THE WORLD

The most recent CSR initiative supported by AraratBank is the launch of the “Painted Equator Armenia” exhibition, organized by the Henrik Igityan National Center of Esthetics and first presented at the reception on the occasion of the 30th anniversary of diplomatic relations between Slovakia and Armenia. The main idea of the project is to unite all nations and peoples by painting small canvases (20x20 cm), aiming to collect 40,075 pictures from different countries of the world – equivalent to the 40,075-kilometer length of the earth’s equator – and bring them together in one gallery. AraratBank, valuing the cultivation and dissemination of cultural capital, sponsored the publication of the exhibition catalog, which was later handed to a number of prominent artists and sent abroad. All the paintings displayed in the catalog are exhibited at the Painted Equator Gallery in Bratislava. ♦

JTI and Its CSR Strategy

Vadym Reznichenko, Country Manager of JTI in Armenia, told Regional Post about the company and its CSR activities in Armenia.

TEXT : ARSHAK TOVMASYAN / PHOTO : JTI

▼
Vadym Reznichenko,
Country Manager of
JTI in Armenia



Mr. Reznichenko, tell us about your company and its CSR strategy.

— Our parent company Japan Tobacco Inc. is the world's third-largest tobacco company listed on the Tokyo Stock Exchange. Like in JT, at JTI, we strive to fulfill our responsibilities to our valued consumers, shareholders, employees, and the wider society. These four stakeholder groups (4S) are at the heart of everything we do. And our commitment to serving these groups is represented in the 4S model.

We always try to exceed the expectations of our four stakeholder groups wherever we can and we will continue to contribute to society as a whole, recognizing that our growth benefits from a sustainable society and enhancing our corporate value.

For our Group to grow sustainably, it is vital for us to contribute to the sustainable development of our society. Our community investment policy determines a common goal across the Group: "To contribute to developing inclusive and sustainable communities." We believe that everyone should be able to participate in society and

INFORMATION

Japan Tobacco International (JTI) is a leading international tobacco and vaping company selling its products in over 130 countries. It is the global owner of both Winston, the number two cigarette brand in the world, and Camel, outside the USA. Other global brands include MEVIUS and LD. JTI is also a significant player in the international vaping market with its heated tobacco brand, Ploom, and e-cigarette brand, Logic. Headquartered in Geneva, Switzerland, the Company employ more than 46,000 people and has been awarded Global Top Employer for the ninth consecutive year. JTI is a member of the JT Group of Companies. For more information, visit www.jti.com.

“The Armenian-Japanese “Hikari” Scientific, Educational and Cultural Center NGO was established in 2005-2006, but large-scale cultural programs began to be implemented after 2010 when the area allocated to the center was renovated and technically equipped with a grant from the Japanese Government. JTI occupied a unique place among our supporters and significantly supported us during this period. To this day, we still use the computer, notebooks, and printers donated to Hikari by the JTI, as well as thanks to the support of the JTI, the first book of Hikari titled “71 haiku” was published. We express our deep gratitude to the entire JTI staff, especially the Armenian office, for their constant and fulfilling support.”

**Karine Piliposyan,
Head of “Hikari”
Armenian-Japanese Center**



that inclusive societies are better for business. In line with our community investment policy, and as a responsible local community member, we recognize the value of nature, culture, and human diversity and work with various stakeholders to resolve social issues.

Tell us more about JTI’s CSR activities in Armenia.

— In Armenia, we have numerous CSR partners and have implemented many activities with them in the past years. One of these partners is Armenian Caritas. We cooperate with Caritas in many countries worldwide, and in Armenia, we started cooperation in 2012. Through these years, we have supported many programs, such as Soup Kitchen for the elderly, Food Distribution, and Warm Winter projects for the elderly and other vulnerable people. All these activities

Apaga Charity Foundation and JTI ARMENIA are jointly implementing programs aiming at the capacity development of socially disadvantaged families. These are very important projects, and we are proud to establish a sustainable business practices for families in rural Armenia. We are very happy about our partnership and are looking forward to collaborating with JTI on other projects in the future.

**Roza Solomonyan,
Executive Director “Apaga” Foundation**

were implemented in Gyumri, where Caritas is headquartered.

Do you have any other partners in the area of social support?

— We cooperate with Apaga Charitable Foundation Fund and supported several projects with them. During the pandemic, we supported families that lost their funding source and provided them with essential commodities. We

also supported the establishment of model farming practices in Armenian provinces, specifically in Gegharkunik and Kotayk.

As a company with Japanese roots, we know you also support promoting Japanese culture in Armenia. Can you tell us more about this?

— Indeed, we do support the promotion of Japanese culture in all locations where we operate. In Armenia, we

“Dozens of valuable works in Armenian and foreign languages have been published in Matenadaran with the support of JTI ARMENIA. We are grateful for this partnership and look forward to continuing our collaboration.”

**Vahan Ter-Ghevondyan,
Former Director of Matenadaran**



closely cooperate with the Japanese embassy and the Hikari Center, which is an Armenia-Japan Educational, Scientific, and Cultural Center. We have supported many projects through these years, including Japanese film festivals, various master classes, and concerts by Japanese performers.

**What other projects do you support in Armenia?
Do you support cultural institutions?**

— We support two major cultural institutions in Armenia, Matenadaran Museum and Museum after Sergey Parajanov. With both institutions, we



“Caritas Armenia is continually inspired by your dedication and generosity to our organization. You have greatly supported and contributed to our projects in favor of the poor, vulnerable elderly, and underprivileged population in Gyumri. I wish you continuous success in continuing your challenging and very important work. You have been excellent partners throughout these years, and we sincerely enjoy collaborating with you.”

**Gagik Tarasyan,
Managing Director of
“Armenian Caritas” NGO**

have more than a decade of cooperation history, and we are very proud that we were able to contribute to the institutional development of these important cultural institutions of Armenia.

With Matenadaran, we implemented several projects ranging from procuring materials to restore ancient manuscripts to financing scientific publications.

With Parajanov Museum, we have a long history of projects, varying from institutional support to the museum (provision of modern conditioning and lighting systems), procurement of an exhibit for the museum, and financing of publication of various books.



“Sergey Parajanov Museum has been collaborating with JTI Armenia for a decade already, and with their help, the museum has realized a list of worthwhile projects. Such partnerships are essential for cultural institutions and can serve as a model for cooperation. We are very grateful to JTI and look forward to continuing our collaboration and partnership.”

**Anahit Mikayelyan,
Director of Sergey Parajanov
Museum**



What other CSR projects have you supported in Armenia?

— We have implemented several projects with other institutions as well, namely the National Gallery of Armenia (supported the exhibition of Japanese art and provided support to the restoration department), V-Ann, Human Art Dialogue NGO, Komitas Museum, and others. We hope that our example and commitment to CSR will inspire other companies to be more active and implement projects benefiting Armenian communities and the country as a whole. ♦

“Thank You For Your Service!”

Says the Business Community in Armenia

Regional Post talked to the ZINAPAH – National Foundation for Servicemen Insurance to understand how the private sector has supported this structure and its mission in a crucial period for Armenia.

TEXT : NAZARETH SEFERIAN / PHOTO : ZINAPAH – NATIONAL FOUNDATION FOR SERVICEMEN INSURANCE

It is difficult to talk about “business as usual” when the country in which you are conducting operations is effectively in a state of war. While many of the Corporate Social Responsibility initiatives outlined in this issue have focused on strategic topics specific to each business’ context, there is one philanthropic organization in Armenia with whom all businesses work directly or indirectly, and that is ZINAPAH – the National Foundation for Servicemen Insurance.

This Foundation was established in 2017 to provide stable compensation for the well-being of fallen, missing, and first and second-category disabled soldiers and their families, seeking to compensate for injuries sustained while defending the homeland and borders for the peace and security of future generations. Known earlier as the Insurance Foundation for Servicemen (more popular with the name 1000+) the organization has rebranded in late April 2023 to ZINAPAH – National Foundation for Servicemen Insurance. This rebranding has allowed the organization to stand out from other foundations, improve its visibility among beneficiaries, donors, and partners, and also shed new light on their current work.

According to the law in Armenia, every working citizen in the country has to make mandatory contributions from their salaries to ZINAPAH, making it truly a nationwide effort to support those that have risked their lives to defend the country and its people.

However, ZINAPAH also gains vital resources through voluntary contributions from businesses, as well as generates



additional funds through its asset management program. “While the contributions we receive from mandatory payments still form the lion’s share of our budget, I believe that the voluntary donations from businesses give a very important message – this isn’t just something companies want to check off as part of their compliance with legislation. This is an issue that touches all of us, and we need to demonstrate that we honor our servicemen and care for their needs,” said Karine Sarkissian, CEO, ZINAPAH – National Foundation for Servicemen Insurance.

To date, ZINAPAH has allocated compensation of more than 76 billion AMD to more than 5,000 servicemen and their families. These compensations consist of both lump sum payments, as well as monthly support. Given the escalations in the conflict situation in the region even after the 2020 Artsakh War, it would be an understatement to say that more support is needed.

Fortunately, some businesses have recognized this need and revisited their priorities in these difficult times. Amundi-Acba made a decision to cancel the planned marketing campaigns in 2022 and, instead, transferred the amount budgeted for these campaigns to ZINAPAH.

“Any employee working for such a company would understand immediately that their employer sees the bigger picture in Armenia. There will be better times for marketing campaigns and company promotion, but this is a moment when we can come together for a bigger cause,” Karine Sarkissian commented.

✓
 ZINAPAH branding illustration.
 Flyer for the press conference day.



^
 ZINAPAH beneficiaries
 and their moms

<
 ZINAPAH team
 and the Board of
 Trustees at the
 annual reporting
 and rebranding
 press conference

ZINAPAH does not just limit its activities to providing financial support to servicemen and their families. It seeks to go beyond those boundaries and also find other ways to improve the lives of those that have sustained serious injuries while serving their country. For example, through a partnership with the organizers of Yerevan Wine Days, the Foundation made arrangements for three soldiers with first and second-category disabilities to display and sell their handmade items during the three days of the Festival. Vahe Kalantaryan works with wood and he presented watches, gift boxes, coasters, and decorative items. Norayr Petrosyan used the same material but made containers for wine, notebook covers, and card holders. Hovsep Arakelyan displayed silver pieces such as pendants, crosses, and more. Yerevan Wine Days might seem like a very commercial event, but the participation of these young soldiers added an important touch of responsibility to the proceedings. This is a good example of how a company has chosen to use the massive potential of their event, which brings together an audience of tens of thousands of people, to create additional social impact.

“It is one thing to provide financial support – this is our duty and we are happy that we have the capacity to do it. But these young people want to rise up beyond their disabilities and take charge of their own lives. So simply providing financial support isn’t always enough. We need to help them do what is within their own power so that they can lead lives of dignity and fulfillment,” said Karine Sarkissian.

Haypost provides another example of a business using its existing operations to create additional social impact. The national postal company took it upon itself to place a donation box for ZINAPAH – the National Foundation for Servicemen Insurance in all its branches across the country in 2021, making it easier for anyone in Armenia to donate to the Foundation. Additionally, Haypost released a special stamp in November 2022 dedicated to the Foundation, helping raise its visibility. The business community of Armenia has demonstrated a strong desire to help the Foundation in its noble mission. In 2020, around 9 companies contributed more than 50 million AMD each to the Foundation, while more than 20 businesses contributed between 10 and 50 million AMD.

“It is encouraging to see that businesses in Armenia are thinking about how to give back to the country, and they are seeing our Foundation as an organization that is meeting an urgent need. Our values of transparency, accountability, and integrity ensure that all our partners see the impact of their contributions,” added Karine Sarkissian.

As other articles in this issue have demonstrated, Corporate Social Responsibility can be a powerful tool when used strategically by a business, and often has a long-term focus. But there are times when the urgency of a need requires a company to focus on the shorter term and to find a partner that can provide the right impact through a philanthropic partnership. ZINAPAH – the National Foundation for Servicemen Insurance has demonstrated to the business community of Armenia that it is the right partner for the cooperation. ♦

GIF

Global Innovation
Forum Life Altering
Technologies

TRANSFORMATION THROUGH INNOVATION



Bin Li
Chief Product Officer of Philip

 **PMI SCIENCE**
PHILIP MORRIS INTERNATIONAL

   **HENDERSON**



PHILIP MORRIS TRANSFORMATION THROUGH INNOVATION

Interview with Bin Li, CPO

Regional Post talked to Philip Morris International Chief Product Officer Bin Li, who was visiting Armenia within the framework of the Global Innovation Forum GIF22 on Life-Altering Technologies taking place on October 5-6 In Yerevan.

INTERVIEW : TIGRAN ZAKARYAN / PHOTO : MEDIAMAX.AM/EMIN ARISTAKESYAN

The first thing that comes to mind when one hears “Philip Morris” is cigarettes. In fact, today, we discovered Philip Morris is much more than a tobacco company. Can you please share why and how the company is transforming?

— It’s true that we’ve built the world’s most successful cigarette company with the world’s most popular and iconic brands. Now we’ve made the decision to go smoke-free. Thanks to the imagination and perseverance of thousands of people at PMI, we have developed smoke-free products that are better alternatives to cigarette smoking. We have a commitment

to our employees and shareholders, which we are fulfilling by pursuing this path to sustainable success. And we have a commitment to society, which expects us to act responsibly. And today, PMI is an industry leader in scientific innovation.

What is the role of product function in transformation?

— The most visible part of our transformation is that related to our product lines. The product function’s role in the transformation is to turn ourselves into a world-class novel

THANKS TO THE IMAGINATION AND PERSEVERANCE OF THOUSANDS OF PEOPLE AT PMI, **WE HAVE DEVELOPED SMOKE-FREE** PRODUCTS THAT ARE BETTER ALTERNATIVES TO CIGARETTE SMOKING

product developer, becoming a business that has a net positive impact on society and the environment. For the innovation to become a reality some very sophisticated techniques in various technical and scientific domains are involved: software algorithms, electronics control, mechanical engineering, chemical analysis, and clinical studies. PMI has been reinventing itself into a science and technology company. Let me give you some numbers. We have almost 1000 R&D scientists, engineers, and technicians working on alternative technology. We have invested more than USD 9 billion into developing and commercializing smoke-free products. There are over 450 scientific publications to share our methods and findings.

Can you bring an example of how the technology is applied to your product transformation?

— One example is that burning cigarettes emit smoke, which contains harmful chemicals. We have developed products that heat tobacco without burning it. In the new products, sophisticated technology controls in a very accurate way the temperature of the heated tobacco so that exposure to harmful chemicals is largely reduced.

How are you making sure your novel products are a better alternative to cigarettes?

— That is a very good question. The simple answer to it is that we have to take the scientific approach. We need

scientific substantiation to claim it is a better product. We are using, for instance, international quality standards such as ISO standards, good laboratory, and good clinical and epidemiology practices. We make our science transparent to society, publish our study results, and invite the research community to look at our data.

This is exciting how much the company invests in science and technology. Are there any other areas in your science that can be implemented?

— You are right, now we are actively working to even expand our purpose and evolve into a broader lifestyle, consumer wellness, and healthcare company applying our expertise in oral delivery, inhalation science, and technologies.

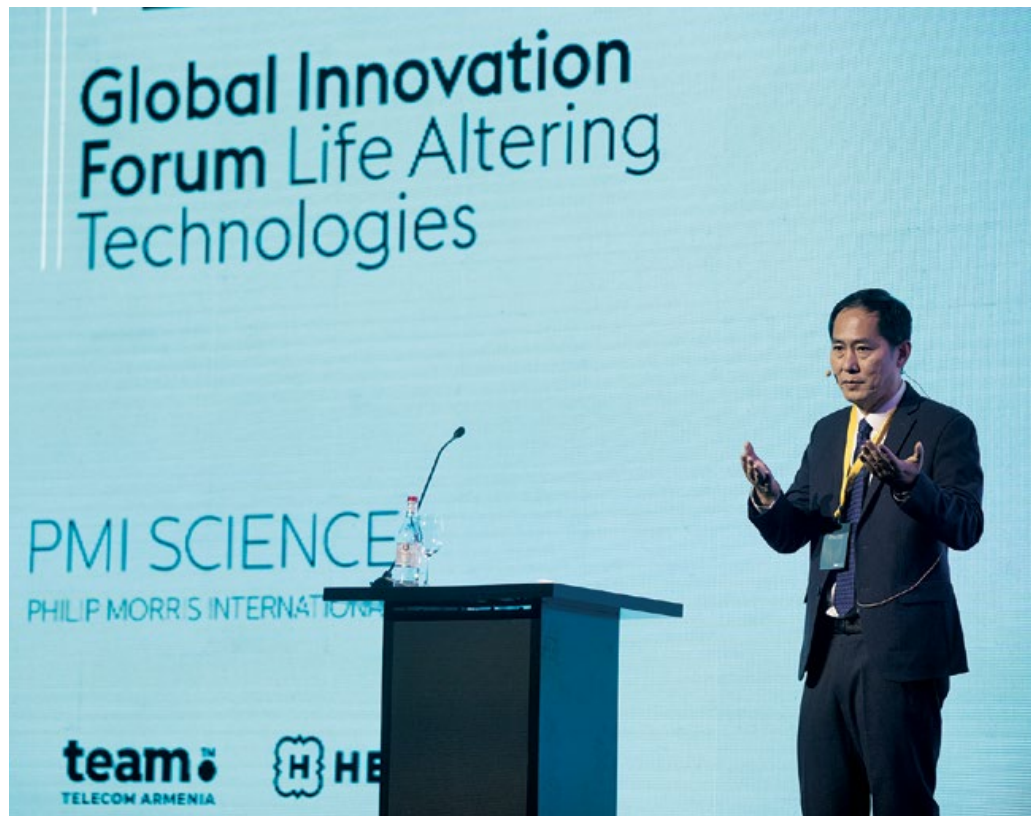
INFO BOX

The 4th Global Innovation Forum (GIF22) is organized by the Foundation for Armenian Science and Technology (FAST) on "Life-Altering Technologies". It is set to explore the impact of novel technologies on human life. The Forum is an international platform. It connects world-renowned experts, decision-makers, business leaders, and researchers representing high-level institutions and businesses. The Forum is an opportunity to share knowledge, experiences, and research results on the most recent advancements in science and technology.



BIN LI BIO

Philip Morris International (PMI) Chief Product Officer Bin Li joined PMI in 2019 from HARMAN International in Shenzhen (China). Prior to that, Mr. Li had worked for Philips Consumer Electronics and HongEn. Mr. Li has a strong technical, product development, and operations background and vast experience in product design and innovation developed within world-class consumer electronics companies.



WE MAKE OUR SCIENCE TRANSPARENT TO SOCIETY, PUBLISH OUR STUDY RESULTS, AND INVITE THE RESEARCH COMMUNITY TO LOOK AT OUR DATA

We introduced in 2021 a new aspiration to generate at least USD 1 billion in revenues from wellness and healthcare products by 2025.

You established an R&D Center here in Armenia. Can you tell us why?

— Five years ago, we, as PMI, also discovered this beautiful country with a rich scientific heritage, potential for technology development, and a powerful global talent in science and technology. Due to the country's proficiency in the scientific and technological areas, a decision was made to establish a PMI Science research and development center in Armenia. We

have seen great results. In the last five years, we have invested more than 16 million US dollars in Armenia to develop science and also to support local education infrastructure.

How do the Armenian science and education sectors benefit from PMI Science R&D Center activities?

— Currently, our R&D center in Armenia partners with a number of local research institutions and universities on joint projects. Our team is expanding dynamically, and our researchers work in primary directions such as data science, technologies, and material science. The numbers are im-

pressive! Within five years, PMI Science R&D Center Armenia has already provided more than 120 scholarships to students who study various disciplines, such as "Data Science in Business", "System engineering" and "Material science". To Ph.D. students, we have provided 50 grants to carry their research projects in directions such as Artificial Intelligence, Industrial engineering, Power Management, Experimental Physics, and Sensing technology. On top of that, 70 teams with researchers from different institutions received support on projects in Electronics Control Systems, Simulation and Modeling, Applied Mathematics, and Applied Physics. ♦

RECOGNIZING AND REWARDING RESPONSIBLE BUSINESSES: A Story from Georgia

TEXT : NAZARETH SEFERIAN / PHOTO : CSR DG



▼
Award Ceremony
of Georgia's
Responsible
Business Awards
Meliora 2019



◀
Tina Stambolishvili
(left), representative
of GPI Holding,
winner of
the category
“Responsibility in
the Marketplace”
and Arad Benkoe,
Ambassador of
Austria to Georgia

For those of us who are considering how to improve the understanding and visibility of Corporate Social Responsibility in Armenia, there's an interesting case to examine not too far from home. In June 2023, more than 80 businesses will gather for a fancy event in Tbilisi that will bring together glamor, recognition, and responsibility – Meliora, Georgia's Responsible Business Awards. Established in 2018 by an organization called the Center for Strategic Research and Development of Georgia (CSRDG), this was the logical continuation of work that was already being done by that team to promote responsible business practices in the country. It began through a program funded by the European Union and the Konrad Adenauer Foundation called the Civil Society Sustainability Initiative. A coalition of organizations was implementing various activities within the umbrella of this program and CSRDG used the opportunity to launch Meliora and consolidate the work they had been doing to promote CSR.

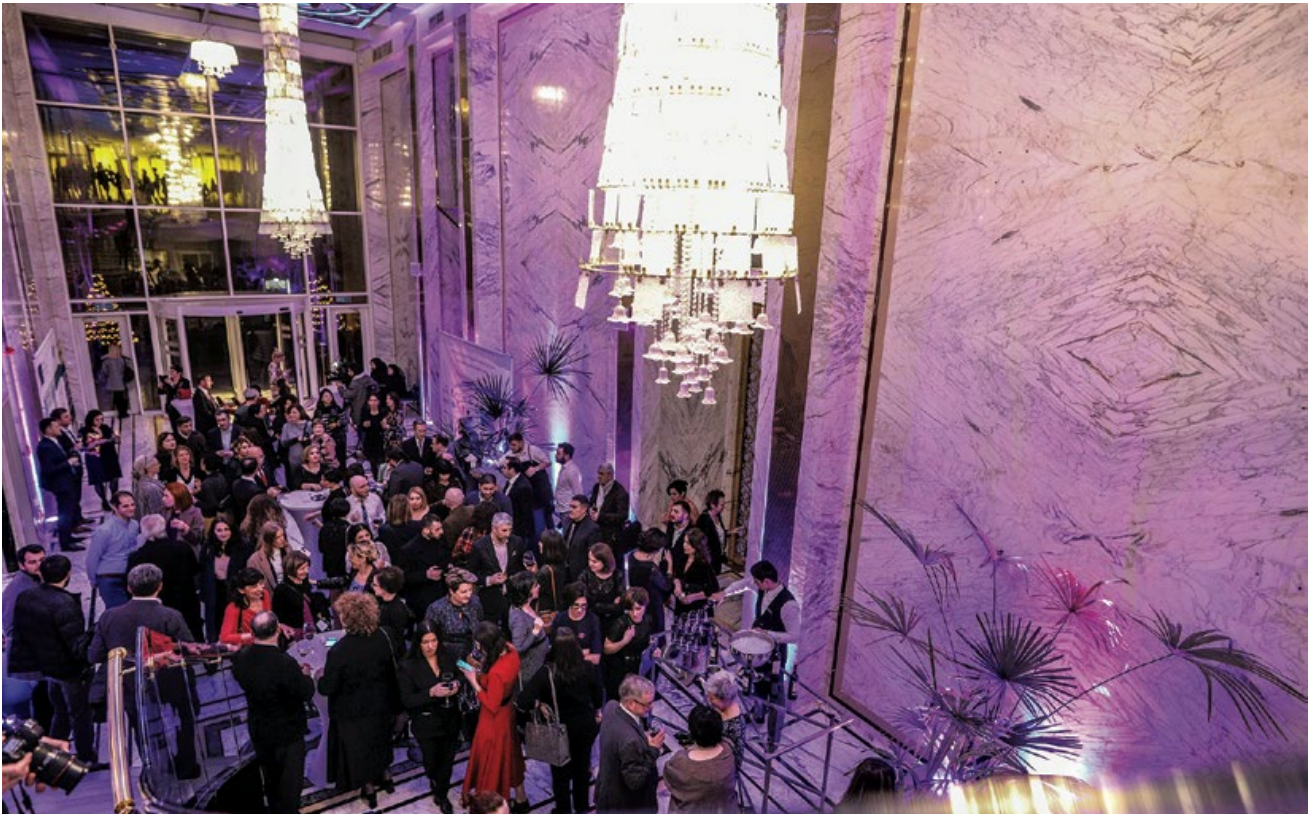
“We started working on this in 2017 and it took us close to a year to develop the concept, criteria, documentation, materials, etc. We analyzed more than 20 different CSR or Sustainability Awards globally and consulted with colleagues from different countries. We had two international consultants representing Pontis Foundation in Slovakia and The Prince's Responsible Business Network, Business in the Community in the UK, their contributions were crucial. There are so many internal issues to organizing something like this that you can never tell from simply looking at the documents available publicly. We digested all this information, and came up with an original concept, we did not use a ready-made approach,” says Lela Khoperia, the CSR program coordinator at CSRDG.

Meliora, which comes from the Latin word for “the best,” has been an opportunity for Georgian businesses to compete in several categories, all related to responsible business or sustainability. Originally designed as an annual event, the COVID-19 pandemic in 2020 threw plans into disarray, but only temporarily. The organizers quickly adjusted and dedicated the call for applications in 2020 to business practices focusing on the COVID-19 response.

For example, the winner in the category “Large company supporting clients, customers and suppliers during the COVID-19 pandemic” was GPI Holding, which had transformed to a fully online mode of operations while maintaining crucial health insurance services for customers. Their partner laboratories visited patient homes to collect material for testing. Procedures for prescribing drugs for chronic diseases were simplified – applications for all drugs were renewed automatically to avoid extra visits of the customers. Clients were offered electronic cards for payment, which were integrated into the company's application, reducing contact with cash and credit cards. Collection boxes were placed at the service centers for those who were unable to upload documents online. These were just a few of the practices that earned the company the award in this category.

The winner of the category “Small company supporting society, communities during the COVID-19 pandemic” was Fair Trees, which runs examinations for the prevention and treatment of breast cancer in women. Their operations were under threat because no clinic space was available during the pandemic, the company hired a private mobile clinic enabling the examination of the women at various locations. Patients with suspicious





symptoms were transferred to a qualified clinic for further testing, in compliance with regulations. The organizers of the Responsible Business Awards Meliora have chosen to make two sub-categories for each nomination – one for large companies, the other for small or medium enterprises (SMEs). “Around half of the companies vying for the awards are SMEs and it would not be fair to pitch them against large companies, which have more resources at their disposal,” Lela says, “We also have a policy that says participating companies cannot be a sponsor of the event. We want to make sure there are no conflicts of interest, or reasons for anyone to suspect the integrity of these awards.” Another good indicator for the fairness behind the evaluation procedure comes from the international panel of judges. CSR DG has chosen to work with an evaluation panel that includes local experts, who understand the country’s context well, as well as experienced international professionals who bring a different dimension to the process. Each nomination is judged by panel of 5 or 6 professionals, who work remotely to analyze the submissions and provide detailed feedback. The winners are chosen by consensus, not a mathematical calculation of average scores from the judges.

“The Meliora awards play an important role in raising awareness and driving the momentum for responsible business, not only among companies, but also for policymakers, investors, employees and communities. Everyone benefits when businesses act responsibly. As a jury member, I have been impressed with the ambition of Georgian companies and their commitment to responsible practice. I think more momentum is needed to make the shift from a project approach to an integrated approach, where management of environmental and social impacts are part of everyday thinking, planning and decision making at the highest levels of the organization,” says Elaine Cohen, Managing Director of Beyond Business Ltd. Another jury member, Loic van Cutsem from Ashoka Austria, says, “The Meliora awards is a valuable incentive to promote and advance responsible business in Georgia. I always enjoy discovering the projects, in particular the collaborations between companies and civil society actors.” The Meliora awards are open to all businesses in Georgia, and the organizers have done everything they can to ensure that they are accessible. There is no cost for participation and companies can even submit applications in Georgian; the

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Award Ceremony
of Georgia's
Responsible
Business Awards
Meliora 2019



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Award Ceremony
of Georgia's
Responsible
Business Awards
Meliora 2018

organizers translate them to English for the international judges.

The positive impact of these awards in Georgia is quite clear. Participation rates are steady and the awards have now become an established event in the annual business calendar. There were 72 applications in the first year, and the latest edition has seen 88 submissions from 60 companies. There are challenges as well, of course. The organizers of the awards are seeking to find ways to make it more financially sustainable, given that the donor funding supporting it is slated to end in a couple of years. They are also looking for ways to involve more participants. But these challenges will be overcome, given that the awards now enjoy the recognition of the business community in Georgia and CSR has become more visible on their radar.

“Business should not only be beneficial in terms of finances. There must be the possibility to do much more through business than just business alone. Our objective is to make the environment more esthetic, diverse and healthy in which our innovative product is very helpful,” said Mikheil Mestvirishvili, Director of Geo Mulch, when they received the award in the Green Initiative nomination in 2019.

But the Meliora awards are not just about recognition. The process is quite educational for the businesses that take part. As Lela Khoperia elaborates, “In reality, we are trying to make these awards more impactful as a means for capacity building and development. Even the process of applying and filling the application form helps businesses learn, because they see what matters in terms of responsibility. We have had cases where businesses have told us, ‘We never thought this indicator was important, but the application asked about it, so now we take it more seriously.’ All the applying companies get feedback from the panel of judges on their submissions, and this input can sometimes be transformative. We also invite one or two of our international judges to the awards ceremony and, since they are physically with us in Tbilisi, we take advantage of their availability and organize a master class for Meliora entrants.” All in all, Georgia’s Responsible Business Awards Meliora has everything that could attract a business – the opportunity to grow and improve while being recognized for being a leader in the community. It is an inspiring example that has passed the test of time and will hopefully continue to serve the development of CSR in Georgia. ♦

“Business Can and Must Do More”

The International Chamber of Commerce Rises to the Challenge



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Irina Pahlevanyan,
Vice president of
ICC Armenia
Executive Board,
Chair of Corporate
Sustainability
Commission



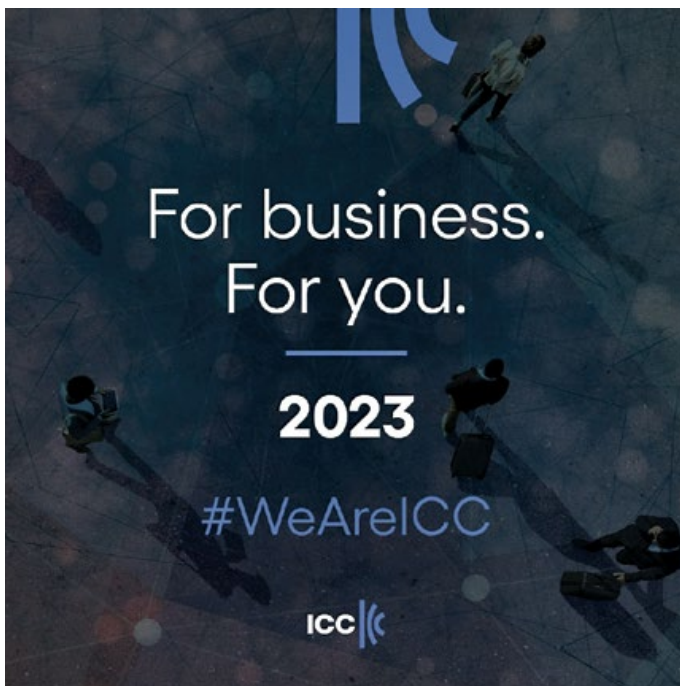


The International Chamber of Commerce (ICC) was founded in 1919, when the world was still recovering from the First World War. A group of industrialists, financiers, and traders came together with the shared conviction that trade was a powerful force for peace, and that fear and suspicion could be replaced with a new spirit of hope and cooperation. These self-styled “Merchants of Peace” had a vision for stronger business ties that bound nations together, offering the opportunity for shared prosperity as an alternative to war.

Working closely with policymakers through the principles of neutrality and independence, ICC has facilitated cross-border connections in the private sector and involves more than 45 million businesses today across 170 countries, including Armenia.

^ ICC Global, getting ready for the upcoming World Chambers Congress event in Geneva, Switzerland

> Mr. Carel Hofstra, President of ICC Armenia Executive Board



Celebrating 100 years of its establishment in 2019, ICC issued the Centenary Declaration, focusing on the key points of “the next century of global business.” Issues vital for sustainability and corporate social responsibility were an important part of this declaration.

The Declaration stated: “We recognize that climate change is a growing emergency, and we wholly endorse the findings of the Intergovernmental Panel on Climate Change on the urgent need to keep the global temperature increase below 1.5 degrees Celsius. Through our global network, we will advocate for policy frameworks that support the alignment of business operations with this target and help us to reach the additional goal of net-zero emissions in many countries by 2050.”

But ICC leaders have long acknowledged that this is a systemic problem that requires collaboration across sectors. When asked in 2015 whether businesses were doing enough, ICC Secretary General John Danilovich said, “Let’s be clear.

Business will be essential in ensuring an effective response to the climate challenge. ICC members – companies of all shapes and sizes around the world – are already taking the lead in delivering and deploying powerful solutions that support the global climate agenda and the COP-21 negotiations. To be sure, business can and must do more. But to support this, we think it's vital that the right policy frameworks are put in place, to create market opportunities, to help scale up the deployment of existing technologies, and to support the innovation needed to meet the climate challenge.”

The Centenary Declaration also highlighted the need for “a more inclusive and responsible

▼
 “Green TFP: Bringing Green Trade to Armenia” conference by ICC Armenia Banking & Finance Commission and EBRD

capitalism.” In terms of responsiveness to social issues, the International Chamber of Commerce has been active in the Private Sector for Refugees (PS4R) coalition launched in 2019. This initiative is a multistakeholder effort to bring closer humanitarian relief and development work on one hand, and commercially-driven business operations on the other. On World Refugee Day in 2021, ICC Secretary General John W.H. Denton said, “When given the chance, refugees and migrants can and have made immense contributions to the communities in which they live. Integrating refugees makes sense for business, and makes sense for society.” As part of this effort, the Refugee Investment Network was created, an impact investment and blended finance solution supporting the entrepreneurial efforts of refugees and providing them with a better future in their host communities.

As part of its structure, the International Chamber of Commerce consists of several commissions, each focusing on a specific topic. The ICC Corporate Responsibility and Anti-Corruption Commission focuses on promoting ethical business practices and combating corruption in the global business community by creating awareness, providing guidance, and developing tools to assist companies in implementing effective anti-corruption measures and responsible business conduct.

The Commission encourages businesses to adopt responsible practices that go beyond legal compliance. It promotes sustainability, social responsibility, human rights, and environmental





Meeting with the Minister of Economy

stewardship, aiming to integrate these considerations into corporate strategies and operations with best practices, in order to help companies prevent and address corruption risks. The commission represents the private sector's interests in discussions and initiatives related to corporate responsibility, sustainability, and anti-corruption. It engages with governments, international organizations, and civil society to advocate for effective policies and frameworks that support ethical business conduct.

The commission enhances awareness and knowledge on corporate responsibility and anti-corruption through training programs, workshops, and other resources. These initiatives aim to build capacity within organizations and facilitate the adoption of best practices. The ICC has also published guidelines and tools to assist companies in implementing responsible and ethical business practices. These guidelines cover areas such as anti-corruption, integrity in business transactions, and responsible supply chain management.

With the publishing of its standards of Conduct to Combat Extortion and Bribery in 1977, ICC was the first business organization to issue anti-corruption standards. Combating corruption, which is central to corporate responsibility and good corporate governance, is an ongoing process for the ICC. The 2011 edition of the ICC Rules for Combating Corruption presents a clear set of rules, corporate policies that can support compliance with these rules, and the elements of an efficient corporate compliance program. More recently, the ICC issued guidelines in 2022 on whistleblowing – another important mechanism for ethical and responsible business practices.



ICC Global Conference
On the right, John Denton, Secretary General,
Next to him, Maria Fernanda Garza Merodio, Chair

The guidelines provide detailed support on the development of a Whistleblowing Management System and navigates the complexities of the contexts in which whistleblowing can occur. The guidelines state, "It should be recognized that submission of a confidential report via the Enterprise's Whistleblowing channel is often seen as a last resort when employees do not feel encouraged to report their concerns directly to their manager. Therefore, Enterprises should clarify in their internal communication how to differentiate between 'a report' and the mere information about an issue that requires management attention and needs to be rectified in the normal course of business."

In 2022, the ICC National Committee Armenia set out to establish a local commission on Corporate Sustainability with the goal of promoting the perception of sustainability and its application in the local business community by introducing global best practices and knowledge, and discussing legislative reforms in this sphere, developing mechanisms to advocate for and encourage the boost of sustainable practices. On one platform, the Commission brings together the top local experts in the Sustainable Development Goals (SDGs), ESG, CSR, and corporate governance, as well as stakeholders and the representatives from strategy-driven and socially responsible firms.

The growth of ICC's activities in Armenia are a good sign for better connections between the business community in this country with the rest of the world. It is a powerful platform to bring support and change to the private sector in Armenia and to foster peace, prosperity, sustainability, and opportunity for all. ♦

Corporate Social Responsibility: A Story of Evolution

Guest Editor Nazareth Seferian charts how the concept of CSR emerged in global business and how the process has occurred in Armenia so far.

THE RISE OF RESPONSIBILITY

People have been trading items for a long time, probably starting from prehistoric times. But the concept of business, i.e., selling something for a profit, is considered to go back to the times when urban civilization was established, perhaps in Mesopotamia for the first time. So, business has been around for something like five thousand years. Why then, has the concept of corporate responsibility come around so much later? It was only in 1899, when the Scottish-American industrialist Andrew Carnegie published *The Gospel of Wealth*, that someone publicly expressed the idea to a large audience that businesses were “caretakers” or “stewards” of their property, their employees, and the community in which they operated. And this was considered a revolutionary idea at the time – too revolutionary, in fact, to become mainstream. Discussions about corporate responsibility remained confined to academic circles for several decades. The issue was simply not considered urgent or important enough to merit any real engagement by the business community.

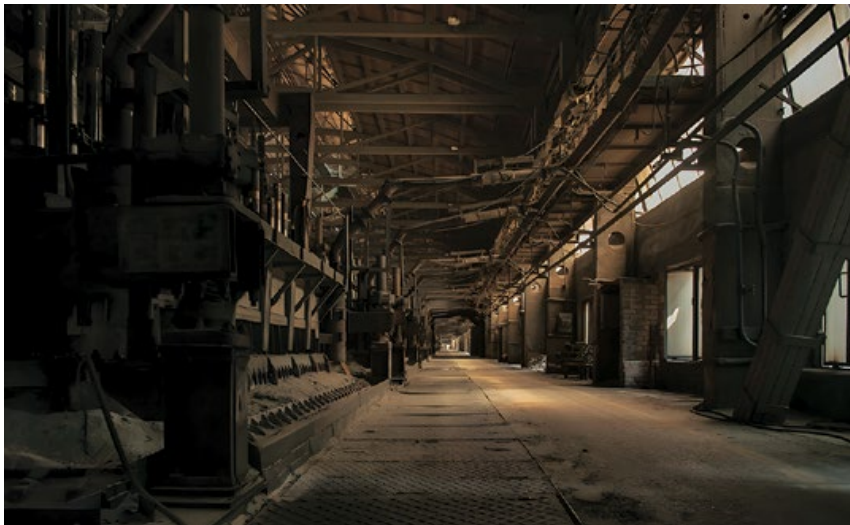
In the 1950s and 60s, these discussions grew a bit more visible, with some prominent universities, scholars, and even a few business leaders talking about this concept of responsibility from time to time. The environmental movement was gathering pace, and it was slowly becoming clear that human beings were harming the planet, and that large businesses were taking center stage in this activity. But, in 1970, Milton Friedman published an article that would dominate the mindset of business leaders for the next two decades. In the *New York Times*, he wrote that “The social responsibility of business is to increase its profits,” arguing that shareholders had trusted businesses with capital to run its operations, and investing in anything except profit-maximization would mean “spending someone else’s money for a general social interest”. Investors and business executives were free to spend their own money for such causes, if they wished, Friedman said, but a corporation is created with the purpose of profit, and it should not deviate from this mission. Addi-



◀ Andrew Carnegie, Scottish-American industrialist and philanthropist

tionally, a business does not even know much about society, the environment, and all its problems – these are areas that lie within the area of expertise of the government, non-profit organizations, and so on. Therefore, business should not deal with any of this. Friedman’s argument has often been eloquently summed up into a single sentence – “the business of business is business.”

The 1980s and 1990s saw a boom in globalization and, almost suddenly, there were companies founded in the United States that ran operations in East Asia and sold their products in North America, or European corporations that worked in the Middle East but had customers in the United Kingdom, and so on. The environmental movement and human rights activism had also started to go global – people in the western world were growing increasingly concerned with incidents that were happening many, many miles away. And new technologies in communication – satellite television and then the internet – were allowing people to transmit



SO, BUSINESS HAS BEEN AROUND FOR SOMETHING LIKE FIVE THOUSAND YEARS. WHY THEN, HAS THE CONCEPT OF CORPORATE RESPONSIBILITY COME AROUND SO MUCH LATER?

information almost instantaneously. Together with corporate greed, these factors combined to form a “perfect storm” that would expose irresponsible business, and pave the way for a new era in corporate leadership. The corporate scandals that rocked Nike (sweatshops in East Asia), Shell (the Brent Spar controversy and human rights in Nigeria), McDonald’s (increasing obesity in the US), damaged one of the most valuable things to any business, something that takes years to develop – its brand and reputation.

And so, the concept of corporate social responsibility developed initially from this very concept of “responsibility” in the purest sense. Corporations in the western world were considered directly responsible for the working conditions of their suppliers in East Asia. Corporations were being held directly responsible for human rights abuses committed by the dictators they were bribing. Corporations were even being held responsible for the consumption habits of their customers.

THE TRANSITION TO IMPACT

When the Global Compact was founded by the United Nations in 2000 as a voluntary initiative for businesses to improve their social practices, it was still largely focused on this sense of direct responsibility. And when the United Nations adopted the Millennium Development Goals as its guideposts for development until 2015, the private sector was not engaged as an active partner, because many of these problems did not have a direct causal connection to business activities.

But the corporate sector itself began to understand that this basic level of corporate responsibility was too limited a framework, and that the potential for business to positively impact society is much bigger. Importantly, this was not about altruism but a recognition of the real opportunities that exist for mutual benefit when businesses work with various stakeholders to contribute to the solutions of existing social and environmental problems. For example, the Indian

subsidiary of Unilever PLC created a new operational model that allowed it to sell detergents to poor consumers – a demographic that had earlier been neglected. This allowed the company to grow by 40 percent over five years and Unilever then used the same approach in other large but poor markets, like Brazil.

In 2007, Vodafone’s subsidiary in Kenya launched a service called M-Pesa, allowing customers to exchange airtime for goods and services, and then even for money. Once again, this was an example of a business offering targeting poor consumers that then exploded into a moneymaker for the company – M-Pesa is offered across ten countries today, with almost 20 billion transactions (or more than 600 transactions per second) in one financial year. For society, M-Pesa has meant the financial empowerment of more than 50 million people, many of whom had been left out of the banking system because of poverty. It has also served as an engine for the growth of small and medium enterprises across Africa. These examples go beyond the concepts of “corporate philanthropy” and “responsive social responsibility,” and are success stories demonstrating how businesses can see social issues that align with their own strategies and to extract actions from there that benefit everyone. This mutual benefit includes a tangible boost to the financial bottom line or net profit but, naturally, also has a net positive effect on the people and the planet.

Today, on the global stage, businesses are seen as a key stakeholder when it comes to social and environmental development. This is also reflected in the terminology, with many companies now talking about “sustainability” rather than “corporate social responsibility.” Learning from its errors,



THIS MUTUAL BENEFIT INCLUDES A TANGIBLE BOOST TO THE FINANCIAL BOTTOM LINE OR NET PROFIT BUT, NATURALLY, ALSO HAVE A NET POSITIVE EFFECT ON THE PEOPLE AND THE PLANET



the United Nations emphasized the importance of the private sector when it launched the Sustainable Development Goals in 2015. Many large businesses now have teams that work across departments to ensure sustainable practices and social impact.

THE CONTEXT IN ARMENIA

The business community in Armenia cannot, unfortunately, claim to be at that level yet. While the topic of “corporate social responsibility” remains on people’s minds and is often used as a catchphrase where appropriate, it is not a clear priority for most of the country’s businesses. In the late 2000s, several non-profit structures like the British Council, American Chamber of Commerce, UN Global Compact local team, and Eurasia Partnership Foundation tried to promote this idea through conferences and other activities. The entrance of VivaCell into the Armenian market brought this phrase to people’s television screens, with almost-daily news reports of a range of corporate actions from philanthropy to strategic responsibility conducted by the company under this umbrella of CSR. VivaCell, which later morphed



into VivaCell-MTS, was also among the first companies to publicly issue CSR reports, with the only other notable examples of such reporting coming from the Communication on Progress publications that UN Global Compact members were expected to produce.

But, in Armenia, CSR has not yet developed to the level of conscious efforts toward sustainability that we have seen in the West. To be fair, this is true also for many other countries in the world, where the business sector still seems “stuck” to a limited view of corporate responsibility, or even to a continued confusion of the term with philanthropy. Indeed, many of the companies in Armenia still entrust the CSR role to the public relations manager, whose role here is limited to maintaining and enhancing the company’s reputation. Meanwhile, CSR has the potential to outline and develop a whole new business vision for any company, and many PR professionals in Armenia might also argue that their role within their companies should also be broader than its current narrow focus. Perhaps the article titled *CSR: Just a PR Tool or More?* in this issue will contribute to this debate. Indeed, customers in Armenia are beginning to learn about

responsible consumerism. In 2010, for the first time ever in the country, environmental protesters picketed a bank when it announced the decision to finance a mining project in the country. This was a new phenomenon in our part of the world – protesters were angry at a bank for a business decision it had made, one that would arguably help fulfill its business mission of profit maximization. Would the bank be directly damaging the environment? No, the mining operation that was being financed would be directly guilty of any damage. But Armenian environmentalists were seeing this the same way as western consumers had in the 1990s – Nike was responsible for the sweatshops being run by their suppliers, Shell was responsible for the human rights abuses of the government officials whose palms they were greasing, and so on.

Perhaps, in Armenia, we are now at the brink of the awareness that came to the global business community in the early 2000s. There is hope that the private sector will soon come to the realization that sustainability is in the best interests of everyone – the company, society, the state – and can even translate to greater profits, while also helping the people and the planet achieve a new level of prosperity. ♦

CSR:

Just a PR Tool or More?

Guest editor Nazareth Seferian looks at a hypothetical example of a business in Armenia to understand the full potential of corporate social responsibility and how it can contribute to success.

TEXT : NAZARETH SEFERIAN

As the history outlined in the article *Corporate Social Responsibility: A Story of Evolution* suggests, CSR was born through the public relations' crises faced by multinational corporations, and the idea of "responsibility" was directly linked to their reputation. As the famous quote says, "Your brand is what they say about you when you're not in the room," and, during the crises faced by Nike, Shell, and others in the 1990s, any mention of these companies was followed by a discussion of their irresponsible practices. The introduction of corporate social responsibility practices and, later, a strategic focus on sustainability, allowed companies



to counter this crisis and to reestablish themselves as stakeholders that should be seen as a force for good, not greed. But is this all there is to CSR, is it just one component of brand management, a tool meant for the hands of a public relations professional?

One of the first people to suggest a clear answer were the strategy gurus Michael Porter and Mark Kramer. In the 2000s, their seminal articles in *Harvard Business Review* suggested that there was a strategic approach that business should use to think about its role in society, and that this could have many benefits for companies. In *Strategy and Society*, they argued that thinking only about reputation or even moral obligation meant a "focus on the tension between business and society, rather than on their interdependence." They then suggested laying out the "points of intersection" of the two, which involves an analysis of the value chain of the given company (inside-out factors) and the competitive context in which it operates (outside-in factors). Through this analysis, the true power of CSR can be unleashed as a force for change.

Let's understand this better by looking at the hypothetical example of a supermarket operating in Yerevan. The inside-out factors, or its value chain, includes a consideration for things like its infrastructure (how are the stores designed? Are they energy friendly? Are they accessible to people with different abilities?), inbound and outbound logistics (how are products transported? What kind of packaging is used? How is waste managed?) and more. For example, the use of plastic bags is a major issue of relevance to supermarkets when it comes to corporate responsibility. By





THERE ARE MANY SMALL PRODUCERS OF REUSABLE CLOTH BAGS IN ARMENIA, BUT THEIR USAGE DOES NOT SEEM TO BE VERY POPULAR YET. **WHAT IF A SUPERMARKET LAUNCHED A COMPETITION FOR BUSINESS IDEAS ON HOW TO MAKE THEM MORE UNIVERSALLY USED?**

the very fact of its existence and operations, a supermarket in Yerevan directly contributes to the additional circulation of several hundreds or thousands of plastic bags a day. This was an unregulated topic in Armenia for many years, and then plastic bags became a paid item for customers a few years ago and were expectedly to be completely eliminated through legislation in 2022. The law has not been effective in eliminating plastic from the scene, but more attempts at regulation can be expected in the future. This suggests that, besides the moral obligation of supporting the planet by reducing plastic, there is a strategic business argument as to why supermarkets should make this the focus of their plans. With government continuously trying to control this topic, there is a clear business risk that changes in plastic regulation will mean constant adjustments by supermarkets that will cost time and money. One way to manage this risk through CSR is to not just offer customers choices that seem to be environmentally more friendly, like paper, but to actively educate and “nudge” them in this direction. If, for example, cashiers are given texts to encourage customers to choose paper, or if customers are given extra points on their loyalty cards, or some other tangible benefit to make this choice, any government regulations on plastic will end

up being less painful to the company, because one could assume that the transition to other options will be complete or near completion by that time. But there are even bigger and better solutions out there. There are many small producers of reusable cloth bags in Armenia, but their usage does not seem to be very popular yet. What if a supermarket launched a competition for business ideas on how to make them more universally used? What if a supermarket invested a seed amount in a startup idea to centralize the distribution of cloth bags to supermarkets and their collection from customers later? Imagine yourself as the customer. It's probably easier to consider using a cloth bag instead of plastic if – 1) you don't have to constantly remember to carry one with you and it's readily available at the cashier's, and 2) you don't have to pay several thousand drams for a cloth bag, you can simply “rent” it for a monthly subscription fee and then the startup will have a convenient solution to collect it from you later. This kind of corporate social investment, when a large company actively financially supports the creation of new solutions in its surroundings, can be both a wonderful example of social impact (drastic reduction in plastic bags) as well as a new source of financial gain (returns from investee).

And so, thinking of CSR as something beyond simply a PR tool has great benefits. Instead of simply having a TV report on how our supermarket now offers paper to customers as an alternative to plastic, we can help create new solutions that have a bigger social impact, generate new financial returns and provide a good story for a TV report, if we want to get PR mileage as well.

What would the outside-in factors include for a supermarket in Yerevan? One of the categories for such factors outlined by Porter and Kramer focuses on the “input” shortcomings, i.e., lack of quality supplies, raw materials, etc. For our example of a supermarket, one of the problems is that many items on the shelves are imported because of lack of good quality local alternatives. But importing items comes with a few inherent risks because there may be logistical issues (the Lars Crossing is often not the most reliable transit route) or financial concerns such as currency fluctuations. Why shouldn't supermarkets be more actively engaged in helping their local suppliers develop quality alternatives to their most popular imported products? Like in the previous example, supermarkets can take a relatively passive approach to this, by perhaps highlighting local products in their stores or using messaging that encourages customers to try new items by local producers. Or they can choose to actively invest in the growth of the local manufacturing by organizing and sponsoring incubators or competitions that develop

the relevant products. Having a bigger stake in this process might translate to being able to demand bigger margins or to co-create products that will enjoy bigger sales than the current imported items. And so, once again, CSR can impact the company's financial bottom line more directly than any PR mileage.

Another important area where CSR benefits companies is employee retention and dedication. Try a simple Google search about millennials' beliefs about work and you will find a range of recent surveys suggesting that two-thirds of





IF THE LEADERS LIMIT THEIR VISION ON CSR TO THIS, THEY ARE MISSING OUT ON ITS FULL POTENTIAL. AND A BROADER, MORE STRATEGIC APPROACH TO CSR DOES NOT DIMINISH THE VALUE IT HAS FOR PR MILEAGE. IT UNLEASHES OPPORTUNITIES THAT MAKE FOR LONGER-TERM, IMPACTFUL STORIES THAT HAVE A STRONGER POSITIVE EFFECT ON THE BRAND

this generation, if not more, value employers that focus on more than just the financial bottom line. Employee churn is a major cost for companies. A coherent, consistent, and well-communicated CSR strategy is a very good way to keep this risk low. Additionally, CSR provides great opportunities for employee engagement, allowing companies to use their team members as volunteers in various projects and really give them a sense of purpose when it comes to their jobs. It is no secret that some companies in Armenia, like the IT sector, are actually in fierce competition with each other for quality personnel. And given that some opportunities in this sector can be quite similar in terms of the actual job descriptions or even salaries, potential applicants might make a choice based on the company's social standing and impact. Thus, CSR is not just a PR tool, but also an HR tool, if used right.

In addition to all this, CSR helps businesses improve their chances when it comes to accessing funds. Investors are increasingly looking at a company's impact before they decide on whether or not to commit any money to it. The ISO 26000 standard on social responsibility focuses on seven key principles – accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights. Any investor would prefer a company that has evidence to back its observance of these seven principles, rather than one that cannot claim to fulfill any one

of these. The key factor of any business transaction, trust, is at a different level when you see that the company with whom you are working has a truly positive social and environmental impact in its community.

In sum, there is no doubt that corporate social responsibility is an excellent tool that PR professionals can use. CSR initiatives provide great stories that allow customers to think of businesses not just as profit-seeking entities, but as corporate citizens that are making society better in some way. But if the company's leaders limit their vision on CSR to this, they are missing out on its full potential. And a broader, more strategic approach to CSR does not diminish the value it has for PR mileage. On the contrary, it unleashes opportunities that make for longer-term, more impactful stories that have a stronger positive effect on the brand. The Chartered Institute for Public Relations says that PR "is about reputation – the result of what you do, what you say and what others say about you." In their view, PR is a "planned and sustained effort to establish and maintain goodwill and mutual understanding" between the business and the public. So, CSR has a role to play here for sure and, in fact, perhaps real public relations – where there is a sincere effort toward goodwill – is actually impossible without responsible practices. In any case, CSR has the power to change the story of a company, ensuring that many more people will recall its name and mention it even when that company is "not in the room". ♦

DRIVING GROWTH: The Power of Business Advocacy

AmCham Armenia, also known as the American Chamber of Commerce in Armenia, is a member-based non-profit organization that represents the interests of American and Armenian businesses in Armenia, dedicated to promoting trade and investment between Armenia and the United States. Founded in 2000, AmCham Armenia has become a leading advocate for business-friendly policies and initiatives that encourage investment, job creation, economic growth, and development in Armenia.

As AmCham Armenia unites over 160 member companies from around 20 sectors of the economy, this cross-sectoral partnership and balance of interests create a unique approach to advocacy and a unique environment in AmCham itself. Advocacy is an essential part of the mission of AmCham Armenia. Advocacy is the process of promoting or defending a cause or policy. In the case of AmCham, it is about a wide range of areas, such as tax

and customs regulations, trade, finances, labor law, corporate governance, intellectual property rights and many others. This includes advocating for policies that reduce bureaucracy, improve access to financing, and encourage foreign investment. AmCham Armenia regularly engages with government officials, lawmakers, and other stakeholders to provide input on proposed legislation and regulations that could impact the business community.

To make its advocacy efforts more structured, AmCham Armenia has established five committees that are umbrellas for members to discuss all the topics mentioned above: the Sustainable Development Committee; Tax, Customs, and Fiscal Policy Committee; Legal Committee; Workforce Development Committee; and Digital Transformation Committee. AmCham Armenia also advocates for policies that promote sustainability and corporate social responsibility. It encourages its members to adopt environmentally and socially responsible business practices and works with the Armenian Government to develop policies that promote sustainable economic development. Besides working with the Armenian Government, AmCham Armenia also engages in advocacy at the international level. For example, AmCham Armenia is a member of the U.S. Chamber of Commerce and AmChams in Europe (ACE), which allows it to advocate for the interests of American and Armenian businesses in the broader European context. In addition to its advocacy efforts, AmCham Armenia also provides a platform for its members to network and collaborate. It organizes events and





Investment Council of Armenia meeting, 2022

AmCham at open hearings in the National Assembly on Labor Code, 2023

activities that bring together business leaders and policymakers from Armenia and the United States, facilitating dialogue and fostering partnerships. In addition to its advocacy activities, AmCham Armenia also plays a key role in promoting public-private dialogue. The organization hosts regular events, seminars, and roundtable discussions that bring together government officials, business leaders, and other stakeholders to discuss issues of mutual interest. These events provide

a platform for open and constructive dialogue, allowing participants to share ideas, insights, and perspectives on various topics related to business and economic development in Armenia. During these events, AmCham Armenia representatives present the views and concerns of the business community and make recommendations for how the proposed policies could be improved. On the other hand, AmCham Armenia provides a platform for its members to

network and cooperate. By bringing together stakeholders from different sectors, the organization aims to promote greater understanding and trust, facilitate dialogue, and foster partnerships among business leaders and policymakers in Armenia. Overall, AmCham Armenia plays a significant role in shaping Armenia's business landscape and promoting foreign investment in Armenia through advocacy and public-private dialogue initiatives. It works to foster U.S.-Armenia economic ties, reduce barriers to trade and investment, promote sustainability, and facilitate partnerships between businesses and policymakers, thus contributing to a more vibrant and competitive economy in Armenia. As Armenia continues to navigate the challenges of the 21st century, AmCham Armenia will undoubtedly continue to be a leading advocate for the interests of the business community and its members and a key partner in the country's economic development efforts. ♦

“Our Members Are Serious About Corporate Social Responsibility”

A conversation about Corporate Social Responsibility with Lilit Gevorgyan, Executive Director of the American Chamber of Commerce (AmCham) in Armenia.

INTERVIEW : NAZARETH SEFERIAN / PHOTO : AMCHAM ARMENIA



Nazareth Seferian



Lilit Gevorgyan



Nazareth: Lilit, in 2017, AmCham launched the Responsible Business Network (RBN) as a new platform among its members, and I was happy to be part of this effort from Day One. Let’s talk a bit about CSR in general, the results of this platform in particular, followed by AmCham’s and your personal vision for our country.

Lilit: Yes, and let me take us back further in history. AmCham has been operational in Armenia for more than 20 years, and we gradually evolved into an organization that also welcomes non-profits among its members. It has thus naturally become a space where some of the best for-profit and non-profit entities in Armenia connect with each other, which is an essential aspect of CSR. And this was our initial idea with the RBN – matching businesses with potential partners around CSR initiatives, but now it is probably time to rethink that philosophy.

Nazareth: Let’s start with the definition of CSR as you see it or from AmCham’s point of view. What is it?

Lilit: Well, each company has its own definition of CSR, but there is a general consensus that it is about giving back to society. Unfortunately, in our reality, it has developed strong associations with PR, and sometimes, the initiatives that are communicated as CSR have little long-term, sustainable impact. Perhaps it is a misplaced intention or a focus on PR alone. I have seen projects that are communicated strongly but need more substance in terms of impact. In our vision, CSR must be based on a foundation of long-term thinking, of sustainable impact. And I am sure that our members are serious about Corporate Social Responsibility.

Nazareth: In your opinion, why should a business be serious about CSR? Many companies ask me this when I tell them it’s not about PR. They say, ‘So why should we do this? What’s in it for us?’

Lilit: I’d like to give an example from a personal angle. What if a real egoist wants to be in an environment that is doing very well, where there are no problems, but no one is seeking his

support? From this perspective, there is definitely an aspect of self-interest in CSR, too. It is not purely about altruism.

Nazareth: I like this example with egoism, and it fits well with what I often tell businesses – CSR is about finding mutually beneficial solutions to shared problems. Many of the issues that exist in the country negatively impact businesses, like the quality of education provided by schools and universities. Being a part of the solutions to these problems is definitely in the domain of CSR.

Lilit: Shared solutions, shared values... We often use a beautiful phrase in Armenian, don’t we? Tsavd tanem. Let me take away your pain. Let me share your pain.

Education, indeed! Earlier in my career, I worked a lot with IT companies. At some point, they realized that the talent shortage in their sector resulted from problems in education. But they could not wait for the Government or other stakeholders to find a solution. They had to act. So, companies set up an award to encourage more schoolchildren



studying STEM to consider careers in IT. Companies invested money to redesign the curriculum of specific high school subjects to give schoolchildren a holistic view of choices in IT. It's not just about programming, after all, but also engineering, microelectronics, telecommunications, and so on. Companies established the relevant departments at the Polytechnic and other universities. And these efforts benefited both: the companies – helping them find a long-term solution to their shortage of human resources – and the whole of society. This is the essence of CSR – shared solutions and sustainable benefits for all.

Nazareth: And it's great that the Responsible Business Network has helped foster this mindset in the business community in Armenia. But let's also talk a bit about the challenges. What are some of the lessons learned from this initiative?

Lilit: As I said earlier, one of our initial objectives had been to match our member companies with non-profits delivering impact on the ground. These partnerships would grow into good

IN OUR VISION, CSR MUST BE BASED ON A FOUNDATION OF LONG-TERM THINKING, OF SUSTAINABLE IMPACT. AND I AM SURE THAT OUR MEMBERS ARE SERIOUS ABOUT CORPORATE SOCIAL RESPONSIBILITY

CSR initiatives in our vision. And they did. In the beginning, we had successful matching events. But we see now that companies could be more enthusiastic about events in the existing format, where non-profits pitch to them. They don't want to make any pre-commitments. But, on the other hand, we see many beautiful initiatives between our member companies and non-profits "behind the scenes", meaning they need a new format with AmCham.

Nazareth: Yes, I've been in their shoes. When I was responsible for CSR at a telecommunications corporation in Armenia, non-profits would come with "ready-made" projects and ask only for financial support. But companies are more interested in co-creation, in my opinion. How can the project be

designed to allow, for example, employee volunteering as a component? Can the business contribute in other ways – for example, by designing a new product or service that better serves a vulnerable group? These are not questions that usually go through the minds of non-profit professionals. However, a healthy dialogue between the for-profit and non-profit sectors can lead to developing what you described earlier – longer-term projects with sustainable impact rather than focusing on PR.

Lilit: When it comes to commercial activities, many companies worldwide have realized that they are not just selling a product or service, they're selling an experience. It's time for non-profits to learn this, too – their

partnerships with companies should be about the experience, not just the transaction of a financial donation in exchange for good press. Historically, civil society organizations, or non-profits, act as a bridge between society and other stakeholders, like the Government or the private sector. But these non-profits need to keep learning and evolving, they cannot stick to old methods when seeking corporate support.

Nazareth: When it comes to the global AmCham community, do AmChams in other countries have any good examples in this area that could be recreated here?

Lilit: Yes, we are part of AmChams in Europe and constantly learn from each other. For example, in the framework of improving the quality of education in the country, AmCham Slovenia had a wonderful project on increasing the appreciation of teachers in society, including the public and private sectors. Our European

colleagues have also told us that businesses appreciate the recognition, and a national awards scheme could be an interesting way of promoting a more sustainable impact by the private sector in Armenia.

Nazareth: What about the role of the Government? AmCham has an excellent track record of acting as a bridge between the public sector and the country's business community. What would your message be to policy-makers regarding promoting CSR in the country? Many businesses often ask for tax cuts or other privileges in exchange for more community investment or impact. Is this the way to go?

Lilit: I have worked in the public sector and focused on fiscal policy in the past. I know that focusing only on tax cuts and privileges all the time is not the best solution. After all, when you work in management in a company, you have several tools to encourage desirable behavior among your employees. Bonuses and other financial

incentives are one way to go, but many options exist. The same is true for the Government. It has many tools for encouraging responsible business among Armenian companies, financial incentives are only one of many choices.

It is challenging to draw a clear line and say, 'This is the problem of the public sector, and this should be taken care of by the businesses.' It's all shared. For this, the Government should set clear "rules of the game," learning from best practices but with minimal interference. There is a broad scope for public-private partnerships, which can take initiatives to a whole new level of scalability and sustainability.

I want to mention an important initiative here, which has been one of our priorities at AmCham for several years and will continue to be one of our main focuses. It is the promotion of Extended Producer Responsibility, one of the commitments our country has signed up as part of the European Union-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA). It's all about promoting responsible production and consumption – companies must bear responsibility for the waste associated with their products or services, ideally designing them with a circular economy approach in mind. We're working closely with both the public and private sectors, involving a broad range of stakeholders, to ensure that this is introduced in a way that will have a tangible impact on our country.

Nazareth: Thank you, Lilit. What would be your final message today to anyone reading this article?

Lilit: CSR is simply a question of your footprint or impact on your community. We should encourage companies to consider their footprint and publish reports on these topics. As a platform where the best businesses and organizations in the country meet in an atmosphere of Western values and principles, AmCham is a space where new cultures and attitudes can take shape on many topics, including responsibility and sustainability. ♦

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