

The Ecosystem of Online Giving and Donation-Based Crowdfunding in Georgia

Research Report



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Acronyms

CAF	Charities Aid Foundation
CB	Caucasus Barometer
CF	Crowdfunding
CRM	Customer Relationship Management
CRRC	Caucasus Research Resource Centers
CSEP	Civil Society Engagement Program
CSI	Civil Society Institute
CSO	Civil Society Organization
CSOSI	Civil Society Organization Sustainability Index
CSR	Corporate Social Responsibility
CSRDG	Centre for Strategic Research and Development of Georgia
CTC	Center for Training and Consultancy
DRM	Donor Relationship Management
EDEC	Education Development and Employment Center
EWMI	East-West Management Institute Inc.
EY	Ernst and Young
FAQ	Frequently Asked Question
GITA	Georgia's Innovation and Technology Agency
IEP	Institute for European Politics
NGO	Non-Governmental Organization
Q&A	Question and Answer
QR	Quick Response
ROI	Return on Investment
USAID	United States Agency for International Development
USD	United States Dollar
WGI	World Giving Index

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Executive Summary

This research was conducted within the framework of the USAID Civil Society Engagement Program (the Program) implemented by East-West Management Institute Inc. (EWMI). It aims to map online giving and donation-based crowdfunding practices in Georgia and identify opportunities for strengthening the existing ecosystem. The assessment focuses on two main forms of online giving in Georgia: donation-based crowdfunding organized through dedicated crowdfunding platforms and online giving taking place on Facebook. It also identifies and evaluates primary stakeholders in the ecosystem, including crowdfunding platforms, charity groups on Facebook, fundraising entities, donors, and other technical intermediaries. The report concludes with an overview of international best practices in online giving and assesses the feasibility of incorporating the identified practices into Georgia's existing ecosystem.

CSOs and digital fundraising in Georgia

Most CSOs in Georgia are largely dependent on international donors for funding and do not utilize online fundraising or crowdfunding. According to a study of Georgian civil society initiatives in 2018 and 2019, just 6% of the surveyed 249 CSOs had attempted crowdfunding in any capacity. This is partly due to significant support from international donors and low levels of public trust towards NGOs. Furthermore, while approximately half of the Georgian population regularly donates to religious entities, monetary contributions to other types of charities and awareness about crowdfunding among CSOs and the public remain low.

Georgian crowdfunding platforms

There are several dedicated or 'classic' donation-based crowdfunding platforms in Georgia for projects in various sectors. There are also a number of crowdfunding or crowdsourcing platforms with a thematic or sectoral focus and organizations with online donation mechanisms built into their websites. Currently, the platforms differ in terms of sectoral focus, level of activity, additional services, and support offered to fundraising entities. While several crowdfunding platforms have recently lost their momentum and stalled their operations due to internal (e.g., lack of resources) and external (e.g., lack of project ideas) factors, some others have evolved and grown.

Georgian crowdfunding platforms' level of success depend on several main factors, including:

- The team's internal motivation, expertise, and personal connections to procure cheap or free technical expertise (e.g., web development and design, campaign strategy, communication research and planning, and yearly financial audits).
- The credibility and transparency of the platform, its team, and the projects featured.
- The platform's functionality (i.e., menu architecture, ease of online payment, accessibility, and user experience).
- The marketing, campaigning, and communication strategies, tools, and channels utilized.

- The availability of additional services and support (e.g., tutorials, guidebooks, matching grants, and capacity building in campaigning).

Online presentation. The classic crowdfunding platforms in Georgia predominantly utilize template-based design and architecture. They vary in the level of information they provide around the organizations' teams and executive boards. Based on interviews conducted with Georgian donors, the availability of such information was an important factor in establishing credibility. The platforms are also predominantly characterized by chaotic presentations of information; however, the thematic platforms with more external support or internal insight into product and web development seem to have more successfully addressed this issue.

Payment modalities. The donation process is mostly uniform across platforms in Georgia. It often requires user registration and Georgian bank card payment with 3D authentication. Only a few thematic platforms provide an option for recurrent monthly payments, and very few platforms are able to receive funds via PayPal, which is associated with bureaucratic challenges, higher transaction fees, and occasional issues when transferring funds. Only one platform was identified that utilized QR payments as an option for donating. Furthermore, very few platforms indicated that they are able to receive payments via foreign bank card (e.g., VISA, MasterCard).

Payment comfort. Donations via bank transfer did not present a major issue for the interviewed donors. Internet banking also allows for monthly automatic transfers between bank accounts – the recurrent donations that are in the fundraising world very valued. It is unknown whether donors prefer setting a standing order (monthly recurring payments) using mobile banking or internet banking environment to setting up for recurrent payments on the CF platform. On the other hand, in case of recurrent payments initiated at the crowdfunding site, for many donors this might be a more comfortable and preferred route compared to setting up automatic payments in internet banking. The most obvious barrier for donating via crowdfunding platforms is the mandatory user registration.

Transparency and accountability practices. Platforms differ in their policies and practices around transparency reporting. Crowdfunding platform Charite was designated by numerous respondents as exemplary in this regard; it offers monthly reports in the form of budget expenditure tables with detailed line items. Other platforms showed lower quality or frequency of donor reporting; the main transparency practice reported by respondents was a display of donor names and amounts listed under each crowdfunding initiative.

Giving via Facebook

The current most popular form of online giving in Georgia is through Facebook, which is due, in part, to the platform's high level of popularity in the country; 94% of Georgia's population uses Facebook. Individuals, initiative groups, and legal entities all solicit donations through their personal accounts on Facebook as well as organizational groups and pages. The majority of viral solicitations on Facebook concern cases of extreme poverty, emergency health conditions (of persons and animals), and humanitarian aid; it is also used as a campaign tool by CSOs.

Facebook charity groups predominantly focus their solicitations on health and humanitarian (i.e., people and animals) causes. They are dedicated to those in the greatest need of financial assistance, often in emergency health or poverty situations. Donations on Facebook can be characterized as spontaneous and dependent on the reach of online posts across the network. Donations are primarily collected through the charity group's bank account (i.e., the IBAN is posted on Facebook) and then allocated to a specific cause. On occasion, a charity group may post the IBAN of a specific beneficiary for direct donation. The most prominent and trustworthy groups among donors also provide transparency reports in the form of financial documents (i.e., invoices and receipts). They also work to establish the credibility of individual requests through photo documentation, social connections,

and, if applicable, official medical documentation. Personal credibility is also important for Individual solicitations (i.e., outside of dedicated charity groups) for similar causes.

Crowdfunding platforms vs. Facebook. The fundraising entities (such as CSOs, civic initiatives) are often organized around a shared idea and values and benefit from their personal and professional networks. Much of the funding they receive also depends on these individuals, as well as their social capital and enthusiasm around a cause. Generally, more established entities or initiatives with an existing support network (and in many cases, time-sensitive initiatives) use Facebook to fundraise and strengthen the organization's network. Local, newly emerged, small, and non-time-sensitive initiatives must make a greater effort to establish their financial credibility and legitimacy. Therefore, they prefer to use crowdfunding platforms that offer transparent donation record systems, and in some cases, matching grants and capacity development support.

Campaign management. Fundraising entities rely heavily on Facebook marketing due to its high penetration rate. Fundraising respondents also reported high levels of success in campaigning via personal Facebook accounts (as opposed to an organizational one). They noted that the personification of the cause and the project's author, along with clear articulation around the problem and its proposed solution play an important role in determining the success of a fundraising initiative. Social capital also plays a crucial role; it is utilized for both offline and online marketing through all possible channels, including social media, TV, news outlets, private companies, and local governments.

There is a general tendency of fundraising entities to invest in certain types of campaigning without strategized targeting or audience research. Therefore, the use of various marketing mediums among the respondents showed varied levels of success, depending on how well the demographics of the chosen mediums matched their target audiences. Initiatives that chose to invest in professional digital marketing and communication strategies were characterized as having higher levels of success with their campaigns.

Donor retention practices. Post-project communication and donor relationship management in Georgia can be characterized as passive and minimal. Crowdfunding platforms send out emails of gratitude to donors and some fundraising entities post information about the progress of their initiatives on Facebook with visual and financial accounts. Forms of communication were largely dependent on the character of a given project. Fundraising entities that work with a more stable network of constituents also incorporated in-person communication and events, status tiers, and other various forms of donor recognition.

Transparency - a key factor in online giving. Respondents from all the chosen stakeholders groups, including digital platforms, fundraising entities, donors, and technical experts reported that the NGO sector in Georgia is plagued by poor communication and a lack of transparency. The country's experience with widespread corruption, its extensive history of state and NGO misappropriation of funds, and growing levels of Russian propaganda labeling Georgian CSOs as "grant-eaters" have all contributed to an environment that is highly distrustful to the work of CSOs. This level of distrust directly correlates with the ability of CSOs and related entities to publicly fundraise. Respondents identified investment in transparency reporting (similar to that of Charte) as an appropriate response to this dilemma.

Donors

Motivation and giving behavior. Georgian donors identified three primary motivations for donating: (1) a desire to contribute to redistribution in society; (2) to help the initiatives of an acquaintances; and (3) for personal gratification from a good deed. Based on the interviews, two main donor groups were identified. The first group represents those living in or outside Georgia with dependents and little discretionary income after paying bills and/or remittances to their families in Georgia. This group

expressed more concern for causes related to poverty, children living in poor conditions, and emergency health issues. The second group represents donors with little or no financial dependents and higher disposable income. These donors primarily contribute to educational causes (namely Charte). Charte's goal of increasing access to education and information, as well as the automatic recurrent payment offered by the organization, proved both attractive and comfortable for this group. This dichotomous categorization of preferred charitable causes was prevalent in both geographical groups: donors living in Georgia and Georgian donors living outside Georgia. Interviews showed that there rarely is an overlap between these two donor categories, meaning donors rarely contributed to both poverty, health, and humanitarian-related causes *and* social causes.

Frequency and average size of donation. According to respondents, the most important factor in determining the frequency and size of their donations is the size of their income. Typically, donors living in Georgia contribute between \$3 and \$10 per month, while Georgian donors living outside of Georgia contribute between \$10 and \$50 per month. The average size of donation on Georgian crowdfunding platforms is \$7.

Credibility of causes. Facebook is the sole information source for finding causes to donate to. Credibility is a critical factor for most of the interviewed donors, which is usually gauged by the donor's level of trust toward the person sharing the cause. Less impulsive donors also check for previous experience and composition of the team/person behind the cause, proof of the problem at hand, results of previous or current projects, and online communication quality.

Technical intermediaries

Web development and digital campaign professionals are the most demanded professions in the online donation ecosystem in Georgia. Their services are rarely able to be fully utilized due to platforms' limited financial resources. Full-scale web development for a crowdfunding platform requires the incorporation of multiple online payment methods (including an option for automated recurring payments) and the ability to fully access data for management and analytical purposes. Planned digital marketing requires targeted campaigning and investment of resources.

International best practices

Point-of-sale solicitations, peer-to-peer functionalities, specialized apps, and fundraising through influencers and gamers are just some of the methods successfully utilized by several countries to encourage donation-based crowdfunding and promote an online giving culture.

Point-of-sale solicitation, or rounding-up, is a model already used across numerous countries. While some studies have demonstrated its negative impact on customer satisfaction in physical retail establishments, the negative effects caused by the personal solicitation factor are nonexistent in an online setting. Both e-commerce and the food delivery sector are rapidly expanding in Georgia. Using apps that are designed to manage food and drink orders at restaurants and incorporate charity in their architecture represent an ideal area to develop digital charity habits.

The use of specialized mobile apps as platforms for care and support has been cited as a growing area of the charity milieu. Birthday fundraisers via Facebook and fundraising mechanisms on popular social media networks represent a new potential avenue for soliciting donations; however, the use of these mechanisms depends on when they will become available in Georgia. Influencers, YouTube personalities, and gamers are particularly useful in some types of online fundraising campaigns. These individuals have high reach, hold credibility among their audiences, and provide a personal touch that often has a bolstering effect on fundraising campaigns.

Overall, Georgian crowdfunding platforms and fundraising entities need to identify and promote new effective ways to engage donors and encourage them to spread the message about crowdfunding

through their social networks. The development of new platform functionalities, such as P2P fundraising, would also make engaging donors in campaigns easier.

Barriers and Needs

Poor socioeconomic conditions, a lack of tax incentives for donating, and public frustration and skepticism were identified by respondents as the main barriers to the development of a giving culture in Georgia. For online donating and crowdfunding in particular, the most significant current obstacles were identified as a low level of public awareness around crowdfunding and a lack of financial and human resources for designing more effective crowdfunding platforms.

Poor socioeconomic indicators, such as high poverty, a low average income, and rising inflation all currently present a challenge to the Georgian donation-based crowdfunding ecosystem. A lack of “extra finances” and difficulty envisioning whether a modest contribution can make a difference presented significant barriers for the interviewed donors.

A lack of tax incentives for donating was identified as a demotivating factor by respondents from all the surveyed stakeholder groups. They indicated a preference for allocating their income tax portion to chosen causes/NGOs, which is a practice adopted by multiple countries, including Slovakia, Poland, and Romania (although such a mechanism is not technically considered tax relief). Moreover, while organizations in Georgia are exempt from profit taxes, they still pay VAT on items purchased for charity causes.

Frustration and skepticism, including a distrust towards monetary solicitations and a feeling that their donations are not making an impact were identified by donors as a deterrent to further donations.

Low public awareness of crowdfunding was identified as significant concern. Some respondents noted that certain platforms prefer to use the term “crowdfunding” [ქრადფაუნდინგი] while others use the term “public financing.” This issue of terminology is part of a wider criticism of Georgian NGOs for using “donor language” (i.e., English-based and full of unfamiliar technical terms), which makes them appear inaccessible to the wider public.

The lack of financial resources available to crowdfunding platforms and fundraising entities limits web development, research, targeted marketing, campaigning, and communication with donors. This becomes particularly problematic for platforms as the scale of their operations increase. High costs of web development hinder their ability to provide more advanced payment methods and effectively collect, manage, and analyze their data.

Poor access to campaigning expertise. Campaigning and communication were identified as significant challenges by all the surveyed platforms and fundraising entities. A lack of internal human resources and high costs for external campaign design and management expertise limit the effectiveness of platforms and fundraising entities’ outreach efforts. While some experts provide their skills at a discounted rate, most of the surveyed entities primarily rely on internal personnel to execute campaigns. Facebook advertising is also used by platforms and fundraising entities in a largely non-strategic manner. The existing ecosystem suffers from a lack of research and expertise on targeted Facebook advertising in Georgia.

Messaging and trust winning. Donors identified overtly sentimental or despairing messages from fundraisers as a deterrent to donating. Moreover, they named personal and/or aggressive targeting used by fundraisers to evoke a sense of guilt, including direct messaging on social media and use of graphic descriptions/images, as a major disincentive for donating. Two surveyed donors noted that the aggressive nature of such messages caused them to delete their Facebooks accounts. News

stories and anecdotes about the misappropriation of donated funds also prompted some donors to cease their donations to Georgian initiatives.

Inadequate donor management systems. The strategic planning of crowdfunding platforms is limited by poor data collection and management, primarily due to limited levels of web development. First, the template-based web development used by most of the platforms does not allow for full-scale data extraction, which hinders audience analysis. This, in turn, limits the effectiveness of platforms' strategic campaigning and CRM. Moreover, initiative authors who use crowdfunding platforms do not have access to their respective donors' contact information, which limits their ability to cultivate relationships and expand their network.

Online payment restrictions. Among other technical problems, online payment systems were named by respondents as a barrier to receiving donations. This is, in part, due to default risk status of charity operations¹, which limits the size of donations some crowdfunding platforms can accept. Platforms also cited issues integrating more complex data protection requirements that are needed to be eligible for accepting recurrent payments online (i.e., the right to save the donor's bank card information on the platform).

Country-specific online payment mechanisms also represent a barrier for international donors. Georgia has a 3D authorization for online card payments; this limits the ability of donors from countries without 3D authorization to make donations as they cannot receive the SMS codes needed to confirm the transaction.

The high transaction rate for international financial transactions has also proven problematic for donors. The most known and utilized international payment route is PayPal; however, its highest transaction commission rate discouraged many international donors from contributing. Some international cards, such as Revolut and N26, have lower transaction costs and can be used on Georgian platforms, but these options are not well-known among Georgians living abroad.

Data protection and privacy issues. One of the most significant issues for fundraising entities using crowdfunding platforms is that currently, the platforms own the donor contact information, hindering entities' direct communication and constituency building. This is a particular obstacle for CSOs for whom crowdfunding should represent a tool for nurturing and expanding their network. This might push the CSOs to use Facebook for solicitations, allowing for closer communication with the public.

¹ International anti-money laundering and anti-terrorist financing protocols in international financial flows respond to the risk associated with entities that are emulating themselves to be charities and use that cover to finance illicit activities. As a result, sometimes these risks spill over to benign charities and creates an unnecessary impediment in the civic space.

Recommendations

The following recommendations are derived from a review of international best practices, an overall assessment of the Georgian donation-based crowdfunding and online giving ecosystem, and the data provided by research respondents. They can be considered as broadly relevant to Georgian context. However, each crowdfunding platform assessed for this report demonstrated their own technical architecture, organizational structure, and financial model. These platforms differ in various dimensions; thus, their existing challenges and opportunities for development may differ also. The following recommendations should be read as general suggestions, and their relevance to individual platform should be individually assessed.

Crowdfunding platforms

User experience

- Improve user experience by improving the website layout, menu architecture, and information organization.
- Improve donor experience with a more donor-friendly information layout that prominently features a donation tutorial video for users with all levels of digital skills.

Payment comfort

- Add Gmail, Yahoo Mail, and Facebook options for user registration.
- Explore the possibility of allowing payments without the registration on the platform.
- Add a QR code payment option.
- Research popular international cards with low transaction rates that allow for payments in Georgia (e.g., Revolut and N26) and publish relevant information on the website for donors outside of Georgia.

Credibility and transparency

- Improve credibility by providing information on its own transparency practices, background, operating team, and executive board on the website.
- Research factors that affect the user experience (i.e., functionalities and design) on the platform and adapt the website accordingly.
- Develop periodic (e.g., quarterly) transparency reporting on collected donations.
- Collect donor testimonies and publish them on the website in a user-friendly manner, including testimonies of socially prominent figures.
- Explore new ways for increasing transparency (e.g., transparent bank accounts).

Functionalities

- Improve web development for data collection and management, which will allow for better audience analysis (i.e., explore the possibility of a full database extraction that segregates donor information into categories like name, gender, age, location, donation amount, funded initiative, funded sector, payment method used, contact information, payment anonymity, and login/registration mode (e.g., Facebook, Gmail, or Yahoo Mail).
- Develop a donor feedback and communication system and integrate a donor contact function into the platform.

Support and development

- Work systematically to develop and expand the platform's audience. Offer easily accessible learning content (e.g., guidebooks and recommendations) and educational opportunities (e.g., offline and online workshops, training, and consultation) to fundraising entities.
- Develop materials and remote assistance (i.e., online and phone) to help audiences use the functionalities of the platform.
- Conduct periodic donor studies on donor satisfaction and preferences.
- Ask donors (at the time of donation) if they are willing to share their contact information with the fundraising entity for future communication.

Fundraising entities

- Research donors and segment audiences to develop targeted communication and campaigning strategies.
- Improve messaging to form more personalized, personified, targeted, and clear messages (e.g., the 'golden circle' why-how-what message).
- Communicate on work progress during project implementation.
- Combine online and offline communication and campaigning where possible.
- Use donor relationship management approaches based on needs and preferences research.
- Explore the opportunities for local government support (endorsement) of projects that are crowdfunded for their area. Use crowdfunding mechanisms to indicate citizen priorities, stimulate local participation, and/ or request match funding for relevant projects.
- Strategize on the use of personal connections to identify and engage project ambassadors, TikTok and YouTube influencers, and other intermediaries who can publicize the cause.
- Research and exploit social media (e.g., Instagram and TikTok) functionalities for online fundraising, such as user stickers or bio links to donations.
- Research and apply methods for responding to skepticism regarding the effectiveness of small donations.
- Improve transparency and communication by developing periodic financial and user-friendly multimedia reporting.
- Openly include the costs of human resources, communication, donor retention management, and feedback in fundraising calls.

Banks

- Consider using existing payment functionalities (e.g., BOG's POS terminal tipping and TBC Bank's split system) for point-of-sale solicitation. Offer new opportunities for micro-donations, including 'rounding up' donations at the point of payment, both in e-commerce and physical locations.
- Explore ways to decrease transaction fees for crowdfunding transactions.

Institutional donors and other actors concerned with the development of the crowdfunding/online giving ecosystem in Georgia

Capacity development and learning promotion

- Create learning opportunities for key actors in the online giving ecosystem, including fundraising entities and nonprofit crowdfunding platforms. Facilitate opportunities for knowledge and experience sharing around planning and managing campaigns, targeting audiences, developing web platforms, and navigating payment and banking procedures.
- Support capacity development and capital investment for nonprofit crowdfunding platforms to improve the features they provide to fundraising entities and increase the ease of payment for donors.
- Support capacity development of fundraising entities in data collection analysis, campaign planning and management, and donor feedback and communication.
- Facilitate the creation of collaborative spaces for interaction and collaboration between crowdfunding platforms, fundraising entities, and relevant professionals from the private sector in communication, social media marketing, and technology solutions. Provide resources to support crowdfunding platforms in developing their audiences through learning tools and informational content.
- Together with ecosystem stakeholders, explore and test the idea of a specialized crowdfunding app for mobile phones.

Awareness-raising

- Invest in raising awareness around crowdfunding in their other communication activities.
- Research and raise awareness on the impact of small donations in crowdfunding and crowd-funded social goods.
- Together with civil society, map and raise awareness on the positive socioeconomic impact and democratic strengthening that results from the work of civil society.

Lobby for innovative solutions in online giving

- Together with other ecosystem leaders, lobby banks, retail establishments, and restaurants to integrate POS terminal tipping and split system options for point-of-sale solicitation of donations.
- Together with other ecosystem leaders, lobby the online food delivery companies to integrate rounding-up and split system options into their applications.
- Explore other authentication methods as alternatives to 3D authentication (e.g., a token system).

1 Introduction to Online Giving and Crowdfunding in Georgia

This research was conducted in the frame of the USAID Civil Society Engagement Program implemented in Georgia by the East-West Management Institute Inc. (EWMI). It aims to map the ecosystem of online giving and donation-based crowdfunding in Georgia and to identify opportunities for strengthening the ecosystem. The research reviews the current practices in the market employed by the key actors operating in demand (fundraising entities, donors) and supply sides (crowdfunding and online donating platforms, banking services, marketing, and communication services) of the ecosystem. The assessment focuses on two primary forms of online giving in Georgia: donation-based crowdfunding organized through dedicated crowdfunding platforms and online giving on Facebook.

Crowdfunding

Crowdfunding is a general term used to denote crowdsourcing of funding for a new venture or project via a multitude of sources or people. Often conducted online, it is an innovative form of raising money that can cultivate a community around a product or initiative² and act as a powerful instrument for gathering market insights. Crowdfunding platforms are the intermediaries that connect fundraising entities (i.e., individuals, initiative groups, movements, organizations, or commercial entities) and donors (i.e., physical or legal persons).

Crowdfunding can be divided into two categories: investment and non-investment. Investment crowdfunding offers financial income to investors by either capital repayment with interest or an offer of equity in the new venture. Non-investment crowdfunding refers to a philanthropic form of crowdfunding. Non-investment funding can take two forms: (1) reward-based crowdfunding, in which the donor receives a non-monetary reward (i.e., services or goods produced by the initiative funded), and (2) donation-based crowdfunding, in which “individuals donate small amounts to meet the larger funding aim of a specific charitable project while receiving no financial or material return.”³ The scope of this research will focus on non-investment donation crowdfunding in Georgia; however, it will briefly touch upon investment-oriented crowdfunding from a platform functionality perspective. Even though it will not be addressed in this report, reward-based crowdfunding also presents an important method of funding the creative industry and cultural production, what are both connected to civil society.

In Georgia, there are several non-investment donation crowdfunding platforms that provide funding space for initiatives and projects focused on various topics, including education, disabilities, gender equality, the environment, animals, the arts, and community development. Some of the platforms have a narrow thematic or sectoral focus, such as education or access to the internet. Crowdfunding platforms in Georgia currently operate at varying degrees of activity, with some currently experiencing growth and others stagnating. In addition to designated crowdfunding platforms, multiple organizations have online donation mechanisms built into their website. Commercial banks operating in the country provide the built-in online donation systems and maintain their security.

Facebook donations

Facebook is the most popular internet platform in Georgia. According to the latest estimates, 94% of the Georgian population uses Facebook.⁴ Use of Facebook is also the most frequent internet activity

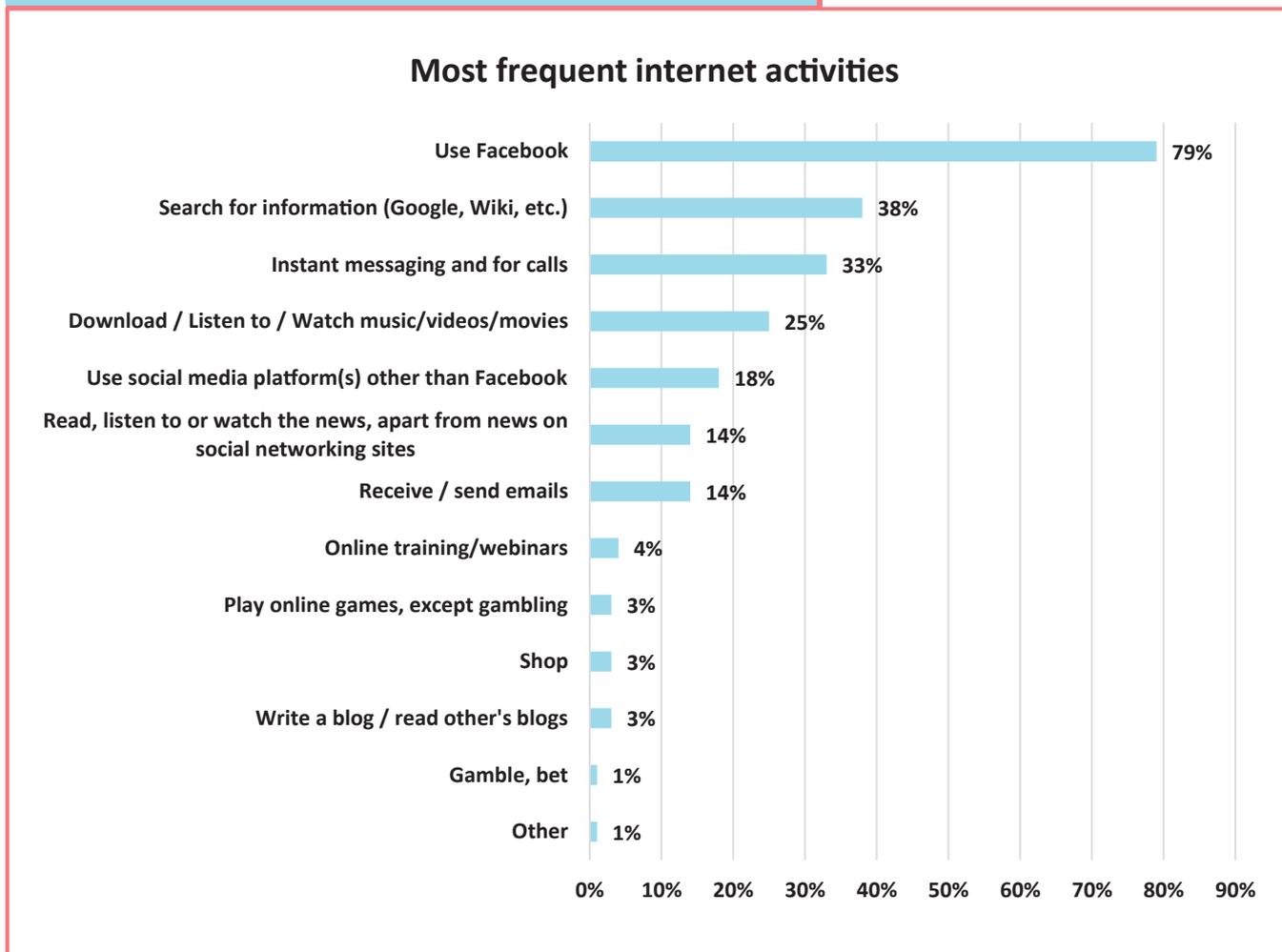
² European Commission, Internal Market, Industry, Entrepreneurship and SMEs: Crowdfunding explained. https://single-market-economy.ec.europa.eu/access-finance/guide-crowdfunding/what-crowdfunding/crowdfunding-explained_en

³ European Commission, Internal Market, Industry, Entrepreneurship and SMEs: Crowdfunding explained. https://single-market-economy.ec.europa.eu/access-finance/guide-crowdfunding/what-crowdfunding/crowdfunding-explained_en

⁴ The Caucasus Research Resource Centers. (2021) “Caucasus Barometer”. Retrieved through ODA - <http://caucasusbarometer.org> on August, 31 2022.

for 79% of the country’s population, which is two times more as popular as the second most frequent activity of searching for information (Figure 1). Facebook’s popularity has steadily increased since 2011 (Figure 2) as internet penetration has continued to grow in Georgia.

FIGURE 1. *Most frequent internet activities in Georgia, 2021⁵*

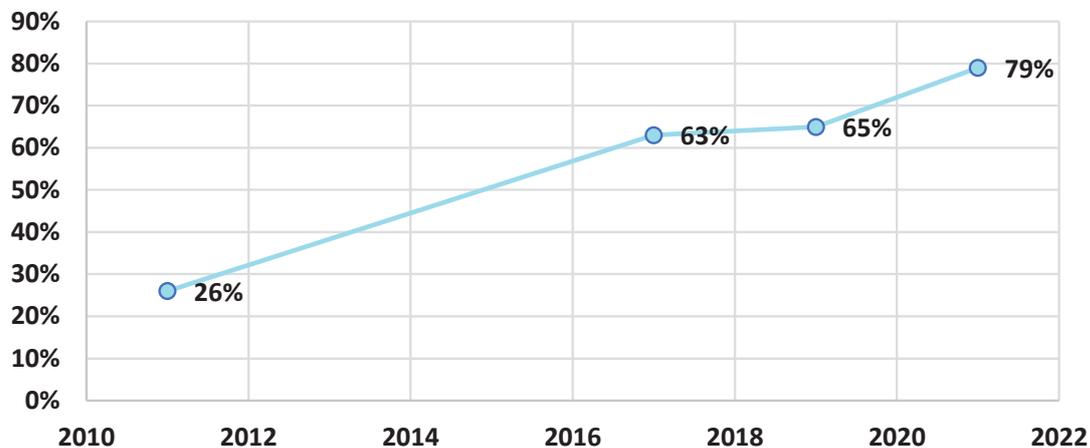


Source: Caucasus Barometer 2021 (<https://caucasusbarometer.org/en/cb2021ge/codebook/>)

⁵ The figures represent shares of internet users in Georgia

FIGURE 2. Facebook as the most frequent internet activity in Georgia, 2011-2021⁶

Share of internet users in Georgia who name 'using Facebook' as their most frequent internet activity



Source: Caucasus Barometer 2008-2021 (<https://caucasusbarometer.org/>)

Facebook is also currently the most popular digital platform for soliciting and giving donations. Individuals, initiative groups, and legal entities solicit donations through their personal and organizational groups and pages. While many individual Facebook users ask for personal donations, some others collect donations to help others. There are also organized groups, often established as legal entities that collect and allocate public funds to those in need, which operate as charity organizations. Facebook also serves as the primary platform used for crowdfunding campaigning by many larger legal entities. According to a recent global study, 92% of collective giving circles were established in the last decade.⁷ This trend can also be intuitively applied to Georgia, where the growing internet (88%)⁸ and social network (79%) penetration rates have offered users a new way to collectively give to charitable causes. Facebook groups where people give to different causes are important in Georgia. It can be interpreted as connecting to the global trend of collective giving circles, which are often in off-line space. The collectivity is the defining feature in this type of giving.

Fundraising and donating on Facebook in Georgia is characterized as 'chaotic' and spontaneous due to the high volume of information encountered there. The majority of viral solicitations concern urgent causes, including extreme poverty, emergency health conditions of persons and animals, and humanitarian aid. Furthermore, while many Facebook charity groups are organized legal entities, they rely heavily on volunteers to run their operations.

Georgian CSOs and crowdfunding

Georgian CSOs, by and large, do not utilize crowdfunding and instead depend on international do-

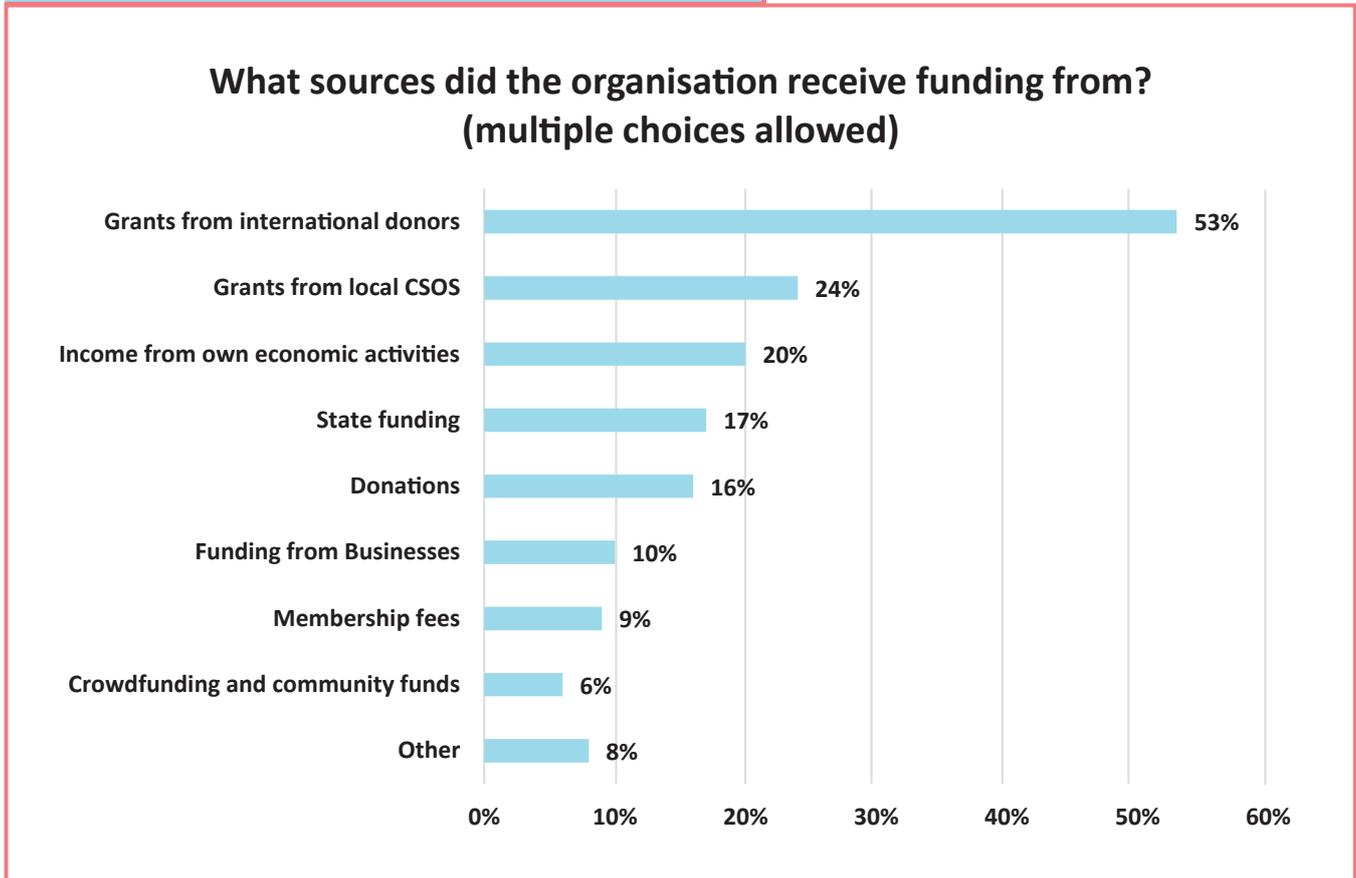
⁶ The figures represent shares of internet users in Georgia.

⁷ Franklin J., & Bearman J. *Global Giving Circles*. Dorothy A. Johnson Center, 2020

⁸ The Caucasus Research Resource Centers. (2021) "Caucasus Barometer". Retrieved through ODA - <http://caucasusbarometer.org> on August 31, 2022

nors to fund their work. According to a study of Georgian civil society initiatives in 2018 and 2019, over half of the income received by Georgian CSOs came from international donors, while the share of income from crowdfunding initiatives was negligible (Figure 4).⁹ Just 6%, or 15 out of 249 CSOs, have attempted to use crowdfunding as a funding source in any capacity (Figure 3).

FIGURE 3: *Income sources for CSOs in Georgia, 2019*



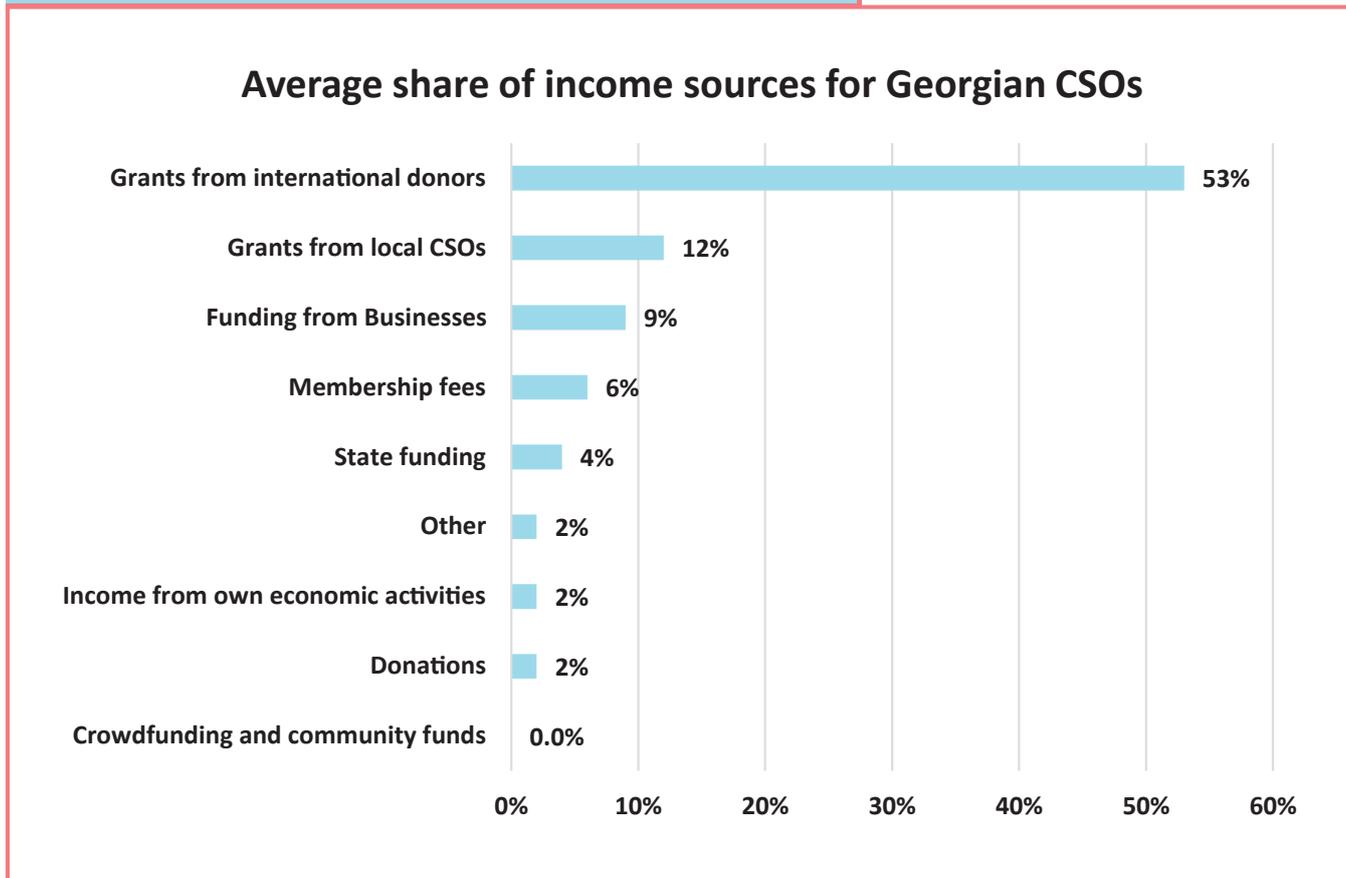
Source: *Civil Society Organizations in Georgia: Mapping Study 2021*

Of the 15 CSOs that did attempt crowdfunding as a funding mechanism in 2019, a negligible amount of funds was raised. Two organizations reported having received less than 200 GEL, seven organizations reported raising between 200 and 1000 GEL, and five organizations collected more than 1000 GEL.¹⁰

⁹ *Civil Society Organisations in Georgia: Mapping Study. 2021. "Georgian Civil Society Sustainability Initiative." P. 28. <https://csogeorgia.org/storage/app/uploads/public/60c/1e9/eea/60c1e9eea3cb6332083798.pdf> (last accessed August 28, 2022)*

¹⁰ *Civil Society Organisations in Georgia: Mapping Study. 2021. "Georgian Civil Society Sustainability Initiative". P. 27. <https://csogeorgia.org/storage/app/uploads/public/60c/1e9/eea/60c1e9eea3cb6332083798.pdf> (last accessed August 28, 2022)*

FIGURE 4: Average share of income for CSOs in Georgia, 2019

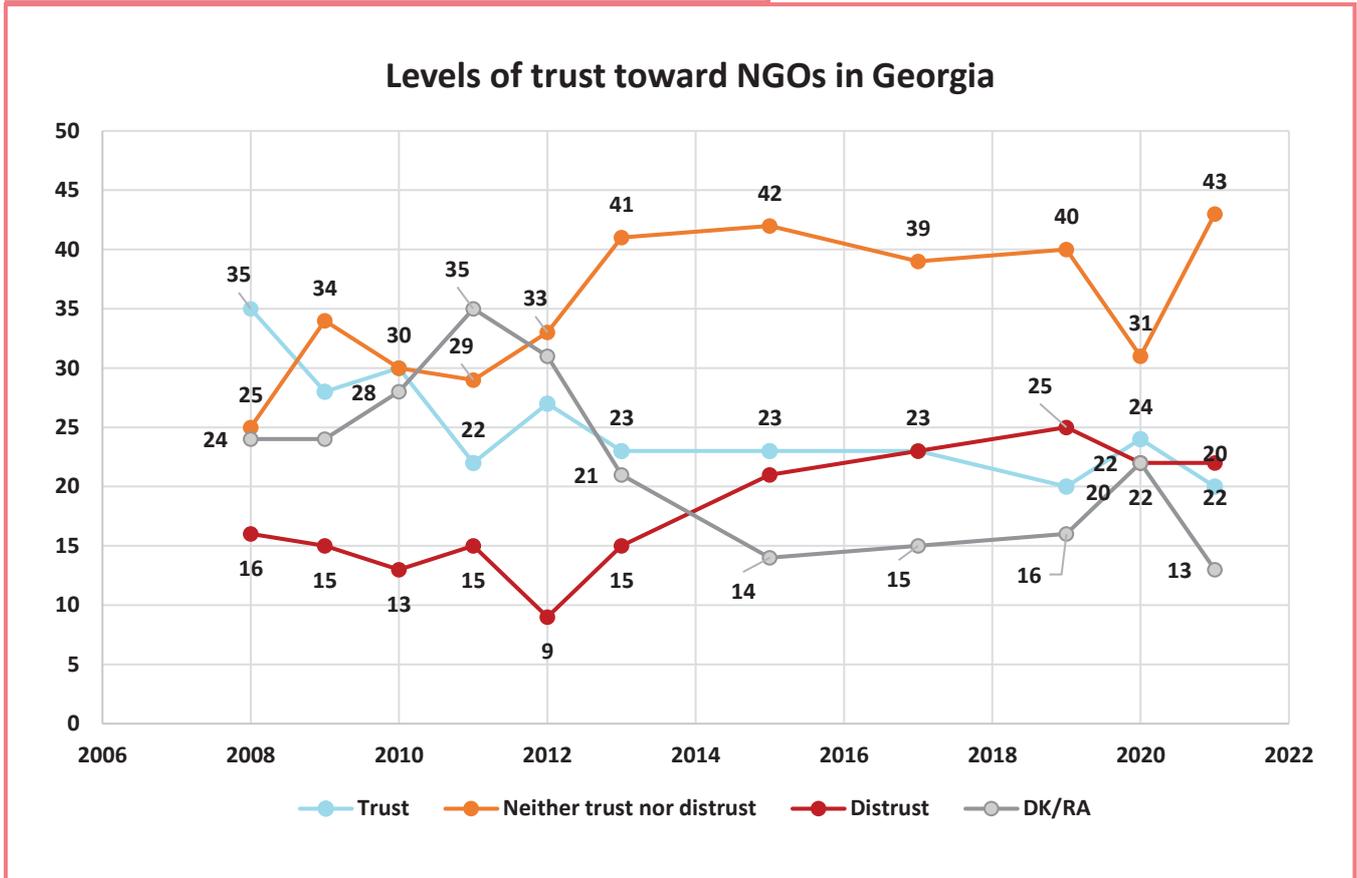


Source: *Civil Society Organizations in Georgia: Mapping Study 2021*

In addition to the availability of donor funding, respondents noted that low levels of awareness around crowdfunding have limited CSOs in Georgia from utilizing it as a funding source. This limitation is further compounded by increasingly low levels of public trust towards non-governmental organizations. According to the 2021 Caucasus Barometer survey, only 20% of Georgians trust NGOs, while 22% do not trust NGOs, and 43% neither trust nor distrust them. Furthermore, 35% of Georgians indicated they believe that employees of NGOs receive the greatest benefits from NGOs' work, while only 16% of respondents indicated they believe that ordinary people are the primary recipients of the benefits.¹¹

¹¹ Georgian Civil Society Sustainability Initiative (2018), *Attitudes of the Population of Georgia towards Civil Society Organizations European Integration and Business Entities*, p29.

FIGURE 5. Trust towards NGOs in Georgia, 2008-2021



Source: Caucasus Barometer 2008-2021 (<https://caucasusbarometer.org/>)

According to the Civil Society Organization Sustainability Index (CSOSI) 2021, Georgia’s overall CSO sustainability index is rated at a 4.0 on a seven-point scale.¹² Out of the seven parameters assessed by the index, Georgian CSOs received their worst rating of 5.0 in the category of financial viability.

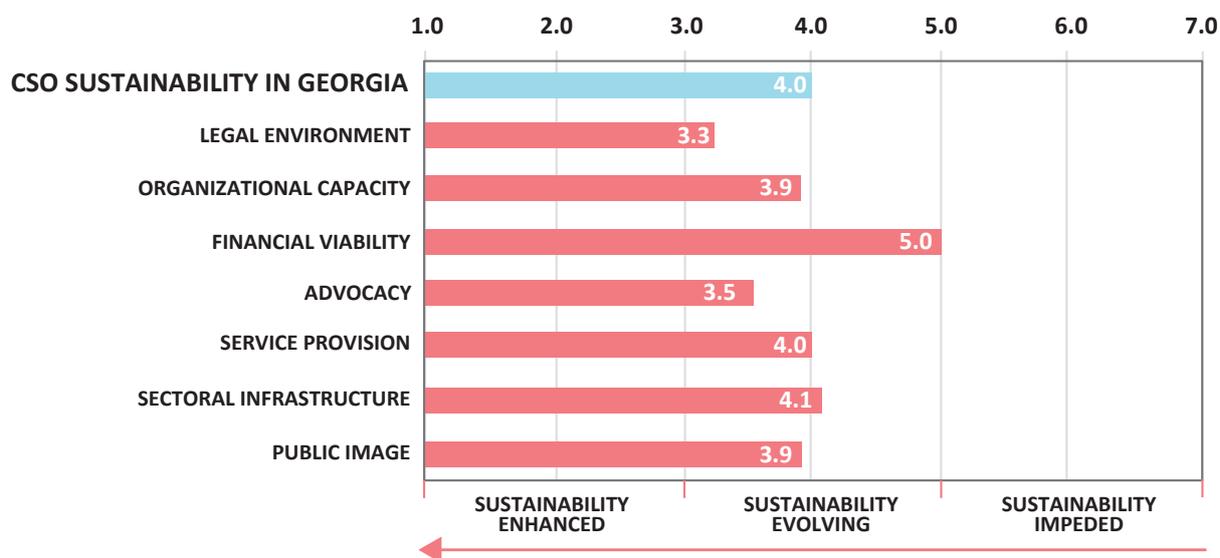
¹² The index scores range from 1 (the most enhanced level of sustainability) to 7 (the most impeded).

FIGURE 6. Georgia's Civil Society Organization Sustainability Index scores, 2020

GEORGIA

Capital: Tbilisi
 Population: 3,997,000
 GDP per capita (PPP): \$10,700
 Human Development Index: High (0.786)
 Freedom in the World: Partly Free (61/100)

OVERALL CSO SUSTAINABILITY: 4.0



Source: The 2020 CSO Sustainability Index for Central and Eastern Europe and Eurasia (2021)

Crowdfunding as a fundraising mechanism offers a potential avenue to simultaneously decrease CSOs’ dependency on donor funding and increase public validation and trust. To better assess the viability of further employing crowdfunding as a source of funding for CSOs in Georgia, this report will now explore the Georgian population’s propensity for charitable giving and other related economic, sociocultural, and infrastructural factors.

The Georgian population’s propensity for charitable giving

There is no recent quantitative data that indicates the proportion of Georgians who donated to various causes in recent years; in lieu of that data, this report will examine the variables that relate to civic participation and the culture of giving in the country. Based on the available data, it appears that monetary contributions to charities are very low in the country, but approximately half of the population steadily (at least once every six months) donates to a religious entity.

According to the Charities Aid Foundation (CAF) World Giving Index (WGI) assessing scope and nature of giving by measuring three indicators – helping a stranger, donating to charity, volunteering time - , Georgia has consistently ranked among the bottom 10 countries in terms of donating money, ranking 124 out of 126 surveyed countries in 2019 and 112 out of 114 in 2021. However, in both years, Georgia ranked higher in the categories of helping a stranger and volunteering time.¹³

¹³ CAF World Giving Index 2019

Low monetary donation levels, according to the report, is characteristic of countries that have experienced periods of poverty and conflict. Given Georgia’s difficult economic situation, which was only exacerbated during the Covid-19 pandemic, it is unsurprising that the country continues to rank at the bottom of the monetary donation category.

However, it is important to note that the WGI 2021 report¹⁴ found Georgia to be one of the two most improved countries within the overall index. Even though Georgia still ranks extremely low in terms of donating money, the country has drastically increased in its propensity for donating through non-monetary means.

FIGURE 7. Georgia in the World Giving Index 2019, 2021

YEAR	WGI		HELPING A STRANGER		DONATING MONEY		VOLUNTEERING TIME	
	Rank	People	Rank	People	Rank	People	Rank	People
2019	112	21%	88	41%	124	6%	68	18%
2021	28	40%	4	76%	112	9%	7	34%

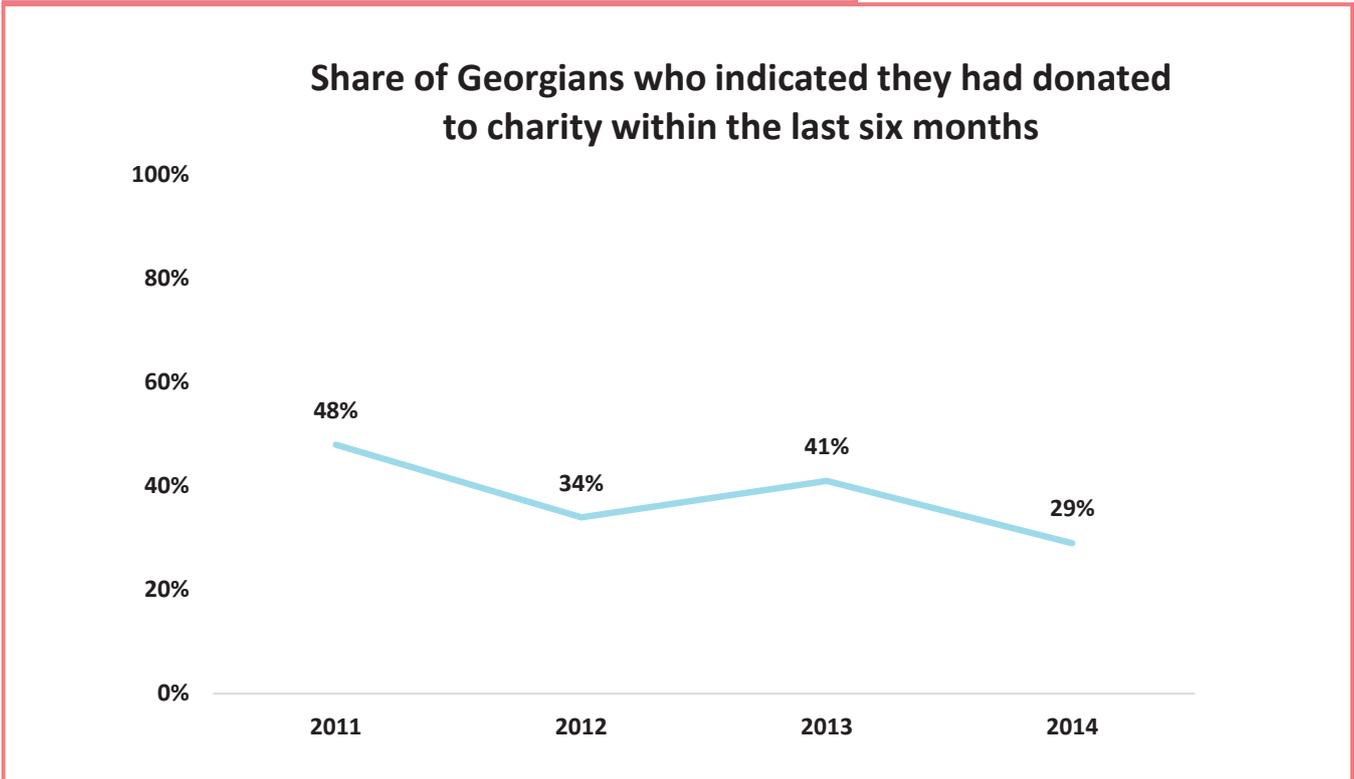
Source: World Giving Index 2019 and 2021

Over the years, the Caucasus Research Resource Centers (CRRC) Georgia, through its nationwide representative Caucasus Barometer (CB) survey, has measured Georgian public opinion on the topics of charity and various types of giving activities. Between 2011-2014, between a third and a half of Georgians indicated that they had contributed to some sort of charity within the past seven months.¹⁵

¹⁴ CAF World Giving Index 2021.

¹⁵ The Caucasus Research Resource Centers. 2022 “Caucasus Barometer 2011-2013. And Volunteering and civic participation in Georgia,” 2014 Retrieved through ODA - <http://caucasusbarometer.org> on August 27, 2022

FIGURE 8. *Contributing to charity in Georgia, 2011-2014*¹⁶



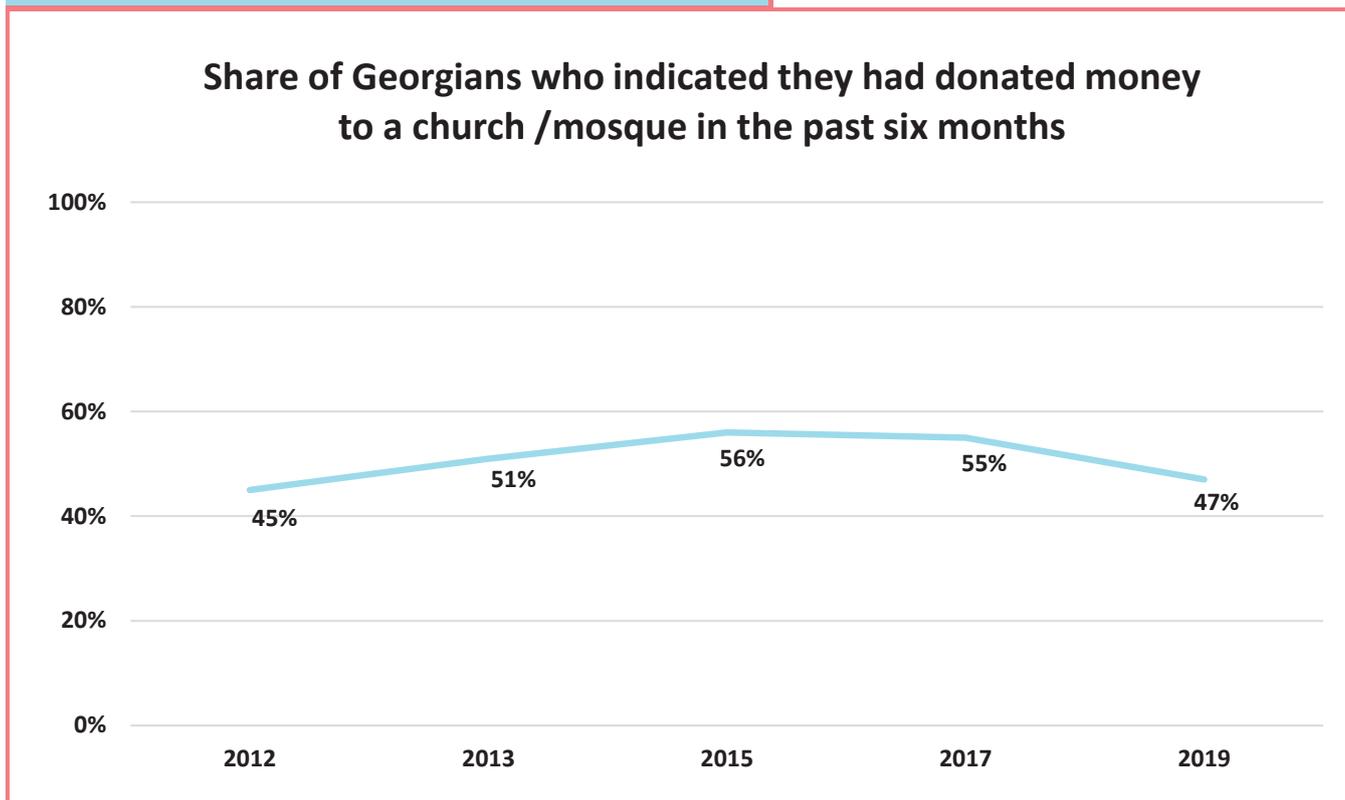
Source: Caucasus Barometer 2011-2014 (<https://caucasusbarometer.org/en/cb-ge/ACTCHAR/> and <https://caucasusbarometer.org/en/vl2014ge/ATTCHSMS/>)

In 2014, CRRC changed its survey to inquire only about religious charitable contributions. As is visible in the figure below, around half of Georgians steadily donated to the most popular religious groups in 2014-2019.¹⁷

¹⁶ Note: this chart combines data from two quantitative studies that have asked different questions with slightly different wording.

¹⁷ The Caucasus Research Resource Centers. 2022 "Caucasus Barometer 2011-2014. Retrieved through ODA - <http://caucasusbarometer.org> on August 27, 2022

FIGURE 9. Religions donations in Georgia, 2012-2019

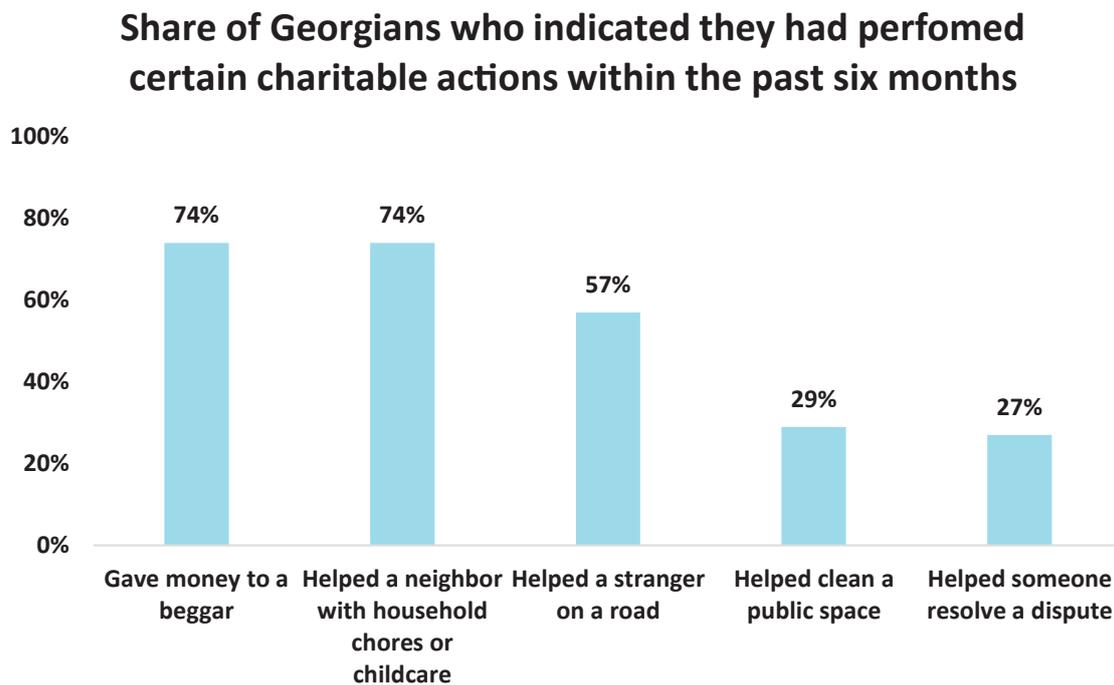


Source: Caucasus Barometer 2012-2019 (<https://caucasusbarometer.org/en/cb-ge/ACTDNCH/>)

In 2014, the CRRC also conducted a more focused quantitative study on Georgian opinions regarding volunteering and civic participation. This survey showed that individual civic participation, through monetary or other means, was significantly more prevalent than collective action (e.g., signing collective letters or assisting a community in some form) in Georgia.¹⁸

¹⁸ The Caucasus Research Resource Centers. 2022. "Volunteering and civic participation in Georgia, 2014 Barometer.". Retrieved through ODA - <http://caucasusbarometer.org> on August 27, 2022

FIGURE 10: Volunteering or charitable action in Georgia, 2014



Source: CRRC Volunteering and civic participation in Georgia 2014 (<https://caucasusbarometer.org/en/vl2014ge/codebook/>)

Similar questions were asked in a 2017 CRRC survey,¹⁹ which yielded comparable results. That survey found that 29% of people indicated that they had helped clean a public space in the last six months and 15% of people had signed a collective letter to address an issue within the past two years, (a 7% decrease compared to the 2014 survey).

Factors affecting online giving

Existing research has previously explored the factors that influence charitability and the success of donation-based crowdfunding initiatives. This section will briefly review some of the personal, infra-structural, and socio-cultural considerations that could impact online giving in Georgia.

There are a several personal reasons that motivate individuals to donate. These include a desire for some form of external or internal reward, such as a non-monetary service or good produced by the crowdfunding project; personal satisfaction from making a contribution; an empathetic or emotional response to the problem described; personal identification with the project/organization mission soliciting the donation; curiosity about the potential impact of crowdfunding; a desire to feel like a part of the community; personal beliefs and values;²⁰ and geographical proximity to the project that is being crowdfunded.²¹

¹⁹ The Caucasus Research Resource Centers. 2022. "Nationwide Public Opinion Survey on Georgians' Attitudes towards CSOs, CSR, and the EU, 2017". Retrieved through ODA - <http://caucasusbarometer.org> on August 27, 2022

²⁰ Kenang, I. H., & Gosal, G. (2021). Factors Affecting Online Donation Intention in Donation-Based Crowdfunding. *The Winners*, 22(2), 97-104; CAF (2022), *Digital for Good: A Global Study on Emerging Ways of Giving – United Kingdom*.

²¹ EWMI, Crowdfunding Brief.

The culture of giving, particularly within the personal network of the potential donor, as well as perceptions of social pressure and expectations are also essential factors that influence behaviors around donating.²²

Among the infrastructural factors, the perceived credibility of a crowdfunding platform is a crucial part of its success. Platform credibility is affected by social presence, website quality, and transaction convenience.²³

Deliberate strategies for soliciting funds are critical to the outcome of the campaign. This includes researching and selecting a target audience and tailoring the message and medium through which it is communicated accordingly. An important part of the strategy also involves targeting a group of individuals who are most likely to associate themselves with the mission. Out of those identified, the campaign can then identify individuals who will act as goodwill ambassadors for the cause or the CSO conducting the crowdfunding; they can cultivate relationships with “pivots,” or conversation starters who actively engage with the audience independently.²⁴ Cultivating a relationship with constituents and donors is crucial to the sustainability of the crowdfunding campaign and requires thorough planning and dedicated resources.

Successful messaging includes a strategized structure (e.g., a ‘why-how-what’ message), speaks about concrete individuals and cases, and varies in terms of function (e.g., provides a service or emotional experience or allows for personal identification with the CSO).²⁵ The length of a written or video message, levels of professionalism, image valence, reward tiers, the funding period, and the funding goal have all also been linked to the levels of success crowdfunding campaigns experience.²⁶

Studies have also found a strong correlation between the number of donors and the volume of funds raised through crowdfunding. Research shows that the number of donors is strongly correlated to the volume of an organization’s promotional activities. The leaders of the cause and/or the campaign and their social media presence have also been shown to have a marked effect on the outcome of a crowdfunding project. Personification is important not only in messaging but also in the promotion social media posts; when solicitation posts are shared by individuals, they have a higher likelihood of resulting in donations than posts shared by an organization page.²⁷

There are also several negative perceptions that potential donors often hold, which must be addressed to further unlock the potential of donation crowdfunding campaigns. Fundraisers in Brazil²⁸, Israel,²⁹ and Germany, for example, have experimented with the concept of micro-donations; in this method, they have used a rounding up method that provides a sticker price for commodities being sold that already includes a donation. This, in turn, helps build donor habits around rounding up donations.³⁰ Another negative perception that crowdfunding entities face is detachment from the cause, of the assertion that “this does not concern me/this is not my problem.” Addressing the relevance of a cause often involves working with the specific socio-economic conditions of the country and its culture around donating. This perception can be addressed through more precise targeting, public promotion of giving, awareness raising, and efforts to popularize crowdfunding initiatives. One final major concern that potential donors often hold, which is particularly prevalent in Georgia, is a

²² Kenang, I. H., & Gosal, G. (2021). *Factors Affecting Online Donation Intention in Donation-Based Crowdfunding. The Winners*, 22(2), 97-104.

²³ Ideas42, Behavior and Charitable Giving.

²⁴ EWMI, *Civic Engagement and Technology in Georgia*.

²⁵ EWMI, *Civic Engagement and Technology in Georgia*.

²⁶ *What Really Makes a Promotional Campaign Succeed on a Crowdfunding Platform?: Guilt, Utilitarian Products, Emotional Messaging, And Fewer But Meaningful Rewards Drive Donations*

²⁷ *Demand and supply sides of the crowdfunding ecosystem: The case of Kickstarter campaigns and potential Hungarian investors. Retrieved through <https://ideas.repec.org/a/aka/soceco/v43y2021i2p165-183.html> on August 27, 2022*

²⁸ <https://arredondar.org.br/>

²⁹ <https://www.igul.org.il/en/homepage/>

³⁰ Lima, L. & Bourroul, R. (2022). *Digital for Good: A Global Study on Emerging Ways of Giving. Brazil (2022)*. IDIS & Indiana University.

fear of corruption and misuse of funds. This concern can be addressed through the implementation of transparent practices for both the project and the recipient organization.

2 Methodology

The research primarily employed a combination of qualitative and quantitative data analysis methods and combined extensive desk research and fieldwork.

The desk research employed for this report reviewed existing national and international research on online giving, crowdfunding, and modern digital solutions used in the ecosystem. It also studied the crowdfunding ecosystems of foreign countries (i.e., Brazil, Ghana, Hungary, Romania, Slovakia, the UK, and Vietnam) to identify international best practices and innovative legal and technical solutions for digital fundraising and crowdfunding. The desk research also analyzed the available international and national quantitative data on charitability in Georgia, including the 2019 and 2021 editions of the World Giving Index (WGI), the 2008-2021 editions of the Caucasus Barometer, “Georgian Civil Society Mapping 2021”, and the 2018 report “Georgian Civil Society Sustainability Initiative on Attitudes of the Population of Georgia towards Civil Society Organizations, European Integration, and Business Entities.”

The fieldwork was conducted between August 8-26, 2022 and included personal interviews with 62 representatives of the main stakeholder groups in Georgia’s online giving ecosystem: 13 dedicated and thematic crowdfunding platforms, four Facebook charity groups, 15 fundraising entities, 26 donors living in Georgia and abroad, three technical intermediaries (i.e., a web developer, an e-commerce developer, and a digital marketer), and one representative of a local government. The respondents for the interviews were selected based on two methods. Almost all of the dedicated crowdfunding platforms in Georgia identified through desk research and interviews were interviewed. Facebook charity groups were selected through a convenience sampling method based on their scale, visibility, and experience. Fundraising entities were sampled from crowdfunding platforms and via convenience sampling to cover a wide array of themes and team sizes. Donors were identified through fundraising entities, the snowball method, and convenience sampling. The interviews were conducted online via Zoom.

In addition to desk research and interviews, a semi-structured platform assessment tool was developed to evaluate the availability and quality of information as well as the functionality and user-friendliness of the digital platforms used to raise funds. Based on the evaluations, this report offered relevant recommendations for their improvement. The assessment form offered an evaluation based on 10 categories: availability of information about the team; availability of information about the crowdfunding and donation process; availability of information about the project; additional services and support; payment processes; quantitative parameters of donation; quantitative parameters of website accessibility, and user experience design/user interface design (UX/UI). The following composites were derived from these parameters: platform credibility, project credibility, services and support, payment, accessibility, UI/UX, and data collection. The form combined dichotomic questions, nominal questions, and questions measured on a Likert scale. Four crowdfunding platforms were chosen for the assessment based on their experience and scale: Orbeliani Meti, Fundraiser, InvestMe, and Charte. Two researchers evaluated the platforms independently. Where the two assessments showed a difference, final joint assessment results were recorded.

The research also collated the quantitative data provided by four crowdfunding platforms on donations and their websites (Orbelianimeti.ge, Charte.ge, Supergmiri.ge, Momxmarebeli.ge). However,

the value of this data is limited due to its uneven quality. Further data collection and analysis is needed to capture the quantitative trends of crowdfunding platforms in Georgia.

3 Donation-Based Crowdfunding Platforms

Multiple national crowdfunding platforms have been introduced in the past several years in Georgia. The general mission of these platforms is to provide support and encouragement to their respective target sectors to bring positive societal change. Many of the founders of these platforms were inspired by their previous experiences in civic activism and fundraising for commercial or social causes. For the crowdfunding platforms run by civil society organizations, development of the platform was also seen as a good opportunity to garner alternative funding while also advocating for the organization's work.

Currently, crowdfunding platforms in Georgia differ in terms of their sectoral focus, level of activity, and funding allocation conditions for fundraising entities. The latter is closely tied to the sectoral focus; platforms that focus on social causes largely operate with a "take it all" type of funding in which any amount collected through a crowdfunding platform is allocated to the initiative, even if the funding goal is not met. Meanwhile, commercial initiatives primarily employ a method of "all-or-nothing" funding, which means that collected donations are returned to donors if the funding goal is not met in the proposed timeline.

The seed money for establishing crowdfunding platforms in Georgia often comes in the form of a donor (private or non-governmental sector) grant. Most of the income generated by these platforms comes from commission charged on the crowdfunded initiatives, (commission levels vary among the platforms). However, due to the novelty of the field and its relatively low levels of popularity and awareness among the public, crowdfunding platforms that solely depend on commissions as a source of revenue have trouble maintaining their momentum and operations. In other words, external support via a strong partner or a grant is still important for platform development and sustainability. External support from donor funding is sometimes used in the form of matching grants for initiatives (Orbeliani Meti). The matching funds do not directly go to the fundraising entity but are administered by Orbeliani Meti to procure goods or services required for the initiative. Donors.ge uses a similar approach in administering funds but applies it to the total amount raised by the initiative.

Fundraiser.ge began operating in a test mode in 2018 as a crowdfunding platform oriented around social issues. The platform fully launched in 2020 with a continued focus on civil initiatives and an additional startup angle, making it representative of a combination of the two sectors. The largest social initiatives on the platform have raised funds to save the Georgian nightclub culture during the Covid-19 pandemic and solicited donations to assist Ukraine after the Russian invasion. The platform was largely assisted by financial aid from OSGF.

Investme.ge solely focuses on commercial startups and reward-based crowdfunding. It was created in 2018 with financial aid from the Reserve Fund of the President of Georgia and assistance from the Centre for Strategic Research and Development of Georgia (CSR DG) and Georgia's Innovation and Technology Agency (GITA). The platform also provides space for social entrepreneurship ideas that offer rewards for financial backers. To date, it has conducted very few crowdfunding projects, none of which have been able to reach their funding goal.

Orbelianimeti.ge was launched in 2020 and predominantly focuses on social issues and civil society initiatives, although startups are eligible to apply for its idea competitions. Idea competitions are open calls for initiative ideas that are submitted to the platform and can be selected to be featured

on the website. Orbelianimeti.ge is operated by the NNLP Orbeliani Sakartvelo and is currently the most active crowdfunding platform in Georgia. Of all the crowdfunding platforms in Georgia, it offers the greatest support for idea authors, including e-tutorials and training on campaigning, training on project proposal development, mediation between fundraising entities and sector ambassadors, and matching grants. In 2021, Orbeliani Meti reported 60,324 GEL in donations from 100 unique donors for 35 projects presented on the platform. The average donated amount on the platform is 20 GEL and the average amount raised per project is 3,000 GEL.

Tegeta Care is part of a corporate social responsibility (CSR) initiative of the private company Tegeta Motors, which operates in the Georgian automotive sector. The website was launched in December 2021 and represents a hybrid platform between crowdfunding and informational platforms. For part of the initiatives registered on the platform, depending on their needs, donations can be made by redirecting from the tegeta care platform directly to the initiative's website.

In addition to the multi-thematic crowdfunding platforms listed, there are several platforms that crowdfund or crowdsource for non-monetary giving around a specific thematic focus.

First Step is a daycare center for children with disabilities. Founded in 1998, it offers a daycare center for children with severe and profound mental and physical disabilities as well as several home-based care programs. First Step started crowdfunding to cover various expenses for the daycare center. While the Georgian government subsidizes around half of the daycare center's costs, First Step has begun using crowdfunding, among other methods, to cover the rest of its expenses. The donation mechanism is available on its website.

Momxmarebeli.ge (Consumer.ge) was launched in 2011 and represents a platform operated by CS-RDG's Consumer Rights Protection Program. One of its aims is to test the chemical composition of food and consumer products available in Georgian market chains to ensure it meets safety standards. The platform crowdfunds the costs of purchasing and lab-testing these products. Donations can be submitted via the website's online payment system or transferred to their bank account. A running total of both kinds of donations (donations via bank transfer and donations made directly on the platform) are reflected on the website. The website also offers donors the choice to contribute financially to food research or other activities implemented by the program. The platform reported 2,228 GEL donated in 2021 through 98 donations from 89 unique donors. The average donation was 22 GEL.

Tsisinatela (Firefly World) is a children's hospice program founded in 2016 with the support of the Open Society Georgia Foundation in partnership with medical corporation Evex and former President of Georgia Giorgi Margvelashvili. In 2017, Firefly World began its crowdfunding operation. Funds raised on the platform go towards hospice programs, including end-of-life programs for children with terminal conditions, and programs offering training and other opportunities to parents. The opportunity to donate, including a recurrent donation, is available on the organization's website.

Charte.ge, which was launched in 2017, focuses on improving access to education by providing internet service and laptops to underprivileged children (i.e., receiving state social assistance) across Georgia. It is one of few crowdfunding platforms in Georgia that features a donation mechanism with an automated recurrent payment option. Charte is a project of the Educare Georgia foundation, which has recently expanded its Charte-specific operations to Uganda and Bangladesh under the name "Give Internet." Compared to its counterparts, Charte has a particularly advanced online presentation. Its cause is clearly defined, and its product offers a level of sophistication not seen in other Georgian platforms (i.e., website design, navigation and user dashboard, online payment options, and user experience). It has extensive transparency reporting measures in place, including publicly available monthly budget expenditure reports and photo/video reports on achieved results. Charte's donations are almost solely based on recurrent payments (which start at 1 GEL), although donors

can also choose to make a single donation (minimum 20 GEL). Donors can also choose what share of their donation goes to internet provision and to administrative costs. In addition to individual contributions, Charite also receives donations from companies for purchasing computer equipment for children. Charite has received a Bank of Georgia (BOG) grant for development and free annual financial audits from Ernst & Young (EY). In 2021, Charite reported donations of 1,966,988 GEL through 27,960 transactions, with the average donation amounting to 18 GEL.

Supergmiri.ge (Superhero.ge) is a non-standard form crowdfunding platform that asks donors to pay a fixed recurrent amount of 100 GEL per month for education and development-related gifts for an individual child, which the donor can select on the website. Donors, or “Superheroes,” can also become mentors to the children. In addition to donations by individuals, sponsors from the private sector can also finance transportation costs or education stipends for children. Development of the platform was aided by the Bank of Georgia until the platform achieved financial sustainability. Supergmiri is also one of the few websites in Georgia with an online automated recurring payment mechanism. In 2021, Supergmiri reported 790,227 GEL in donations from 350 unique donors.

Donors.ge was launched in July 2022 as a secondary education-focused crowdfunding platform where representatives of Georgia’s schools can submit their initiatives to finance school resources (with a budget under 1000 GEL). The team behind the platform was inspired to create the crowdfunding website after seeing the work of the platform Donorschoose.org in the United States. The team first tested the idea as a Facebook group initiative; after building a community of teachers online, they announced several open grant competitions. After receiving numerous proposals through the Facebook group, the team decided to invest in developing a dedicated crowdfunding platform. Currently, the platform is not accepting proposals due to a lack of human resources required to scale up and maintain its operations.

Sadagi.ge was formed in 2021 and is an environmental organization focusing on promoting cleanup culture and changing waste management behavior. Their donation system offers varying statuses based on donation size. The website donation function was recently finalized and is slated to be launched soon.

Volunteer.ge is a crowdsourcing platform that is currently being developed to unite volunteers with organizations, businesses, and individuals in demand of volunteers. The platform will record volunteers’ donated time in its own online currency that will accumulate in the users’ online “time bank.” The accumulated time coins will then be able to be cashed in to receive volunteer assistance of their own. The platform is part of an advocacy campaign for recognition of volunteerism and is being implemented as part of a project led by Konrad Adenauer Stiftung in cooperation with CSRDG, CSI, CTC, IEP, and EDEC.

A survey of the current crowdfunding platforms in Georgia reveals that several platforms have been able to attract a number of initiatives and publicity in their initial stages. However, a lack of resources for scalability and minimal funding has stalled many of their operations. Startup-oriented initiatives suffer from a lack of regulatory and legal support to create an equity-based reward system; they also face challenges from low-quality initiatives and a lack of public awareness and willingness to finance commercial initiatives. The platforms targeting social initiatives are more active, though with varying degrees of success. Orbelianimeti.ge is the most stable and active platform; it accepts ideas for its civic initiative competitions and continues to invest in both the platform and user experience development. Fundraiser.ge and Donors.ge remain minimally active with open initiatives listed on the website but low financial or human resources to continue. Most of the platform’s teams remain employed full time outside of platform maintenance, which has created a critical lack of human resource and made scalability a significant challenge.

3.1 Human resources

Crowdfunding platforms in Georgia predominantly consist of small (2-5 member) teams. Team members are often characterized by high internal motivation for the cause, a strong strategic vision, and entrepreneurial flair but may lack administrative and organizational competencies. The positions and tasks of the team members vary by platform. Often, team members share many tasks but have dominant areas of responsibility. The platforms' development, maintenance, and growth largely depend on internal expertise and personal connections with highly skilled professionals who can offer their services at a discounted rate or for free.

All the interviewed platforms reported outsourcing their web development and UI/UX design, with the exception of Charte, which was co-founded by web development company Helix and has an executive director who is a product developer.

CSOs with charity status are subject to external annual financial audits, which carry significant financial costs. While many platforms can procure such services at a discounted price due to their cause and personal contacts, Charte receives free annual financial audits from Ernst & Young (EY), one of the top audit companies in the world. This, in turn, has increased Charte's credibility and perception of transparency.

In addition to services from highly skilled professionals, some of the platforms also receive human resource assistance from volunteers. Many of these volunteers are idea authors who have previously used the respective platforms.

While the teams and their networks are often able to carry out a wide range of tasks, this research identified the need for several specialized professional roles at the crowdfunding platforms, including copywriter, web developer, web designer, digital marketer, and communications specialist.

3.2 Functionality, services, and support

Research indicates that website functionality, services, and support offered on crowdfunding platforms have a marked impact on the results of fundraising campaigns and platforms' sustainability. Information about the platform and the initiatives, ease of registration for uploading a project and donation, Q&A sections, donor testimonies, and general user experience are essential for building credibility and encouraging platform engagement. To assess these elements, the research conducted a detailed evaluation of four crowdfunding platforms in Georgia. The review focused on the following categories: level of information about the platform and projects (used to assess credibility), availability of additional services and support, quality of payment mechanism, accessibility, UX/UI, and data collection. Multiple parameters were assessed in each category. Three classic platforms with a longer track record were selected for evaluation: Fundraiser.ge, Investme.ge, and Orbelianimeti.ge. In addition, Charte.ge was involved in the review due to its exceptional popularity and donor satisfaction with the website experience. The selected platforms exhibited varying levels of performance in the designated parameters, part of which is outlined below.

Credibility/Informativeness. Fundraiser.ge and Investme.ge feature no information about their teams and the executive boards, which has a negative impact on their credibility. While the variety and number of projects featured on both platforms' websites enhances their credibility, the fact that neither platform is currently accepting new project ideas may also raise concerns for potential donors. On a wider scale, the presence of multiple "dormant" platforms in the Georgian market may negatively impact public perception around the topic of crowdfunding and its effectiveness.

FIGURE 11. Assessment of selected crowdfunding platforms, 2022 (1=lowest score, 5=highest score)

	Orbelianimeti.ge	Fundraiser.ge	Investme.ge	Charte.ge
Platform credibility	5	3	4	5
Project credibility	5	3	5	N/A
Services and support	4	2 ³¹	4	N/A
Payment	N/A ³²	4	N/A ³³	5
Accessibility	3	3	3	5
UI/UX	3	4	4	5
Data collection	3	N/A	N/A	5

Source: Crowdfunding platform assessment, August-September 2022

The four platforms’ websites differ in their level of informativeness and ease of use. Charte has the only website that features an organized and comprehensive information layout with visually appealing text blocks. The other three platforms do offer a breadth of informative; however, they do not offer the available information in a user-friendly manner. For instance, Orbeliani Meti offers a vast amount of information about its activities, most of which can be found in its FAQ section. Fundraiser.ge lays out a full contract, which serves as the main source of information regarding its crowdfunding process; however, it fails to relay the information in a concise manner or easily comprehensible FAQ section. Invest.me has the simplest website layout of the four platforms but features well-organized and comprehensive information. All four platforms’ mission statements are implied through their “activities” or “about us” sections rather than outlined in a designated mission section. All the platforms feature open information on their commission rate.

The platforms also differ in their transparency practices. Charte provides monthly transparency reports in the form of budget expenditure tables with detailed line items, which are available on the website and are emailed to donors monthly. Any interested party can also subscribe on the website to receive the monthly transparency reports via email. Orbeliani Meti features a running total of fundraising amounts and donors’ first and last names with amounts donated under each initiative. Fundraiser.ge lists the first names of the donors. All the platforms openly provide information on their websites about the type of funding they offer (i.e., “take it all” or “all or nothing”).

The fundraising entities interviewed expressed satisfaction with the project author dashboards and functionalities of the platforms. They noted that the dashboards provide separate and user-friendly fields for text or multimedia content. The platform assessment also demonstrated the user-friendliness of project author dashboards. Classic platforms have a combined user dashboard where one can easily switch between user and donor dashboards.

³¹ No relevant information was provided on the website, although the platform does offer informal consultation on campaigning and copy editing of project information.

³² Assessment not possible due to all projects being closed during the research timeline.

³³ Assessment not possible due to all projects being closed during the research timeline.

All three classic crowdfunding platforms feature a funding progress bar. However, not all the platforms reveal whether a crowdfunding campaign has been completed. This is particularly damaging in the case that a project reaches its funding goals earlier than envisaged and continues to accept additional donations. In this case, a lack of signal around if the campaign has been completed could deter a potential donor from attempting to contribute financially.

Services and support. The crowdfunding platforms widely differ in the services and additional support they offer to fundraising entities. All three classic platforms provide some form of consulting regarding copywriting and campaigning. Orbeliani Meti provides the most comprehensive level of assistance, including training sessions on copywriting and digital campaigning and assistance in producing photo/video content for campaigns; it also offers an openly accessible e-guide offering tips for campaigning on its website. Fundraiser.ge provides consulting sessions, and Investme.ge provides a list of tips for a running a successful campaign on its website. While not directly intended as marketing, these trainings have an indirect multiplier effect in terms of attracting more project ideas and audiences. Only Orbeliani Meti offers its fundraising entities the opportunity to receive matching grants. When the assessment was conducted, the chat assistant feature for these three crowdfunding platforms was not operational, while Charte's chat service provided prompt assistance. All the assessed platforms except Fundraiser.ge provided a user registration tutorial; however, none of the platforms offered a donation tutorial, which one fundraising entity highlighted was an issue of salience brought to its attention by donors.

Payment. All the assessed platforms require registration via email for Facebook to donate, which adds an extra step to the payment process. However, the three classic platforms provide an option for donors to remain anonymous when donating. The main form of payment accepted by platforms is a Georgian bank issued debit or credit card with the online payment mechanism provided by the user's bank of choice. Out of the four assessed platforms, only Charte offers recurrent payments and a built-in transfer template for Georgian mobile banking applications; it is also the only platform that accepts foreign card payments online. Fundraiser.ge accepts PayPal donations; however, platform's co-founder noted that adding a PayPal payment option required additional services by a web developer, negotiations with PayPal, and additional costs to transfer the funds from PayPal (i.e., bank commission rates amount to more than 5% of the transaction amount). During its interview, Donors.ge, a crowdfunding platform that was recently established, also noted that it has experienced issues receiving PayPal payments that it has, to date, been unable to rectify.

Accessibility. All the assessed platforms provide contact information for their organization on their website, including their: 1) contact email, address, and phone number; and 2) links to their social media profiles (i.e., Facebook, Instagram and LinkedIn). However, these two categories of contact information were accessible in two separate areas on the website for most of the platforms. The Instagram profiles of the platforms proved considerably less active than the associated Facebook pages. The websites are only available in the Georgian language despite some of them featuring an English language menu, which the platforms attribute to the higher operational costs and translation services associated with a bilingual website.

UI/UX. All the assessed platform websites had adequate web designs; however, all of them (except Charte) could benefit from design and interface adjustments. For instance, Orbeliani Meti could benefit from adding a registration button to its homepage and Fundrasier.ge could increase its credibility by developing an "About Us" section. All the assessed websites have a responsive design and an adequate page load speed. The most prominent issue in navigating the websites was the scattered nature of information across multiple pages.

3.3 Marketing and campaigning

Personal networks and social capital are a critical element of crowdfunding platforms' marketing efforts in Georgia. A large portion of awareness-raising is carried out via direct personal networks, including family, friends, and personal and professional acquaintances. This communication can occur through both offline and online channels, such as social media, TV or digital news outlets, and commissioned articles.

Facebook is the most used form of social media by all crowdfunding platforms in Georgia, and it is utilized for several purposes, including calls for initiatives, solicitations for donations, and marketing campaigns. Instagram and TikTok have proven less popular but are used by a small number of platforms. For instance, Sadagi.ge, a newly established platform focused on environmental cleanup, actively uses TikTok to target younger users.

“ I believe that a video campaign generates trust, when you let the famous personalities speak and they say that they are friends with the organization, you feel you trust [the organization]. You don't get suspicious that they are lying to you. It is obvious that they do not do this for their own publicity. I do not appear in these videos on purpose because I do not want [the platform] to be associated with me personally, I want the organization to be of the people.”

Maia Mestumre, Head of Communication and Marketing, Sadagi

The effectiveness of different forms of media varies among the platforms and primarily depend on how effective the platforms are at choosing the appropriate medium to reaching their target demographics.

Many of the crowdfunding platforms report that Facebook advertising does enhance their visibility and has resulted in increased initiative applications and media publicity. However, they also report low levels of success in attracting donors through this method, citing a lack of public awareness around crowdfunding that translates into low trust towards actors in the field. Of the interviewed platforms, only Supergmiri reported that Facebook advertising had a positive impact on attracting donors. This could, in part, be attributed to Supergmiri's unique model, which requires just one donor to respond to each sponsored ad featuring a specific child, which contrasts other crowdfunding initiatives that aim to attract a multiplicity of donors.

The platforms also reported issues with posting, noting that it is not uncommon for them to be rejected by Facebook, sometimes for unknown reasons. Donors.ge has had issues with Facebook rejecting its attempts to create sponsored content. Facebook advertising was viewed by many of the platforms as intuitive; they indicated that they rarely take the time to conduct research on how to maximize the reach of their posts.

“ This [Facebook advertising] is not a foreign sphere for us, but we still encountered obstacles here, there are so many internal nuances. [Facebook] did not let us sponsor some posts, and we did not understand how to fix it. The photo we were adding to the post was deemed problematic. Texts were also deemed problematic. We changed them several times but still [Facebook] did not approve it. It allowed us to post a shadow ad but not an open ad.”

Nino Lalashvili, Co-Founder, Donors.ge

The surveyed crowdfunding platforms also noted a lack of experience in assessing an optimum budget for Facebook advertising, which they noted makes it difficult to find a budget that provides a net gain for the organization in respect to the donations or publicity received because of the ad.

Multiple platforms reported using TV publicity as a tool for marketing. The dominant channel through which this is achieved is personal connections to TV personalities or online media. However, the organizations behind the crowdfunding platforms are also invited to TV shows to speak about their general work, which provides an opportunity to promote the crowdfunding platform. Momxmarebeli.ge, for example, crowdfunds for causes aimed at testing the chemical composition of various food products, which is a cause that is widely covered by all types of media. Sadagi also reported that it aims to appear on TV at least once a month, which it can achieve through personal connections and the scale of its operations.

The effectiveness of media publicity also varies by platform and medium. Charte reported being content with *On.ge* articles but dissatisfied with TV publicity. Fundraiser.ge had positive associations with both *Marketer.ge* and TV media. Momxmarebeli.ge reported that it is also frequently invited to TV shows and written about in online media. These differences in experience can, in part, be explained by the demographic differences in consumers of each media and the target audiences of each platform. While Charte mostly targets millennial and Gen Z donors who consume more internet media, Momxmarebeli.ge works on health and food issues, which resonate with a wider ranging and more diverse demographic.

Orbeliani Meti also uses its organizational affiliation to promote the platform and the general idea of crowdfunding. It mainly targets young adults, women, and ethnic minorities, so it conducts much of its outreach by visiting universities and holding meetings in various regions of Georgia.

The crowdfunding platforms reported difficulty advocating for their initiatives in the private sector; they noted that many companies already have CSR projects and have expressed little interest in supporting additional projects. Approaching the private sector representatives seemed to be more productive for fundraising entities than platforms acting as intermediaries between the two. Bank of Georgia is active in promoting CSR initiatives and holds open grant competitions to promote social enterprise, one of which Charte successfully secured.

In addition to more conventional marketing methods, the platforms reported success with their own innovative forms of outreach. Charte, for example, experienced a significant increase in donor numbers after an animated video campaign it had created went viral online. Sadagi reported primarily relying on the involvement of public figures in its marketing campaigns. Donors.ge said that it used teachers known from TV reports and the National Teachers Award to effectively spread awareness among teacher circles about the assistance they offer. While the platform did report mild success through this outreach method, its founders noted its limitation in effectively reaching teachers most in need of educational resources; the organization envisions overcoming this obstacle by scaling up its operation and widening its network. Similar methods attempted by Momxmarebeli.ge proved unsuccessful; despite its efforts to engage famous cooking personalities in a campaign, it reported little support or interest in the cause.

Due to limited resources and high costs associated with digital marketing and communication services, campaigns are primarily conducted by members of the platforms' internal teams, who often have little professional experience in the field. Of the platforms surveyed, Momxmarebeli.ge proved an exception to this trend; it recently hired a communications specialist to plan a campaign strategy. On the rare cases that platforms do employ outside communications experts, the specialists often lower their rates because of personal relationships with team members and/or their personal connection to the cause.

In addition to a lack of financial and human resources, the platforms face diversified external risks, including online attacks. Momxmarebeli.ge, for instance, reported having a campaign on Facebook blocked, which it suspected was the result of a large food company reporting some of its sponsored posts. It also noted that it had previously experienced a bot attack.

Additional limitations in marketing and campaigning are related to the crowdfunding platforms' periodic calls for crowdfunding idea competitions, which limit the number of initiatives that can apply to the platform due to the brief window for open calls and flood the platform as the initiatives are all added at one time, putting these initiatives in direct competition. In the case that a potential donor wants to donate to several causes, they are forced to choose and/or split their donation into smaller pieces.

Mismatch of expectations

Interviews with both fundraising entities and crowdfunding platforms revealed a significant mismatch between each group's expectations regarding who should lead crowdfunding campaigns. Some initiative authors expressed an expectation that the platform would provide an extensive online campaign in support of their initiative. The high number of past donors on the platforms also created expectations among the fundraising entities that they would receive a substantial amount of donations after posting their initiative on the platform.

While all the crowdfunding platforms reported communicating the importance and indispensability of the fundraising entities' personal networks and campaign efforts to attract donations, the mentioned expectations persisted. Several initiatives received zero donations on the platform, suggesting a lack of campaigning by the project authors.

In their traditional form, crowdfunding platforms exist to provide a practical, transparent, and secure space for soliciting and making donations. Thus, these platforms are not envisaged as the planners and executors of marketing campaigns for each initiative. Nevertheless, many crowdfunding platforms in Georgia currently provide assistance to fundraising entities to improve their campaign strategies. This is predominantly due to a lack of sectoral experience in what is still a small crowdfunding sector. During this initial stage of sector development, the platforms' assistance in marketing campaigns can boost the success of initiatives and add to the platform's quality, presentability, and credibility. In addition to capacity building activities, platforms and their team members often use their own Facebook pages to share and advertise open initiatives. Orbeliani Meti also sends out periodic emails informing its registered donors about its new initiatives. During early states of the platform's development, Fundraiser.ge also used extensive media appearances to publicize its open initiatives. Moreover, B2B2C strategies are used on a case-by-case basis. For instance, a public education-related initiative on Orbeliani Meti was shared on Facebook by the head of a prominent public education research organization. According to the initiative's author, this had an immediate and drastic impact on donations.

3.4 Customer Relations and Data Management

Crowdfunding platforms in Georgia (apart from Momxmarebeli.ge) collect the basic information of all users registered on their websites, including first and last names, organization names, phone numbers, and email addresses. They also report keep registered users informed about new initiatives via email (with varying levels of frequency) and sending thank you emails to donors. However, because the platforms do not require registration to be confirmed via email, an unspecified number of donors who made errors in their email address are lost from the communication list. Fundraising entities

must direct their communication with donors through the crowdfunding platform because they do not have independent access to their respective donors' contact information.

Data collection and management for most crowdfunding platforms in Georgia is limited by several factors. Firstly, template-based web development does not allow for extracting the platform's full database, which is necessary to effectively process and analyze data. Collating separate groups of data is not always possible; therefore, most platforms are unaware of the distribution of their donor demographics, which represents a significant obstacle to donor research, analysis, and future planning. It also often proves challenging for the platforms to match donors to the initiatives they donated to, particularly if they made the donation anonymously. While Charite, like the other platforms, collects minimal donor information, it does survey its donors to assess their demographic classifications and attitudes. It also collects data on its beneficiaries through impact assessments.

The provision of proper data management for crowdfunding platforms is associated with high financial costs. Full-scale web development can cost \$30,000 to \$50,000. Furthermore, conducting data analysis and research like that of Charite require specific knowledge and expertise, which for the most platforms in Georgia, would involve engaging external expertise.

In addition to difficulties in matching donors with their selected initiatives, the platforms are also unable to see the donation size of each donor. This creates several limitations. Firstly, it significantly limits data analysis and makes it impossible to correlate, for instance, donor age and donation size (if the platform collects the demographic data). In addition, it poses a huge logistical problem when all-or-nothing initiatives fail to reach their funding goal. Donations must be returned to donors, but the transaction time and code need to do so is costly for the platform.

3.5 Credibility and transparency

The success of a crowdfunding platform is highly correlated with its credibility and the credibility of its initiatives as well as its ability to provide a practical, transparent, and secure online payment system for donors.

The credibility of the platform depends on the level of transparency it offers around its operations. Credibility for a platform can be achieved, in part, by offering transparency reports about its allocation of funds, as well as information about its executive board and operations team, its mission, and its activities.

The credibility of initiatives posted on a platform can be ensured through a rigorous selection and vetting process. For crowdfunding platforms, this can be achieved by announcing a public call for ideas and selecting the most eligible and feasible initiatives through personal interviews and a thorough review of project proposals. If the platform works with larger and more established charities, the reputation of the organization can often be verified through personal contacts. Crowdfunding platforms can also ensure transparency by reviewing the financial history of organizations it plans to cooperate with.

The level of verification required for initiative authors and fundraising entities by Georgian crowdfunding platforms varies. Volunteer.ge, for instance, does not require identification documents from potential volunteers, but users do have to confirm that the information they have provided on the website is accurate. Other than that, user feedback drives quality control. For example, if users provide feedback that there is a complaint regarding a fraudulent case, the platform administration can investigate it.

To ensure accountability and the terms of funding, most of the platforms sign a paper-based or electronic contract with their initiative authors (individuals or organizations). For instance, Fundraiser.

ge displays its contract on its website. In the case of matching grants or where contracts are not involved, some of the platforms purchase the requested assets and transfer them to the initiative's ownership based on a legal document (i.e., acceptance letter). In this case, credibility can be aided by the ability to update project information with proof of progress, such as in the case of Orbeliani Meti.

All the platforms conduct some type of formal and informal monitoring of their initiatives' implementation, including documentation to verify asset utilization and management. Orbeliani Meti's contracts, for example, have a provision for six months of mandatory monitoring after the collection of funds, and Donors.ge's team delivers purchased assets in person. Mismanagement of purchased assets always represents a risk, but many of the platforms reported a high level of resources (mostly time) required for monitoring visits, which often take place outside of Tbilisi. Due to a lack of resources, ensuring donor information and project accountability remains a challenge for the platforms.

Practical, transparent, and secure payment for donors is ensured through a bank's standard online payment system, which is integrated into the website. Most crowdfunding platforms are unable to save the bank card information of donors, which decreases the risk of fraudulent transactions. However, this can be seen as an inconvenience for returning donors who must input their card information each time they donate.

4 Facebook Charity Groups

Facebook charity groups are very popular in Georgia. This can be attributed to the high consumption rate of the platform (79%), the urgent nature of donations solicited, and the ease of posting online. Most Facebook charity groups in Georgia operate with a humanitarian focus (i.e., people and animals) in emergency health or poverty situations. Many of the popular Facebook groups and pages originated with the goal of helping a specific friend or colleague and later transformed into a wider charity effort devoted to helping people suffering from similar issues. The Dimitri Tsintsadze Foundation, for instance, was created to help oncology patients in need of medical treatment. In other cases, Facebook groups have formed when like-minded individuals with large social capital and specific expertise came together to focus on a single cause. The Animal Project is one such example; it was formed by a group of friends actively involved in assisting and advocating for stray animals personally and via Facebook. The larger charity groups are often registered as official organizations with executive boards and annual financial audits.

These groups widely rely on their personal networks to attract individual or private sector donations as well as media publicity. They rarely have websites; if they do, Facebook remains their primary communication platform. Donations to these groups can be categorized as ad-hoc and spontaneous as they are predominantly solicited through online posts and sharing of those posts in various other thematic groups.

Donations are collected by these groups through two methods. In most cases, money is donated to the charity group's bank account (the IBAN code is posted on Facebook) and then allocated to a specific cause. Occasionally, a group may post the IBAN code of a specific individual so the collected funds can go directly to the beneficiary.

While the majority of these groups provide little information to the public about their activities and use of funds, the larger and more prominent groups do provide transparency reports in the form of financial documents (i.e., invoices or receipts).

Similar to crowdfunding platforms, these groups exist to facilitate a relationship between donors and those in need. They often receive requests from individuals in need and work to establish the cred-

ibility of the requests through photo documentation, social connections, and, if applicable, official medical documentation. The Dimitri Tsintsadze Foundation also contacts medical clinics directly to establish the validity of documents provided by potential beneficiaries. Establishing credibility is not always possible (particularly in cases concerning persons living in remote areas); as a result, fraudulent solicitations do sometimes occur. A German diaspora Facebook charity group, for example, reported collecting money for a specific family in one of the rural areas of Georgia, which later turned out to be a hoax. In this case, the collected money was then reallocated to an actual charitable cause. Due to public attention around this incident, the screening of cases has become stricter. While this can have a positive impact on the credibility of groups, the stringent requirements also have the potential to exclude the most vulnerable populations who may be unable to access the medical services required to obtain official documentation.

Individual solicitations outside of dedicated charity groups on Facebook are also very common; these are also often related to personal emergencies of poverty or the health of family members or pets. These solicitations are posted in various groups even individuals and target individuals through private messages. Donors have reported receiving a plethora of private solicitations after publicly posting about a donation to another cause. These messages are often graphic, involving detailed medical and visual documentation of the health or poor living conditions and, according to donors, use aggressive language. This kind of targeting was particularly prevalent among donor respondents that currently live outside of Georgia.

Despite some level of organization, charity groups on Facebook operate in an environment that can be characterized as chaotic. This is primarily due to the emergency character of their causes, their reliance on volunteers to run their operations, and a Facebook algorithm that limits the publicity of posts. Facebook charity groups and individual solicitors in Georgia do not use Facebook advertising, apart from the Chernovetski Fund, which was found to use particularly explicit and emotionally aggressive advertising tactics.

5 Fundraising Entities

5.1 Human resources

The scope of this research includes several types of fundraising entities that collect donations on both crowdfunding platforms and Facebook, including organizations, movements, and individuals. Their thematic focuses are wide ranging and include education, the environment, children and youth, activism, literature, health, and poverty.

Fundraising teams in Georgia are often built based on personal networks of like-minded individuals or professional contacts. Volunteers for fundraising activities are also often recruited through personal contacts. These volunteers may offer to promote an initiative on social media or providing professional expertise in areas such as video shooting, animation, and video editing. Similarly, individuals who attempt to fundraise independently often rely on their friends and communities to publicize the initiatives and solicit donations on their behalf. Examples of this include a teacher's project aimed at developing school resources in Gori municipality, who was aided by her high school students and the school's staff; the Lagodekhi Meteorological Station and Martkopi Youth Center, which were both supported by students of local schools; and a fundraising initiative in Lagodekhi on Facebook to construct a house for a family in need, which was aided by school children raising funds and local construction workers.

Fundraising entities often operate with a horizontal structure with specific areas of focus distributed among the team members. Fundraising efforts are distributed among team members but are pri-

marily led by the team leader or someone with relevant experience. Often this is a very motivated individual who conceived the initial idea of the project and is dedicated to seeing it come to fruition; much of the funding inflow is therefore highly dependent on these individuals.

“These campaigns and trust towards them are based on their creators. The influence of the creators’ on trustworthiness and reputation largely impacts the results.”

Nana Bagalishvili, Founder and Director of Knowledge Café, a social enterprise and multifunctional educational space in Tsnori

In cases where the fundraising initiative operates within or adjacent to an established organization, such as the Traveling Library of *Batumelebi* (a Batumi-based newspaper), or the Guria Women initiative of the Guria Informational Center, the fundraising team benefits from existing resources of the organization. This includes promotional assistance, technical assistance (e.g., website creation and maintenance), and human resources.

5.2 Fundraising

This report categorizes two types of fundraising entities based on the preferred medium of fundraising: (1) those collecting donations via Facebook and (2) those soliciting funds via a crowdfunding platform. This research found that in Georgia, more established entities or initiatives with wider support use Facebook to fundraise and simultaneously increase their reach (e.g., Knowledge Café, Traveling Library, Shame Movement, and First Step). In these cases, non-platform crowdfunding is a tool used to strengthen the organization’s network and increase its following. In the case of the Shame Movement, non-platform crowdfunding is also used to expand its political reach or issue a wider call to action (e.g., pay court fines or purchase equipment for political rallies).

Small local initiatives that need more of a resource investment and lack financial credibility and legitimacy more frequently direct their efforts to crowdfunding platforms, which offer a transparent donation record system. The immediate public record and reflection of each donation on the website is seen as method of establishing the credibility of the proposed project. When choosing a crowdfunding platform, the matching grant opportunity provided by Orbeliani Meti proved particularly appealing to donors. Several initiatives noted that this grant opportunity was one of their main motivations to choose crowdfunding as a fundraising method. Training resources and capacity building activities provided by the platforms also proved appealing.

Most of the interviewed fundraising entities could not detail how they decided to pursue crowdfunding as a fundraising technique. Many indicated that crowdfunding presented as the most suitable form of fundraising for their initiative. This attitude may be, in part, a result of the widespread use of crowdfunding for various types of needs and initiatives (through Facebook) in Georgia. Some fundraising entities also indicated that they were referred to a specific crowdfunding platform by a personal contact. In this case, the credibility of the platform (i.e., the team, availability of past successful projects, ease of application, and availability of matching grants) was an important factor.

Donations to initiatives with substantial political or quasi-political interests (i.e., Shame Movement or Elene Dariani’s book initiative) are considered political contributions. Shame Movement, for instance, has fundraised to pay the court fines of political activists, and the Elene Dariani Book crowdfunding initiative was largely perceived as a protest against the policies of Minister of Culture Thea Tsulukiani.

In Georgia, fundraising on Facebook is a relatively homogenous process regardless of the entity. The entity page or group posts about a need and the requested amount of funding, along with the entity's IBAN. Donors can then copy and paste the IBAN onto their internet/mobile bank platform and transfer the desired amount. This process of donation did not represent an obstacle for the interviewed donors (although one did note that copying an IBAN code can be problematic on android phones).³⁴ Long-term and committed donors can also set up automated monthly payments through their internet banking platforms. However, in the case of regular donations, donors may find monthly website payments a more convenient option since it presents a less convoluted process (particularly for those donors unfamiliar with the advanced functionalities of internet or mobile banking).

While bank transfer was overwhelmingly seen as the most accessible and convenient form of donation for donors, fundraisers noted that it creates additional challenges in terms of transparency reporting, particularly when it is employed concurrently with the use of a crowdfunding platform. Because some fundraising entities and donors see mandatory donor registration as a barrier to use, they advocate for unregistered donations or direct bank account transfers as a way to simplify the process. In this case, it is expected that most donors will refer to these 'easier' and more familiar forms of donating, thus making themselves anonymous to recipients. However, this widespread donor anonymity diminishes one of the biggest advantages of crowdfunding platforms, which is increased credibility through personification. It also blocks the possibility of further donor relationship cultivation. One potential method for mitigating this issue is to request the input of a valid email address when a donation is made without registration. Within Georgia, different platforms have used various strategies to address this issue, including:

- Providing a video tutorial on the website demonstrating how to donate on the platform;
- Establishing a dedicated bank account for the initiative and then transferring the collected money to the platform initiative, which then reflects an accurate donation total on the website;
- Raising donations in the form of cash and transferring it through their accounts to the platform;
- Getting donors' bank card information and transferring money to the platform account on their behalf.³⁵

Among the interviewed fundraising entities, there was lack of consensus on whether the use of government funding and resources were beneficial. Some initiatives, like the Martkopi Youth Center, expressed a keen interest in communicating with local government entities and reporting previously using some of their resources (i.e., permission to build on their premises). Another initiative reporting connecting with sakrebulo (municipal council) members through an acquaintance and receiving sizeable donations from these officials (in an individual capacity). Others, however, like the Lagodekhi Meteorological Station initiative, reported communicating with local governments but finding no material benefit or assistance from the interaction.

Some initiatives use a combination of online and offline fundraising. For instance, Knowledge Café³⁶ (a social enterprise and multifunctional educational space in Tsnori), and Komli³⁷ (a co-creation space

³⁴ Usually clicking on a string on a Facebook post allows the text to be copied. However, this method does not work employed on an Android-powered mobile phone. In this case, clicking on an IBAN code automatically copies and pastes the code into the Facebook search bar. A user then must copy the code from the search bar and paste it into their mobile bank app. In the TBC mobile bank app, the app is able to recognize when an IBAN code has been copied and suggests a shortcut to transfer the amount. One user reported that when using an Android-powered mobile phone, the app does not recognize this code and does not offer the shortcut.

³⁵ This method is an informal, consent-based solution used for close acquaintances of the fundraisers.

³⁶ <https://codnebi.ge/>

³⁷ <https://komli.ge/>

in Kaspi) reported better fundraising results though direct, in-person communication. Knowledge Café organizes various events in their space that donors can attend. Those donating over a certain amount are also able to write their name on an individual brick on the Knowledge Café’s brick wall. Komli regularly organizes a meeting between donors (“co-creators”) and direct beneficiaries from the local areas to facilitate dialogue and exchanges of idea. In cases of direct communication, having an enthusiastic, charismatic, and dedicated leader who believes in the cause and possess sizeable social capital has proven key to crowdfunding success.

“Personal factor plays a significant role. Being active and social connects well with success. If you are not part of local processes and people in the local community do not know you, then it’s tough to make these [fundraising] mechanisms work. If you are an introvert, you must be an excellent strategist to ensure money comes in; even then, I do not know if that would be enough to make it possible.”

Giorgi Edisherashvili, New Life for Lagodekhi Meteorological Station Initiative

Most organizations understand the need for transparency and make efforts to document their activities; however, these efforts varied greatly between local entities and larger national organizations/campaigns. In the cases of many smaller entities, an “everyone knew everyone” attitude was applied, so no questions arose around whether funds were being used appropriately. Despite this prevailing attitude, they tended to still document their donations and expenditure. Most medium-sized entities collecting funds through Facebook reported similar sentiments. Some larger or national organizations, including Shame Movement and First Step, whose name recognition plays a key role in generating donations, have not invested transparency reporting. This may be a conscious decision based on a belief that their brand holds an adequate level of credibility without the reports or, alternatively, due to a lack of resources and knowledge around transparency practices.

5.3 Marketing and campaigning

For fundraising entities, crowdsourcing is commonly associated with crowdfunding. The ‘all you can get’ approach, which relies on using any and all available resources, is applied for both paths. In Georgia, marketing for fundraising entities relies largely on personal contacts and social capital. Many fundraising entities target individuals and organizational/private sector donors, both through direct contact and Facebook posts that are often shared widely; some also campaign local governments, with varying degrees of success.

For example, a teacher in Racha reported that a personal connection with a *sakrebulo* led to sizeable offline donations; An acquaintance working for the *sakrebulo* arranged for the teacher to participate in a *sakrebulo* meeting, where the teacher presented their fundraising initiative. In small communities like this, it is often easier for fundraisers to increase personal interest in the initiative due to geographic proximity. This proximity increases empathy and often offers a direct benefit to the potential donors, who typically live in the same community.

The smaller fundraising entities interviewed during the research indicated that nearly all their donors were contacted via personal connections. However, they all also reported receiving donations from donors previously unknown to them, which increased their interest in exploring the larger potential of wider publicity and crowdfunding.

While similar fundraising efforts were reported by fundraising entities through Facebook and crowd-

funding platforms, the entities that fundraised on a crowdfunding platform (namely Orbeliani Meti) exhibited a more structured marketing strategy.

Some platforms also provide trainings to fundraising entities chosen through a competitive process. One positive effect of these trainings is the creation of a network of initiative authors across the country who can financially support each other's initiatives and help increase awareness in their respective communities.

Many fundraising campaigns rely on volunteer work and the free support of groups outside the core of the fundraising team. These in-kind contributions are often key to the success of the campaign.

“It is not just fundraising money; it can be labor or whatever else a person can contribute. A lot of creative agencies helped us, through strategy and targeting, and we cannot even thank them for obvious [political] reasons. If we paid for the services they provided for free, it could cost around \$60,000 to \$80,000.”

Shota Digmelashvili, Shame Movement

The success of local, less publicized initiatives relies heavily on volunteering and innovative crowdfunding campaign tactics. For instance, donations to a teacher initiative on Orbeliani Meti increased significantly after an initiative ambassador representing the education sector shared the campaign on Facebook; the fundraising goal was then met just 1.5 days after the ambassador became involved. On the other hand, the success of national organizations relied more on political fundraising based on the organization's brand, the successful mobilization of personal connections, and more conventional marketing strategies like Facebook ads.

Marketing on Facebook does not only include sharing posts via personal networks or running Facebook ads; utilizing Facebook groups devoted to local communities had also proven effective. For instance, a teacher initiative in Racha benefited from sharing information in a Racha community Facebook group.

Another strategy that has been proven successful by thematic crowdfunding platforms (e.g., Charte and Supergmiri) and fundraising entities is the personification and division of larger projects into smaller, more achievable milestones.

“Personification works the best – we collected the money for computers quite quickly. When they [public] see that, for instance, Nana wants to receive an education and this costs 500 GEL [approximately \$170], the 500 GEL is collected very quickly. But when the case concerns a construction project that needs more than 300,000 GEL [approximately \$100,000], it feels scarier [to donate] because the figure is quite large. Plus, in this case, it is not about a human but a system. Perceptions around donating to address a system is much more of a challenge.”

Nana Bagalishvili, Founder and Director, Knowledge Cafe

In addition to methods like breaking fundraising goals into smaller intervals, entities using Orbeliani Meti also noted the benefit of using a progress bar. This showing potential donors have already contributed to the cause and creates trust toward the initiative; it also indicates the track record of the platform by offering the availability to view the success of past initiatives on the website. While this

research was able to collect information on general trends and marketing methods for fundraising entities in Georgia, additional UX/UI research is required to assess their overall effectiveness. Some further questions worth exploring are:

- What website functionalities affect (positively and negatively) users' perception of a platform's credibility?
- What project information characteristics affect (positively and negatively) users' perception of a project's credibility?
- How can platform functionalities and design be improved?

5.4 Donor Relation and Data Management

During the campaign, personal connections play a significant role, particularly in the early stages when the first donations can establish the credibility of the cause, or the idea that "if someone else has donated, it must be valid." Communication with potential donors during the campaign is conducted mainly through social media (i.e., Facebook). A Facebook group/page is used as well as a crowdfunding platform page, if relevant.

During a project's development, particularly in the case that online crowdfunding is being combined with offline fundraising, entities can provide updates to the status of a project on the crowdfunding website. The entities can also communicate relevant information through their personal Facebook accounts and the designated pages of the initiative and/or organization. Many fundraising entities considered to be credible in Georgia rely on Facebook to provide systematic updates on their projects' development, including transparency reports in the form of screenshots of financial documents (i.e., invoices, bank reports, receipts). Entities that use crowdfunding platforms rarely provide such financial information since purchases of equipment and materials are often mediated by the platforms; instead, the platform and its reputation serve as a guarantor of the entity's own credibility.

Fundraising entities in Georgia exhibit passive and minimal post-project communication with donors. Facebook fundraising often limits the possibility of personalized communication when donations are made via bank transfer and do not include contact information. While crowdfunding platforms send out an email of gratitude to all initiative donors, this information is only accessible to the platform's administrators. As a rule, donor contact information is shared with fundraising entities only in special cases upon request. Therefore, many fundraising entities are deprived of the opportunity to cultivate a relationship with their donors.

By and large, there is no established Donor Relationship Management (DRM) culture and/or structured management system for known donors among Georgian fundraising entities. Interviews with both donors and fundraising entities also revealed a lack of common understanding among the parties on how what this relationship should look like. Several larger fundraising entities reported organizing inclusive events that welcome donors to have direct communication with beneficiaries. This, they noted, facilitates communication around the initiatives's positive impact and contributes a sense of transparency and trust. Co-creation space Komli, for instance, reported organizing a meeting between donors and future beneficiaries of the space to facilitate direct communication around the project and other existing local problems and needs.

In addition to other methods of donor communication, crowdfunding can also be viewed as its own form of communication, which expands networks around initiatives and enhances trust among the population, particularly for civil society actors.

“ [Crowdfunding] has enhanced awareness about our organization... When we do this work, public trust increases, the trust of donor [organizations] increase, and we receive more funding. Other types of activities also become easier to do. [Crowdfunding] for a humanitarian cause has also increased the effectiveness of our advocacy efforts. The local government listens to us more when we discuss priority issues for the rural development program.”

Maka Chkhartishvili, Guria Women

Positive examples of cooperation with local governments in fundraising may indicate an opportunity for more engagement with local governments in social crowdfunding causes, particularly in municipalities with a participatory budget planning process that allows citizens to contribute ideas and vote on municipal fund management. According to the Legislative Herald of Georgia, seven municipalities³⁸ in Georgia have approved participatory budgeting rules since 2019.

5.5 Trust, credibility, and accountability

Representatives of all target stakeholder groups interviewed for this report, including crowdfunding platforms, fundraising entities, donors, and technical experts indicated that Georgia’s NGO sector and related fundraising entities suffer from low levels of public trust. In 2021, the Caucasus Barometer survey found that 43% of Georgians neither trust nor distrust NGOs, while 22% do not trust NGOs, and only 20% do trust them. The country’s experience with widespread corruption, its extensive history of state and NGO misappropriation of funds, and growing levels of Russian malign activities that have labeled Georgian CSOs as “grant-eaters” have all contributed to this environment that is highly distrustful to the work of CSOs.

This lack of faith in the NGO sector directly correlates with its ability to raise funds from the public. While crowdfunding offers an important tool for CSOs to cultivate relationships with members of the public and nurture trust, it is unsurprising, given their current operating environment, that CSOs are hesitant to explore this avenue of fundraising.

“ Historically, Georgian people are used to money being stolen in every sector. In addition, the government purposefully discredits the NGO sector.”

Donor, male, 35, Germany

“ The most important factor is still a lack of trust. [People] regard even each other as untrustworthy. Poor socio-economic conditions and poverty have led to skeptical attitudes, or the idea that ‘someone wants something from me and that is why they are communicating with me.’ This is the number one factor that creates a lack of trust. And then there are also negative experiences [regarding misappropriation of funds] and a lack of tradition around the civil society sector.”

Donor, female, 40, Germany

³⁸ Batumi, Keda, Khashuri, Khulo, Khelvachauri, Lanchkhuti, Shuakhevi

Georgian NGOs and CSOs are often perceived as politically motivated entities, which makes it difficult for the public to discern between organizations active in political issues and those working on social issues. Moreover, public perception of this sector is shaped by the reputations of a few prominent NGOs, who are labeled “elitist” and far from the people. The work done by these CSOs is not well known among the public and is often eclipsed by politicized coverage in the media.

CSOs that work directly with the public seem to enjoy higher credibility among their target communities. However, in cases where these CSOs have cooperated with “politicized NGOs,” they report having their credibility negatively affected.

“Wherever there was a mention of Soros, people became skeptical. Even though everyone benefited from this fund in these villages - everyone liked it, everyone was enthusiastic; but when they would learn who the donor was, they started giving bad looks.”

Representative of a rural CSO

“When [the NGO] lacks a grassroots link, it loses trust. It has a centralized vertical form. It enters your community like a foreign body. The more grassroots the organization is and the tighter the link is with the people, the more of a chance it has of receiving public donations.”

Donor, male, 33, Tbilisi

A widespread perception among the public that NGOs are inaccessible indicates that a lack of communication between NGOs and their donors and beneficiaries. In their interviews, some donors noted that it is difficult to approach NGOs, who often do not respond to online questions via email. They also noted that information on the NGOs’ work and results is limited and inadequately communicated to the public. In addition, respondents from all stakeholder groups criticized the NGO sector for making itself inaccessible by using “donor language” (i.e., English-based, and full of unfamiliar technical terms), which the average person has difficulty understanding. While they do publish certain reports, these are not designed for public consumption and target a specific audience, primarily international donors.

When asked for proposed solutions to a resounding lack of trust in the NGO sector, many respondents recommended investment in transparency mechanisms. Charte’s reporting was unanimously regarded as exemplary, given its detailed focus on providing financial expenditure information. While the majority of the public will not read detailed reports on NGO expenditures, the act of voluntarily offering this information signals a readiness to address public scrutiny. An external independent audit of these reports was also named as an important transparency mechanism by interviewed donors.

When evaluating methods of reporting, Charte noted that provision of financial information alone does not constitute an adequate transparency report. Instead, Charte and a number of other respondents indicated that transparency reporting should also include photo and video materials and concise information about the project’s achievements. Respondents also indicated that testimonials from beneficiaries add transparency value.

6 Donors

6.1 Georgian citizens donating in Georgia

Based on the interviews, the donors of crowdfunding initiatives can be roughly divided into two categories: (1) donors who primarily contribute to causes related to poverty, emergency health, and humanitarian causes; and (2) donors who primarily contribute to social causes. This categorization was prevalent in both geographical groups: donors living in Georgia and Georgian donors living outside Georgia. Interviews showed that there is rarely an overlap between these two donor categories, single ad hoc contributions to the non-dominant sector proving the exception.

Most donors interviewed in the research indicated that they make a donation between one and three times per month. The most important factor in determining the frequency of donations, according to the respondents, is the size of their income. Typically, donors living in Georgia contribute an average of \$3 to \$10 per month, while Georgian donors living outside Georgia contribute an average of \$10 to \$50 dollars per month. A small number of donors living outside Georgia indicated that they had made donations that were greater than \$50; however, these donations were often singular and related to a particularly urgent cause.

Based on the donor interviews, several subgroups of donors can be identified. The first category represents Georgian emigrants who have dependents in Georgia and have little discretionary income after sending remittances to their families. This group expressed a proclivity to donate to causes focused on poverty, children living in poor conditions, and emergency health issues; this group also indicated that their average donation amount would register on the lower side of the previously identified range. The second subgroup represents emigrant donors with no financial dependents in Georgia and higher disposable income. These donors expressed an interest in contributing to educational causes, and, more specifically, Charte. Charte's cause focuses on improving access to education and information, as well as its automatic recurrent payment option, proved attractive and comfortable for this group. The third subgroup was considerably smaller than the first two and represented emigrant donors with no financial dependents in Georgia who have an interest in contributing to emergency health issues (people and animals) with sizeable donations of \$50 or more. Within this subgroup, several donors noted that they had been discouraged from donating for at least one of two reasons:

- 1) Their identities as sizeable donors were compromised, resulting in an inundation of demands for support from people on social media (i.e., Facebook).
- 2) They learned that some of their sizable donations had been misused or misappropriated.

Similar experiences and resulting attitudes of mistrust were also reported by respondent donors living in Georgia.

“ I donated several times. When the posts were published, I helped them. And then a big wave of personal targeting occurred... It bothered me the way they wrote to me – it was as if I did not help, the consequences would be my fault. They were guilt-tripping me. I gave up, I do not donate to Georgia anymore.”

Donor, female, 36, currently living in the United States

Most donors within Georgia are regularly inundated with donation solicitation posts on Facebook. Often, these solicitations focus on issues of extreme poverty and/or emergency health-related is-

sues. The posts are seen by prospective donors either through membership in specific Facebook groups or through social connections with individuals who post on their personal accounts.

Interviewed donors in both Georgia and abroad communicated two primary factors that influence how they choose where to donate: (1) the category of the cause (as outlined above) and (2) belief that the donation will legitimately be used for its indicated purposes. For some respondents, the second factor proved far more important than the first.

“The most important factor is that the money is allocated legitimately to exactly the purpose that is written [in the cause] and that there is no vague donation system where I cannot understand to whom I am sending the money. Thematically, many sectors need help. This is not as important. The logistical organization is also not important. My main concern is that the money is guaranteed to be allocated to the purpose indicated – due to the corruption experience of my home country.”

Donor, male, 35, currently living in Germany

Credibility proved a critical factor for most of the interviewed donors. Many respondents indicated that they have their own internal mechanism to test the credibility of fundraising entities, which is heavily influenced by their level of trust towards the person sharing the cause. More scrupulous and relatively less impulsive donors also check for previous experience and composition of the team/person behind the cause, proof of the problem at hand, and the results of previous or current projects. They also noted that they review the quality of online communication, noting that “template texts” and “overtly grim texts” are regarded as suspicious.

“When someone shares a post [on Facebook] and I do not know them, and they mention me in the comments, I check if the account is fake or not. Yesterday someone mentioned me [in a comment] and it was a fake account created last week. In such cases, I do not transfer the money. But, if they are a friend and I know them, then it is not a problem.”

Donor, female, 35, Tbilisi

Notably, several donors also indicated that they make a conscious decision not to check the credibility of fundraising solicitations. This, they note, is because they view the donation as an act of charity or personal kindness, not a goals-based exercise. This pertains primarily to emergency health causes where donors felt not donating could have critical consequences.

“Probably the emotional moment is crucial. I do not really turn on my rational thinking [when donating], I do not think about those things [checking credibility]. The default approach I have is that when I see something, I prefer to donate. I believe in the individual role and that there is a point [in donating]. Better yes, than no.”

Donor, female, 29, currently living in the United States

Conversely, other donors indicated that they prefer to donate to developmental causes oriented towards achievement or building a public good.

“ I like topics that are oriented towards problem-solving. For example, I rarely give money to beggars in the street. This may be irrational but giving money does not solve the issue – it just maintains the status quo. If there was an organization that I could give 100 GEL to [approximately \$30] that will solve a problem, that is better. So, in a sense, I prefer teaching a man to fish rather than just giving him the fish.”

Donor, male, 27, Tbilisi

Most respondents indicated a level of discomfort around being personally targeted for donations on Facebook.

“ I prefer to have some space on the internet, not to feel pushed. When someone gets in contact personally, I feel like I am trapped against wall, and I do not know anymore whether I want [to donate] or not.”

Donor, female, 44, Tbilisi

When asked why they donate, donor respondents offered several motivational factors, including:

- (1) A deep individual commitment to take part in wealth redistribution and ensure money is transferred to those in need.
- (2) Personal knowledge of the individual or organization that was part of the fundraising effort.
- (3) An emotional commitment to alleviating the harsh living conditions of vulnerable recipients (i.e., children, the elderly, and homeless animals).
- (4) Satisfaction derived from the act of helping others.

Donors can also be characterized by their preferred payment mechanisms. Some respondents identified a bank account number as the best way to donate. Copying and pasting an IBAN into a mobile banking application was viewed as convenient, particularly in spontaneous cases when a donor encountered a solicitation on Facebook and felt moved to immediately contribute.

The ease of payment on crowdfunding platforms were also identified as important consideration for donors; many felt they would rather “cut the middleman” and donate directly to a cause because it is more efficient. Since most donors in Georgia tend to be friends and acquaintances with the fundraising entities they donate to, user registration does not represent a huge barrier. It was, however, identified as a barrier for people with low levels of digital literacy.

Many donors living abroad face challenges donating to Georgian crowdfunding platforms due to high bank fees for international transfers (e.g., a 35-euro fee for a 50-euro transaction from a German bank to a Georgian bank). To avoid these fees, they will send money to family or friends in Georgia (typically through PayPal) and ask them to donate for them. This added burden on the donor may be limiting the number of donations made from abroad. In addition, transferring money from PayPal to bank accounts is expensive (over 5% of the transaction amount). Several digital and non-digital card companies remove the barriers of international transfer limitations and high transfer rates, such as

N26 and Revolut; however, even some of the respondents with these cards were unaware of these advantages.

The majority of donors indicated that they do not follow up with the initiatives they donate to. In part, this is because they pre-establish credibility and trusted for the initiative, which makes checking the results a secondary consideration. Some donors reported intentionally not following up with initiatives to protect themselves from potential bad news about health issues. In many cases, the donors expressed that the time and effort invested in following up felt disproportionate to the “symbolic amount” they had donated. In some instances, donors noted that they prefer not to have communication with the fundraising entity, particularly when personal or group message updates created an abundance of notifications. In addition, some donors indicated that the fundraising entities’ efforts should remain focused on addressing the cause and not on communicating with the donors to make them feel appreciated.

Most donors interviewed for this research indicated that Facebook was their medium of choice for making donations, but some did report using specific platform websites to donate. The latter described their experience donating on the websites as smooth.

6.2 Georgians donating in foreign countries

Georgians living abroad mostly donate to Georgia, but some also donate internationally. These donations primarily pertain to war zones and health issues, including cancer research and the Red Cross.

Foreign countries and vendors offer a variety of mechanisms for charitable donations. When faced with choices during a purchase, many donor respondents noted a preference for those vendors who distribute part of their income to charitable causes. Amazon and PayPal both offer an array of charities that receive a small portion, (e.g., one cent) of each website transaction made by the customer. Some companies also offer to round up the transaction total when shopping online to mitigate their carbon footprint. Large organizations also donate to large charities in the names of their employees, and these amounts are tax deductible. A mobile application Shared Meal offers an array of charities and causes to feed those experiencing hunger worldwide. One donor respondent who lives abroad mentioned that every time they eat at a restaurant, a fixed donation amount is automatically charged to their card with one in-app click.

The variety of donation mechanisms used by Georgians living abroad demonstrates the desire and willingness to donate with more automated and localized payment methods. To be able to target this market, research on easy international and regional payment modes is required. However, many fundraising entities lack the skills or resources to conduct such studies, thus leaving the market untapped.

7 Other Technical Intermediaries

7.1 Web development

At their initial stage of development, crowdfunding platforms face a tradeoff between functionality and investment cost. Setting up a crowdfunding platform costs, on average, between \$2,000 and \$50,000, depending on the website’s level of sophistication and functionalities. Cheaper options include using an e-commerce website template, which is technically easier to set up. However, while free or inexpensive templates seem appealing initially, they do not allow for the addition of many useful functionalities provided by more sophisticated website development, which offers custom-

ization and the ability to make later modifications. As template-based platforms' operations grow and require new functionalities, the platforms are eventually forced to invest in full-scale website development.

Orbeliani Meti, Fundraiser.ge, Investme.ge, and Momxmarebeli.ge have all financed their website development through donor grants. Donors.ge's website development was financed by its founders. Web development company Helix co-founded Charte, which enabled it to create the most sophisticated crowdfunding platform on the Georgian market, to date. Sadagi's website was developed through pro bono professional services, and other platforms also reported using personal connections or individual website development services at a lower cost.

7.2 Banking and online payments

Integration of online payment mechanisms in web development is a standard and technically simple procedure. Each bank has its online payment system, and the platform can integrate the online payment system of the bank where their organizational account is registered. The platform negotiates basic terms with the bank, such as the payment type (percentage of the turnover), and the bank provides an API code for integration into the website. Simple information such as the organization's bank account numbers, for instance, needs to be entered into the code by the web developer. The typical cost of processing fees for each financial transaction is 2%.

Allowing for automated recurrent payments online requires more sophisticated technical expertise. This includes the risk status of charity operations, which result in some platforms experiencing upper limits on the size of donations allowed. Another issue is the integration of data protection requirements to be eligible for online recurrent payments (to have the right to save the donor bank card information on the platform). This requires web developer expertise in data protection protocols for online payment systems. The only crowdfunding platforms that are currently able to retain donor card information are Charte.ge and Supergmiri.ge.

A currently available method for regular automated payments requires the donor to set up a monthly automated payment through their online banking portal. Among the research respondents, most of the recurring donations to continuing initiatives/causes were done through Charte's website or monthly automated payments via the mobile bank app.

Donors.ge is the only crowdfunding platform that offers users a QR code for online donations. To use this method, the donor logs into their mobile bank application and scans the QR code, which directs them to the payment input page in the app.

Country-specific online payment mechanisms can also create barriers for international donors. Georgia uses a 3D authorization system for online bank payments, which makes it difficult for donors in countries with no 3D authorization system to make a donation since they are unable to receive the SMS code needed to confirm the transaction.

8 International Best Practices

8.1 Tax breaks

A 2016 report by Charities Aid Foundation found that approximately two-thirds of the countries evaluated offer some sort of tax relief for individual charitable donations, while almost 80% of the countries offered some type of incentive for businesses to donate.³⁹

³⁹ Charities Aid Foundation (2016). *Donation States: An international comparison of the tax treatment of donations*. p. 9. <https://www.cafonline.org/docs/default-source/about-us-publications/fwg4-donation-states.pdf?sfvrsn=4> last accessed August 25, 2022

The report also noted that the categories of donations most incentivized by states are related to poverty and health disability, while human rights and environmental initiatives are incentivized the least.⁴⁰ Of the 24 nations studied by Charities Aid Foundation, 19 offered complete exemption from income tax for donations. In some cases, the potential exemption was over 100%, like in Singapore, where the potential tax deduction for charitable giving is 300%.

There are three main types of tax relief employed by states to encourage charitable donations. One type of tax relief is a direct tax deduction that subtracts money donated from a donor's taxable income. Another category of tax relief is the tax credit, which allows a taxpayer to deduct the value of their donation from the amount of taxes they owe. The final tax relief category is a grossed-up donation, which allows an individual to grant a charity or fundraiser the power to reclaim tax that was paid.⁴¹

In addition to these three types of tax relief, there is a variation of tax relief known internationally as percentage philanthropy, or tax designation. In Hungary, Slovakia, Romania, Poland, Lithuania, Moldova, and Italy, individuals may assign a percentage (between 0.5% and 3.5%) of their paid income tax to certain NGOs engaging in publicly beneficial activities.⁴² There are many variations of this type of tax designation system. In Slovakia, for example, the percentage can be increased to 3% if an individual volunteered for more than 40 hours during the tax period. To qualify, the donor must donate to a qualified NGO, and typically, country laws designate the types of activities that the organization must be involved in to be considered qualified. In Slovakia, for example, qualified areas of activity include support for healthcare, physical culture, social services, preservation of cultural value, education, human rights, the environment, and the sciences. Notably, this applies to both corporate entities and individuals.⁴³

In Romania, individuals may designate up to 3.5% of their annual income tax to NGOs that are listed under a government ordinance. Businesses also have the option to sign a sponsorship contract that allows them to pay a portion of their income directly to the NGO, eliminating the need for a government entity to facilitate the donation of funds.⁴⁴

8.2 Point-of-sale solicitation (rounding up at the cashier)

Point-of-sale (POS) solicitation, or rounding up, is a donation approach that targets people who are amenable to making a donation but do not actively seek out opportunities. In one 2017 study conducted on point-of-sale-solicitation (at Amazon MTurk (crowdsourcing marketplace) and 10 physical local retailers in the United States), researchers found that the solicitations had a negative impact on the overall customer experience. Through a series of experiments, the researchers demonstrated that customers who were asked to donate to charities during the checkout process exhibited significantly lower satisfaction levels than those who were not.⁴⁵ However, while the effects on overall customer satisfaction were evident, the study did not indicate that the fundraising efforts were un-

⁴⁰ Charities Aid Foundation (2016). *Donation States: An international comparison of the tax treatment of donations*, p21 <https://www.cafonline.org/docs/default-source/about-us-publications/fwg4-donation-states.pdf?sfvrsn=4> last

⁴¹ Charities Aid Foundation (2016). *Donation States: An international comparison of the tax treatment of donations*. p. 52. <https://www.cafonline.org/docs/default-source/about-us-publications/fwg4-donation-states.pdf?sfvrsn=4> last

⁴² Strecansky B., Torok M. (2016). *Assessment of the Impact of the Percentage Tax Designations: Past, Present, Future*. Erste Stiftung. http://tax-designation.org/wp-content/uploads/2016/09/Tax_Percentage_Study_Web.pdf

⁴³ International Center for Not-for-Profit Law. *Nonprofit Law in Slovakia*. 2019. (laws are updated as of December 2021)

⁴⁴ International Center for Not-for-Profit Law. *Nonprofit Law in Romania*. 2019. (laws are updated as of December 2021)

⁴⁵ Obeng, E., Newmeyer, C.E. (2017). *Solicitations for Charity at Checkout and Consumer Responses: An Abstract*. In: Stieler, M. (eds) *Creating Marketing Magic and Innovative Future Marketing Trends. Developments in Marketing Science: Proceedings of the Academy of Marketing Science*. Springer, Cham. https://doi.org/10.1007/978-3-319-45596-9_2

successful or that the solicitation had a negative impact on customers who decided to donate. An overview of rounding up models suggests they work in different cultures and jurisdictions.⁴⁶

In the case of Georgia, the basic conditions for successful implementation of a point-of-sale solicitation model seem to be in place. The country's e-commerce market is continuing to grow and payments via POS terminals are well integrated in offline locations. This is evidenced by the recent implementation of POS terminal tipping at many establishments. However, while customers increasingly enjoy the benefits of non-cash tipping, they have also reported negative and uncomfortable experiences involving service personnel asking customers to verbalize the tip amount. This indicates the need for additional staff training around POS terminal tipping, and if applicable, POS rounding up at commercial establishments. This corroborates well with the findings of a 2022 study in Brazil, which identified employee engagement at the POS as a critical factor in the project's success⁴⁷.

To assess the potential for future growth of online giving and crowdfunding, including the possibility of incorporating a rounding up system in Georgia, it is important to further evaluate recent e-commerce trends. E-commerce is defined as the buying and selling of goods and services or the transmitting of funds or data over an electronic network, primarily the internet. Though small compared to European markets, Georgian e-commerce has is continuing to grow, with market size jumping to 138 million GEL in 2020 from 44 million GEL in 2019 (more than a 3x increase); while this exceptional growth can be, in part, attributed to the offline shopping restrictions associated with the onset of the Covid-19 pandemic, the trend is predicted to continue in the coming years.⁴⁸ Electronics, household appliances, and equipment (65%); apparel (16%); and furnishing materials (8%) represented the largest shares of 2020 e-sales in Georgia.⁴⁹

The food delivery sector in Georgia also tripled between 2019 and 2020 to a value of 167 million GEL.⁵⁰ Using apps that are designed to manage food and drink orders at restaurants⁵¹ and incorporating charity into their architecture presents an interesting opportunity to develop digital charity habits within the Georgian population. In theory, this type of development could see a high level of success due to the fact that the portion of the population who eats at restaurants and uses food delivery services in Georgia are characterized as having expendable income, meaning they represent a key demographic for soliciting donations. In a technical sense, it would be relatively simple for the applications (or the banks that process the payments) to add an option for designating an amount of money (perhaps rounded up) to donate to charity.

Similarly, online vendors could also include a donation option in their checkout sequence. The most convenient and risk-averse option for offering a rounding-up solicitation is through online vendor websites. The current TBC bank 'split system'⁵² functionality already allows for immediate split and allocation of income into multiple accounts, which could be configured to include donations.

8.3 Specialized apps as digital platforms

The use of specialized mobile apps as platforms for care and support, both niche and general, has been cited as a rapidly growing area of the charity milieu. In Georgia, there is no special app developed specifically for the local market, and apps developed for western markets are either not avail-

⁴⁶ <https://en.reset.org/proof-concept-rounding-charity-12072015/>

⁴⁷ Lima, L. & Bourroul, R. (2022). *Digital for Good: A Global Study on Emerging Ways of Giving. Brazil (2022)*. IDIS & Indiana University, p15

⁴⁸ Galt & Taggart (2021), *E-commerce in Georgia*, p6

⁴⁹ Galt & Taggart (2021), *E-commerce in Georgia*, p7

⁵⁰ Galt & Taggart (2021), *E-commerce in Georgia*, p9

⁵¹ RoundApp for example, <https://play.google.com/store/apps/details?id=co.agileapp.RoundApp&hl=en&gl=US>

⁵² /Create E-Commerce payment with SPLIT. https://developers.tbcbank.ge/docs/checkout-create-checkout-payment-with-split?fbclid=IwAR-2WH_FJSBupPCPapBIA5Eaii1pN_bO6qAFptS3CHADTTZ8dkvDFp8wMu8

able in Georgia or are very rarely used. In Georgia, the areas of support often targeted in special apps is primarily coordinated on Facebook. However, with the development of app infrastructure and use, mobile apps could enhance, and, in some cases, replace these groups for certain social circles. Examples of these types of apps that are currently seeing success outside of Georgia include the Molehill Mountain app,⁵³ which supports persons with autism, and BECCA,⁵⁴ a breast cancer support group.

A specialized app for crowdfunding platforms and initiatives might be more opportune for the Georgian market, as high levels of Facebook use demonstrate a preference for a single digital space that allows for a concentration of all available information exchange. Meanwhile, the level of chaos and lack of credibility of many public donation solicitations on Facebook is perceived as an obstacle, mostly by larger donors in and outside of Georgia. This segment of potential donors is also characterized by better digital skills and the use of specialized apps.

8.4 Social media fundraising

Another relatively recent trend gaining popularity is the use of birthday fundraisers that asks for donations to charity in lieu of a personal gift. This is a part of a broader trend in fundraising under the umbrella term peer-2-peer fundraising.⁵⁵ Since 2017, Facebook has offered a one-click birthday gift donate option for select charities.⁵⁶ That feature, however, is not available in Georgia as of August 2022. For five years, more than 750,000 different nonprofit organizations have raised over \$1 billion in birthday donations.⁵⁷ Instagram also offers an option for P2P birthday fundraising.

Similarly, other social networks that popular in Georgia, including Instagram and TikTok, offer other functionalities to fundraise for charities through user profiles. On Instagram, a user can create a fundraiser through a post, which is then visible in their bio for 30 days.⁵⁸ This feature is currently only available in 16 countries, including most of Western Europe and the United States. TikTok similarly offers fundraising opportunities for users and organizations through donation and fundraiser stickers on user profiles.⁵⁹ The largest barrier for Georgian organizations wishing to utilize these mechanisms is that in most, if not all cases, Georgia is not within the list of countries where social network fundraising is offered. However due the rapid development of social networks, Georgia is expected to receive these functionalities in the near future, meaning the option could soon be explored by CSOs.

8.5 Fundraising through influencers and gamers

Influencers, YouTube personalities, gamers with large followings have proven particularly useful in some types of fundraising campaigns. These individuals often have high reach (sometimes millions of viewers) and hold credibility among their communities; they also often offer a persona that can have a positive ‘humanizing effect’ on fundraising campaigns.⁶⁰ High-profile gamers outside of Georgia have used live streams of their games for charity purposes. Some organizations, such as the nonprofit game studio Gamers for Good are specifically designed to build awareness of charitable behavior for gamers.⁶¹ As the Georgian influencer and gamer scene continues to rapidly expand, opportunities for using their reach to stimulate charitable behavior should be explored further.

⁵³ Autistica - Molehill Mountain. <https://www.autistica.org.uk/molehill-mountain>

⁵⁴ Becca - Breast Cancer Support. <https://play.google.com/store/apps/details?id=com.yourcompany.becca&hl=en&gl=US>

⁵⁵ <https://blog.donatelly.com/peer-to-peer-fundraising/>

⁵⁶ Facebook. How do I create a birthday fundraiser on Facebook? <https://www.facebook.com/help/1910205189301966>

⁵⁷ Raisely Team. Facebook birthday fundraisers: celebrate the gift of giving

⁵⁸ Instagram. Create a nonprofit fundraiser on your Instagram bio. <https://help.instagram.com/2527669914192115>

⁵⁹ A simple guide to fundraising on TikTok. <https://www.communityboost.org/digital-marketing-blog/tiktok-fundraising/>

⁶⁰ CauseVox. Social Media Influencers for Online Fundraising. <https://www.causevox.com/blog/social-media-influencers-online-fundraising/>

⁶¹ Gamers for Good. <https://gamersforgood.com/#:~:text=GAMERS%20FOR%20GOOD%20IS%20A,OF%20CHARITABLE%20OPPORTUNITIES%20FOR%20GAMERS.>

Background of the Report

USAID Civil Society Engagement Program

The Civil Society Engagement Program in Georgia is a five-year, 15 million USD activity funded by the United States Agency for International Development (USAID) and implemented by East-West Management Institute, Inc. (EWMI).

The Program aims to strengthen Georgian civil society through building the capacity of new and existing civic actors to act as trusted, legitimate, and effective representatives of citizens' interests, empower and mobilize communities to advocate for their rights, and build an ecosystem for civic actors to diversify their resource base. The Program supports civic movements, civic activists, and civil society organizations (CSOs) from across the country.

The Program's domestic resource mobilization component is co-funded by the Slovak Agency of International Development Cooperation.

To achieve its goals, the program delivers trainings, mentorship/consultancy, and grant funding to civic actors to build their capacity; organizes exchange visits and other networking opportunities to foster partnership among civic actors, and between civic actors and other sectors; In order to develop an ecosystem for the financial sustainability of the CSOs and other civic actors, the Program carries out in-depth assessment of the legal environment, pilots new mechanisms for generating local resources for civic activism, and supports partnerships between civil society and private sector to develop Corporate Responsibility (CR) and promote strategic CR projects that address complex social issues through inter-sectoral collaboration.

More information on the program can be found at www.ewmi-activism.org

The Report

The research has been commissioned by USAID Civil Society Engagement Program / East-West Management Institute (EWMI) with the purpose of identifying opportunities to strengthen the online giving ecosystem in Georgia with an emphasis on donation-based crowdfunding. The report does not cover investment or equity crowdfunding for commercial projects.

For the purposes of the research, the **online giving ecosystem** is understood as a system consisting of the following interrelated elements:

Various **forms of online giving** such as donation-based and reward-based crowdfunding platforms and their functionalities and features, social media facilitated giving, debit/credit card, pay kiosk and mobile-banking giving, etc., Related **practices** such as fundraising for projects and/or organizations, campaign management, communications, accountability systems and tools, and engagement of supporters, volunteers, and constituencies. Diverse **actors** engaged in fundraising, online giving or facilitating the process of online giving such as civil society organizations (CSOs), social movements, civic initiatives, creative communities, digital platform operators, individual contributors, diaspora etc., and relations among them. Other **functions** essential for the ecosystem to function such as technological solutions, payment services infrastructure, internet access, innovation, funding, and others. **Regulatory environment** such as legal and fiscal uncertainties, constraints or enabling factors. **Cognitive factors** such as awareness, understanding and perceptions, expectations, know-how, capability, training, etc. and **culture** (trust, values, attitudes).

The scope of the research was set as the review of practices in the market by key actors in the demand and supply side of the ecosystem. The demand side included a) the fundraising entities (CSOs and individuals/activists) and b) givers – individuals who respond or may potentially respond to fundraising calls (i.e., people who donate funds using online platforms/systems); also, organizations who make donations to beneficiaries via a variety of payment systems and digital platforms. The research of the supply side of the ecosystem included digital crowdfunding platforms or payment channels that are used for soliciting giving.

Authors

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The English language editing was provided by Mackenzie Baldinger, USAID Civil Society Engagement Program Public Outreach Coordinator.

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