

The roles
of the Ukrainian charity organizations and foundations
in public service delivery

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Introduction

Over the past thirteen years, Ukraine has experienced a process of transformation involving a changing system of public service delivery inherited from the former Soviet Union. Public services are important because they involve shared social values, the quality of life, economic development, human rights and overall democratic governance (The Green Paper on Services of General Interest 2003). Citizens, as users of public services, do not simply want to be served, but also they want their voices to be heard and their interests and needs to be represented (Pinto 1998). Yet, despite its importance, the system of public services has met numerous challenges in Ukraine. One challenge involves growth and the dynamic sector of nongovernmental organizations (NGOs), along with that sector's increasing role in the political, social and economic transformational processes. The growing and dynamic sector of Ukrainian NGOs has the potential to be involved not only in service provision, but also in strengthening the already existing public service delivery systems through aggregation and representation of interests, and the generation of pressure for better services from government while holding government more accountable through policy advocacy and monitoring (Lewis 2001; Brinkerhoff et al 2003; Pinto 1998). Unfortunately, the role and potential of Ukrainian NGOs has not been well understood or utilized by the government, or even by the NGOs themselves. Moreover, up until now, there is no empirical evidence about the third sector's role and impact. Most evidence is anecdotal and speculative. This article focuses on how representatives of charity organizations, on one hand, and representatives of state authorities and the international community, on the other hand, see the role of Ukrainian charity organizations and foundations in delivering public services and define what services they deliver today and would be able to deliver in future. In addition, based on the preliminary research data, the economic contribution of charities is assessed.

Literature Review

In the last fifteen years the literature that discusses NGOs, their roles and their importance in society has increased dramatically. Academicians and practitioners, politicians and public officials have acknowledged that NGOs potentially have roles to play in building more democratic political institutions, engaging political space for grassroots change, and generating alternative thinking and approaches to poverty reduction (Lewis and Wallace 2000). Besides an NGO's central role in generating, organizing, and empowering political opposition locally and building international linkages, NGOs have also acted as practical vehicles for the delivery of a broad spectrum of community services, ranging from affordable housing to theater performances to vocational training to health care (Frumkin 2002).

The literature extensively discusses different current and potential roles and functions of NGOs in society. Many of them are viewed in different contexts and circumstances. Frumkin (2002) sees the functions of NGOs

as the contrast between the supply and demand sides and the opposition of the expressive and instrumental dimensions. He uses this framework as a basis to systematize the NGOs' functions into four types such as encouraging civic and political engagement, delivering needed services, enacting private values and religious convictions, and providing a channel for social entrepreneurship. Najam (1999) sees NGOs as policy entrepreneurs and sets out three stages namely, agenda setting, policy development and policy implementation. Within the policy process Najam suggests four types of NGO roles such as service delivery, advocacy, innovation and monitoring. Lewis (2000) argues that NGOs either participated in the processes of structural change as service delivery agents or raised their voices (as actors within a wider civil society) against the increasing dominance of policy frameworks and principles.

The literature has recognized service delivery of goods and services as one of the most visible functions of NGOs that are wanted and needed by a particular section of the community (Carroll 1992; Frumkin 2002). There are several theories explaining the NGO service delivery function. They include Weisbrod's (1988) "government market failure", Hansmann (1987) "contract failure", Salamon's (1995) "nonprofit failure". Lewis (2001) identifies three main roles, which NGOs can play in service delivery. NGOs can be an implementing agency, strengthen the already existing public delivery systems through providing research and proposing innovative responses to delivery problems, and NGOs can work with their clients to assist them in generating pressure for better services from government and hold government agencies more accountable. Carroll (1992) argues that NGOs are more flexible, committed and cost-effective in delivering services, and these advantages are based on an NGO's nature, such as effective inclusive internal management, horizontal structure, participatory decision-making process, and reliance on feedback and lessons learned from success and failure.

Defining the central NGO function as service provision is a powerful starting point for understanding NGOs, their roles and motivations. The NGO's role as a representative of the interests of the under-represented is also seen as a critical NGO function. Advocacy had become widely acknowledged as an important NGO activity in presenting its clients' interests and needs. Lewis (2001) sees advocacy as a possibility for NGOs to advance the interests of under-represented groups through negotiations with power holders, usually the state, but also, increasingly, with the corporate sector. For Najam (1999) advocacy is the attempt by NGOs as policy entrepreneurs to prod government to do the right thing, though it can be a strategy that can be equally directed at the private sector. Advocacy is concerned with "the struggle to achieve voice which is more than just claim making: voice is about seeking to introduce a new program or policy, or to alter the goals or terms of an existing one" (Bratton 1994). Reid (1999) argues that "when like-minded people discuss politics and issues, they often reinforce their affiliation and views, and civic activities in organizations can influence the interest, efficacy, information, and partisan affiliation of citizens in political affairs. Through advocacy, nonprofits may instill their groups' perceptions of the common good into wider notions of the public good or public interest."

Frumkin (2002) sees advocacy as one of the six ways that NGOs link with the political process. His approach towards NGO advocacy work is built on the premise that "social change occurs through politics and that the

power of the state can be moved to act on behalf of people.” An NGO’s advocacy work can be classified in the three ways namely: identifying problems, developing new positions and policy alternatives, enlarging debates and broadening the range of solutions and options, and influencing local priorities in ways that shape national priorities or challenge international conventions.

The two main NGOs roles, that of service providers and that of advocate are not mutually exclusive and may often be combined within one organization. An NGO’s effectiveness as a service delivery agent rests on in-time delivery, low-cost of services and capability to reach a wider cross section of the population than state or business agencies, often is improved when it is complemented by organizational independence, closeness to the people, and willingness to spend large amounts of time in consciousness-raising and dialogue (Edwards and Hulme 1994). From an evolutionary view, there is a natural organizational development process when NGOs have identified areas that cannot be addressed simply through services or other assistance, and they have moved on to become advocates of change through lobbying, press relations and other policy mechanisms. At the same time, this also depends on how services and service delivery are defined.

The Green Paper on Services of General Interest (2003) stated that public services referring to shared values, the quality of life, economic development, rights and democratic governance:

“They are a part of the values shared by all European societies and form an essential element of the European model of society. Their role is essential for increasing quality of life for all citizens and for overcoming social exclusion and isolation. ... the efficiency and quality of these services is a factor for competitiveness and greater cohesion, in particular in terms of attracting investment in less-favored regions ... also a condition for the smooth functioning of the Single Market and for further economic integration ... these services are a pillar of European citizenship, forming some of the rights enjoyed by European citizens and providing opportunity for dialogue with public authorities within the context of good governance” (paras 2-4).

In general, the term ‘public services’ refers to the variety of services that public agencies provide to the people (UN 1999). These services are often very different in scope and nature. The current global movement to reform government focuses primarily on providing public services more efficiently and effectively. As a result, new approaches, methods as well as new actors, were introduced for the delivery of public services at local, regional and national levels. Involvement of civil society in the delivery of social services is widespread in developed countries. In many developing countries such involvement is very limited. Although with the rise of NGOs the balance was changed. Carroll (1992) points out that service delivery is perhaps the most directly observable and clearly visible NGO role. At the same time, most of the scholars and practitioners do not see public service delivery by NGOs as pure service delivery (Lewis 2001; Brinkerhoff et al 2003, Pinto 1998). Because citizens, as users of public services, not only want to be served, but also they want to be heard about their interests and needs (Pinto 1998). In sum, public service delivery by NGOs involves three functions: service provision; strengthening the already existing public service delivery systems through aggregation and representation of

interests; and the generation of pressure for better services from government while holding government more accountable through policy advocacy and monitoring (Lewis 2001; Brinkerhoff et al 2003, Pinto 1998).

During the last two decades, different economic theories have tried to explain the existence and growth of the nonprofit sector. In 1975, in *Toward a theory of the voluntary nonprofit sector in a three-sector economy*, Weisbrod argued that nonprofit organizations satisfy a demand for public goods that is unfilled by governmental provision. Hansmann (1980) proposed that information asymmetries in the markets for certain goods and services can explain the existence of nonprofit enterprise in those markets. Anheier (2003) pointed out, “the theoretical map of nonprofit research has expanded beyond these early attempts and now includes several other major theories such as stakeholder approaches (Ben-Ner and Gui, Krashinsky), supply-side or entrepreneurial theories (Badelt and Young), institutional theories (DiMaggio), and comparative approaches (Anheier and Salamon and Anheier).”

As for charity foundations, Anheier and Toepler (1999) have suggested that foundations serve two major functions. The first is complementary to state action. Second, foundations can find it easier to take risks and support innovative activities by providing the seed money for new initiatives and bypass both the constraints of public budgets and the profitability expectations of the market place. These two functions describe the demand side of charity foundation’s creation and existence. On the other hand, the extent to which the economy generates, or otherwise makes available, assets that can be transformed into foundations’ purposes, as well the degree of philanthropic entrepreneurship in society, influence variations in the creation and existence of those foundations (Anheier and Toepler 1999).

The economic contributions of charity and charitable foundations are growing. Despite their growing presence and importance, however, charity and charitable foundations contribution has been “the lost continent” on the social landscape (Salamon et al 2003). They are largely invisible in official economic statistics along with a lack of the most basic information about their numbers, size, activities, economic weight, finances, and roles. As a consequence, charitable foundations ability to participate in policy debates is hampered, as well as its potential for contributing to the solution of pressing problems. It is important to start to challenge existing social and political discourse. Empirical research on a charity foundation’s economic contribution will help us move beyond subjective impression and to develop a body of reasonably solid empirical data on charity foundations.

In other words, considering the role of the charity foundations in public sectors in Western Europe and the United States, it is time to address the following fundamental questions:

- *What is the role of charity foundations in delivering public services in Ukraine?* Since the 19th century, community members and groups in Ukraine were involved in provision of services such as literacy education, publishing and dissemination of books in the Ukrainian language, organizing credit unions and self-help groups to encourage economic growth and fight famine and poverty. Somehow,

today's situation in Ukraine is similar. The existing social institutions were ill suited to satisfy newly emerging public needs and accept new challenges. In order to pursue societal needs there must be active and potent agencies outside government nourished by private giving and philanthropy that produce public goods. Should the role of charity organizations and foundations be left on their own, or does government, as the representative of society, have to recognize, encourage and use their contributions in transforming society into a democratic and prosperous country?

□ *What specific public services do charity foundations deliver?* If the Ukrainian government can no longer be the only one to deliver public services and be responsible for social security, welfare, education, culture or many other fields, what public services do charity foundations deliver now and which would they be able to deliver in the future?

□ *What is the economic contribution of Ukrainian charitable foundations in delivering public services?* The third sector uses capital, as well as paid and unpaid labor to provide care for the elderly, shelter for the homeless, environment improvements, etc. In the other words, the sector transforms resources into something that society values. However, the services produced by charity foundations are not openly traded on the market and are usually provided at zero cost to specific groups. Often, services are subsidized by foreign donors, business or by volunteer work. It is argued that charitable organizations' contributions have to be measured by output, but in Ukraine there is no data on the input of Ukrainian charitable organizations.

Of course, answers to these questions depend on the relevant policies and laws in place, but they are also shaped by the prevailing political climate.

Research Methodology and Hypothesis

The research entails collecting and analyzing information from the representatives of charity foundations and the representatives of state authorities and international community at two levels. In order to examine the roles of charity foundations in delivering public services at a local level, two different oblasts of Ukraine are selected. At the national level, only charity foundations that are registered either nationally or internationally will participate in the study. The research uses a combination of quantitative and qualitative methods. Individuals from governments, elected offices, and the international community are personally interviewed using structured questionnaire. Representatives of the charity organizations and foundations receive a survey questionnaire as well, but their surveys are self-administered through face-to-face contact during field visits.

The following hypothesis will be tested:

1. There is no significant difference between the perceptions of the representatives of Ukrainian charity organizations and the perceptions of the representatives of state authorities and the international community on role of charities in public service delivery;
2. There is no significant difference between the perceptions of the representatives of Ukrainian charity organizations and the perceptions of the representatives of state authorities and the international communities on what public services are delivered by charities today and what could be delivered in the future.

In addition, the economic contribution of Ukrainian charity organizations will be assessed as well, but first, some background information on Ukraine's third sector and public services in Ukraine is presented.

Background on Ukraine's Third Sector

In the early 1990s, the Ukrainian "third sector" was in the early stages of self-definition and development. Though NGOs existed in the former Soviet Union, they were based on different principles. After Ukraine proclaimed its independence, the Supreme Council adopted new legislation in 1991 requiring the use of democratic principles in the establishment of future NGOs. This law, "On Union of Citizens," was quite progressive for its time. It reflected not only current political realities in the country, but also current political understanding of the NGO concept. Two main laws currently regulate NGOs' activities: the Law On Unions of Citizens (1992) and the Law On Charity and Charitable Organizations (1997). Nearly 90% of Ukrainian NGOs are registered according to the Law On Unions of Citizens while 10% are registered as charity organizations or foundations (CCC 2005).

As a result of Ukraine's legislative changes, the Ukrainian NGO sector has grown rapidly. Every year, 4,000 to 5,000 new NGOs and charitable organizations are now registered in Ukraine. Most of these organizations are created with the hope of obtaining funding for their activities through grants or charitable donations. NGOs also expect that their charitable status will enable them to resolve the social problems of the people who participate in their organizations. All too often, however, these groups of veterans, disabled people or people with particular illnesses must soon face the fact that registration does not guarantee funding. Not all organizations receive grants, and most of these newly chartered NGOs do not survive. The procedure for terminating an organization is far more complicated than the procedure for registering one. Consequently, though over 50,000 NGOs and charitable organizations formally exist in Ukraine. 95 percent of these organizations are local NGOs; 4 percent national; and 1 percent, international. However, only 5-10% of them actually function (Sydorenko 2005; CCC 2005).

According to CCC's annual survey (2005), most Ukrainian NGOs work in the "youth and children" sector (44%), "human rights" (34%), "solving social problems" (31%) and "civil education" (30%). The most widespread activity among NGOs is "protecting interests and lobbying" (45%), which underscores their growing knowledge and role in representing and protecting clients' interests. Many NGOs provide training and consulting (41%), are engaged in educational activities (37%), information dissemination (39%), provision of social services (28%), analysis and research (23%), charity (19%), providing legal aid (27%) and providing policy recommendations (10%). During the last few years, NGO activities have shifted toward representing clients' interests, raising awareness, making policy recommendations and conducting analysis and research. Today NGOs are well-informed about their role in society, which is constantly changing. Thus, their main role is not confined only to representing the interests of socially disadvantaged groups in the population any more. Providing social services is only one function of Ukrainian NGOs. The most prominent clients of NGOs are youth (48%), members of an NGO (32%), children (24%), students (24%) and the population as a whole (19%). NGOs are the most developed in the Kiev, Lviv, Kharkiv, Donetsk oblasts. In small towns and villages, NGOs that operate well are an exception.

Most NGOs rely on charitable donations and grants from foreign and domestic sources, passive income and revenues generated by enterprises set up by NGOs. Although an increasing number of NGOs has benefited from the growing interest of corporations, individuals, and society groups, only about one-fifth enjoys the philanthropy of local donors. In general, philanthropy and volunteerism are insufficiently developed and are usually connected to elections or publicity campaigns. Moreover, philanthropy is still mostly unofficial because of red tape and inadequate taxation. Most companies prefer one-time donations, and few make long-term commitments. Tax-exempt status exists for a limited number of organizations, including veterans' groups, Chernobyl-related organizations, and some organizations for children and the disabled. Registered NGOs that gain a charity status from the tax office, enjoy partial taxation benefits such as exemption from paying value-added taxes and capital-gain taxes. NGOs are obliged to disclose their revenue sources, and most do so when they acknowledge support for particular activities in their reports to donors. Resolutions of the Cabinet of Ministers and more than 350 resolutions and instructions concerning taxation regulate NGOs. However, double bookkeeping is common. Government procurement opportunities for private nonprofit service providers are virtually nonexistent. NGOs may not earn income or collect cost-recovery fees that would be tax-exempt, even if the money is spent on nonprofit activities or maintaining the NGO. Instead, an NGO may be the founder or cofounder of a commercial entity that donates part of its profit to the NGO. In such cases, any income (cost recovery fees included) is taxed as regular corporate income.

On February 12, 2000, President Kuchma issued a regulation On Stimulating Charitable Activity through tax exemptions. However, an amendment to the Cabinet of Ministers' decree On Income Tax on Citizens that parliament adopted on March 2, 2000, states that charitable aid must be considered income and taxed as income.

Both the public and the policy-making community have shown an increasing awareness of the role of NGOs. Local authorities have started to show an interest in NGOs' activities aimed at helping the poor, children, or the disabled. Some governmental institutions such as the Ministry of Labor and Social Policy, Ministry of Health and Ministry of Children, Youth and Families are willing to cooperate with NGOs, while many other ministries do not pay significant attention to them. However, the role of NGOs is gaining in importance, especially when there are personal connections between NGO leaders and government officials. Former politicians and senior civil servants run some important NGOs.

Public services in Ukraine

Since the announcement of its independence, Ukraine has proclaimed its intention to radically change mutual relations between the market, its citizens and public authorities. Public services are for all citizens of Ukraine. At any one time millions of people in Ukraine rely on services. One big constraint public (especially social) services have suffered from in Ukraine is that up to now no Government has spelled out exactly what people can expect from social services or what the staff – who work in services - are expected to do in relation to reducing poverty and social exclusion. Nor have any clear standards of performance been laid down. The Government – in its Program “*Towards People*” – sets the macro political and economic framework for reforming and modernising public services within the structures of a cost-effective and administratively efficient system of social protection. Factors such as demographic changes, changes in family life, and the socio-economic effects of the transition to a market-based economy are likely to mean that the need for services will increase in the coming years, and effective social services that enable people to achieve fulfilling lives are therefore essential. However, it is important to recognise that this objective is currently not being met. Despite some excellent services in some places the dominant patterns and systems for the delivery of services often fail to provide the types of support that will effectively reduce poverty and social exclusion. There are several reasons for such situation.

Since 1991 many Ukrainian public sector bodies were privatized, which imposed on them many of the same commercial constraints faced by private sector and profit oriented institutions. Being independent players in the market, these bodies have become providers of competitive policies to satisfy consumers' needs. Traditionally state-owned interests such as communal services and housing are currently being provided by municipal enterprises, which are unincorporated quasi-autonomous units with separate budgets from the local government. Local governments, as the authorities closest to consumers, are charged to provide these services. There are evenements of market competition between different local governments. Local governments are acting as managed enterprises in which local politicians and bureaucrats act as sellers of local public services to their buyers: citizens, households and local business. Unfortunately, the Ukrainian local government's capacity to

deliver crucial local public services, such as water, transportation and housing, remains dependent on central and regional budgets (PVP 2003). Currently, local governments have neither sufficient autonomy to manage their communities independently, nor enough funds to make the improvements required by their citizens. Though much progress is being made, local government officials need to gain more knowledge and experience in key elements of public administration, such as service delivery, citizen participation and financial management.

A pilot role in public sector reform implementation was played by NGOs and think tanks supported by international donors and designed to make local governments in Ukraine more effective, responsive, and accountable to their citizens, as well as to help them to improve the quality of public services. Despite many successful NGO initiatives and projects, their role in public service delivery is limited with every new law. The Law of Ukraine on Purchase of Goods, Works and Services from the State Funds issued on February 22, 2000, effectively prevents NGOs from bidding on procurement contracts. The Law of Ukraine On Social Services acknowledged the existence of the third sector and its rights to deliver social services. However, The Law contains a number of provisions that may be viewed as discriminatory with respect to the third sector (ICNL 2004). Specifically, the Law requires that “statutes of entities that provide social services must contain a list of social services, categories of recipients and terms and procedure for the provision of such services.” An NGO registering its statutes can not and should not try to predict all the types of activities it may choose to pursue during the life of the organization. In addition, requiring an NGO’s statutes to specify in advance the categories of recipients of services and the terms and procedure for provision of services provides government officials supervising the activities of NGOs with the opportunity to interfere unnecessarily into their activities. Furthermore, the Law allows recipients who have been denied access to social services provided by an NGO to seek recourse in courts of general jurisdiction, while only administrative recourse is available to recipients in case of denial of social services by state- or municipality-controlled institutions.

After the Orange revolution, the President and new government have proclaimed the Program “Towards people”. However, after nine month it could be said that there is a huge gap between good intentions and reality. Corruption and the structure of central power, the lack of investments and confusing legislation, scandals and quarrels within government, as well as between the government and the Supreme Council, have not allowed much progress or much improved performance in public service delivery by involving already existing and “ready to go” institutions such as NGOs.

The data

Data is composed of structured personal interviews with 162 representatives of charitable organizations, representatives of international organizations and state authorities in Lviv, Donetsk and Kyiv. They were

interviewed during March – July 2005. In total, 54 respondents represented charities, 38 international organizations, and 70 state authorities.

The list of charity organizations and foundations was created based on information gained from the Lviv and Donetsk Regional Departments of Statistics. The list obtained of Lviv organizations contains data on 200 organizations. The number of charities that corresponded to this research design criteria (an organization must be legally registered and must have at least 2 years experience in implementing projects and programs) was identified as 111 and, so far, only 40 were reached. The list of Donetsk charities contains information on 300 organizations but, fortunately, another list of organizations was gained from Donetsk regional Tax office. It has information on 82 charity organizations and foundations of the Donetsk region that actually exist, regularly report to tax office about their activity and, most importantly, have correct contact information on all listed organizations. 71 organizations have responded to the research criteria, but so far, only 4 charities have participated in the research. The Ministry of Justice has reported about 741 charity organizations and foundations registered as national or international. However, the list of these organizations is not open to the public and is not provided even by request. Such “transparency” is motivated by ‘privacy’ of information. In reality, if such list is open it would become clear who is in ‘charge’ of ‘charity activity’ at the national level. In order to obtain information on national and international Ukrainian charity organizations informational sources such as NGO directories, electronic data, meetings and conferences were used. By now 56 such organizations were identified and 9 were interviewed.

The list of representatives of international organizations was identified using informational sources such as electronic data of international organizations of the World Bank, National Coordinating Unit of Technical assistance of Ministry of Economy, researcher’s previous experience and personal contacts. All together, 50 representatives of international organization were identified and 38 were interviewed.

In order to receive valid information and accurate answers to the research questionnaire, representatives of state and local authorities were selected based on their knowledge and working experience with third sector organizations. Members and representatives of Counterpart Creative Center from Lviv and Donetsk helped to identify 75 local authorities and 70 of them were interviewed.

The questionnaire was designed in English and afterwards was translated into Ukrainians. It contains a cover letter with the goal and objective of the research, statement of confidentiality, instruction about filling it out, and contact information for the researcher. The questionnaire was pre-tested in late January 2005 and 35 representatives from charity foundations and organizations, international organizations and state authorities from different parts of Ukraine took part in the meeting. Because of pre-testing, statements and questions were formulated more clearly in Ukrainian and were adapted to local conditions. All interviews and field visits were conducted personally by the researcher and each interview lasted approximately 20-30 minutes.

It is important to mention that the research is not finished yet, and that there are major difficulties to be faced by researcher because of unreliable data on charity organizations provided by the State Departments of Statistics that requires providing a legal address for an organization, while in reality organizations often locate in a different place. In addition, the state telephone company introduced new communication stations that led to a change of telephone numbers in Kyiv and throughout of Ukraine.

Analysis and Discussion of the Results

Role of Charity Organizations and Foundations in Delivering Public Services;

For the purpose of this research the role of charity organizations in delivering public services was defined based on two sets of functions. First, as a set of functions as defined by Anheier (2001). He argues that charity foundations can serve four basic functions: redistribution, efficiency, social change, and/or pluralism. If one looks at charity foundations as one type of third sector organization, the other set of functions can be assigned to NGOs in public service delivery. They include: service provision; strengthening the already existing public service delivery systems through aggregation and representation of interests; and the generation of pressure for better services from government while holding government more accountable through policy advocacy and monitoring (Lewis 2001; Brinkerhoff et al 2003, Pinto 1998). The dependent variable “Charity organization role” was formed from answers to the question of whether the role of charity organization or foundations should be to offer more efficient services, to trigger and support social change, to promote diversity in approach and service provision, to deliver services, to aggregate public interests, to represent public interests, or to advocate, and monitor government’s policy.

The hypothesis to test was formulated as follows:

There is no significant difference between perceptions of the representatives of Ukrainian charity organizations and the perceptions of the representatives of state authorities and the international community on role of charities in public service delivery.

To test this hypothesis the following steps were taken. In the beginning, all respondents were divided into two groups. The first group consisted of responses given by the 54 representatives of the charity organizations and foundations, and the second united 108 responses of state authorities and international community representatives. The basic assumption for comparing two independent groups was met and a t-test was performed. The test results have not shown a significant difference between perceptions on charity organizations role in public service delivery between the two groups at a 5% level of significance. In general, all respondents see the role of charity organizations focusing first of all, on triggering and supporting desired social change and offering more efficient services and the allocation of charity funds. The less welcomed role of the charities is their role as monitors of government policy.

However, when a close look is taken of the results received for each group, it is possible to see some differences in priorities for the charity foundation roles in public service delivery by the representatives of charity organizations and state authorities, and by the international community.

<i>The Roles of Charity Organizations and Foundations</i>	<i>Priorities of Charity organizations' representatives</i>	<i>Priorities of State authorities and international community representatives</i>
Fund redistribution	5	5
Offering more efficient services	2	2
Triggering and supporting desired social change	1	1
Promoting diversity in thought, approach and service delivery	3	3
Just delivering services	4	4
Aggregating public interests	8	6
Representing public interests	6	7
Advocacy	7	8
Monitoring government policy	9	9

In addition to a quantitative analysis, a content analysis was conducted. It is based on answers received from the respondents to the open question that asked them to define a charity foundation's role in delivering public services. In short, there is a difference to the answers to this question by the representatives of the charity sector and the state authority and international community. The definition of the charity organization representatives is as follows:

A charity foundation's role in delivering public services means delivering needed services to the most needy people that can not be delivered by the state through accumulation and redistribution of funds, providing information, representing and advocating public interests, influencing government policy in order to offer a balanced opportunity for people to improve their lives.

The definitions formulated by the representatives of the state authorities and the international community are more comprehensive and cover different aspects of charity work and public service delivery. They are:

A charity foundation's role in delivering public services means directly funding the delivery of these services or providing financing to directly or indirectly improve the provision or expansion of such services;

... either replaicing the government to deliver services that the government cannot deliver or to be subcontracted and paid by the government to deliver services that the government should deliver according to different acts of legislation;

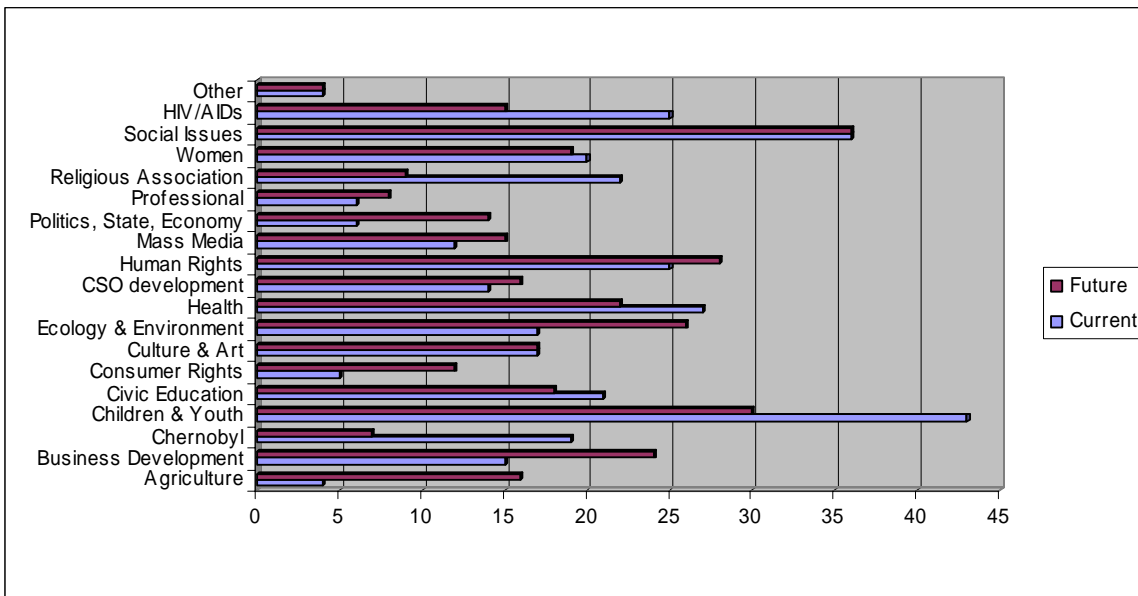
... in interaction with public and voluntary sector, to identify a niche to meet the diversity of needs of citizens;

... a complex of issues and activity that include collecting information on needs, informational and educational programs for society on existing problems, identification of ways and approaches to problem solving, influencing government policy, collection and organization of resources, effective service delivery, and further control and monitoring of the quality of delivered services.

In summary, suprisingly, the hypothesis about there being no significant difference between the perceptions of the representatives of Ukrainian charity organizations and the perceptions of the representatives of state authorities and the international community on the role of charities in public service delivery is true. The order of their priorities is a little bit of a surprise. All respondents see the role of the charity sector, first of all, as a promoter of social changes that can not only deliver public services efficiently, but also propose innovative and creative approaches and practices. At the same time, for the representative of charity foundations, work with people on aggregating their interests and concerns appears to be the lowest of their priorities. The qualitative analysis has shown that the representatives of the charity sector mainly focus on working with clients to solve their problems, satisfy their needs, and to advocate their interests. The representatives of the state institutions and the international community see a whole complex of issues that the charity sector should cover while also delivering public services. In addition, it should be observed that in delivering services, the charity sector relies mostly on their own capacity, while the state would prefer the sector to be a government partner that not only assesses public needs and represent them plus delivering services, but also one that accumulates and collects additional funds to which the government has no access.

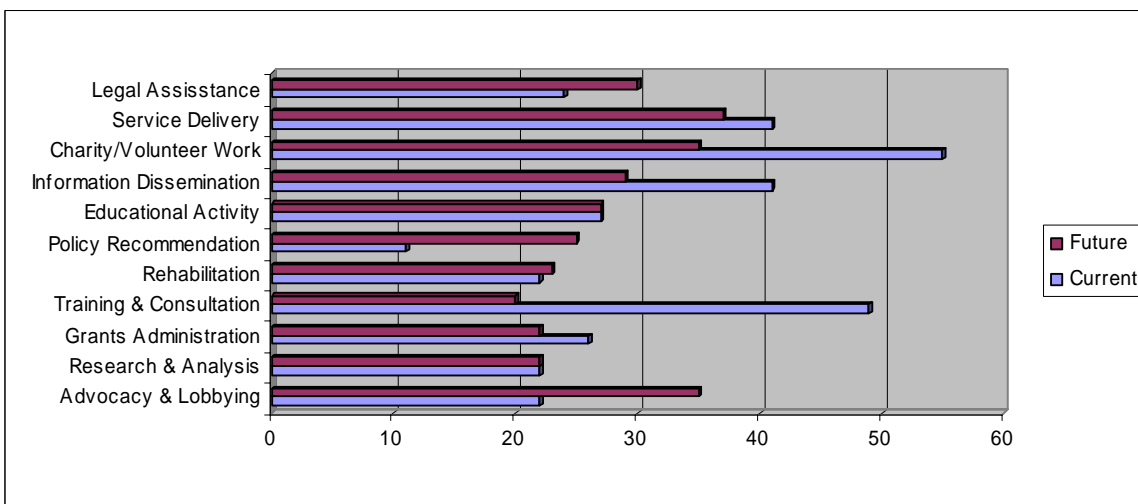
Public services delivered by Ukrainian charity foundations

Before testing the hypothesis that, the scope of services delivered by Ukrainian charity organizations and foundations today and/or those they would be able to deliver in future was identified, key questions concerning charity organizations and foundations were asked. The first problem was to identify specific sectors of activity where charities work. Respondents could select up to three major sectors from a list of 18. If some sector of activity was not offered in the list, the respondents had the opportunity to select 'other' and specify what it was. At the same time, the respondents were asked to identify current sectors where charities are working and sectors where charity organizations would be able to work. The diagram illustrates the results:



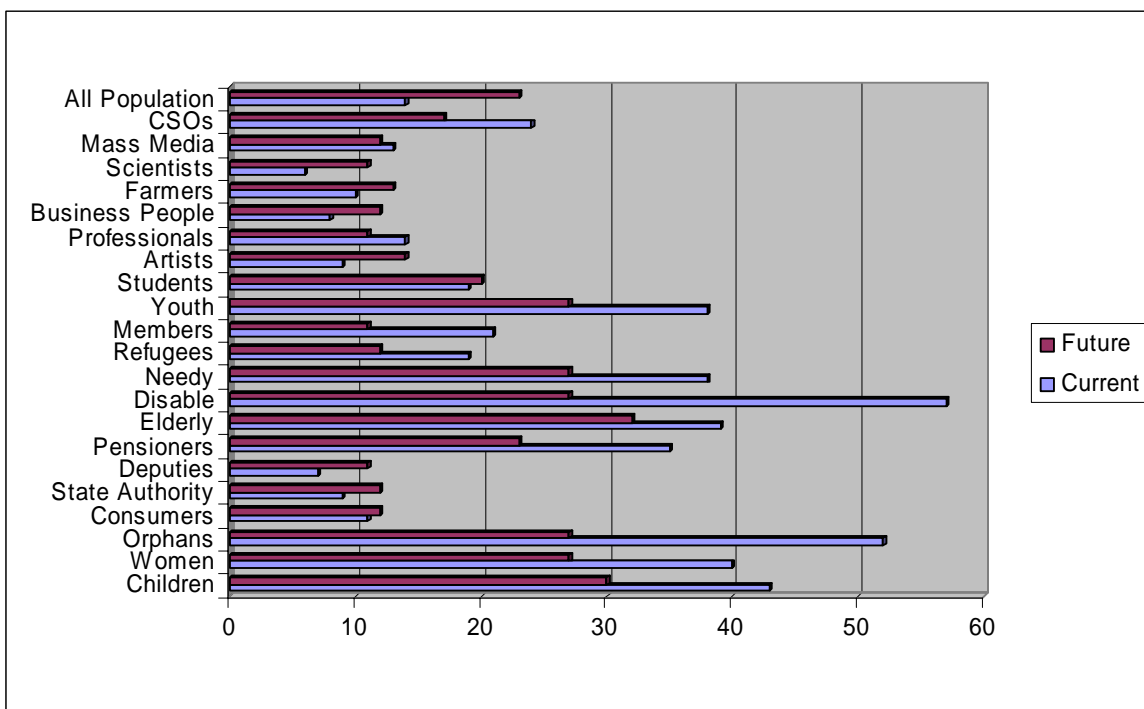
It is important to mention, that there are statistically significant differences about certain sectors where Ukrainian organizations work now and/or would be able to work in the future. The respondents would like the charity organizations and foundations to increase their work in sectors such as agriculture (1% level of statistical significance), business development, consumer rights, ecology and environment, politics, state and economy (5% level of statistical significance in the future. At the same time, there are sector where the charities are seen as less involved. For example, issues concerning Chernobyl and HIV/AIDs (1% level of statistical significance) and children and youth (5% level of statistical significance) are viewed by the respondents as less important for work of charities in the future.

The second question that was asked of the respondents was to identify three major activities Ukrainian charity organizations and foundations are engaged in now and/or would be able to be engaged in the future from the list of 10, the choice “other” was offered as well. Diagram demonstrates the results:



For the sectors of activity, there are statistically significant differences for the certain activities of charity organizations that are considered more or less important in the future. The respondents would like the charities to be less involved in conducting training and consultations, disseminating information and doing charitable work. Instead of these activities, the charity should be more fully engaged in advocacy and lobbying and designing policy recommendations. The differences in the respondents' views are statistically significant at 1% of significance.

The third question asked the respondents to specify no more that three current and possible groups of clients of Ukrainian charity organizations and foundations from the list of 18. Diagram 3 illustrates data on current and possible clients of Ukrainian charity organizations and foundations.



For future clients of the charity organizations, the respondents would like to see the inclusion of the whole population (the difference is statistically significant at 5% level) and focus less on such groups as children, women, orphans, the disabled (the difference is statistically significant at 1% level), and organizational members (the difference is statistically significant at 5% level).

The second hypothesis was formulated as follows:

There is no significant difference between the perceptions of the representatives of Ukrainian charity organizations and the perceptions of the representatives of state authorities and the international communities on what public services are delivered by charities today and could be delivered in future.

All respondents were divided into two groups. The first group consists of 54 respondents that represented the charity organizations and foundations. The second group compiles 108 respondents from the state authorities and the international community. The analysis was conducted for two questions on the charity organizations' sectors of activity and specific activities. The two groups of respondents do not have any statistically significant views on the sectors of activities and specific activities that the charities should perform in future. However, the respondents have different views on the activities of the charities today. The representatives of state authorities and the international community see less involvement of charity organizations in health issues than the charity organizations see for themselves (the difference is statistically significant at 1% level). However, state authorities and the international community overestimated the work of the charities in sectors such as politics, state and economy, religious and HIV/AIDs (the difference is statistically significant at 1% level). As for specific activities, the representatives of charities claim they are more widely engaged in advocacy and lobbying activity as well as information sharing and charity/voluntary work (the difference is statistically significant at 1% level) than the state authorities and the international community think they are, while state authorities and international community think that charity organizations are more involved in training and consulting work than they actually are (the difference is statistically significant at 1% level).

So, the hypothesis that there is no significant difference between the perceptions of the representatives of Ukrainian charity organizations and the perceptions of the representatives of state authorities and the international community on what public services are delivered by charities today is not true for certain sectors and areas of the charity organizations' activities and is rejected at the 1% and 5% significant levels. However, as for all possible sectors and areas of charity organization activity in future, this hypothesis could be accepted.

In summary, today the major Ukrainian charity organizations and foundations deliver services in sectors concerning children and youth, social and health, human rights and HIV/AIDs issues. Organizations are engaged in training activity, the delivery of services and the disseminate of information for their main clients such as the disabled, orphans, children and women. However, different groups of the respondents have different perceptions on the current activity of charity organizations and see no difference in their activities for the future. State authorities and the international community see the current activity of the charities as too focused on providing training and charity services to the most vulnerable groups of the population, while the representatives of the charity organizations claim to be more involved in representing and lobbying the interests of their clients. At the same time, further analysis within groups on the current and future activity of charity organizations has shown some interesting details. For both current and future activities, the respondents from the charity sector have not mentioned any differences, except that they see themselves reducing their activity in information sharing, charity work and service delivery. According to the responses from the representatives of the state authorities and international the community, they see less of a role for the charity sector in areas concerning chornobyl, children and youth, religious activities, and in HIV/AIDs issues. For the future, state and international representatives would like to see less training and charity work done, but more advocacy and policy

work. The conclusion is then that each group has its own perceptions about the current work of charity organizations that influence their views on the future activity of charity organizations.

Economic Contribution of Charity Organizations and Foundations

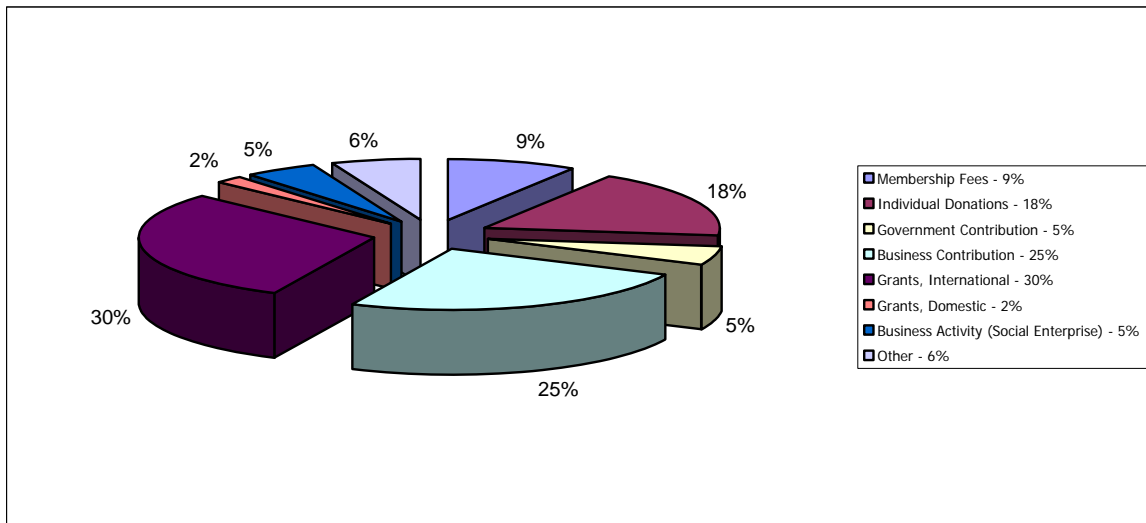
As a first step in understanding the contribution of the Ukrainian third sector to the economy, it is useful to assess the scale of the sector in terms of employment, volunteers, revenues, and expenditures. Unfortunately, there is a very little official data available on the third sector organizations. However, some data available on the organizations registered according to the Law of Ukraine “Union of Citizens” and they are obliged to report on their activities and revenues to the State Department of Statistics. Charitable organizations and foundations are released from reporting to the department. As a result, data on the number of charities could be obtained from the Ministry of Justice, data on revenues could be obtained only from the Tax Office, and any other data such as number of employees, volunteers, members, fields of spendings are not available in any state institutions. This is because since 1999, charity organizations and foundations are not obliged to report such data to the State Department of Statistics as they were before. Given the limitations of available official data, the representatives of the charity organizations and foundations that participated in the research were asked to provide information on their human, financial and other resources.

54 charity organizations and foundations have employed 548 people full-time and 144 people on a part time basis. These organizations have 851 volunteers and one volunteer averages five hours a week working in an organization. An average salary of full or part time staff is from \$38 to \$147, while an average salary in Ukraine is \$128 (State Committee of Statistics, January 2005).

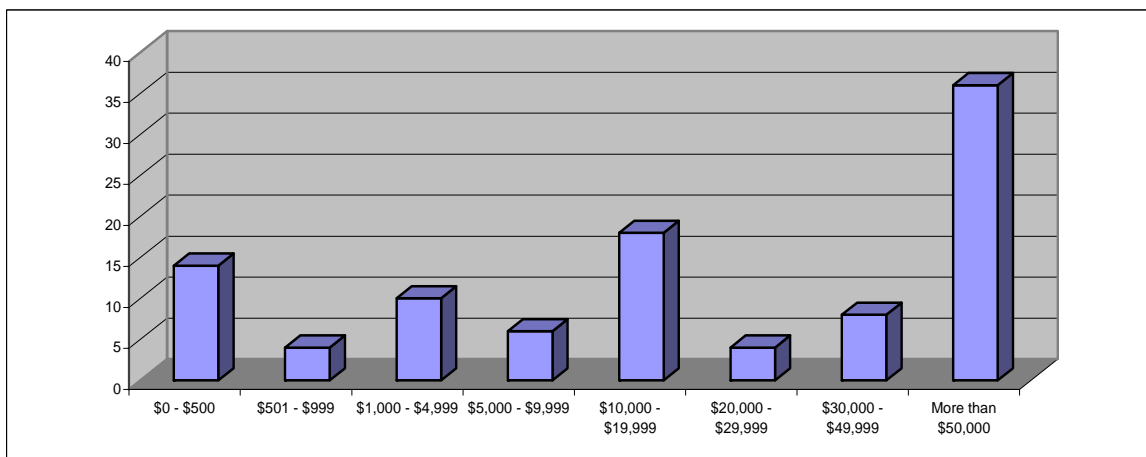
On average, a charity organization serves 118 clients per week, 886 clients per month and 1,960 clients per year. It is difficult to assess the exact contribution of these organizations to the Ukrainian economy. However, it is possible to make some general preliminary conclusions. In order to calculate the number of third sector organizations that really exist and that are actually engaged in work, different sources agreed (USAID 2004; IDC 2003; Sydorenko 2005; CCC 2005) that they represent no more than 10% of the active third sector organizations out of 50,000 registered. According to the CCC annual survey, 10% of all third sector organizations are charity organizations or foundations (in absolute numbers there are about 500 of such organizations). The CCC survey (2005) says that, on average, an organization has at least 3 full time employees, while current research discovered that, on average, a charity organization has 10 full or part time employees. It could be predicted that the active Ukrainian charitable organizations and foundations employ from 1,500 to 5,000 people. In addition, if numbers of employees could be translated to all active third sector organizations, it would grow from 15,000 people to 50,000. According to the Ukraine labour force survey, the employment rate in the 15-70 age group is about 56 per cent, or 26,880,000 people. The share of the third sector in the employment figures is from 0.05% to 0.19% of the nation’s workforce. Furthermore, volunteers

boost the third sector workforce more than two times, which grows the numbers from 0.1% to 0.4% of all paid and volunteer employment in Ukraine economy.

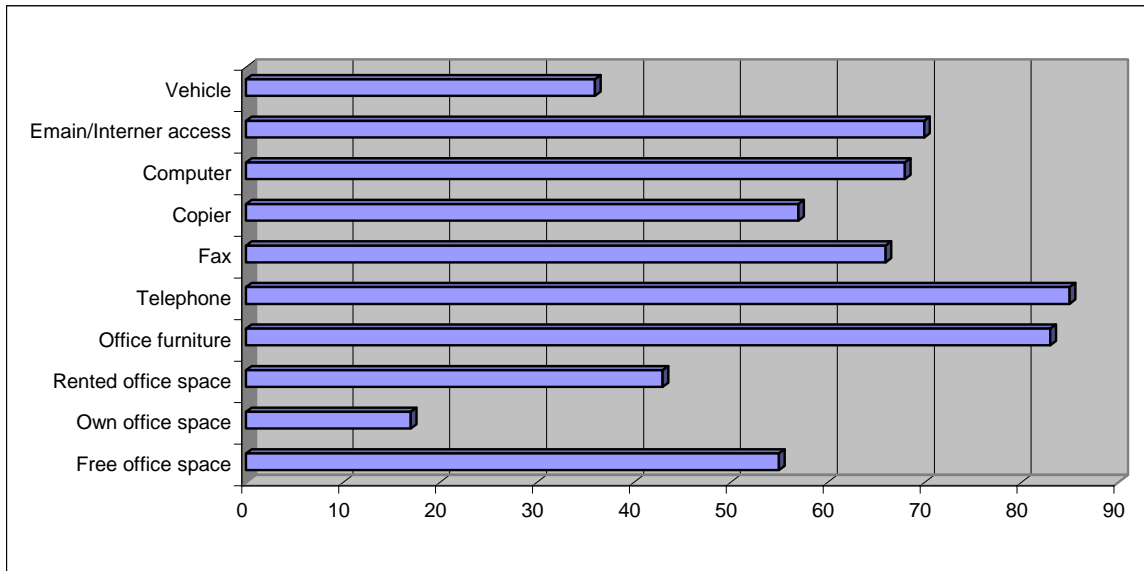
Sources of funding are one of the major concerns of CSOs because the lack of resources inhibits effective CSO activity, their ability to satisfy clients' needs and to provide quality services, as well as ability to advocate and represent target groups' interests. Although there is a common misconception that CSOs rely heavily on funds coming from international donors, research data contradicts this hypothesis. The following chart presents the major sources of income for charity organizations and foundations in 2004.



The funding base of charity organizations and foundations is presented in the following chart. It is important to mention that 39% of the charities that have more than \$50,000 annual income gave exact numbers for their annual funding. This total amount is \$6,252,000.



Material resources are an important element of a charity organizations capacity to implement programs and deliver services. Moreover, material resources belonging to the organization indicate, to some degree its sustainability and independence. For example, having ones own office space may allow operating and service provision even without financial support from external sources. According to the charity organizations, they have the following material resources:



Because of the dominance of the public sector and its heavy presence in service delivery, it is widely believed that the third sector’s contribution is insignificant. However, in addition to their social value, third sector organizations’ contributions to the Ukrainian economy are growing. According to data from the State Tax Administration (2005), the share of income of charity organizations and foundations only in 2003 was 0.4% of GDP of Ukraine, in 2004 this share has increased to 0,45% of GDP. Growth has happened even though the Law of Ukraine on State Budget for 2004 stopped the ability of the third sector organizations to receive income from their main activities that had been specified in their Statutes. In many local areas the expenditures of the third sector easily outdistance those of local government. For example, expenditures for the social sphere of the small town of Brody in Lviv oblast are \$365,000. One of the projects of a coalition of local NGOs has brought to the town \$50,000 (or 14% of local expenditures) aimed at improving social policy for disabled youth and children. The same size project contributes 28% to local social expenditures in Sokal, another small town of Lviv oblast.

Actual distribution of expenditures is very difficult to assess. There are several reasons for this. First of all, tax regulations demand that not more than 20% of the income of charity organizations and foundations should be spent on administration costs, and the rest of their income should be spent for activities that are specified in the organization’s Statute, otherwise an organization will be fined. Such requirements lead to hiding or misrepresenting financial expenditures by an organization. Second, the structure of an organization’s report to tax authorities is limited and does not capture the diversity of an organization’s expenditures. This leads an

organization to group different expenditures for different activities under one heading, and, as result, the reporting information of organization's expenditures is skewed toward one activity or another. Third, official data on the third sector's financial activity is unavailable for ordinary citizens. Furthermore, it can not be obtained even through informational appeal. The only way to get such information is to ask a deputy from the Supreme Council to make such an informational appeal on your behalf, which is rarely possible.

However, some regional state departments of statistics produce reports on third sector organizations and their activity. For example, according to the report of the Department of Statistics in Lviv oblast on the economic activities of Lviv's third sector organizations in 2003, the major expenditures of these organizations were on service delivery (22,4%), salaries (11%), and on charity/voluntary work (10,3%). Other expenditures covered tax and other obligatory payments (5.8%), costs for renovation (0.4%) and other expenditures (48.8%) that were not specified even by the state department.

In summary, so far, a finite and clear economic contribution of the Ukrainian charity organizations and foundations is difficult to assess. However, some preliminary results of the scope and activity of these organizations can be understood.

- Besides the currently low share of employment represented by the charities in the nation's workforce, it has potential to grow and provide employment opportunity for people, especially in the rural areas of Ukraine.
- The salary rate of the charity organization is, in general, comparable to an average salary rate in Ukraine.
- The Ukrainian charity organizations widely use volunteers and their services to create a value, not only to the charity organizations, but also to the clients these organizations serve, which we have seen is from 24 to 44 clients a day.
- The majority of the charity organizations has the basic material resources such as office space, furniture and can be contacted by phone, and e-mail. Moreover, most of the charities have access to information and communication technology, and one third has their own vehicles.
- The major source of income is grants from international donors, business contributions and individual donations. In general, business and individual contributions to the charity organizations are higher than had been believed to the third sector organizations. At the same time, government contributions for activities of the charity organizations are very low compared to government donations to other organizations of the third sector. The share of revenues of the charity organization in gross domestic product has increased from 0.4% in 2003 to 0.45% in 2004.
- Expenditures of charity organizations are difficult to assess given the limited data. However, it is possible to conclude that these organizations make an important contribution to the Ukrainian economy, especially at the local level.

Conclusions

As a first conclusion of the completed quantitative and qualitative analysis, it is possible to say that there is little difference in the views on the role of charity foundations by different groups, but there are some differences in how each defines and understands such a role. Further analysis of the perceptions of what public services are delivered today and what could be delivered in future, has shown some variations in the views of the charity representatives and the views of other groups. We can conclude that, unfortunately, there is very limited knowledge of and interest in the charity sector, and an overabundance of assumptions on its activity. In addition, the analysis of the economic contribution of charity organizations has shown that it has great potential, but that the state has little understanding of what the sector does and how its needs could be supported.

However, research is on going and many more observations need to be made in the future.

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