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**Factors that Influence the Ability  
of Ukrainian Charity Organizations and Foundations  
in Public Service Delivery**

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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). Over the past fifteen years, Ukraine has been experiencing, like many countries in transition, a process of transformation that involves a changing system of public services delivery embedded in the former Soviet framework. The public services, especially the social assistance system, have remained ineffective in providing meaningful support to those in need, mainly due to the slow pace and unevenness of reform, inefficiency in government, the poor services provided by government agencies, fragmentation in program administration and financing, and general underfunding.

One of the most important features in current reforms of public administration in countries in transition is the tendency of government to involve citizens in the process of performing public duties. New democratic and "inclusive" governance in partnership with citizens tries to solve problems, identify and maximize opportunities, narrow the gap between public authorities and ordinary people. A special role in these processes is given to nongovernmental organizations (NGOs), which become a significant partner for public authorities and public administration at different levels of government. This presents a new opportunity for the public sector and for the system of public service delivery. The literature has recognized the delivery of goods and services as one of the most visible functions of NGOs that are both desired and needed by a particular sector of the community (Carroll 1992; Frumkin 2002). The involvement of civil society in the delivery of social services is widespread in developed countries. In many developing countries such involvement is very limited. The degree to which an NGO's roles in delivering public services are realized depends on many factors. The *major goal of this research* is to identify factors and examine the degree to which they influence the ability of Ukrainian charity organizations and foundations to deliver public services.

### ***Literature Review***

Besides increased discussions of NGOs, their roles and their importance in society in the last fifteen years, NGOs are not new. Local organizations of various kinds have worked relatively unnoticed in most societies for generations, in the form of religious and community groups, and organized self-help ventures in villages and towns (Lewis 2001). Currently, NGOs respond to unmet demands and meet important social needs of the neediest members of society, foster popular participation by articulating the needs of the weak, working in remote areas, changing the attitudes and practices of local officials, and nurturing the productive capacity of the most vulnerable groups (OECD 1998; Elliot 1987; Fernandez 1987; Garilao 1987; Bhatnagar and Williams 1992). The literature extensively discusses different current and potential functions of NGOs in society but recognizes delivery of goods and services as one of the most important role of NGOs in society. There are several theories explaining the NGO service delivery function. They include Weisbrod's (1988) "government market failure", Hansmann (1987) "contract failure", and Salamon's (1995) "nonprofit failure". Carroll (1992) argues that NGOs are more flexible, committed and cost-effective in delivering services. An NGO's effectiveness as a service delivery agent rests on in-time delivery, low cost services and capability to reach a wider cross section of the population than state or business agencies, and 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). At the same time, most scholars and practitioners do not see public service delivery by NGOs as pure service delivery (Lewis 2001; Brinkerhoff et al 2003, Pinto 1998). Citizens, as users of public services, not only want to be served but also want to be heard when they express their interests and needs (Pinto 1998).

Besides advantages that 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, the degree to which an NGO's roles in delivering public services are realized depends on many factors.

One of the factors that has and will influence NGO ability to deliver public services is “the bundle of ideas loosely termed the ‘new public management’ approach to administrative reform” (Lewis 2001). Generally it refers to changes in public management practice — which include the purchaser/provider split in public service provision, the use of agency contracting in order to link performance and incentives, and efforts to improve accounting transparency based on quantifiable output indicators — that have contributed to a changing policy climate, in which new roles are created for NGOs to become involved in service provision as government structures and roles have been redefined and reduced (Turner and Hulme 1997). Anheier (2002) argues that the rise of NGOs as service providers and of public-private partnerships under the rubric of new public management, along with the rise of markets and quasi-markets in areas that have hitherto been part of the welfare state, has the following implications for third sector organizations – commercialization, professionalization, organization form issues, and “ethos” implications.

However, Lewis (2001) argues the impossibility of generalization while discussing NGOs because of differences in political, social and economic development, and climate. Complex historical, cultural and political factors have influenced NGOs' diverse forms, roles and functions in different parts of the world. Understanding of these factors is important in analyzing the NGOs' ability to deliver public services. Carroll (1992) pointed out: “All NGOs operate within a contextual matrix derived from specific locational and historical circumstances that change over time.” NGOs have received a lot of attention in the last two decades; however, they have been in existence for a long time. Charnovitz (1997) noted: “Although some observers seem to perceive NGO involvement as a late-twentieth-century phenomenon, in fact it has occurred for over 200 years.” He traces seven stages to the evolution of NGO roles in international affairs from “emergence” in the years 1775 to 1918 through to “empowerment” from 1992 onward and provides a much-needed historical depth to the discussion of the NGO context. Lewis (2001) points out that such “NGO history” has yet to be written about many parts of the world. The interesting thing about a historical view of NGOs, after all, is that it raises questions about how they emerge, why they work, and why they might disappear. At the same time, cultural traditions can explain tastes, preferences, values, identities, and religious ideas that are at the core of an NGO's life and environment. Charity traditions and philanthropic culture are one of the most important features of an NGO's existence, stability and future.

Edwards and Hulme (1997) point out that NGOs have to be clear about their role in society and their direction and vision for the future and “... NGOs must work constructively and creatively with sources of funding, centers of influence, and those in political authority”. The ability of NGOs to fulfill their roles and promote civil activity depends not so much on their “sheer size, but rather on their internal and external organization” (Hadenius and Ugglä 1996). It is important to link the capacity of NGOs with the overall quality of life in the communities these organizations serve. NGOs face many challenges in providing services to their members and beneficiaries. Building their capacity to respond in an effective manner requires an investment of not only money, but also time and effort (Boris 2001). As Kaplan (1999) observes, organizations are always in the process of becoming more capable. At the same time, Boris (2001) points out: “Efforts to build capacity in nonprofits are primarily about performance, change, and innovation.”

Clark (1997) argues that among factors that influence NGO role in service delivery is the nature of the relationship between the NGO sector and the state. According to Boris and Steuerle (1999), NGOs, their role in society and the relationships with government can be seen through economic theories, the view of a political scientist, as well as through historical, religious, and communitarian perspectives. Bratton (1989) sees the relationships between government and NGOs from the perspective of the development agenda. According to Bratton (1989), political factors in many developing countries have influenced state attitudes toward NGOs more than any analysis of NGOs' actual or potential social and economic contributions. The growth of the NGO sector can support a state's legitimacy as well as undermine its power. The most recent approach, undertaken by Najam (2000), accumulates empirical findings of case studies from around the world, different attempts to classify and organize the learning from the literature, and takes into account the conceptual construction of the nongovernmental sector and of the policy process. His conceptual framework for understanding government-NGO relationships where policy plays an important role shows them as a social device to accelerate, decelerate, circumvent, or create particular changes. His model is based on a theory of strategic institutional interests and encompasses the realm of possible government-NGO relationships such as cooperation, confrontation, complementary, and co-optation (Najam 2000).

A great variety of complex relationships between government and the third sector depends on many factors, and can be looked at from different perspectives and disciplines. Other issues, such as political regime and the level of democratic development are very important. Clark (1995) argues: "The foundations for a healthy civil society are the freedom of speech, association, and religion; predictable rule of law; peace; democracy; effective and capable government; a permissive, enabling, and not controlling policy environment; substantial literacy; a sizable middle class; and a participatory political culture." Scott (1995) argues that the concept of an enabling environment is a key to understanding and explaining the forces that help shape the character and performance of organizations. Brinkerhoff (2004) sees an NGO's role both in creating NGO's enabling environment that will foster their participation, and in serving as a source of demand for change related to the broader set of environmental factors that enable transformation in the economic, political, administrative, sociocultural and resource allocation realms.

Other important factors such as charity traditions and the roles of charity foundations in society should be taken into account as well. Martin (1994) defines philanthropy as voluntary private (nongovernmental) giving for public purposes, whether gifts are large or small, money or time, local or international in scope, for purposes that are humanitarian, cultural, religious, civic, environmental, or that provide mutual aid. However, Mark Dowie (2001) defines philanthropy as the process of using money to create change, for the betterment of humanity or not, depending on the project in question. Private philanthropy plays an important role in solving social problems by discovering and systemizing existing expertise, establishing institutions of new knowledge, and communicating and transferring the newly acquired social intelligence to others, and the private foundation is an instrument for contributing private wealth to public purposes. They play a crucial role in societies as private institutions in command of resources dedicated to public purposes. Foundations embody important national values stressing private initiative for the public good. At the same time, Anheier (2001) argues, foundations can serve four basic functions: redistribution, efficiency, social change, and pluralism. As private institutions with resources at their command, foundations have the ability to shine a spotlight on important problems, to take social risks, and to advance a variety of social objectives, and therefore to improve societal well-being in different areas.

In addition, a scope and nature of contribution that NGOs make to community well-being is an important factor influencing their ability to deliver public services. Robinson (1997) pointed out

that NGOs expand social delivery in response to government cutbacks in spending on health, education, and other public services. Moreover, in contrast to ineffective and highly bureaucratic government, NGOs are perceived as low-cost, efficient, and able to reach the poor. At the same time, democratization increases opportunities for political participation as well as opportunities for NGOs to expand their roles in the implementation of governmental programs at the local level. NGOs are seen as having advantages in terms of commitment, flexibility, and cost-effectiveness. Poole (1994) values the idea that NGOs deliver services that ordinarily are limited in number and volume or are not provided all together, and that they try to satisfy needs of the poor that are not being met elsewhere. Poole argued that such an NGO contribution is especially important for countries that are undergoing economic restructuring and have limited financial and human resources. NGOs take over activities that were either nonexistent or conducted ineffectively by government or businesses. Several studies (Hashemi et al. 1992; Hulme et al. 1995) found that NGOs usually fail to reach the poorest people, though they may still reach a wider section of the population than a government or commercial agency. At the same time, Putnam (1993) suggests that NGOs make important contributions to the production of “social capital” those bonds of trust and reciprocity that have been found to be critical preconditions for democracy and economic growth. Moreover, Lewis (2001) argues that “non-distribution constraints” on third sector organizations mean that the public is more inclined to trust them, rather than business, in providing care services.

The literature review reveals that there are a variety of factors that influence NGO’s ability to deliver public services such as public sector reform, the history of the third sector development and its cultural tradition, the role of philanthropy and charity, the role of charity foundations, the economic and social contribution, organizational capacity and life cycle of charity foundations; the relationship between the third sector and government, and the enabling environment. Some of these factors are more influential than others, and it will be important to identify the “weight” of each factor. The conceptual initial model is presented in Figure 1.

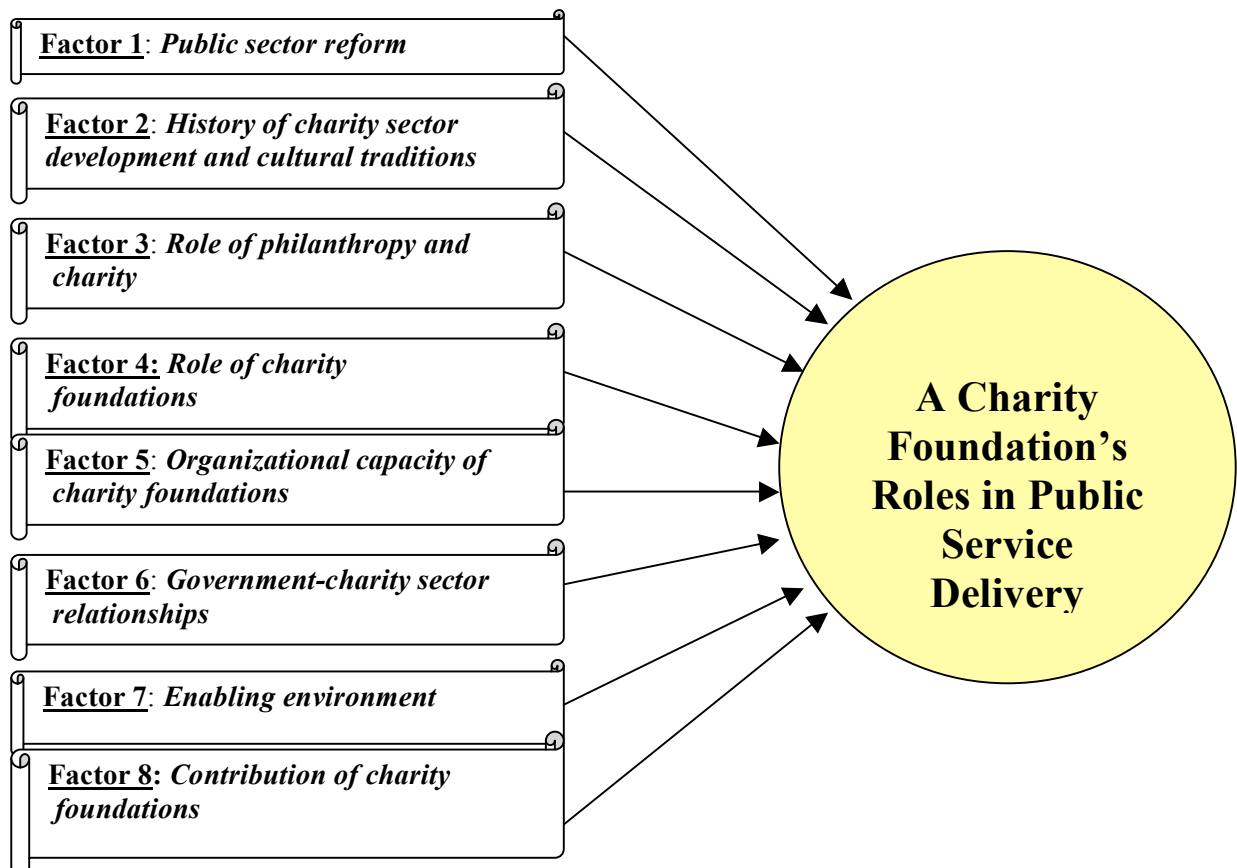


Figure 1. An Initial Model

Identifying the factors specific to the Ukrainian context and understanding their importance, however, is crucial for the ability of charity foundations to challenge existing policy and practices in public service delivery.

### ***Hypothesis and Their Rationales***

Factors that were identified in the review of literature may be different in the Ukrainian context and have a varying effect on the ability of a charity organization to deliver public services. As the results of public sector reforms in Western Europe and in the United States show, outcomes for the charity sectors are different (Salamon 1995; Taylor 1992; Tchernonog 1992; Pestoff 2001). Public sector reforms can either expand contracting with charities as happened in the United Kingdom (Taylor 1992), or reforms can guide them to market-type relations as in the United States (Salamon 1995). The issue of public sector reform is included only as it relates to the improvement of the quality of life, as the reform has a direct relationship with a charity organization's ability to deliver needed and wanted public services.

*Hypothesis 1. The more public administration reform supports a charity sector, the greater the ability of charity organizations to deliver public services.*

Lewis (2003) recognized the importance of historical specificity in a country context as an influential factor in a charity organization's ability to provide services. He pointed out that the roles played by charities in a society are deeply rooted in that country's traditions, values, and culture.

*Hypothesis 2. The more a country's culture supports a charity sector, the greater will be the ability of a charity organization to deliver public services.*

Donik (2005) refers to charity as an activity through which community and private resources are donated to aid vulnerable and insecure groups of people, to help resolve social problems, and to improve human well-being. Charity helps not only the impoverished, but also those organizations that need contributions to fulfill their professional and social missions and tasks. Because charity has direct influence on people's well-being, it was included to test its influence on a charity organization's ability to deliver services.

*Hypothesis 3. The greater a country's tradition of charity is, the greater will be the ability of its charity organizations to deliver public services.*

The charity foundation is an instrument by which private wealth is contributed to public purposes. At the same time, Anheier and Toepler (1999) pointed out that "the historic division of labor between the state and foundations is gradually beginning to shift." The idea that foundations are active in education and health, research and social services, art and culture, and that they channel funds, offer services, support social changes, and promote diversity and new approaches aimed at improvement of the quality of people's lives will be tested in the following hypothesis.

*Hypothesis 4. The more the role of charity foundations is accepted in a society, the greater the ability of its charity organizations will be to deliver public services.*

In literature on NGOs, Hadenius and Ugglå (1996), Boris (1999), Kaplan (1999), and Fowler (1996) recognized that the ability of organizations to fulfill their roles depends on their internal and external organization, which is made up of: the capacity to maintain its specific identity,

values, and mission; to achieve stakeholder satisfaction; to manage external interactions while retaining autonomy; and to build and maintain important social relationships.

*Hypothesis 5. The greater a charity organization's organizational capacity, the more likely it will be to deliver public services.*

Brinkerhoff (2004) argues that highly dynamic and interactive government-NGO relationships can help government be more responsive and accountable, and help NGOs establish their credibility and legitimacy as service providers and policy advocates. At the same time, an essentially symbiotic relationship between the state and the charity sector fosters the growth of the sector and in turn, helps create stakeholders who will support governmental programs (Salamon 1994). In addition, the development literature suggests that development actors such as the government and NGOs need each other because the perceived differences between them help to justify the legitimacy of both (Sanyal 1991).

*Hypothesis 6. The more cooperative relationships charity organizations have with government, the greater will be their ability to deliver public services.*

The World Bank (2004) points out that even with the availability of key groups and agencies to initiate a process of "bottom-up" development; change can be facilitated if rules and regulations at both national and project levels provide the freedom and incentives for people to participate in the design and implementation of development projects. The creation and sustainability of an enabling environment is mainly government's task: government must improve legal and regulatory frameworks, build institutional capacity across sectors and on various levels, seek out and respond to citizens' needs and preferences, establish and maintain a range of oversight, accountability, and feedback mechanisms, and mobilize and allocate public resources and investments (Brinkerhoff 2004).

*Hypothesis 7. The more enabling an environment that supports the charity sector, the greater will be the ability of charity organizations to deliver public services.*

In many developing countries, NGOs provide services in health care and nonformal education. However, Lewis (2003) argued that it is important to ask about the effectiveness and accessibility of these services. At the same time, it is necessary to know whether charity organizations deliver public services to a population that government or business does not reach (Edwards and Hulme 1996). Carroll (1992) argued that the effectiveness of NGO service delivery should be judged on its impact on community well-being. However, service delivery by charity organizations is about more than just simply material well-being. It is necessary to understand how charity organizations deliver services. According to Carroll (1992), if NGOs implement service delivery in a certain way it can be empowering and act as a catalyst for other social changes. Friedmann (1992) saw three forms of empowerment: social, political, and psychological. The potential of charities to contribute to the solution of pressing problems is tested by the following hypothesis:

*Hypothesis 8. The more opportunities a country's charity sector has to contribute to community well-being, the greater will be the ability of charity organizations to deliver public services.*

All the hypotheses to be tested as factors relating to the capacity of Ukrainian charity foundations to deliver public services are summarized in an Initial Model (Figure 1).

## *Research Methodology*

The unit of analysis of this study is the charity foundation. According to the Law On Charity and Charity Organizations (1997), a charity foundation in Ukraine is one of the forms of charity organization and is defined as a nongovernmental organization whose main goal is to conduct charitable activity in the interests of the society or individual categories of people. A nongovernmental organization is defined as a self-governing, private, not-for-profit organization that is geared to improving the quality of life for disadvantaged people (Vakil 1997 in Lewis pp.36-38). Furthermore, these organizations have an institutional presence and structure and are voluntary, i.e., they attract some level of voluntary contribution of time or money (Salamon and Anheier 1997).

There were several reasons for the selection a charity foundation as the unit of study. First of all, the charity foundation is only one of the forms of charity organization, and according to the law, it should comply with rules set up for charity organizations. By 2004, charity organizations as well as other NGOs in Ukraine could not collect money in their bank accounts or have endowments. All received revenues had to be spent in the course of the fiscal year. So, it was interesting to discover why most charity organizations select foundation as the form for their registration. Second, according to a Counterpart Creative Center survey (2005), only 10 percent of all NGOs registered in Ukraine are registered as charity organizations or foundations. Third, a charity organization is not required to submit reports on its activities or other data such as number of employees, projects, etc., to any state statistical departments. As a result, Ukrainian charity organizations are “the lost continent” in terms of statistics (Salamon 2001). Fourth, because charity is an important human asset, and its revival is a sign of a country’s civility and spiritual health, it was important to see which organizations called themselves charity organizations. And finally, as Anheier (2001) pointed out, because of the importance of foundations in the fields of education and research, arts and culture, and economic and social development, it is necessary to understand them. In addition, it is important to mention that in Ukraine, charity organizations or foundations are not the same as religious organizations. In Ukraine religious organizations are registered according to the Law on Religions (1991). However, churches or other religious organizations might be founders of charity organizations and foundations. This study intends to investigate the roles and place of charity foundations in the Ukrainian landscape.

Although an ideal goal might be to obtain information from all Ukrainian charity foundations, this study chose a much narrower sample population, owing to access and data restrictions. The survey population was defined to include charity foundations from two oblasts of Ukraine, one from the West, Lviv; the second from the East, Donetsk. Selection of these particular oblasts was an attempt to encompass different regional, historical, and cultural traditions that influence the role and activities of charity foundations. At the same time, charity foundations registered at the national level were selected as well. For the study purposes it was important to select the “right” organizations: ones that are active and have working experience. There is no precise definition of “active charity foundation,” so the selection of the survey participants was done according to the following criteria, formulated according to the goals and objectives of the survey: the charity foundation must be legally registered and must have at least two years’ experience in implementing projects and programs. The sample was representative for charity foundations with similar criteria, stratified, and nonproportional.

The list of charity organizations and foundations was created based on information gained from the Lviv and Donetsk regional statistics departments. The list of registered charity organizations and foundations obtained from the Lviv department of statistics contains data on 532 organizations. The number of charities that corresponded to this study design criteria was

identified as 111, and 46 participated in the study. The list of Donetsk charities contains information on 393 organizations but, fortunately, another list of organizations was gained from the Donetsk regional tax office. It has information on 82 charity organizations and foundations of the Donetsk region that actually exist, regularly report to the tax office about their activity, and most importantly, have correct contact information on all listed organizations. Seventy-one organizations matched the research criteria, and 47 charities participated in the research. The Ministry of Justice has reported about 785 charity organizations and foundations registered as national or international. However, the list of these organizations is not available to the public and is not provided even by request. Such “transparency” is motivated by “privacy” of information. In reality, if such list were 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, information sources such as NGO directories, electronic data, and data on meetings and conferences were used. In this way, 56 such organizations were identified and 26 were interviewed.

The research was seeking to obtain a many-sided view of charity foundations’ current and future roles in delivering public services. Government staff members, elected officials, and representatives of the international community were interviewed. In order to ensure that respondents have sufficient knowledge of the research topic as well as the necessary information to accurately answer a wide range of questions, only individuals from governments, elected offices and the international community dealing with nongovernmental organizations/charity foundations and possessing knowledge of public sector were selected. As for representatives of charity foundations, only executive directors, their deputies, board members, or top managers in each foundation were questioned as the basic source of data.

A list of representatives of international organizations was identified using information sources such as electronic data on international organizations of the World Bank, the National Coordinating Unit of Technical Assistance of the Ministry of the Economy, and the researcher’s previous experience and personal contacts. All together, 60 representatives of international organizations were identified and 51 were interviewed. Members and representatives of Counterpart Creative Center from Lviv and Donetsk helped to identify 75 local authorities and 74 of them were interviewed. In addition, 30 public authorities from Kyiv should have been interviewed, however only eight government representatives were interviewed at the national level.

The following sample groups were interviewed:

- The first sample included two groups of charitable foundations – 47 from the Donetsk oblast (East) and 46 from Lviv oblast (West).
- The second sample included 26 charitable foundations registered at the national level as national and international organizations.
- The third sample included 82 individuals from government and elected officials, and 51 members of the international community familiar with regional specifics and activities of charitable foundations.

The researcher interviewed all representatives of charity foundations, local governments, elected officials, and members of the international community personally. The response rate was 60.9 percent and 252 responses were generated, which is sufficient for selected methods of analysis such as factor analysis.

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 40-60 minutes.

The eight variables used to answer the research question are latent variables. The statements were used for the construct of eight latent variables of the study. The latent variable is a hypothetical construct that cannot be directly measured or observed (Hatcher 1994). Each of eight variables has its own construct that consists of a different number of items. All constructs are new and are designed specifically for the purpose of the study and based on theory. To measure a latent variable, scales are developed to estimate its actual magnitude at the time and place of measurement for each person measured (DeVellis 1991). A five-point scale where 1 means “strongly disagree” and 5 means “strongly agree” was chosen because there is no single optimal number of rating scale categories for all scaling situations. At the same time, it was desired to have a maximum of accuracy and reliability of the measurement. The following theories were used for constructs of all variables:

- *Role of Charity Foundations.* The construct for this latent variable is designed based on Anheier’s (2001) arguments about a foundation’s four basic functions (redistribution, efficiency, social change, pluralism).
- *Role of Charity.* The construct for this variable is designed based on Wright’s (2002) altruism or generosity models toward philanthropy and charity in the United States and United Kingdom.
- *History of NGO Development and Cultural Traditions.* The construct for this variable is designed based on Carroll (1992) and Charnocitz (1997) who noted that charity organizations existed for a long time and are derived from locational and historic circumstances. Similarly, churches and monasteries were historically centers of charity activity in the Ukrainian past (Palyvoda et al 2005).
- *Public Sector Reform.* The construct for this latent variable is designed based on Brinkerhoff et al. (2003) in which there are three categories of NGO engagement in the production of public goods (service provision, aggregation and representation of interests, policy advocacy/monitoring), and on Lewis’s (2001) analysis of NGO activities and roles in development (implementer, catalyst, or partner).
- *Enabling Environment.* The construct for this variable is designed based on Brinkerhoff’s (2004) key features of the enabling environment.
- *Organizational Capacity.* The construct for this variable is designed based on an ISC organizational index (2002).
- *Governmental–NGO Relationships.* The construct for this variable is designed based on Najam’s (2000) 4 C’s model.
- *Contribution of Ukrainian Charity Foundations.* The construct of latent variable is built based on Edwards and Hulme’s (1994) description of reasons why NGOs are more effective in public service delivery, as well as of the social, political, and economic impact that charities have on society.

Answering the research question about factors and the degree to which different factors influence the roles of Ukrainian charity foundations in delivering services, was conducted in several steps. First, descriptive statistics including central tendency and standard deviation were calculated for all variables. Second, a Cronbach Alpha was calculated to test the internal consistency of all latent variables. Based on the Cronbach Alpha test, it was decided to use an exploratory factor analysis rather than a confirmatory factor analysis. Responses to the 54-item questionnaire were

subjected to an exploratory factor analysis using squared multiple correlations as prior estimates. The principal factor analysis was used to extract the factors, and this was followed by a promax (oblique) rotation. In interpreting the rotated factor pattern the factor loading of .35 and .40 was used.

The data was treated as interval that is common to use Likert-type scales in factor analysis. Several conditions must be met for a factor analysis: (a) interval-level measurement; (b) random sampling; (c) linearity; (d) normal distributions; (e) minimal number of observation (5 times the number of parameters to be estimated); (f) at least three indicator variables per latent factor.

### ***Results and Findings***

As it was mentioned earlier, responses to the 54-item questionnaire were subjected to an exploratory factor analysis using square multiple correlations as prior communality estimates. The principal factor method was used to extract the factors, and this was followed by a promax (oblique) rotation. A scree test suggested three meaningful factors. However, review of the amount of common variance at 3 percent level suggests eight factors. In addition, the interpretability criterion was applied, which supports retaining the eight factors. So, eight factors were retained for rotation.

In interpreting the rotated factor pattern, an item was said to load on a given factor if the factor loading was .35 or greater for that factor, and less than .35 for others. According to Hair et al. (1998) a loading of .30 is considered sufficient with a sample size of 350. Using these criteria, eight items were found to load on the first factor, which was subsequently labeled the enabling environment factor. Seven items loaded the factor two, which was labeled organizational capacity. Nine items loaded the factor three, which was labeled public sector reform. Six factors loaded the factor four, which was labeled contribution of charity foundations. Seven items loaded the factor five, which was labeled historical and cultural tradition. Seven items also loaded the factor six, which was labeled circumstantial giving. Three items loaded the factor seven, which was labeled government-charity foundation relationships. Finally, five items loaded the factor eight, which was labeled roles of charity foundations.

It does appear that at least three variables loaded high on each component. However, five items loaded high on two factors. They are HIST6 — “The development of the charity sector in Ukraine is diverse because of religious traditions,” which loads high on both factor five and six; and PSREF11, “Government sees charity foundations as partners in public service delivery” loads high on both factor one and three; CONTRIB1, “In delivering public services a charity foundation is more effective in reaching needy people,” loads high on both factor two and four; CONTRIB3, “The number of people who benefit from public services delivered by a charity foundation is limited,” loads high on both factor five and eight; and ROPH6, “In general, Ukrainians’ giving is an expression of personal and social identity and goals,” loads high on both factor three and five. This is problematic because it violates concern for a simple structure.

Examination and interpretation of the extracted factors proved that all variables that load on different components do appear to be measuring different ideas. The five variables that loaded high on several components were eliminated because a simple structure was desirable. The principle component analysis was rerun without them. Responses to the 37-item questionnaire were subjected to an exploratory factor analysis using squared multiple correlations as prior communality estimates. Eight factors were retained for rotation and, as before, the principal methods followed by a promax (oblique) rotation were used. In interpreting the rotated factor pattern, the factor loading was .40 and greater. Using these criteria the final model of

questionnaire items loaded on the different factors is presented in Table 1 and corresponding factor loadings and communalities are presented in Table 2.

Item Code	Questionnaire Item Statement
ROCHF2	“The function of charity foundations is to offer more efficient services and more efficient allocation of charity giving.”
ROCHF3	“The function of charity foundations is to trigger and support desired social change.”
ROCHF4	“The function of charity foundations is to promote diversity in thought, approach, and service provision.”
HIST1	“The role of the charity sector is a part of Ukrainian history.”
HIST2	“Local historical circumstances have influenced the development of the charity sector.”
HIST3	“The development of the charity sector is influenced by local culture and traditions.”
PSREF5	“Government gives charity foundations a role only in public service delivery.”
PSREF6	“Government gives charity foundations a role in aggregating public interests.”
PSREF7	“Government gives charity foundations a role as representatives of public interests.”
PSREF8	“Government gives charity foundations a role as public advocates.”
PSREF9	“Government gives charity foundations a role as monitors of its policy.”
PSREF10	“Government sees charity foundations as implementers in public service delivery.”
PSREF12	“Government sees charity foundations as a catalyst in public service delivery.”
ENVIR1	“Ukraine has a clear policy framework that promotes a free market, open competition, and supports investments.”
ENVIR2	“Ukraine has a democratic system that supports pluralism, transparency, and responsiveness, as well as processes that encourage participation and respect for human rights.”
ENVIR3	“The Ukrainian administrative system has a low level of corruption.”
ENVIR4	“The Ukrainian system of service delivery is efficient.”
ENVIR5	“The Ukrainian administrative system has institutional checks and balances.”
ENVIR7	“Ukraine promotes tolerance of diversity, inclusiveness, equality, fairness, trust, and values the individual.”
ENVIR8	“Ukraine promotes investments in health, education, workforce development, information technology, science and research.”
ORGCAP1	“My charity foundation practices strategic management led by organizational mission, strategic goals, and monitoring and evaluation system is integrated into decisionmaking.”
ORGCAP2	“My charity foundation has an effective governance structure.”
ORGCAP3	“My charity foundation leadership and management style is participatory.”
ORGCAP4	“My charity foundation has a fundraising strategy.”
ORGCAP5	“My charity foundation’s financial management systems meet accounting standards.”
ORGCAP6	“My charity foundation has sufficient management procedures.”
CONTRIB2	“By delivering public services my organization has a significant impact on satisfying the needs of people” (meeting needs).
CONTRIB5	“By delivering public services my organization is building more trust in their community” (building trust).
CONTRIB6	“By delivering public services my organization has the opportunity to exert a positive political influence at the local level” (political impact).
CONTRIB7	“By delivering public services my organization is building community well-being” (economic impact).
CONTRIB8	“By delivering public services my organization improves the public quality of life” (social impact).
NGOGO11	“Government and charity foundations have similar goals and ways of achieving them” (cooperation).
NGOGO12	“Government and charity foundations have similar goals but different ways of achieving them” (complementary).
NGOGO14	“Government and charity foundations have different goals and different ways of achieving them” (confrontation).
ROPH2	“In general, Ukrainians’ giving is heavily interlaced with self-interest (with social approval.)”
ROPH12	“In general, Ukrainians’ giving modes are spontaneous.”
ROPH18	“In general, Ukrainians’ predominant moral motivation for giving is individual initiatives.”

Table 1. Questionnaire Items Codes and Statements

The initial and final models of factors and their relationships with the ability of charity foundations to deliver public services are presented in Figures 2 and 3 (see Appendix).

Rotated Factor Pattern (Standardized Regression Coefficients)								Communality Estimates	
	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Factor7	Factor8	h2
Rochf2	5	20	-7	14	24	-2	-15	44 *	41
Rochf3	-25	9	30	7	-2	0	19	60 *	55
Rochf4	-3	4	9	8	11	13	-2	54 *	39
Hist1	5	6	-6	16	63 *	-3	8	7	53
Hist2	-9	-2	5	-3	86 *	-9	4	-1	71
Hist3	6	-17	-6	0	80 *	8	-5	13	69
Psref5	11	13	-16	4	2	65 *	6	-8	47
Psref6	15	-9	64 *	-5	1	9	14	23	55
Psref7	2	4	82 *	-8	1	1	0	12	70
Psref8	0	9	79 *	2	-2	-6	-2	0	67
Psref9	-3	2	59 *	24	-10	-10	-11	-5	46
Psref10	-5	-4	6	17	-14	55 *	6	-2	33
Psref12	22	-14	59 *	3	-10	1	-1	13	48
Envir1	73 *	3	12	4	5	2	-1	-7	66
Envir2	84 *	-3	-10	3	3	3	11	8	68
Envir3	68 *	-15	-2	0	2	-3	-7	-2	46
Envir4	67 *	7	3	-2	6	5	-6	-8	50
Envir5	60 *	-5	24	1	-12	-9	5	-22	55
Envir7	82 *	5	0	-2	0	-1	7	5	69
Envir8	68 *	9	6	-2	-7	6	6	-3	51
Orgcap1	6	63 *	-6	2	-6	3	5	16	44
Orgcap2	-10	79 *	-3	2	0	-11	-6	9	61
Orgcap3	2	80 *	3	-1	1	-3	-7	-1	66
Orgcap4	10	73 *	10	-1	-2	5	6	-3	63
Orgcap5	-2	85 *	-5	1	-3	10	8	4	73
Orgcap6	-2	85 *	2	4	-4	2	0	-5	74
Contrib2	-3	29	-1	52 *	5	-9	3	17	52
Contrib5	-1	1	0	74 *	10	8	3	3	62
Contrib6	0	-5	22	66 *	-4	11	-7	-5	53
Contrib7	-4	-3	2	85 *	-6	9	-4	6	71
Contrib8	6	7	-11	78 *	-4	2	-2	-1	62
Ngogov11	21	5	5	0	1	-28	-40 *	39	45
Ngogov12	1	1	-3	2	5	8	93 *	-18	90
Ngogov14	-13	-1	-5	2	2	10	-76 *	-17	66
Roph2	0	-5	-5	16	14	55 *	-2	13	41
Roph12	8	4	-9	-17	-11	66 *	-7	21	49
Roph18	-23	-10	26	14	-2	42 *	0	4	28

Note. N=252

Table 2. Questionnaire Items' Codes and Corresponding Factor Loadings from the Rotated Factor Pattern and Final Communality Estimates from Principal Component Analysis, Decimals Omitted.

The following summary of the findings following the hypothesis is based on the final model.

**Finding One:** Supportive attitudes and roles about charity organizations held by government play an important role in the involvement of these organizations in the delivery of public services. In other words, Hypothesis 1, holding that “The more public administration reform supports a charity sector, the greater the ability of charity organizations to deliver public service,” is confirmed.

The final model indicates that roles that government's views of charities' roles are an important predictor of these organizations' ability to deliver public services. The item PSREF11, “Government sees charity foundation as partners in public service delivery,” loaded high on two factors and was excluded from further analysis. However, analysis shows that it is not so important for charity foundations to be just implementers of governmental programs of service delivery, but that it is even more necessary to inspire, facilitate, and contribute to changes in the system of public service delivery.

Finding Two: Ukrainian history and cultural traditions, in general, play an important role in charity foundations' ability to deliver services. In other words, Hypothesis 2, "The more a country's culture supports a charity sector, the greater will be the ability of a charity organization to deliver public services," is confirmed.

The final model indicates that there are no significant variations in charity sector development between the Western and Eastern parts of Ukraine influencing the ability of charity organizations to deliver services. The item describing such differences does not have strong relationship with the ability of charity organizations to deliver services and was not included in the component describing historical and cultural traditions. The other item that described the influence of ethnicity and language on the charity sector's development was not so important. The item presenting religious tradition, HIST6 "The development of charity sector in Ukraine is diverse because of religious traditions," loaded high on two factors and was deleted from further analysis.

Finding Three: A country's traditions in charity and philanthropy are not predictors of a charity foundation's ability to deliver services. In other words, Hypothesis 3, "The greater a country's tradition of charity is, the greater will be the ability of its charity organizations to deliver public services," is rejected.

The final model identified only three items out of ten that were initially included in the "role of charity and philanthropy" component. Included factors describe individual initiatives and spontaneous giving interlaced with self-interest. The item ROPH6, "In general, Ukrainians' giving is an expression of personal and social identity and goals," loaded high on two factors and was excluded from the analysis. Other items describing public interests, and social duty leading to planned giving to either particular or universal causes, did not show strong relationships to the ability of charity organizations to deliver public services. At the same time, private initiatives in giving are very closely related to the role given by government to charity organizations when they see them as only the implementers of public service delivery. In other words, when government limits charity foundations to only an implementing role in public service, individual interests and initiatives in giving increase. This component was labeled circumstantial giving.

Finding Four: Roles and functions that charity foundations have in society are a very important predictor of their ability to deliver services. In other words, Hypothesis 4, "The more the role of charity foundations is accepted in a society, the greater the ability of its charity organizations will be to deliver public services," is confirmed.

The final model indicates that there are three very valuable roles that charity foundations play in society. They describe functions such as efficiency in services and charity giving allocation, social change, and promotion of diversity. However, a redistribution role for the charity foundation was not part of the final model. This may be explained by the fact that in a country where the role assigned to government is the one tasked with being responsible for people's well-being, it is difficult to picture another party having the redistribution role.

Finding Five: Organizational capacity is a very important predictor of a charity foundation's ability to deliver services. In other words, Hypothesis 5, "The greater a charity organization's organizational capacity, the more likely it will be to deliver public services," is confirmed.

The final model indicates that all items describing organizational capacity such as strategic management and an effective governance structure, participatory leadership and management

style, and sufficient management procedures, a fundraising strategy and standardized financial management systems, are important. This factor is absolutely identical to the component from the original model.

Finding Six: The existence of and quality of the relationships between charity sector organizations and government is an important predictor of the ability of these organizations to provide service delivery. In other words, Hypothesis 6, “The more cooperative relationships charity organizations have with government, the greater will be their ability to deliver public services” is confirmed.

The final model indicates that relationships between governments at different levels and charity foundations that are cooperative, complementary, or confrontational are strongly tied to the ability of charity foundations to deliver public services. However, the types of relationships that share ways of achievement, but different goals (cooptation) do not influence a charity’s service delivery. At the same time, this factor is the only factor that has variables with different directions. The respondents that think that relationships between government and charity foundations are complementary do not think that these relations could be cooperative or confrontation and vice versa.

Finding Seven: An enabling environment that consists of interrelated conditions – such as legal, bureaucratic, fiscal, informational, political, and cultural – impacts the capacity of charity foundations to engage in the provision of public services. In other words, Hypothesis 7, “The more enabling an environment that supports the charity sector, the greater will be the ability of charity organizations to deliver public services,” is confirmed.

The final model includes seven out of a proposed eight items describing an enabling environment. The only item of this set that was not so strong concerned the existence of institutional checks and balances in the Ukrainian administrative system. However, this factor was a part of the Initial Model and was present in the component describing the roles of charity foundations in society. Its absence may be connected to low means of the most important and basic items describing an enabling environment such as clear policy framework and supporting democratic system, high level of corruption and efficient system of service delivery, decentralized administrative system and promotion of tolerance and investments.

Finding Eight: An opportunity to make an impact on community or societal well-being is a predictor of charity foundations ability to deliver public services. In other words, Hypothesis 8, “The more opportunities a country’s charity sector has to contribute to community well-being, the greater will be the ability of charity organizations to deliver public services,” is confirmed.

The final model includes five out of a proposed eight items describing the contribution factor of charity foundations. The items describing effectiveness in reaching needy people as well as the size of the population benefiting from services — CONTRIB1 “In delivering public services a charity foundation is more effective in reaching needy people,” and CONTRIB3, “The number of people who benefit from public services delivered by a charity foundation is limited” — loaded high on several factors and were excluded from further analysis. In addition, the item describing geographical outreach of delivered public services was not important. What is more important is what impact charity foundations made on satisfying the needs of people, building trust in communities, achieving a positive political influence at the local levels, building community well-being, and improving the quality of people’s lives.

This eight-factor solution proved to be fairly interpretable. With each factor all of the scales loading on that factor seemed to be measuring the same underlying construct. All scales loading on Factor 1 are measuring the *enabling environment* construct. Six scales loading on Factor 2 are measuring the *organizational capacity* construct. At the same time, the scales that loaded on different factors do measure conceptually different constructs (i.e., the *public sector reform* factor seemed to be conceptually different from either the *contribution of charity foundations* or the *government-charity foundation relations* factor). In addition, all eight factors displayed meaningful loadings for at least three variables.

In order to measure the strength of the relationship between each of eight factors and the roles of Ukrainian charity foundations to deliver public services, an estimated factor score was calculated. The estimated factor score is an estimate of a subject's standing on that underlying factor and is estimated by creating linear composites of the observed variables. As Hatcher (1994) argues, it is better to compute estimated factor scores because there will always be some error associated with the computation of factor score. PROC FACTOR was used to compute estimated factor scores. As a result, the following scores were received for each subject:

<i>Factor</i>	<i>Factor's Name</i>	<i>An estimated factor score</i>
Factor 1 -	Enabling environment	32.2
Factor 2 -	Organizational capacity	16.1
Factor 3 -	Public sector reform	11.3
Factor 4 -	Contribution of charity foundations	9.1
Factor 5 -	Historical and cultural tradition	8.8
Factor 6 -	Circumstantial giving	8.3
Factor 7 -	Government-charity foundation relationship	7.7
Factor 8 -	Roles of charity foundations	6.5

These factor scores indicate a linear composite of the optimally weighted variables that load different factors and could be used as predictor variables in subsequent analyses. The estimated factor scores help to understand strength of the relationships between each factor and the ability of charity organizations to deliver public services.

The enabling environment has the strongest relationship with charity foundations' role in public sector. It shows that government should create an appropriate framework, and/or improve the existing legal and regulatory framework, and provide incentives for charity organizations as well as support socioeconomic development for all societal actors. Charity foundations can deliver public services, but without an enabling environment, their contribution would not be so effective.

Although, as the estimated factor scores show, the organizational capacity of charity organizations is an important criterion in measuring the ability of charities to deliver services, the strategic management capacities — along with professional human resources able to attract and manage funds — are critical to the delivery of services and should not be underestimated.

Public sector reforms are an important predictor of the public service roles of charity foundations. As public management reforms in different countries show, there are different results for the various third sector organizations. In the United States, public sector reforms brought NGOs to fee-based market relations with their clients and influenced the fiscal health of nonprofits, while in the United Kingdom, the same reforms led to the expansion of nonprofit organizations in providing a wide variety of services.

Charity foundations' contributions in reaching poor people, producing social capital, and empowering communities are necessary for relieving material distress, creating added value, and improving community well-being.

Despite lower estimated factor scores, the other four factors — historical and cultural tradition, circumstantial giving, government-charity foundation relationship, and roles of charity foundations — are important predictors and criteria for charity foundations' ability to deliver public services.

Analysis of estimated factors scores presents an opportunity to clearly see what should be done by government, charity organizations, and the international community in order to create more opportunities for charities to provide needed public services. At the same time, the weight of each factor should be taken into account while developing priorities and a plan of action for all societal actors.

### ***Conclusions, Implications, and Future Research***

This study examined relationships between different factors and the roles of charity organizations in delivering public services as they are discussed in the literature, and determined the degree to which these factors are more or less crucial or important in the Ukrainian context. This study confirms that the existence of a favorable enabling environment in a country, good organizational capacity of charity sector organizations, as well as the content and approach of public sector reform aimed at involvement of the nonprofit sector in public affairs increase the ability of the charity sector and its organizations to deliver public services. As Brinkerhoff (2004) argues, NGOs through their roles in service delivery, policy advocacy, and constituency empowerment can contribute to the fight against poverty, but maximization of these contributions depends upon government action to create an appropriate environment. This study supports the arguments of academicians and researchers (Clark 1997; Edwards and Hulme 1997; Lewis 2001; Fowler 1997) that charity organizations can take steps and push government, but as other factors suggest, they should have organizational capacity, and understand their mission, their roles, and what contributions and impact they can make on social well-being and the improvement of the quality of life. At the same time, the study shows that without developing and maintaining cooperative relationships with government and a demonstration of the constructive roles through information sharing, dialog, and joint activity, charity organizations would not be able to fulfill one of their main functions, which is public service delivery (Lewis 2001; Brinkerhoff 2004).

In addition, along with the research major conclusions, there are two major observations concerning the Ukrainian context that are included. These are a discussion of the relationships between government and charity foundation and the importance of charity in Ukraine today.

#### **Government - Charity Foundation Relationships**

The relationship between government and NGOs, as with any other relationship, is always complex and multifaceted, and is undergoing constant change and development. The relationship is embedded in the economic, social and political systems, cultural and historical habits, traditions of voluntarism and charity, government commitments to democratic ideals and values, and the tradition of public participation. During the last few years, the relationship between government and NGOs has undergone significant change in Ukraine. Now, after the Orange revolution, many NGO leaders work for more than one level of government. Some of the best researchers are part of a core team such as the analytical group in the Secretariat of the President

of Ukraine, while other NGO leaders head departments of communication with citizens and NGOs in the national and local governments. Finally, public officials have begun to recognize the professionalism and capacity of NGOs, but this factor does not seem to influence the relationship enough to permit either to move to a new stage in that relationship.

According to Hadenius' and Ugglá's (1996) scale, the current relationship between government and the NGO sector in Ukraine is moving toward a stage where the Ukrainian government, at different levels, provides NGOs with more favorable operational conditions, such as improved tax regulation and a more clearly defined legal environment, but still no active support. NGOs build most of their partnerships with local administrators as a way of building their constituents' representation and participation in local decision-making. These positive relationships with local governments encourage NGO sustainability and increase opportunities for citizens to interact with government at different levels.

An analysis of factors that influence the ability of charity foundations to deliver public services demonstrates the importance of government-charity organizational relations. These relations may be seen as either very clear such as "cooperation" or "confrontation," or as "complementary." Moreover, those who support a confrontational mode also support cooperation, but totally refuse the possibility of a relationship when both government and charities have similar goals but different ways of achieving them. It seemed that there is the need for a new paradigm of government-third sector interaction that treats "the collaboration between government and the nonprofit sector not as a regrettable necessity but as a highly positive feature of a modern, pluralistic society that encourages active engagement by all sectors in the resolution of societal problems" (Gronbjerg and Salamon 2003). In addition, the experience of many countries has shown that third sectors often operate not as an alternative to the state, but as a partner with the state without sacrificing their autonomy and independence. Even with features that are unique, every country should "take a page from the book being written" (Salamon 1999) by other countries and use the experience of others in building healthy relationships between government and the nonprofit sector.

In addition, when entering into relationships, both NGOs and government should agree that the purpose of these relationships is to create a better outcome for those they serve, because the most pressing challenges facing today's Ukraine – poverty and AIDS, disintegrating families and environmental threats, health care and an energy crisis — can only be managed if different sectors, organizations, and institutions work together toward the solutions. Limited joint projects between government and third sector organizations have proven that such collaborative solutions to problems are both possible and powerful. Both sides should think more about collaboration and less about separation and differences.

### *Role and Attitudes to Charity*

Charity has existed in Ukraine for a very long time, gradually transforming into a centuries-long tradition passed from generation to generation as a valued human asset. In the past, charity was practiced by the church and by individuals. Churches or monasteries were centers for parish charity. They became both charity objects and subjects receiving donations to satisfy their own needs and to support the beggars and the needy. Until the last quarter of the 18th century, relations between the government, community, and needy social groups had been regulated almost exclusively by the traditions of church mercy, the rural community, and the ethics of certain social groups.

After the end of the 18th century, charity in Ukraine was gradually transformed from activities performed by the church and community to activities performed by the state and community. An

important feature of 19th-century philanthropy was the transition from the donation of alms and other traditional systems, to the creation of specialized organizations, foundations, institutions and agencies aimed not only at support of marginalized segments of the population, but at involving them in a wholesome social life.

Charity and patronage was encouraged by the state in many ways. The authorities established incentives for those donating to charity, such as promotions, orders, honorable citizenship, and even hereditary peerage. For some people charity was viewed as fashionable, a tribute to the *époque*, and while for others it was a responsibility. Raised religiously, people were motivated to donate to charity when striving to avoid “psychic discord,” in order to live and die in harmony with their conscience. This motivation for charity remained as people’s perception changed and was gradually transformed into a personal sense of responsibility to society. Donating to charity often depended on the donor’s will and the beneficiary’s religion, ethnicity, or estate.

Soviet power put an end to the public perception of charity as a positive phenomenon. Mass-scale, government-led propaganda gradually caused charity to decline. The authorities saw no need for this institution. They practiced patronage over cultural and educational institutions and over nongovernmental organizations. Funds and other types of aid were allocated to the above-mentioned institutions and organizations, as being mandatory, and “decreed” following the Communist Party resolutions. This resulted in such aid being no longer related to philanthropy, although it did play a certain positive role in supporting public initiatives and budget-funded institutions.

A new stage of philanthropic and charitable development can be observed in Ukraine starting in 1991 – the year of national independence — although the real rebirth of charity in Ukraine has begun only in recent years. It is evident not only by the increased amount of funds donated by individuals and corporations to orphanages and hospitals, museums and theatres, but also by greater attention being paid today to topics of charity and its institutions. At the same time, charity is still seen mostly as either a duty, or as whim of wealthy individuals and businesses. The bulk of charity today is mostly in donations of money or goods and services. Voluntarism is not a widespread practice because it is not well understood, and not yet seen as something tangible and useful.

Current interest in charity and its practices and institutions has been heavily influenced by the experience of the United States, and Ukraine is no exception. The Ukrainian Diaspora and American technical assistance programs promote the development of charity practices and institutions such as community philanthropy and community foundations, corporate giving, and social responsibility. As a result, charity issues received much more attention than before – new NGOs and networks were created, different research and conferences were conducted. However, all these only point out that there is a lack of understanding about what charity is and how the context of a specific country, including its history and cultural traditions, influence the meaning and practices of charity. Charity is now seen in Ukraine as an instrument and a way of making money rather than as a value that could help bring about a renaissance for the country.

The analysis of factors that influence charity foundation’s ability to deliver services confirmed that charity is not an influential factor and is not well understood. Many initiatives taking place now in Ukraine are just simply transferred from other countries without a critical evaluation of the compatibility of the norms, beliefs, existing structures, and practices that need to be taken into consideration when they are transplanted to different cultures. Moreover, no efforts have been made to attract the attention of and involve government in developing a long-term view and policy on the role of charity in society. While an understanding of its own history and charity traditions might not take place alongside the translation of the best practices from other

countries, efforts to revive and promote a charity tradition could fail even if they are built on the best of intentions and hope.

Issues presented above emphasize Ukraine, but they can be observed in many developing and transitional countries. The increased attention of European and the American researchers on issues concerning the role of the third sector in societies at large and the role the third sector plays in reforming the public sector and voicing people's needs, as well as generating alternative thinking and social changes, also shows the importance of nongovernmental and charity organizations in developed world. It is believed that this study can be useful not only for Ukraine but for other countries that are trying to improve the well-being of their citizens.

## **Implications**

The literature discusses in depth the stages of third sector development in different countries. Research focuses on different areas and on many dependent factors. Third sectors in developing countries are mostly of interest for researchers concerned with the results of technical assistance and intervention, and their impact on the democratization processes and on market development. Led by the United States, comparative research increased interest in the third sector throughout the world. European academic interests were traditionally focused on the third sectors of specific countries rather than on the European third sector as a whole. Interest was also focused on historical traditions and diversity of forms of the third sector organizations in different countries – charities and voluntary organizations, mutuals and cooperatives, associations and social movements. At the same time, in the United States, most research on the third sector tends to favor an economic approach that sees the nonprofit sector as a market and a party to state failures, while the European approach to third sector research is motivated by political and sociological interests, and by increasing concern with the structure and quality of public services shaped after World War II and its production of new groups and new forms (Evers and Laville 2004). Recently the problems of social exclusion and the crisis of the traditional welfare state have shaped research on third sector organizations in Europe and led to the revision of ideas about the relationships between the public, the market, and the third sector.

The Ukrainian third sector and its role in the public sphere is mostly invisible in academic research, not only at the international level, but nationally as well. In addition, the role of the third sector is neither visible nor understood by government officials or by the general public. However, nongovernmental organizations can be found everywhere in Ukraine. More effort and attention are needed from academics and from policy makers in order to study and open a bigger space for third sector organizations in the public realm. Regardless of the fact that this study is focused on Ukraine, several theoretical and policy implications could be made that academicians and researchers throughout the world might pursue.

### *Theoretical Implications*

There are at least four theoretical issues arising from this study that might be interesting for other countries concerned with the role and position of the charity sector in public service delivery. *First of all*, it is necessary to assess whether the third sector matters and the degree to which the sector (and charity organizations) might matter. These questions might look strange and unimportant, but they are asked in different countries, including the developed ones. In the United States, they are asked because any type of organization – public, private, or nonprofit — could provide most public services. Expansion of for-profits into the area of activity traditionally held by nonprofits, and vice versa, as well as the commercialization of both, have led to a convergence and blurring of sector boundaries (Kramer 2004), and to “a growing interdependency of both public and private actors in economic and social policy that renders

meaningless the old distinctions of ‘state and society’ or of ‘public and private’ as separate domains” (Kaufmann 1991). Kramer (2004) argues that the dominant theoretical perspective on the development and character of the nonprofit sector is still a model based on the form of organizational ownership. Other studies (McGovern 1989; Mauser 1998; Krashinsky 1998) suggest that organizations in fields such as health, education, and social services have much more in common with one another than they do with other nonprofit organizations in the sector. Varying organizations, regardless of their for-profit or nonprofit status, are affected by the same forces of supply and demand, resource dependency and shifting patterns of interorganizational collaboration or competition that render them more different by degree than in kind (Brody 1996).

Kramer (2004) questions the sectoral concept based on a review of American and European nonprofit roles and experience, especially in the provision of public services. Instead, he proposes four paradigms based on the convergence and blurring of sectoral boundaries and includes the perspective of political economy, an organizational ecology concept, the application of neoinstitutionalism to the nonprofit sector, and the mixed and open system approach. Svetlik (1991) supports Kramer’s view and argues that “the right question for social policy is ... not the choice between one sector or another, but how to combine them most effectively in economic and social terms and find suitable forms of sponsoring, coordinating and regulating different sectors and providers” in order to have effective services.

The question about the third sector’s necessity, along with other questions — for instance, does the phenomenon of third sector organizations have Ukrainian roots and are they needed in Ukraine? — are indeed illustrative. What is so specific about these organizations that make them different from business or public institutions? Ukraine is now in a position to join international debates and make its contribution to the body of knowledge on the third sector of countries in transition. Moreover, it is necessary to ask the question whether the third sector matters because less than 41 percent of Ukrainians think that nongovernmental organizations are either essential or necessary and only 2 percent of the population are members of at least one organization (IFES 2005).

*Secondly*, this study shows the importance of studying different subsectors of the third sector. Describing a third sector in Europe, Evers and Laville (2004) pointed out that each of its subsectors comprises three different types of organizations providing goods and services: cooperatives, mutual societies, and associations. Each of these subsectors was shaped by the contextual framework of the welfare regime as well as by historical development. Besides the above-mentioned reasons, the development of the legal framework has contributed to the emergence of subsectors as well. At the same time, public services in education, health care, and social issues show a significant increase in volume and employment (Borzaga 1998). In this situation the third sector organizations of various subsectors made attempts to find new places for themselves and adjust to the changes in public system. New forms of cooperatives and voluntary associations succeeded when they managed to create original ways of fostering trust, and when they balanced state support and sales to customers with non-monetary resources such as volunteers, partnerships, individual donations and business sponsorships.

In the United States, the Internal Revenue Code regulates the status of nonprofit organizations, leading to the creation of various subsectors of the nonprofit sector. Development of a legal framework influences the growth of some subsectors in the American nonprofit sector and diminishes the role and importance the others, as happened with the 1969 law regulating the activity of private foundations. That law prescribes minimum distribution requirements that must be met by private foundations, limits the types of grants and imposes a variety of restrictions on

how and to whom such grants can be made. That change in legal framework fostered the growth of community foundations in the United States.

Studying subsectors of the third sector can provide researchers with information not only about data and the nature of subsectors, but also help them to understand what features of the environment are enabling some subsectors to grow, while others are taking new shape or simply disappearing.

*Third*, it is important to see the Ukrainian third sector in a comparative and cross-national perspective. There is little reason to conduct studies and research if it cannot be compared with the practices and experience of third sectors in the other countries. By studying and comparing countries with different histories, religious and cultural traditions, and levels of development, one can better understand both common and differing trends and experience. As Salamon et al (2003) pointed out about the Johns Hopkins Comparative Nonprofit project, “It provides a basis for cross-checking results and for identifying more precisely what makes each country’s third sector distinctive. One of the strengths of the comparative approach is that it highlights these differences and brings them into better focus.” Comparison of different third sectors is needed in a time of economic, technological and cultural change when NGOs, especially international ones, play a role as a mediator in relationships between global processes and local lives (Fisher 1997). Moreover, through comparison of existing practices and templates, one can explore the possibilities and go beyond the boundaries that lead to development of new ideas and approaches (Lewis 2001).

Comparison of the third sectors in the USA and in Europe led Evers and Laville (2004) to speak of a “European way” of conceiving the third sector. Moreover, understanding of differences and specifics of the European third sector helped them to notice economic, social, and political shifts on both sides of the Atlantic. These shifts concern new forms of cooperation and participation that are more open and are the product of the actions of various stakeholders. Furthermore, through partnerships, networks, and joint action these new associations build the base of civil society – social capital that serves an important role in creating a “win-win” situation in which the market as well as civil society supplements state resources for services (Evers and Laville 2004). Evers and Laville (2004) argue that these developments, along with the involvement of the third sector in service provision, make the role of the third sector more crucial in terms of economics, well-being, and politics. Involvement of the third sector is needed not only for service delivery but also to build trust between various sides in order to transform private needs into public issues, restructure provision and cooperation, and give shape to a new service arrangement.

At the same time, while cross-national comparison is important, for a country as large as Ukraine, it is also important to conduct comparative studies that are focused on the regional level. These studies provide an opportunity to analyze historical and cultural factors that influence regional development but also help to see how macro-political, economical, social, and legal frameworks have different effects in different regions within a country.

*Fourth*, Ukraine is undergoing changes in a public sector that can be characterized as being in the process of forming its own welfare state. It is important to understand the role of the Ukrainian welfare state, its influence and the impact of its reforms on the third sector and vice versa. Recent reforms in the public sector and developments in legislation have shown that there is ignorance of the third sector or, in the best case that it has been provided with very limited and difficult roles to play in the public sphere. Experience of public sector reforms in developed countries such as the United States and those of Western Europe show that the public sector does not always readily agree on the decentralization of key social services, conduct competition in

the provision of public services, or seek local initiatives in public service delivery. Nevertheless, public sector reform provides a great opportunity to the third sector to help build the “enabling” state so that the government carries out the essential tasks of maintaining peace and rule of law, basic infrastructure and services, and manages the economy effectively (Chambers 1994). This opportunity was increased after the 2004 Orange Revolution in Ukraine but whether it will be realized in practice and whether the third sector manages to play an important role in public sphere, only time will show.

### Policy Implications

When considering the role of NGOs and charity organizations in the policy processes, in government issues and public sector reforms, there is a need to strengthen state policies toward third sector organizations, as well as to create a legislative framework that supports these organizations’ initiatives and efforts, so that sector development is encouraged and third sector contributions are respected. Furthermore, a reduction of the number of rules and acts that regulate the activity of the third sector organizations is needed. These changes will strengthen the third sector’s ability to participate in significant policy debates, as well as allow it to use its potential for contributing to the solution of pressing problems.

### **Limitations of the Research and Future Questions**

This study is in no way a comprehensive research pretending to provide complete answers to the question. The study is limited in several ways. First, it focuses only on two oblasts out of 25 that exist in Ukraine. Generalization of the results from studying only two oblasts to the nation is problematic and limits applicability of the study. However, certain conclusions from examination of these oblasts, which are representative for the Eastern and Western parts of Ukraine in terms of history, cultural traditions, charity practices, and attitudes to government, could be made for the other regions of Ukraine with similar settings.

The second limitation is the researcher’s personal experience and work in one of the charity foundations that could influence the study’s objectivity, but on the other hand, without such experience some of the observations and ‘healthy skepticism’ would have been impossible.

Finally, the development of democracy in Ukraine is still in its early stages and the experience is recent and still poorly documented. However, even with these limitations some conclusions could be made about conditions and factors that influence the ability of Ukrainian charity foundations in delivering public services.

There is certainly a lot of room for future research on the roles of Ukrainian charity foundations in public service delivery. Future research could be expanded to all regions of Ukraine as well as focus only on either urban or rural organizations. At the same time, the consumer now has a choice of institutions that deliver public services including nongovernmental organizations, private businesses, or public service. This is why it is important to understand the framework and limitations of institutions in each of these three sectors, as well as why the public prefers to use the services of charity organizations and what the impact of these organizations is on public well-being.

The impact of public sector reforms on the charity sector’s ability to deliver services might be interesting to study as well. Other research could focus on issues such as how charitable charity foundations really are, and what representatives of the charity foundations understand about “charity.” Besides the factors influencing the ability of charity organizations in public service delivery, it is necessary to understand whether the same factors and to the same degree influence

the ability of other public, private organizations as well as NGOs and churches to deliver needed public services. And finally, it is important that Ukraine be included in the European and international research agenda on third sector issues that are being studied, such as the changing relationship between the state and its citizens, as well as discussing the social and political meaning of the third sector for an expanded and united Europe.

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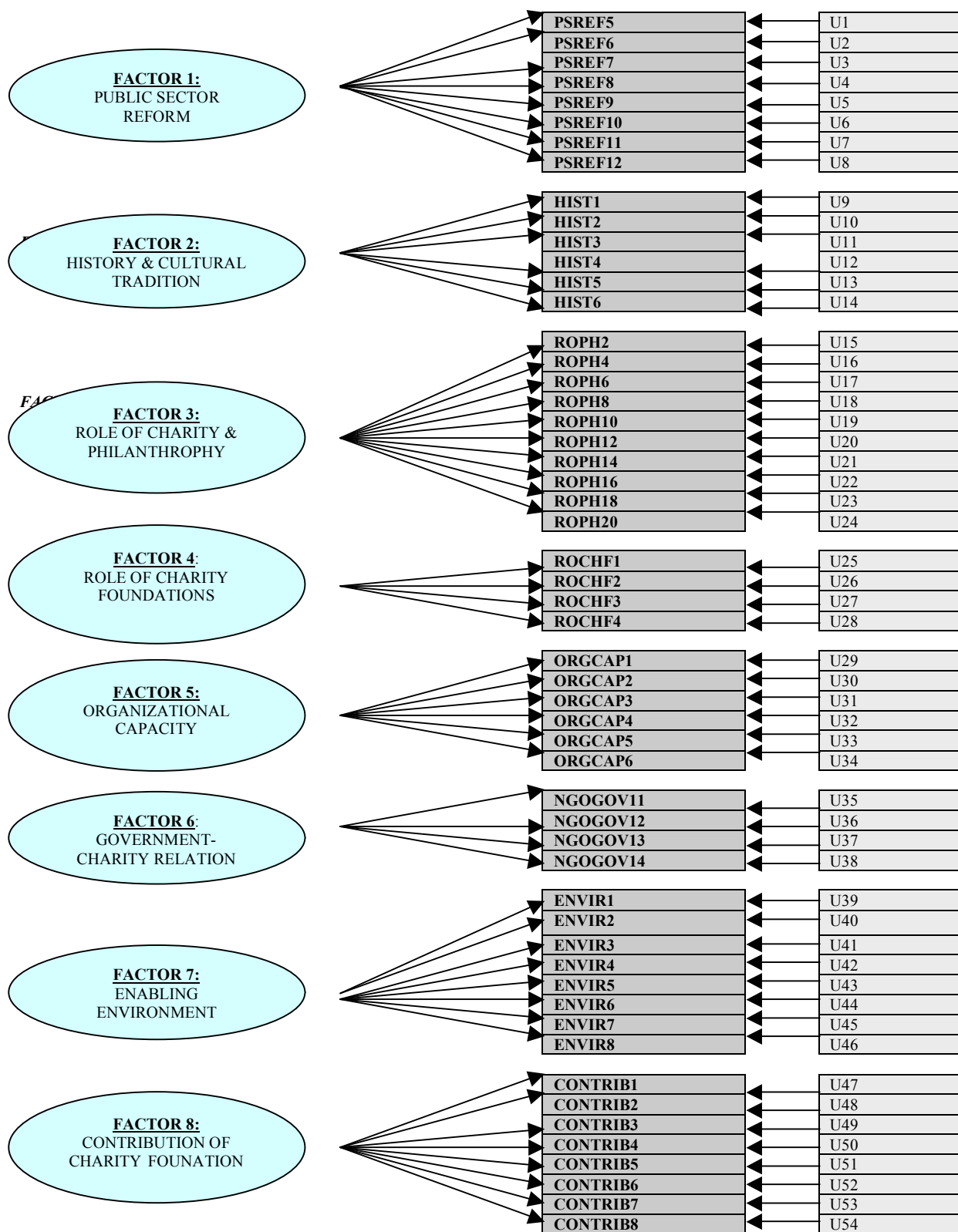
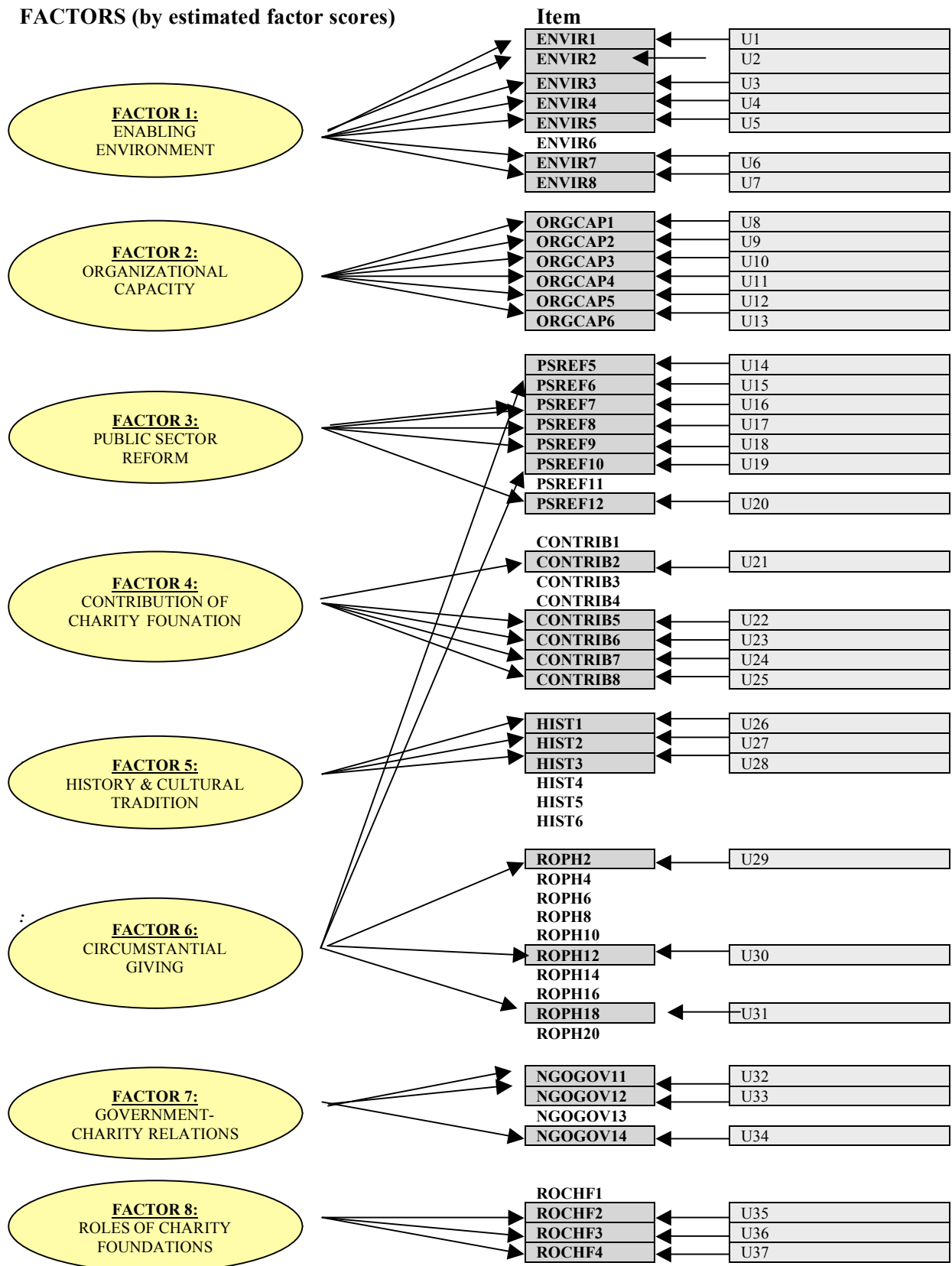


Figure 2. Initial Model

**FACTORS (by estimated factor scores)**



**Figure 3. Final Model**