



Philanthropic Institutions of Ukraine:  
Current Status and Development Prospects  
(according to the results of sociological research)

Kyiv 2008

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"Philanthropic Institutions of Ukraine: Current Status and Development Prospects" - is research conducted by the Ukrainian Philanthropists Forum, the purpose of which was to analyze the development status of charity organizations in Ukraine. This publication presents the results of research, which characterize the fundamental spheres of the activities of different types of foundations and organizations; describes the most significant achievements in the area of philanthropy; determines the most urgent needs of philanthropic institutions for the further effective execution of their programs. The publication is designated for the representatives of philanthropic and public organizations, executive and local authority agencies, state entities, corporate and private philanthropists, as well as all, who are interested in the issue of philanthropy.

## CONTENTS

FOREWORD .....	4
PART 1. From the history of the activity of philanthropic institutions in Ukraine .....	6
PART 2. International trends in the development of foundations .....	12
PART 3. Analysis of research results .....	22
3.1. Methodological principles for conducting the research .....	23
3.2. An analysis of the development status of philanthropic organizations in Ukraine (general results of the research) .....	26
3.3. Foundations operating in Ukraine: investment in social innovations .....	42
3.4. Community foundations: influence for improving the quality of life of Ukrainian communities .....	54
3.5. A corporate foundation as an instrument of a company's social responsibility .....	65
3.6. Private foundations: the possibility of implementing personal philanthropic initiatives .....	80
PART 4. Development prospects for philanthropic organizations in Ukraine .....	92
GENERAL CONCLUSIONS .....	99

## FOREWORD

In your hands, you are holding a report on the "Philanthropic Institutions of Ukraine: Current Status and Development Prospects" research. The research was executed by the Ukrainian Philanthropists Forum with the financial support of the MATRA CAP small projects program of the Embassy of the Kingdom of the Netherlands in Ukraine, the International Renaissance Foundation, WINGS and CEENERGI.

The Ukrainian Philanthropists Forum, which is the first professional association of foundations in Ukraine, directs its activities towards the development of responsible, transparent and accountable philanthropy in Ukraine.

The purpose of this first research by the Forum, was the analysis of the development status of philanthropic institutions in Ukraine and the development of recommendations regarding support for their further development. In this research, charity institutions are viewed as a wide range of non-profit charitable foundations and organizations, active in Ukraine.

It should be noted, that within the framework of this research, for the first time, we tried to introduce a classification of domestic foundations and analyze the specific features of their activity, depending on the type of organization.

This publication presents a report on the results of research regarding the motives and strategies of conducting charitable activity, priority areas for the implementation of charitable programs, as well as the characteristics of program activities of organizations and their expenses for charity. In addition, it determines the fundamental achievements and acquisitions of domestic charitable institutions, and difficulties, standing in the way of their further development, have been isolated.

A list of key tasks, the execution of which will encourage the development of responsible, transparent and accountable philanthropy in Ukraine is presented at the end of the report.

A work group was established for the development of a concept and set of tools for the research, made up of:

- Olha Bezpalko, Doctor of Pedagogic Science, Director of the Institute of Psychology and Social Pedagogy of the Borys Hrinchenko Kyiv Municipal

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- Lyubov Palyvoda, PhD, President of the Counterpart Creative Center;
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- Yakiv Rohalin, Candidate of Medical Science, Director of the Donetsk Municipal Foundation, "Dobrota (Kindness)"; Member of the Board of the Ukrainian Philanthropists Foundation.

The report consists of a foreword, four parts, general conclusions, a glossary of fundamental concepts and supplements.

The following team of authors participated in the preparation of the report: O. V. Bezpalko (Part 3.5), Y. M. Galustian (Parts 3.1; 3.2; 4), A. V. Gulevska-Chernysh (Foreword; Parts 3.2; 4; General Conclusions), H. M. Laktionova (Part 3.4), L. B. Magdiuk (Part 3.7), D. V. Nepochatova (Parts 1; 2), L. M. Palyvoda (Part 3.6), A. O. Prytysk (Parts 3.1; 3.4; 3.7; Glossary of Fundamental Concepts; Supplements).

The authors and the leadership of the Ukrainian Philanthropists Forum hope that this publication will be of use to specialists working in the charity field, for theoretical research and the practical implementation of the knowledge gained.

We will be grateful for your thoughts and views regarding the material presented, and would like to invite you to cooperate with us!

Part 1

# FROM THE HISTORY OF THE ACTIVITY OF PHILANTHROPIC INSTITUTIONS IN UKRAINE

The history of the activity of philanthropic institutions in Ukraine begins in the times of the establishment and development of Kyiv Rus and is literally inseparable from the history of Christianity. The influence of orthodoxy on the formation of the pull towards philanthropy was already begun in the times of Volodymyr the Great.

This part includes individual examples of philanthropic entities and organizations, which have acted on the territory of Ukraine through the ages.

The first Ancient Rus written and legislative records indicate the existence of a specific form of contribution (tithe) for the needs of the Church from contributions, which were given to the prince's court. Using these funds, the Church conducted a broad spectrum of charity work, particularly: care of paupers, the sick, invalids, the elderly, etc. The necessity of this activity was legalized with a relevant covenant of Kyiv Prince Volodymyr.

The tithe practice and the operation of the institute of the Orthodox Church was actually the first and only philanthropic organization in those times, supported by subsequent Princes of Kyiv and supplemented by the patronage of the arts and science in the form of the establishment of libraries, schools, the broad promotion of the copying of books, chronicles, etc.

After the fall of Kyiv Rus, there was an intensive process of the catholicization of the Ukrainian elite, which provoked the establishment of Jesuit schools and catholic churches at the expense of the newly converted Ukrainian princes and noble families. The activity of charity organizations during that era, which even then existed largely at orthodox monasteries, first and foremost consisted of the support of orthodox traditions, having transformed into an instrument of an irreconcilable, acute ideological struggle, which took place in the sphere of spirituality and culture.

The 16th - 18th centuries saw the process of the restructuring of Ukrainian society. Having pressed the ancestral princely-boyar aristocracy, a new stratum of Ukrainian society was established - Cossacks, and with this, the bourgeois-common period, during which time there was a noticeable expansion in the spectrum

of Ukrainian charity organizations, which became the foundation of public welfare. Charity hospitals, refuge shelters, printing houses, schools, etc. were established using the forces of the city brotherhoods; the charity of industrial guilds developed.

Towards the end of the 18th century, Ukraine loses the characteristics of an autonomous state, and its territory is divided between Russia and the Austrian-Hungarian Empires. The culture, language, religious life and art of Ukraine end up under the strict control of foreign states. Although the traditions of philanthropic organizations in Western Ukraine is supported by the Greek Catholic Church, all the same, these institutions fall under the legal and moral-cultural sphere of universal imperial policy, which significantly slows down their development.

However, the situation in this sphere changes for the better after the reforms of 1861. Until then, charity organizations only existed in eight cities of the Russian Empire, which included Kyiv and Kharkiv. A special permit of the Russian Emperor was required to establish a philanthropic organization (society). Already in 1862, the right to establish a private philanthropic society was transferred to the Ministry of Foreign Affairs.

Kyiv became the center for social work in the 19th century. In the second half of the 19th century, there was no other such city in the Russian Empire, where philanthropic institutions achieved such development, as Kyiv. Homes for the elderly, hospitals for the sick, shelters for the homeless, schools and children's nurseries, churches and public facilities were established and maintained at the expense of private contributions [3].

One of the oldest philanthropic organizations in Kyiv located near the Pechersk Monastery by the Reverend Feodosiy Pecherskiy, was already established by 1058 and existed for more than eight and a half centuries. Through the ages, this was a small hospice with St. Stephan's Church, and it was only by the middle of the 19th century that a whole small town emerged from this nucleus, consisting of many buildings, which became known as the lavra hotel. This small charity town had its own hospital, and poor pilgrims could make use of free shelter and a humble "boarding house".

In the 1840s, an attempt was made to separate private charity funds by trusted persons, who well knew the life of the lower classes of the city and were respected by them. In this way, one of the first private foundations was established. This



foundation was located in a two-storey structure, built into the foundations of St. Andrew's Church. The foundation had substantial funds, but their allocation often provoked the displeasure of those, who appealed for help. The entity did not survive for long and after the death of its head, Ivan Bosiy, it was closed down.

A range of unofficial philanthropic organizations also provided assistance to the poor of Kyiv, one of which was the Society for the Aid of the Poor (which was also known as the "Society of Women-Benefactresses"), which was traditionally headed by the wives of Kyiv governor-generals. This society was established in Lypky (the Pechersk District of Kyiv) a whole small charity town - Sulymivka [7].

Other such institutions included the Literacy Society, the Society of Correctional Shelters for Juvenile Offenders, the Society for Homeless Juvenile Orphans (foundlings), the Society for Needy Students, etc.

Philanthropic practice in Ukraine at that time was formed exclusively on a voluntary basis and private initiative, in contrast to Russian benefaction, which operated under the influence of the state. Social funds were established for the first time, entities, whose main aim was to include the population into fully-fledged community life, not just the provision of material support.

In spite of all the differences in the direction of activities and the diversity of social directions, philanthropic societies and organizations had a lot in common. Each of them, as a rule, consisted of real, honorary and associate members. Real members could be those people, who worked directly in a given entity; honorary members were those, who had made significant financial contributions to the society, while associate members assisted in the execution of tasks by the society. It was a simple matter, to become a member of a society: an application was submitted to the board in written or verbal form and then a certain amount of money was entered into the society's cash desk. Monetary contributions were to be annual otherwise the person was no longer a member of the society. The amount of the monetary contribution was determined by the board. Lifelong members of a society were those, who had been real members or associate members for several years in a row. Lifelong, honorary and real members, as well as their family members, had the right to appeal for help from the society.

The funds of societies were made up of subscriptions, one-time donations, other income, interest on capital, income from the enterprises of these societies, fees for public lectures, concerts, evenings (soirees), the organization of lotteries, etc. All funds received were divided into reserve and expendable capital. Reserve capital consisted of donations and other contributions, made under con-

ditions whereby it cannot be touched, namely - 10 to 50% of funds, deducted from the total income of the society. The amount of deductions was established by a general meeting of the members. Expendable capital was made up of other amounts, as well as interest from the reserve capital. Special capital could also have been established, made up of purpose-oriented donations or deductions from total income [9].

During the post-revolutionary and soviet period, philanthropy and social work was unilaterally interpreted as negative phenomena, inherent to the bourgeois culture and foreign to the socialist culture. Soviet powers did not recognize the division of society into rich and poor, benefactors and beneficiaries. The work of charity organizations was deemed unnecessary. It was replaced by the state system for health and social security.

The revival of philanthropic activity began in the early 90s of the 20th century, after the declaration of Ukrainian independence. A legislative base gradually emerged. The legal principles of the activities of philanthropic organizations are determined in Article 36 of the Constitution of Ukraine, which gives the citizens of our country the right to freely join together in public organizations. The Verkhovna Rada (Parliament) of Ukraine approved the resolution "On Philanthropic Foundations" and the Law "On Philanthropy and Philanthropic Organizations". The President of Ukraine issued a Decree "On the promotion of philanthropic activity in Ukraine", the Cabinet of Ministers approved a resolution on the state registration of philanthropic organizations.

According to the valid legislation of Ukraine, a non-state organization, whose main aim is to conduct charity work in the interests of society or individual categories of people, is considered to be a philanthropic organization. Such organizations are divided into membership philanthropic organizations, foundations, philanthropic institutions, foundations, missions, leagues, etc. according to their type of formation [1].

Summing up the historical outline of the establishment and development of philanthropic institutions in Ukraine, it is worth noting that charity - is a feature of the mentality of the Ukrainian people, which has formed over the course of many centuries and underwent the following formation periods:

I (9th - 16th century), the establishment of the simplest philanthropic organizations, on the basis of the institute of the church;

II (18th - mid-19th century): the development of public welfare under state overview;

III (second half of the 19th - beginning of the 20th century): the founding of

philanthropic societies and private foundations, the implementation of a new approach to the development and realization of the state's social policy;

IV (end of the 20th - beginning of the 21st century): revival of the work of philanthropic organizations and the tradition of patronage.

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The background is a dark red color with several white circular and curved line elements. On the left side, there are several overlapping white circles of varying sizes, some with a double-line effect. A large white number '2' is positioned in the upper left quadrant. In the center, the text 'INTERNATIONAL TRENDS IN THE DEVELOPMENT OF FOUNDATIONS' is enclosed in a white rectangular box. The overall design is modern and abstract.

Part 2

**INTERNATIONAL TRENDS  
IN THE DEVELOPMENT  
OF FOUNDATIONS**

Throughout the history of the development of western civilization, foundations were established for many reasons: they were set up for the sake of glory or the immortalization of one's own name, honor, saving the soul, class consciousness or political profit - but for the most part, from altruistic feelings, generosity and nobleness.

Foundations have deep roots in religious beliefs, democratic principles of public work, pluralistic approaches for resolving problems, also in the traditions of an autonomous existence of a person from the state. For this reason, the modern world pays more attention to these institutions ever more often - they began to play a key role in political, economic, social and ecological considerations.

Today, foundations work to improve the conditions and quality of peoples' lives, promote public initiatives and form an active civil society. In Western Europe and the USA, almost one third of social programs are conducted by these organizations. According to different data, there are more than 65,000 foundations registered in the USA. In Europe, this amount wavers between 80 and 100,000. And even though for western international society foundations are not a new phenomenon, research of the development of European foundations shows that nearly 40% of all foundations in Western Europe were established near the end of the 20th century [10], while in the USA, 7 new organizations are established every day.

As a rule, philanthropic organizations provide grants and sponsorship, and implement their own charity programs. Researchers ascertain that 26,000 foundations in nine countries of Western Europe report that they spend more than EUR 51 billion, which on average is EUR 2 million per foundation [10].

Table 2.1. The Expenses of the Foundations of European Countries.

Country	Загальні витрати фондів Total expenses of the foundations (EUR)(€вро)	Year
Germany	35 000 000 000	1999
Italy	4 848 597 000	1999
Great Britain	3 231 100 000	2001/02
France	3 139 000 000	2001
The Netherlands	2 672 180 000	2003
Spain	925 971 000	2003
Sweden	656 000 000	2001/02
Finland	387 727 000	2001
Belgium	150 000 000	2001
<b>Total</b>	<b>51 010 575 000</b>	

In the USA, charity expenses exceeded those in Europe. For example, in 2005, the total volume of expenses exceeded USD 260 billion, which were directed towards the support of: religion (35.8%), education (14.8%), public health (8.7%), areas of social services (9.7%), operational funds (8.3%), social welfare (5.4%), culture and the arts (5.2%), the environment and animals (3.4%), international projects (2.5%) etc.

A significant resource of foundations is volunteer work. There are 144,500 volunteers working in more than 10,000 organizations of 6 European countries - on average, 14 people per foundation. In the United States of America, 83.9 million Americans (44% of the adult population) worked as volunteers for a total of 15.5 billion hours in 2000.

Today's world is living in a period of economic globalization. New American and European foundations are opening in Africa, Asia, Latin America, as well as Central and Eastern Europe. They join together experts from industrial organizations, management bodies, academic circles and civic groups for the resolution of the most urgent issues and the finding of successful decisions. These institutions have already made, and continue to make their significant contribution in the spheres of health, the environment, youth development and the renewal of the social structure of communities throughout the world. A lot of foundations are currently involved with the problem of HIV/AIDS, malaria and tuberculosis; they spend millions of dollars on research and projects for the expansion of vaccination programs for children in the poorest countries of the world. For example, the Bill and Melinda Gates Foundation spends more than USD 1 billion annually - almost as much as is spent by the World Health Organization - for the resolution of these problems.

Many Western foundations are expanding the scope of their financing and research regarding the development of higher education throughout the world. This is the aim of the John D. and Catherine T. MacArthur Foundation, the Ford Foundation, the Rockefeller Foundation, the Carnegie Corporation of New York, the William and Flora Hewlett Foundation and the Andrew W. Mellon Foundation, who joined together in the "Partnership for Higher Education in Africa". Together, these organizations made contributions of more than USD 150 million and took upon themselves the responsibility to donate a further USD 200 million over a period of five years for the support of a range of universities in Ghana, Mozambique, Nigeria, the Republic of South Africa, Tanzania, Uganda and Kenya.

For many international foundations, their charity programs are a beneficial investment of capital. Specifically, there are charitable programs for the financing of fundamental research. By giving a small grant and conducting research, a foundation gains access to the results of the project, "know-how", the economic effect from the implementation of which exceeds invested funds several times over. Another example of somewhat significant benefits - programs for the financial support of young people in the third world, which allow the selection of the most promising and talented young people, thus ensuring not just the selection, but also the "drain" to economically developed countries.

Researchers call these trends in the development of foundations "new philanthropy", which is based on the principles of the rational use of charity resources. The result of this process is that the trend of most projects is to establish human capital, as well as to develop social initiative. The charity sector is becoming more significant in its tasks and aspirations, which also means more significant from the social point of view.

So, for the sake of self-preservation in any era and under any conditions, foundations have developed the ability to constantly adapt and change, depending on the transformation of the concept of public good and the needs of society. It is for this reason that in the international consciousness, foundations are seen as an instrument, which is constantly being modified, and serves to raise social prosperity. This is a means for the steadfast renewal of the goals set before the community, the review of boundaries which separate civil society, the state and the market.

Foundations impress with the diversity of their programs and approaches for their implementation. Based on the source of financing and work programs, they count on community foundations, as well as private, corporate and operational foundations.

## Community Foundations

The most successful form of philanthropy in the world is considered to be the work model of community foundations. A flexible organizational work system practically guarantees these foundations eternal existence. They receive money, which members of the public bequeath for a charitable purpose. As a rule, such foundations do not implement independent projects themselves - they select a public or charitable organization which takes all the work upon itself - the implementation of projects, aimed at the well-being of the community in which the foundation is operating. Fund allocation and the control of their use are con-

ducted by a board of trustees. As a rule, community foundations have a so-called endowment - reserve capital, which is not spent on charitable matters, but is invested. Income from this ensures the stable replenishment of the foundation's funds.

The first community foundations appeared in the USA in the early 20th century, and at present, there are more than 700 such foundations with an aggregate assets value of more than USD 30 billion. Every six months, community foundations in the USA collect approximately USD 1 billion.

In Europe, the pioneers, who in the 1970s adopted and adapted the concept of community foundations, were the British. Their foundations are distinguished by their volumes - from a foundation which covers the whole of Northern Ireland, to relatively small organizations in towns with a population of not more than 20,000. The capital of one of the first foundations in Great Britain, established in 1979, the Voluntary Trust of Northern Ireland, constitutes GBP 17 million. The second largest is considered to be the Tyne and Wear Community Foundation, also with assets of GBP 17 million.

In other European countries, the rapid development of this model began in the mid-90s. For example, in Germany, the first community foundation was established in the town of Gutersloh, the Stadt Stiftung Gutersloh, in 1996. The foundation was established due to the initiative of a local resident, who, having heard about the American experience, was able to gather people around himself who were full of initiative. 9 city foundations have been established since the end of 1996 in: Dresden, Hannover, Munich, Berlin and other cities. Active support for the establishment and development of the German institute of community foundations was provided by other charitable organizations, including such well known private foundations as the Bertelsmann Stiftung, Korber Stiftung, etc.

Central and Eastern European countries also have successful examples of the establishment of community foundations. The first of them was the Slovakian City Charitable Foundation "A Healthy Society" in Banska Bistrina, established in the mid-1990s. Since then, 4 more foundations have been established in Slovakia, thanks to the active support of the "Open Society" Institute. In Poland, for example, the first foundation, the Snow Mountain Community Fund was organized at the end of 1998 in the city of Bistrina Klodzko, and by the end of 2000, this country already had 13 such foundations.

The reasons for the active expansion of this type of charitable foundation also includes the development of international cooperation in the area of charity, a



change in the influence of local authorities in the local community, an increase in social and economic problems and the impossibility to resolve them via traditional means, as well as a strengthening of the third sector.

## Corporate Foundations

*The first corporate foundation* was established in 1917 in the USA by Sears and Roebuck, on the initiative of its owner, Julius Rosenwald, who personally established more than 5,000 schools for the Afro-American population in the southern states of the country. At present, this country has the largest number of registered corporate foundations - more than 2,600. In 2005, American foundations donated USD 4.2 billion for the implementation of their own charity programs [11].

There are 126 corporate foundations in Great Britain, and this country is in second place for number of such organizations [13]. At the same time, for example, France has more than 83.

European researchers divide these organizations into foundations which have at their disposal more than 50% of a company's shares (and thus receive more than half of total income for the execution of their own missions); and foundations which are financially dependent on an annually approved budget of a company for philanthropy.

In Western Europe, most corporate foundations are found in Denmark, Sweden, Germany and Great Britain. The following are among the top ten richest European Foundations [12]:

Table 2.2. Corporate Foundations of Western Europe.

Name of the Foundation	Country	Capital, in EUR
"La Caixa"	Spain	303 million
"Monte dei Paschi di Siena"	Italy	183 million
"Cariplo"	Italy	155,9 million
"Compagnia di San Paolo"	Italy	134,8 million
"Cassa di Risparmio di Torino"	Italy	109,7 million
"Migros Kulturprozent"	Switzerland	100 million
"Else Kroner-Fresenius"	Germany	65 million
"Bertelsmann"	Germany	56,7 million
"Robert Bosch"	Germany	55,6 million
"Caja Madrid"	Spain	44,7 million

A range of reasons can explain the significant increase in the number of corporate foundations throughout the world. First of all, it anticipates tax benefits. The legislation of many countries allows the use of part of the income of commercial structures for philanthropic purposes instead of paying relevant taxes. Arguments on the part the government are quite obvious. Charitable foundations allocate funds for the financing of social programs and projects; in other words, they partially take upon themselves the execution of the functions of state bodies: the provision of aid to invalids, the needy, work with children and teenagers and the education of the population. Secondly, international research shows that companies, involved in charity work, have a whole range of economic benefits: an increase in the volume of sales and market share, a strengthening of their brand position, an improvement in their image and a strengthening of their influence, reduction of production expenses, etc.

Corporate foundations allocate their resources by various means, the most popular of which are grant and charity programs. Another popular means of work used by these foundations is the granting of scholarships, which, as a rule, are given within the framework of long-term and subject orientated programs.

## Private Foundations

The first *private foundations* emerged more than a thousand years ago. During the middle ages, the founders of European foundations were knights. This function was later taken over by representatives of the aristocracy, and at the end of the 19th century - representatives of big business (Rockefeller, Kellogg, Mellon, Morgan, Charles Stewart Mott, Henry Ford, etc.).

Today, more than 4,200 private foundations (trusts) are registered in Great Britain. There are several thousand private foundations operating in Germany, tens and hundreds of foundations in other countries of continental Europe.

The greatest prosperity of private and family types of foundations was achieved in the USA, where at present more than 60,000 private and family foundations with a total capital of USD 476 billion have been established. Private and family foundations in the USA provide USD 30 billion annually in the form of grants and donations. The capital of foundations is a significant part of the country's financial basis and its GDP. At the same time 100% of US foundations do not have any relations with the government of the United States and 90% of them only allocate funds for domestic programs. Two thirds of foundations have been established in accordance with behests. However today, ever more rich people establish their own foundations while they are still alive.

As a rule, the founders of private foundations are rich people and their families. An entrepreneur allocates a significant amount of his capital or income to the foundation and, more often than not, gives the organization his name. Several generations can participate in the operation of a family foundation: parents, children, grandchildren.

If a foundation was established while the donor was still alive, the founder himself participates in its management. In the case of the establishment of a foundation as a result of a behest, management is transferred to special boards of directors, which approve all key decisions.

The financial basis of most private funds is an endowment - funds, which are allocated one time by the founder, are deposited in a bank or invested, and a percentage is used for charitable programs. The establishment of constant capital allows a private foundation not only to exist for a long time, but also increase capital by means of investment. For example, the capital of the Ford Foundation at the time of its establishment was only USD 25,000. Today, the capital of this, the largest foundation in the world, totals more than USD 20 million. The oldest foundation in the world was established in Great Britain in the 1st century a.d; it is still operating and bringing benefit.

However, if the founder of a foundation is not ready to establish constant capital, there is another financing model - expendable endowment. In this case, capital is invested, but both the interest and principal is spent. And finally, it is possible to establish a foundation into which the owner deposits funds every year. This is the model which has been adopted by most private foundations in developing countries.

For rich people, from the very start, philanthropy was an area where they could exercise their own entrepreneurial talents. For this reason, the development of private foundations took place in an atmosphere of competition between their owners, who have entered a new market, in which the return of investment takes the form of prestige. And they have achieved remarkable results in this activity, after all, today, private foundations hold top positions on the list of the richest foundations on the planet (the Robert Bosch Foundation, the Bill and Melinda Gates Foundation, the Ford Foundation, the Rockefeller Foundation, etc.).

In accordance with the latest trends, international private foundations give preference to the awarding of grants, in other words, purpose-oriented funds for the projects of other organizations. Grants can be given on the basis of an open competition, or the supervisory council (board of directors) independently

chooses the best projects amongst those which have been submitted to the organization during the year. The second most popular means for providing assistance is the granting of scholarships and individual grants to scholars, researchers and activist in the artistic sphere.

## Operational Foundations

Together with foundations, which spend their capital on the support of the charitable initiatives of other organizations, those implementing philanthropic programs, aimed at achieving their own mission, are also operating actively. Such organizations are known as "operational foundations". They are established by private individuals and are financed at the expense of other donor organizations. The employees of such organizations include qualified specialists and experts. They concentrate their efforts and invest their resources in the sphere of social services, health, education, science, art and culture. Programs related to human rights, the provision of work for people with special needs, access to medical and pension insurance, etc. are developing dynamically.

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6. D.A. Smith, K. Borgman, *Philanthropic Institutions in European Countries: Historical Context*// *Domestic Records. Journal for Slow Reading* - № 4 (31) - 2006. - <http://www.strana-oz.ru/>
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10. *Foundation Facts and Figures Across the USA* - Association Private Health for Public Benefit. - Research, April 2005. - European Foundation Center.
11. *Key Facts on Corporate Foundations*. - Foundation Center. - USA, 2007.
12. *Philanthropy In Europe, Issue 25-12/2006*.
13. *Revealing the Foundations: A Guide to Corporate Foundations in England & Wales*. - the Smart Company. - UK, 2006.

The background is a dark red color. It features several white circular elements of varying sizes, some of which are partially cut off by the edges of the page. These circles are arranged in a way that suggests a network or a series of interconnected points. There are also thin white lines that curve across the page, intersecting with the circles. The overall aesthetic is modern and minimalist.

Part 3

ANALYSIS OF  
RESEARCH RESULTS

## 3.1. METHODOLOGICAL PRINCIPLES FOR CONDUCTING THE RESEARCH

**Purpose:** to analyze the status of the development of philanthropic institutions\* in Ukraine and develop a strategy, aimed at the development of responsible and transparent philanthropy in Ukraine.

*\*By philanthropic institutions we mean a wide range of non-profit foundations and organizations, operating in Ukraine, particularly: operational foundations, community foundations, corporate and private foundations.*

### **Task:**

- To discover basic principles for the activities of philanthropic institutions in Ukraine (activity purpose and strategy, directions, forms and method of operation, organizational development level, etc.).

- To look into the basic problems which stand in the way of the effective operation of philanthropic institutions in Ukraine: in the legislative, tax and financial spheres; those which pertain to the internal development of the organization; interaction with other charity institutions, etc.

- To determine priority types of support and services, which are required by philanthropic institutions in order to conduct responsible and effective charity work in Ukraine.

**The subject of the report** is the activity of charity organizations and foundations in Ukraine.

**Target groups/entities:** heads and managers of philanthropic organizations and foundations (corporate, private, operational and community foundations).

### **Hypotheses:**

- Philanthropic institutions face certain difficulties during the implementation of charity activity in Ukraine.

- Positive changes in state policy are required for the further development of the charity sector (the improvement of the legislative base, tax regulation, registration and reporting).

- Charity organizations require additional services, support and certain measures, aimed at the strengthening of their organizational potential: in improving the qualifications of employees and volunteers; in access to information, etc.

### **Research Methods:**

- 1) electronic survey, in which the representatives of 110 philanthropic organizations and foundations participated;

- 2) focus groups with representatives of charity organizations (4 focus groups

were conducted in all; the total number of participants - 21);

3) individual interviews with the heads of foundations (10 interviews were conducted);

4) an analysis of sources of information (the internet sites of philanthropic foundations and organizations, annual reports, information in the mass media, domestic scientific research and the materials of the All-Ukrainian "Community Foundations in Ukraine: Their Status and Development Prospects" Conference (14 March 2008, Kharkiv).

**Duration:** January - April 2008.

**Geography:** all regions of Ukraine (Table 3.1.1.). During computation, the cities of Kyiv and Sevastopol were not distinguished individually (these indicators were included in the data of the Kyiv Oblast and Autonomous Republic of Crimea respectively).

Табл. 3.1.1. Географічний розподіл респондентів

№	Oblasts	Number of Respondents
1	Kyiv	30
1	Lviv	
3	Donetsk	9
4	Kharkiv	8
5	Dnipropetrovsk	7
6	Zaporizhya	6
7	Cherkassy	6
8	Ternopil	4
9	A.R. of Crimea	3
10	Mykolayiv	3
11	Poltava	3
12	Chernoivtsi	3
13	Transcarpathia	2
14	Sumy	2
15	Khmelnysk	2
16	Ivano-Frankivsk	2
17	Zhytomyr	1
18	Kirovohrad	1
19	Odessa	1
20	Rivne	1
21	Kherson	1
22	Chernihiv	1
	<b>Total</b>	<b>110</b>



## The Characteristics of Organizations Participating in the Research:

An analysis of the forms received showed that the representatives of different types of foundations and organizations, operating in Ukraine, participated in the electronic survey. It should be noted that in order to correctly interpret the type of organization, the set of research instruments also included the determination of proposed types of organizations. It emerged that more than a third of the respondents (36%) represented operational foundations (established by legal entities or private individuals), directing most of their activity towards the implementation of their own (often special-purpose) projects and programs, attracting external sources of financing; 29% represented philanthropic organizations - non-state organizations, established by legal entities or private individuals, the main aim of which is to conduct charitable activity in the interests of society or individual categories of people, 10% - community foundations (such foundations work in a clearly defined region with the aim of resolving the issues of the residents of the given region by means of the implementation of local projects and programs; for its work, a foundation can use diverse sources of financing - the donations of local businesses, the local budget and public contributions); 6% of those participating in the survey accordingly represented private foundations (established using the funds of one person or a family for the execution of defined charity programs) and corporate foundations (philanthropic, established by a business corporation, commercial entities for conducting systematic charity work; for the most part, the largest portion of the financial income of corporate foundations are contributions from the company-founder); 3% indicated their foundation as being of a religious nature (established and affiliated to a religious organization with the purpose of conducting charity work, the study and distribution of religious literature and other cultural-educational activity (see Diagram 3.1.1).

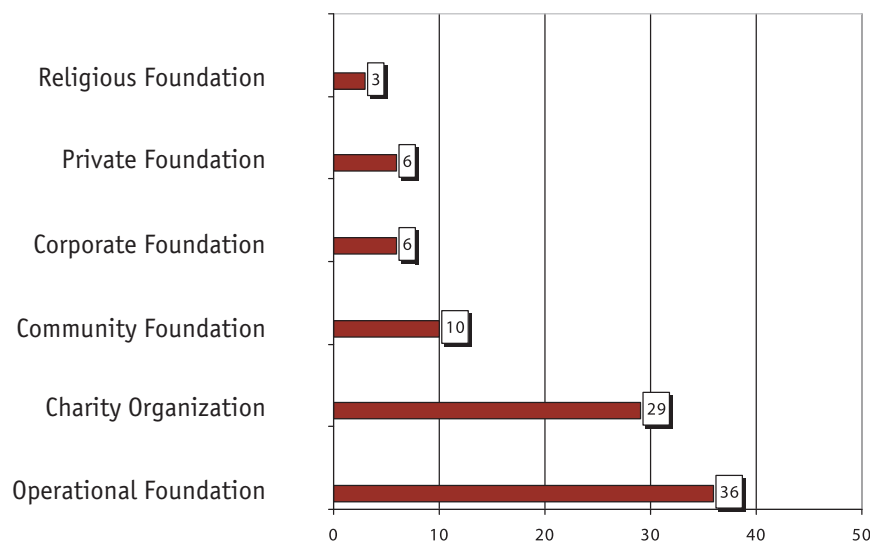


Diagram 3.1.1. Type of Philanthropic Organization (%).

## 3.2. AN ANALYSIS OF THE DEVELOPMENT STATUS OF PHILANTHROPIC ORGANIZATIONS IN UKRAINE (GENERAL RESULTS OF THE RESEARCH)

The summing up of data regarding the period of the establishment of foundations and philanthropic organizations is proof that the large majority of them (82%) was established after 1997, when the Law of Ukraine "On Philanthropy and Philanthropic Organizations" was approved (№ 531/97-BP dated 16 September, 1997) (see Diagram 3.2.1).

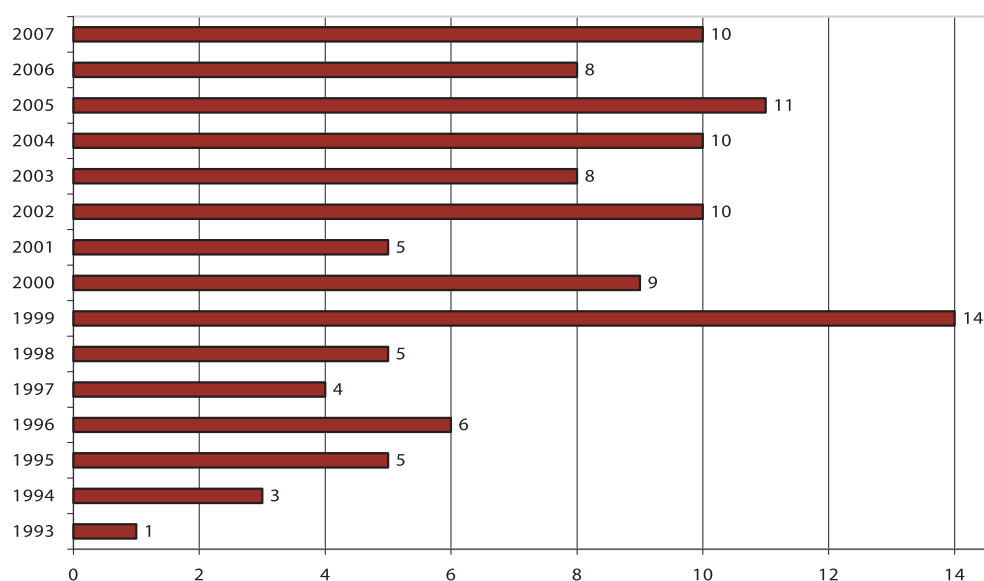


Diagram 3.2.1. The Year in which Philanthropic Organizations were Founded (N).

However, a comparative analysis of the dates on which various types of foundations were established, indicates that most operational foundations (more than 60%), were established in Ukraine prior to 2003. The founding of the vast majority of domestic community foundations took place during the period 2002 - 2005. It was namely in 2005 that the process of the registration of the first Ukrainian private and corporate foundations was accelerated.

According to the results of a sociological study, it emerged that in most cases (81%), the founders of charity organizations are private individuals. As far as other founders are concerned, the answers of the respondents were divided as follows: community organizations - 14%, commercial organizations - 7%, religious organizations - 4% (see Diagram 3.2.2).

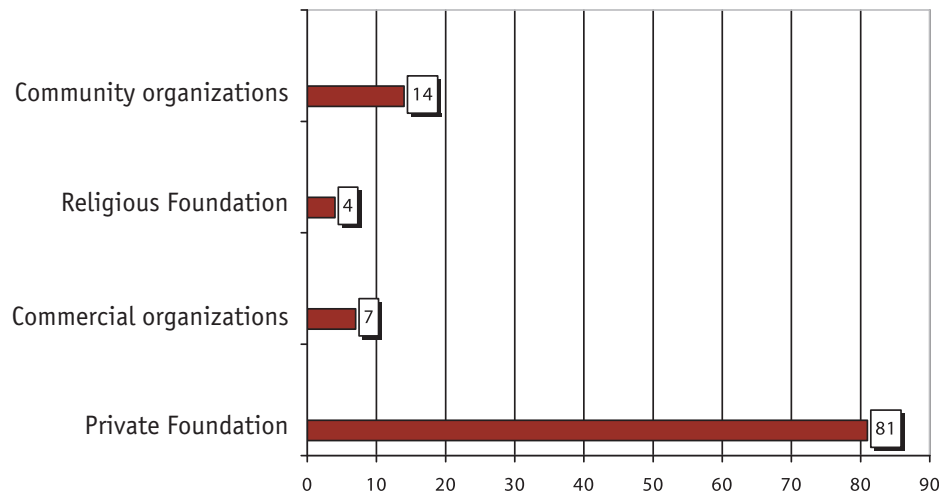


Diagram 3.2.2. Founders of Philanthropic Organizations (%).

Namely private individuals are the key initiators of the establishment of domestic private foundations (100%), community foundations (90%) and operational foundations (85%). To a large extent, community foundations joined in the establishment of operational foundations (10%); commercial structures were the principal founders of corporate foundations (100%), also in individual cases, the founders of community and operational foundations.

Interviews with the heads/managers of diverse charity institutions allowed us to separate the key motives, which caused private individuals or commercial structures to establish philanthropic organizations:

- The wish to join together efforts in the provision of assistance to the needy and deprived;
- The intent to mobilize resources in order to resolve the problems of an individual category of the population (for example, handicapped children, cancer patients, the elderly, etc);
- The wish to improve social difficulties in the community in which the founder lives;
- The wish to try out successful international practices for the resolution of one or other social problem under the conditions in Ukraine;
- The possibility to manifest own leadership and organizational skills in the charity sphere;
- Other.

For the founders of private foundations, the key motive is to search for new spheres of activity after attaining business success, the wish to share one's own

success with others, the realization of own convictions and ambition, as well as recognition in society.

A commercial organization, creating its own foundation, first and foremost pursues the goal of the practical implementation in its activities of the principle of social responsibility. Thanks to the activity of this foundation, it has the possibility to guarantee the longevity of the company's success and the stability of the socio-economic environment, in which it is working; to increase the non-material component of business value; to call forth the loyalty of employees, clients and the state.

Data of a comparative analysis of the mission/strategic tasks of the activities of the foundations are quite interesting. The mission of the large majority of operational foundations is aimed at the resolution of determined social problems of Ukrainian society or for the support a clearly defined socially susceptible category of society. For example, the mission of the Ukrainian foundation "Child Well-Being Fund" is to provide positive changes for the sake of establishing a favorable environment for the revelation of the full potential of each child in Ukraine. The main principle of the Uman-based charitable fund "Probudzhennya (Awakening)" is the practical accomplishment of local, regional, nationwide and international programs, aimed at the prevention of socially harmful phenomena in society (crime, prostitution, alcoholism, drug addiction, the spread of HIV/AIDS and other sexually transmitted diseases) on the territory of the city of Uman. With their activities, domestic operational foundations cover just about the whole spectrum of socially vulnerable categories of the population of Ukraine.

The key strategic tasks of community foundations include: the development of self-organization groups of the population and the implementation of social order (the Mykolayiv Development Foundation); the activation of the residents of local communities by means of the development of local initiatives (Dnipro Association of Regional Development); the development of local philanthropy (the Dobrota Foundation) etc.

A specific feature of the activities of domestic corporate foundations is the definition of their purpose, aimed at resolving the urgent tasks of Ukrainian society. In particular, a key goal of the activities of the Krona, All-Ukrainian Charitable Foundation (established on the initiative of the Nika group of companies) is the provision of assistance to orphans, children deprived of parental care, handicapped children, and children of other socially susceptible categories. All-

Ukrainian Charity Fund Children's World (established by Nadra Bank) defined its mission as assistance in the reduction in children's mortality in Ukraine, by means of joining together the efforts of state and local authority, non-government organizations, the citizens of Ukraine, international donor structures and representatives of the business environment.

Determining the mission of the work of private foundations, their founders are generally oriented towards the resolution of strategic nationwide tasks, shaping the image of Ukraine, strengthening its potential in the areas of medicine, culture, science, etc. The mission of the Victor Pinchuk Foundation is to make a contribution to the modernization of Ukraine and support the emergence of a new generation of Ukrainian leaders wishing to serve their country. Renat Akhmetov's Development of Ukraine Foundation sees its mission as the establishment of a foundation for the successful and stable development of Ukrainian society, investing in the education of future generations, the health of the nation and the preservation of the development of Ukrainian culture. The "Open Ukraine" Foundation was established on the initiative of Arseniy Yatsenyuk and Zbigniew Dzhyzmal for the strengthening and development of Ukraine's authority in the world.

## The Operational and Grant Activities of Organizations

In accordance with the determined mission/strategic goal, each foundation selects several spheres of priority, within the framework of which the whole program activity is conducted. Research results show that most active Ukrainian philanthropic organizations and foundations, generally established in the late-1990s and early 2000s, underwent a complex stage of organizational development, during which there was a transition from a chaotic implementation of diverse initiatives to the concretization of the spheres of their activity and the definition of their fundamental strategic tasks. This is what gave their activities greater transparency and understanding for both society and the state. Charitable organizations, established during the last two years, generally determine their priorities at the initial phase of their activities.

Representatives of foundations single out the following as priority spheres of the above-mentioned activities: the social welfare of the populace (69%), health (49%), education and human rights (48% each), community development and support of public initiatives (47% and 46% accordingly). As regards other spheres of activity, shown in Diagram 3.2.3, 40% of respondents said culture; a

third of responses were gained by leisure activities (35%) and democratic change (31%).

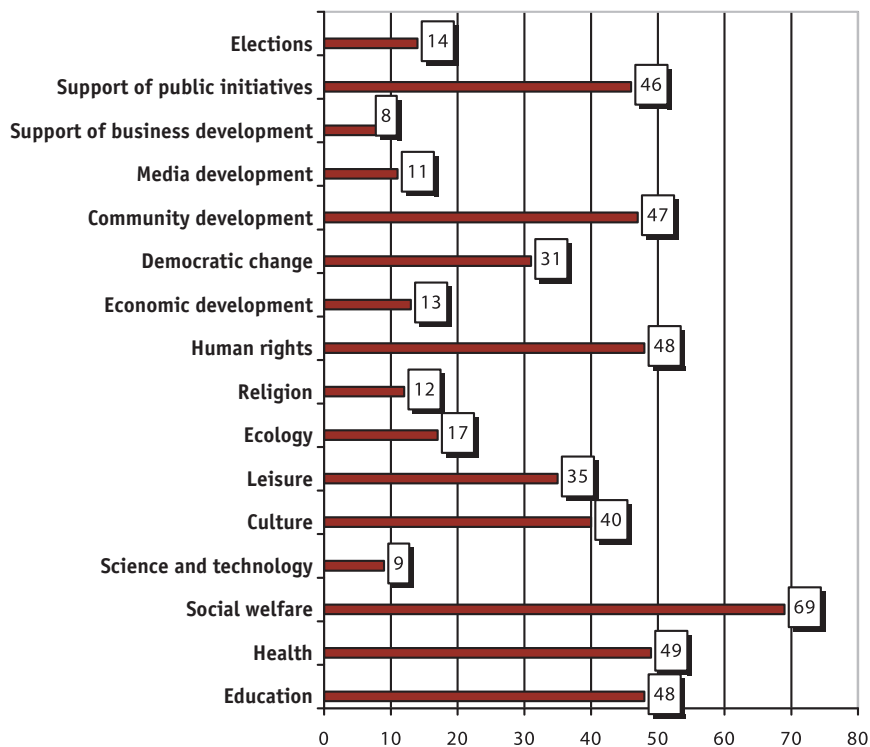


Diagram 3.2.3. Break-Down of the Answers Provided by Respondents to the Question:

"Which is the sphere in which your organization operates?" (%)

As the research results show, the foundations' areas of activity are distinguished according to their type. However, it was interesting that the field of social welfare is of the highest priority for operational foundations (64%), community foundations (73%) and for private foundations. Another priority direction is health, in which 51% of operational foundations, as well as the majority of private foundations focus their activity. However, other strategic directions of activity differ significantly, depending on the type of foundation. For community foundations, the important areas of their activity are the support of community organizations (63%) and community development (55%). Private and corporate foundations devote considerable attention to the development of culture and education.

An analysis of the programs of domestic foundations proves that for the large majority of these entities (regardless of the type of organization) the principle approach in the realization of their program activity is the implementation of their own operational programs. This is the significant difference between Ukrainian private, corporate and community foundations and their western partners. In international practice for the above-mentioned three types of founda-

tions, the provision of grants is the basic direction, which makes their activity unique and necessary for society.

As representatives of different types of philanthropic organizations participated in the research, it is considered expedient to conduct a comparative analysis of their operational program.

A specific feature of the programs of operational foundations is the development and implementation of innovative models for social work, aimed at suspension or reduction in the spreading of individual negative phenomena, or for the resolution of certain problems, which the state is currently incapable of resolving on its own, such as: the rehabilitation of children and adults with special needs, the prevention of drug addiction, care for the elderly, HIV/AIDS prevention, support for cancer patients, etc. Operational foundations are largely the organizations which directly provide a broad spectrum of social services for the population and, as a rule, have relevant specialists from the social sphere on staff.

Domestic community foundations make considerable efforts to develop local philanthropy, activate the local population, organize social partnerships and mobilize the resources of the community. These foundations are links which unite local authorities, initiative groups and business structures.

The realization of diverse social programs is one of the specific features of Ukrainian corporate foundations. An analysis of the spectrum of their program activity showed two key approaches, which is applied by them when developing their own operating programs:

- The introduction of activity with narrow specialization, aimed at the resolution of the problems determined in the mission/strategic goal of the foundation (for example, the reduction in child mortality, the social adaptation of pupils at residential schools (for orphans), etc);

- Support and the introduction of a wide range of initiatives, aimed at improving the quality of life in the community, in which the company - owner of the foundation is located.

An important characteristic of the operating programs of private foundations is their individuality in their approach to one or other problem. In contrast to all other types of foundations, it is quite difficult to determine a single typological program in this particular category of charitable foundations, other than the spheres in which they work (and this, first and foremost, was the safeguarding of cultural legacy and traditions, improving the health of the nation, increasing the potential and development of Ukraine's authority). This is why program approaches, which are applied by them (be it the establishment of a school of economics or an art center, or the initiation of a "digital journalistic" studio and conducting a

Love Fashion AID show) are always distinguished by their uniqueness.

Within the framework of operational programs, all charitable organizations, involved in the research, provide a wide range of services and are involved in different types of activity.

According to the survey conducted, it emerged that the large majority (86%) of philanthropic organizations, which participated in the survey, provide informational services, 62% - educational, nearly half of them provide psychological and legal services (50 and 45% respectively) (see Diagram 3.2.4). Other services provided by charitable organizations include: everyday (32%), medical (28%), intermediary (26%) and employment opportunity services (20%).

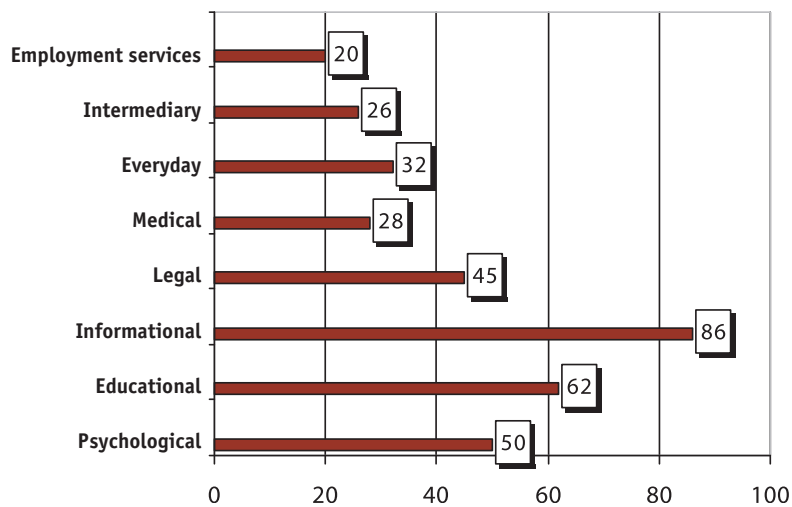


Diagram 3.2.4. Break-Down of Answers Provided by Respondents to the Question: "What types of services are provided by your organization?" (%).

The survey anticipated the clarification of real types of activity, with which the charity organizations are involved. According to research results, it emerged that the principal and predominant activity for many organizations is consultations (71%). A significant part of those surveyed (66%) indicated the conducting of charity events (charity concerts, fairs, auctions, TV and radio marathons), 57% each fall to such types of activity as the development and publication of information-methodical materials, monitoring and evaluation, the representation and protection of interests, lobbying. Of the types of activities, nearly half of the organizations represented in the research distinguished training (54%), conducting research and social support (46% accordingly), social (medical or psychological) rehabilitation (44%). As far as the other types of activities, which were indicated on the part of the representatives of charitable organizations, responses were divided as follows: the technical outfitting of institutions with modern equipment (31%), support of the activities of resource (informational, consulta-



tion) centers (26%), internships (26%), legislative initiatives (21%) and policy analysis (16%) (see Table 3.2.1).

Table 3.2.1. Types of activity, conducted by charity organizations ( %).

Type of Activity	%
Consultation	71
Conducting charitable events (charity concerts, fairs, auctions, TV and radio marathons)	66
Development and publication of information-methodical materials	57
Monitoring and evaluation	57
Representation and protection of interests, lobbying	57
Training	54
Conducting research	46
Social support	46
Social (medical or psychological) rehabilitation	44
Technical outfitting (re-equipment) of medical (social, educational) institutions with modern equipment	31
Support of the activities of resource (informational, consultation) centers	26
Internships	26
Legislative initiatives	21
Policy analysis	16

Although consultations are a priority type of activity among most respondents, data provides evidence of the fact that operational foundations are the ones that make the most use of this practice (72%) and community foundations (73%). Other types of activity which are important to operational foundations are benefits (67%) and social support (54%). On the other hand, 73% of community foundations are involved in the representation of the interests of the citizens and the publication of informational material. For the large majority of private foundations, the most widespread types of activity are conducting benefit campaigns, research and the technical fitting-out (provision of additional equipment) of medical/social/educational institutions with modern equipment. Corporate foundations focus their attention on the development and publication of informational-methodical material, training, as well as conducting charity campaigns.

According to the results of an on-line survey, respondents (53% affirmative answers) indicated that within the framework of their program activity, philanthropic organizations provide purpose-oriented benefits to various categories of the population, namely:

- socially vulnerable sections of society and the elderly - 41% ;

- orphans and children deprived of parental care - 23%;
- pupils at residential schools (for orphans) - 3%;
- drug addicts, alcoholics and their family members - 6%;
- HIV-positive patients - 7%;
- large families and problem families - 7 %;
- single mothers - 4%.

Children suffering from different types of serious illnesses, students, servicemen, participants in the liquidation of the Chernobyl Nuclear Power Plant, as well as prostitutes, convicts, etc, are also not forgotten.

In spite of the fact that grant programs are not a top priority for most domestic foundations, this type of activity is in the portfolio of 39% of philanthropic organizations. This activity is represented in all spheres in which charity organizations operate (See Diagram 3.2.5.).

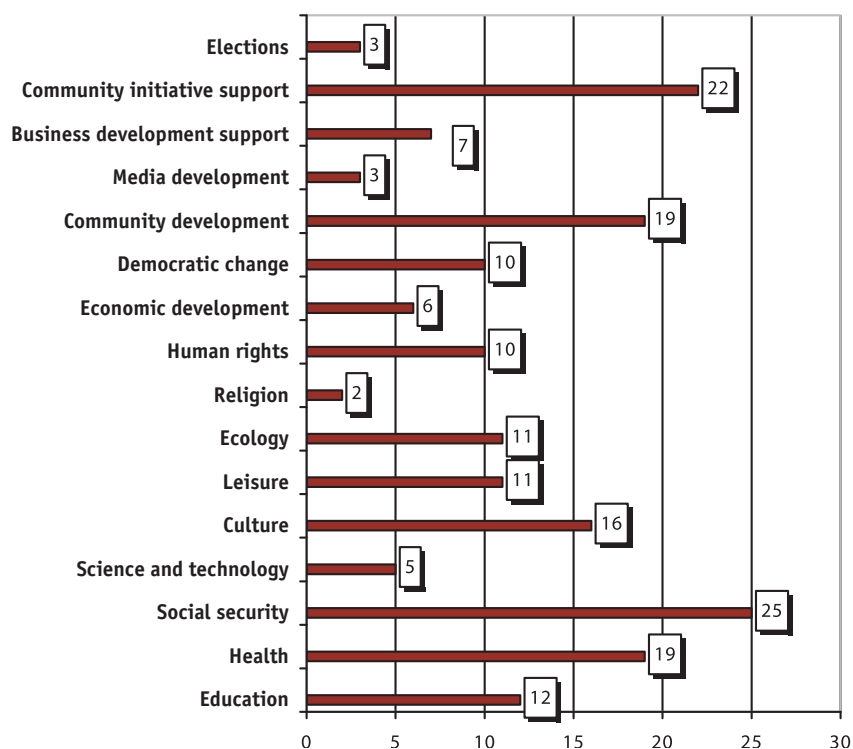


Diagram 3.2.5. Break-Down of Answers Provided by Respondents to the Question: "In which sphere does your organization provide grants?" (%).

Research instruments also anticipated an analysis of the recipients of grants provided by philanthropic organizations. It emerged that most grants were provided by community organizations (74%), 35% representatives of charity organizations indicated private individuals, 9% - state entities, 7% - local authorities, and 20% of respondents indicated "other", without giving specific details (Diagram 3.2.6).

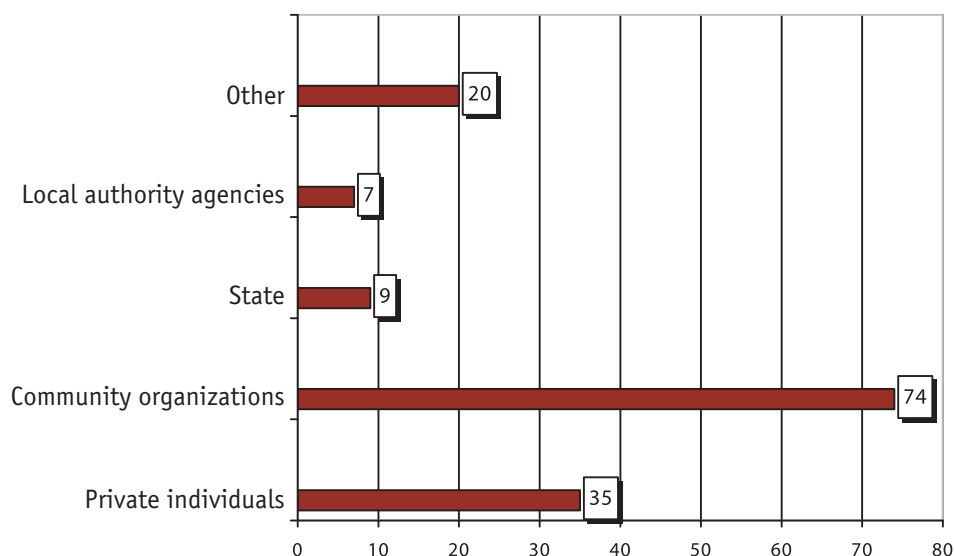


Diagram 3.2.6. Break-Down of Answers Provided by Respondents to the Question: "If your organization provides grants, then to whom?" (%).

## Sources and volume of the financing of philanthropic organizations

The questionnaire for the representatives of philanthropic organizations included a question on the sources of these organizations' budget income. The answers received from 63% of respondents indicated such a type of income as grants from international organizations, 53% of the respondents said charity assistance from commercial structures, while 65% of those participating in the survey, mentioned the charity contributions of private individuals in the budget structures of their organization. The distribution of other versions of answers is determined in Diagram 3.2.7.

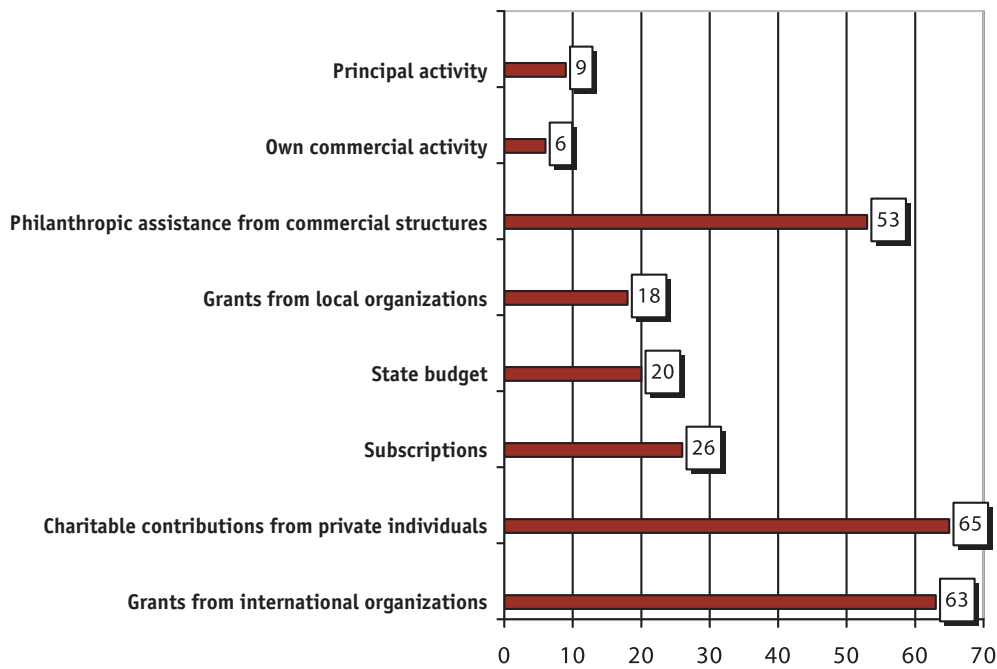


Diagram 3.2.7. Break-Down of Answers Provided by Respondents to the Question: "What are your organization's sources of income?" (%).

The data provided shows that overall, the financial stability of philanthropic foundations and organizations, to a large extent, is dependent on international donors, which makes the activities of foundations and organizations unstable. First of all, this pertains to operational and community foundations, for 70% of which this source of income is of a top priority in the replenishment of their own budget. Corporate foundations actively use international grant programs in the formation of their resource base. None of the domestic private foundations participating in the research make use of this source. For all types of foundations, the contributions of private individuals and commercial structures are important. At the same time, access to the state budget is only enjoyed by 20% of operational foundations.

If an analysis is made of the answers provided by respondents regarding the volume of the provision of philanthropic assistance for the year (volume of expenses for philanthropic activity), then it's clear, that a little more than a quarter (28%) of charity organizations, whose representatives participated in the survey, spend up to UAH 50,000 on charitable activities, almost the same amount of organizations (27%) - spend ten times more - up to UAH 500,000. 18% of those surveyed declared that their organizations spend up to UAH 100,000 on such activity, while 17% - from UAH 1 million (see Diagram 3.2.8).

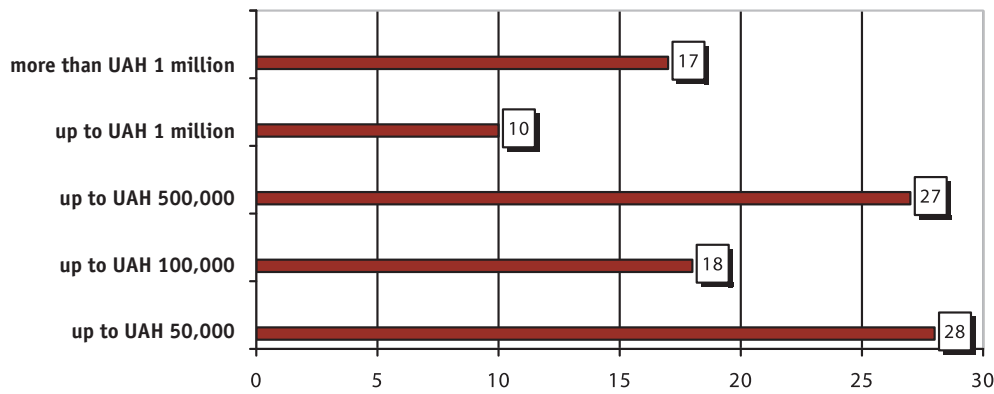


Diagram 3.2.8. Break-down of answers provided by respondents regarding the volume of charity assistance per annum (%).

An analysis of the volume of expenses on charity activity shows that more than 75% of operational foundations spend up to UAH 500,000 annually on their statutory activity, of them, 30% have annual budgets of up to UAH 50,000. Ukrainian community foundations have an almost equivalent ratio regarding activity financing volumes. The overwhelming majority of corporate foundations expend between UAH 500,000 and UAH 1 million annually on their activity. This interval also characterizes the annual expenses of 50% of private foundations, while the rest of such entities spend more than UAH 1 million on their programs.

### Throwing Light on Information about Own Activity

Philanthropic organizations use a full range of means and measures for the circulation of information about their activities. 84% of those surveyed stated that as a rule, they provide information concerning their organizations to the mass media; 80% - participate in conferences; in 73% of cases - booklets and flyers are circulated; more than 50% of those surveyed (59% each) provide information to diverse directories and conduct presentations; 47% publish annual reports; 53% of organizations use web-sites; 20% of benefactors publish their own brochure, in which they provide information about themselves to the general public (see Diagram 3.2.9).

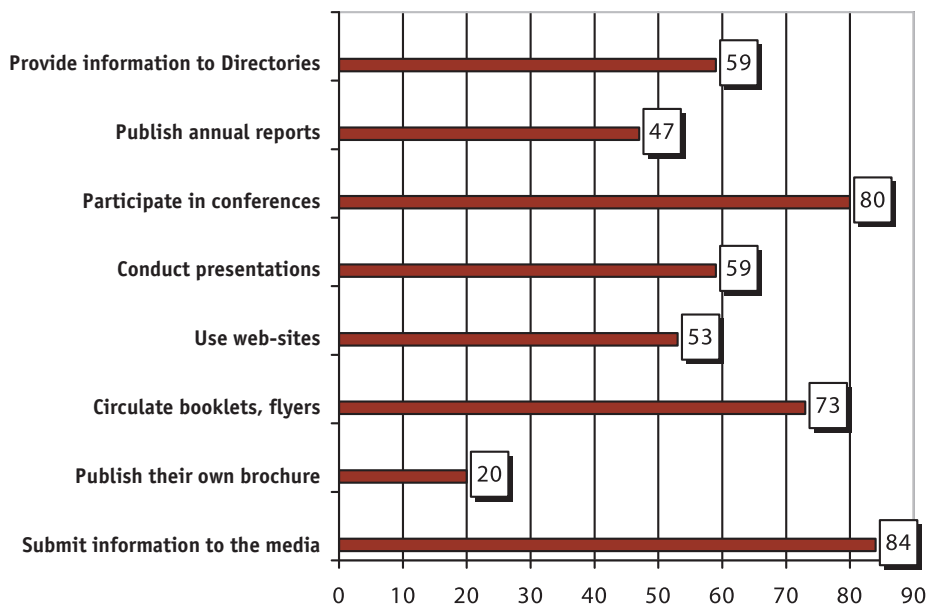


Рис. 3.2.9. Break-Down of Answers Provided by Respondents to the Question: "How does your organization generally circulate information about itself and its own activities?" (%).

As witnessed by the figures, the number of organizations which issue annual reports does not exceed 50%. This figure is a reflection of the status of public reporting by operational, corporate, community and private foundations. This fact clearly shows that Ukrainian philanthropic institutions still have a long way to go to make their activity transparent and accountable.

## The Greatest Achievements in the Development of the Philanthropic Movement in Ukraine

The research instrument anticipated the revelation of the greatest achievements regarding the development of philanthropy in Ukraine. It was proposed to respondents to determine the fundamental facts, which in their view are evidence of growth in the development of philanthropy in the country, also the key achievements of Ukrainian benefactors. An analysis of the results of answers provided by the representatives of charity organizations and foundations, allows us to distinguish the most important ones:

- *An increase in the number and an expansion in the spectrum of the activity of philanthropic organizations in Ukraine.* This fact is characterized by the emergence of new types of philanthropic institutions in Ukraine (for example, com-

munity foundations, which only appeared in Ukraine in the early 2000s) and contributes to the diversification of their program directions and types of activity.

■ *The development of cooperation between philanthropic institutions.* In recent years, there has been a significant exchange of experience between philanthropic organizations. Local, regional and national round-tables are being conducted ever more often, as are seminars and conferences, dedicated to the issue of the implementation of successful philanthropic practices in all of its manifestations. In addition, the first formal and informal associations of philanthropists emerged, directing their activity specifically at the consolidation of efforts and the development of partnership relations between domestic philanthropic institutions.

■ *The development of contacts with foreign philanthropic organizations, donors and patrons.* Ukrainian philanthropic institutions actively participate in international events, dedicated to the issues of the development of charity and the greater professionalism in the activity of philanthropic foundations (particularly at conferences and meetings of the European Foundations Center, the American Council of Charity Foundations, etc.), and initiate the conducting of joint events on the territory of Ukraine.

■ *Improved professionalism and the systematization of philanthropic activity.* There has recently been a transition from chaotic charity to a systemization in the preparation and implementation of philanthropic initiatives, projects and programs. Domestic organizations began to actively apply modern instruments in their practices, for the development of charity programs, implement innovative technology in conducting charity work (for example, the introduction of an approach for social investment instead of the "traditional" forms of philanthropy), and pay attention to the measurement of the effectiveness and success of their activity.

■ *The expansion of the principles of social responsibility in the activity of domestic entities and organizations.* Ukraine's joining the Global UN agreement in 2005 and the active popularization of the principles of social responsibility, determined by this document, promoted the emergence of revived interest on the part of Ukrainian commercial structures, financial entities, the mass media and civil society organizations to the idea of the applications of these principles in everyday practice. One of the results of such a step is the initiation of new philanthropic programs and initiatives by Ukrainian organizations.

■ *The increase in public awareness regarding the development of philanthropy in Ukraine and the world.* The domestic mass media devotes ever more attention to the publication of positive examples of philanthropy, sponsorship and patronage in the Ukrainian and international contexts, and also directly joins the execution of diverse charity actions and initiatives.

■ *Stimulation of philanthropy on the part of state leaders.* The personal initiative of the leaders of the country, their implementation of a range of charity actions are an essential example for others, and support of the further development of the philanthropic movement in Ukraine.

More detailed information on the principal achievements of individual types of philanthropic institutions has been provided in the following parts of the report.

## Difficulties, which most hinder the development of philanthropy in Ukraine

The reality of the modern development and formation of civil society is evidence of the fact that under the conditions of the socio-economic transformation in Ukraine, philanthropic organizations are coming into contact with many problems and difficulties. For this reason, within the framework of the survey, it was proposed that respondents determine the most characteristic difficulties which hinder the development of philanthropy and particularly, the activities of charity organizations.

Table 3.2.2. Difficulties, which most hinder the development of philanthropy in Ukraine?

(evaluation based on a 5-point scale, where "1" is the least, "5" - the most)

	Average points
Problematic legislation	3,9
Lack of standards in the country for conducting philanthropic activity	3,9
Lack of economic stimulants for encouraging philanthropists (donors, sponsors)	3,9
Charity is not declared on the state level as a value for society	3,8
Limited material resources for the support of the everyday activity of organizations	3,8



	Average points
Low level of public awareness about the essence and purpose of philanthropy	3,5
Low level of public trust in philanthropy	3,4
Lack of moral stimulants for encouraging philanthropists (donors, sponsors)	3,2
Absence of qualified employees in charity organizations	3,0
Lack of potential benefactors (donors, sponsors)	2,7
Obstacles on the part of authorities when conducting charity work	2,7
Complex procedure for the registration of charity organizations	2,0
Obstacles on the part of society when conducting charity work	1,8

According to survey results, the following difficulties were revealed: problematic legislation, a lack of standards in the country for conducting philanthropic activity, a lack of economic stimulants for encouraging philanthropists, limited material resources for the support of the everyday activity of organizations, a low level of public awareness about the essence and purpose of philanthropy, a low level of public trust in philanthropy and the absence of qualified employees in charity organizations. All of the above-mentioned obstacles on the road to the development of philanthropy received average points within the 3.9 to 3 point range (at a maximum of "5" points). Other responses from those surveyed also named the following difficulties: a lack of potential benefactors (2.7), obstacles on the part of authorities when conducting charity work (2.7), complex procedure for the registration of charity organizations (2.0), obstacles on the part of society when conducting charity work (1.8) (see Table 3.2.2).

### 3.3. FOUNDATIONS OPERATING IN UKRAINE: INVESTMENT IN SOCIAL INNOVATIONS

#### Introduction

**Operational Foundation** – a foundation, established by a legal entity or private individual, the activities of which are directed at the implementation of own (often thematic, specialized) projects and programs, as a rule, with the attraction of external sources of financing.

In order to achieve a quality analysis of the status and prospects for the development of operational foundations in Ukraine, the summing up of responses on forms (39 forms) was conducted, as were the responses of the participants of two focus groups (13 heads and program managers). Respondents from different age groups and with different lengths of service, representing a wide range of organizations which have different statuses (international, all-Ukrainian, local foundations) and areas of activity, participated in the research.

#### Grounds for the Rise and Development of Organizational Foundations in Ukraine

The large majority of surveyed organizations (80%) were established after 1998, in other words, after the approval of the Law of Ukraine "On Philanthropy and Philanthropic Organizations" (No. 531/97-BP dated 16 September 1997). At the same time, 40% of organizations emerged during the last five years (2003 - 2007)

The official founders of 85% of operational foundations were private individuals. Other public organizations were instrumental in the establishment of 10% of the surveyed foundations; 8% - religious organizations; 5% - commercial structures.

In summing up the various examples of the establishment of operational foundations, several key "scenarios" of their initiation can be singled out:

- a foundation established on the initiative of an international organization, which in the initial phase, generally registers its representative office. Or after the

implementation of its own project in Ukraine, an international entity creates its own national branch. In both of these cases, the activity of the Ukrainian foundation gradually became independent of the international organization;

- a foundation established on the initiative of activists, like-minded people, who have decided to join their efforts for the implementation of programs in a given sphere. In the majority of cases, the initiators of the establishment of foundations were specialists with previous work experience in other large social projects or programs;

- a foundation established on the initiative of a religious organization or church community. At a certain phase of development, a wish emerges among laymen and priests to combine their efforts in the provision of aid to the needy and deprived, the result of which could be the establishment of a philanthropic foundation. Among the organizations surveyed, these foundations expanded the area of their activity, not concentrating on purely religious issues.

- a foundation established by another community or charity organization for the expansion of the area or territory of its activity. At the same time, a powerful "resource" for a newly-established foundation became the employees and experts of the initiating organization. Local (oblast, city) foundations belong to this category of foundations, established as a result of all-Ukrainian projects;

- a foundation established by private individuals in order to provide aid to separate categories of the population (foundations participating in the research included such, which were established by a Peoples Deputy of the Ukrainian Parliament; an Orthodox priest; a foreign national, etc.). Since initiators do not finance foundations, the latter cannot be classed as private. In many cases, such foundations expand the sphere of their activity, accumulate significant materials and human resources and conduct innovative programs, by means of gradual development - in other words, they reach beyond the limits of the aim they set at the time of their establishment.

Answers to the question "Who supported the activity of your foundation during the first year?" allowed us to determine key sources, thanks to which the activity of operational foundations began and developed:

- international donors (for example, the Charles Steward Mott Foundation, the International Renaissance Foundation, the International HIV/AIDS Alliance, etc.);

- the technical support programs of foreign governments (Matra (the Netherlands), SDC (Switzerland), USAID (USA));

- international founding organization, which allocates purpose-oriented financing for the support of its Ukrainian representative office in the first few years;

- domestic commercial structures;

- activists - initiators of establishment (in this case, in the first year (or even several years), the foundation "gathers momentum" and develops its own potential, in order to start the attraction of financing from international and domestic donors at a later date (for more details about this, see the part on sources of financing);
- private contributions from local and foreign nationals.

## Key Activity Directions and Types of Services

The data received shows that operational foundations differ in the spheres and directions of their activity. They implement their own projects and programs, allocate grants to other organizations, provide direct benefits and develop various types of services. Representatives of some of the foundations noted that their organization has clearly defined activity trends, in other words, has a certain "niche" in the implementation of the social program sphere.

We will now take a closer look at the trends in the activity and types of services provided by organizational foundations.

Diagram 3.3.1 shows the break-down of organizations according to the spheres of own project and program implementation. Most organizations (64%) operate in the area of social security for the population. Also, a significant amount of projects focus on health (51% of organizations are involved in this), protection of human rights (46%), education (44%), support for community initiatives (44%), community development (41%), culture (33%), leisure (31%).

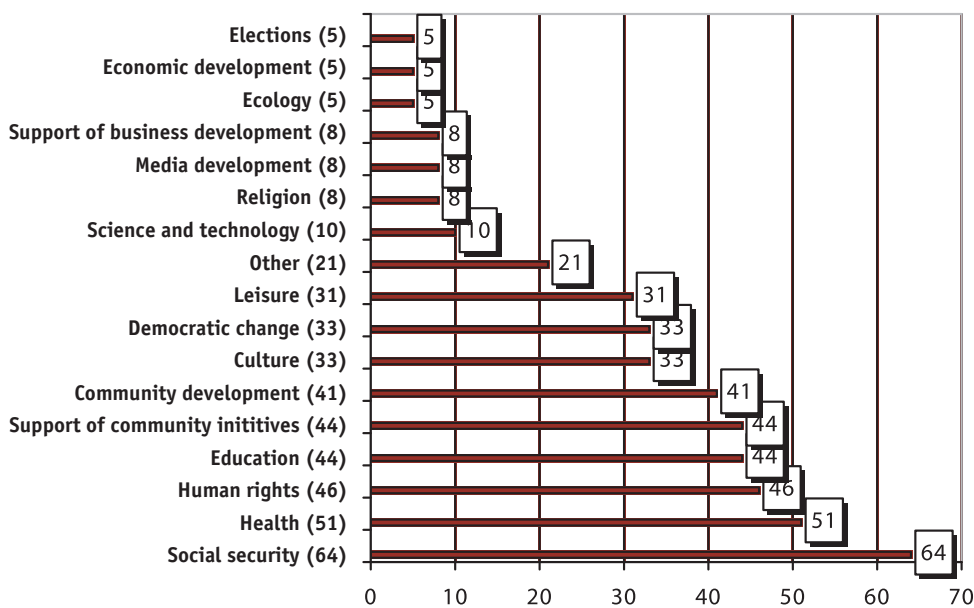


Diagram 3.3.1. Areas in which Operational Foundations Implement their Projects/Programs

As a rule, operational foundations execute their projects completely independently. However this does not exclude the fact that they can draw up sub-contracts or provide grants for the execution of a certain type of work. 21% of surveyed organizations provide grants to other community organizations for the implementation of projects, 13% of organizations - grants to private individuals, 3% of organizations assign grants to local authority agencies and a further 3% - to state entities. Most grants are given in the area of community development, support for community initiatives, health, social security, culture and democratic change.

Nearly half of the organizations (49%) is oriented towards the provision of specific benefits for the socially deprived sections of the population, particularly: orphans and children deprived of parental care; the elderly; the sick and mentally handicapped; drug addicts, alcoholics and their family members; HIV-patients; pupils and graduates of residential schools; prostitutes, large families and families suffering from difficult living conditions; victims of repression, refugees; single mothers; children suffering from cancer; students; young scholars; veterans of education; servicemen, war veterans.

Of the proposed services, participants most often singled out the following: informational (82 %); psychological (54%); educational (49%); legal (36%); medical (36%).

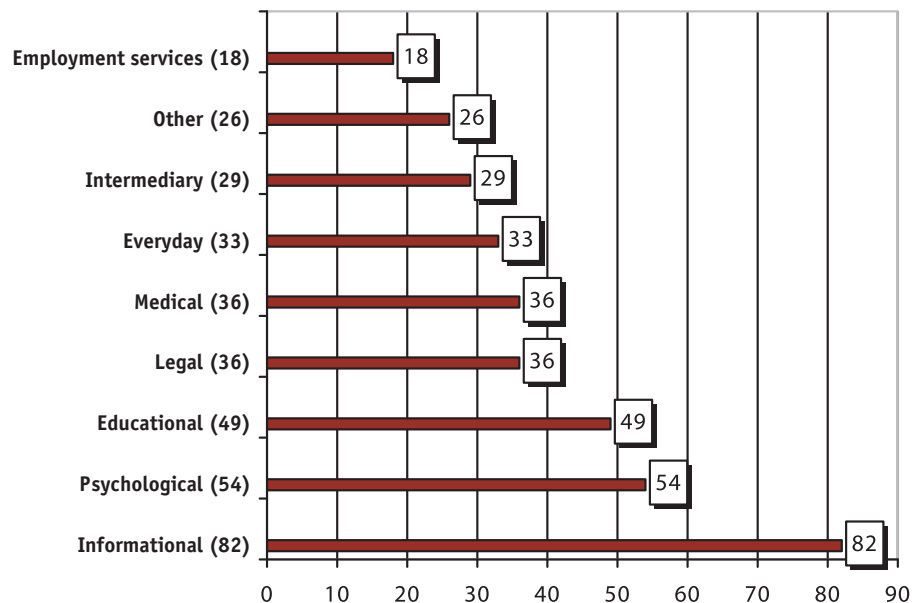
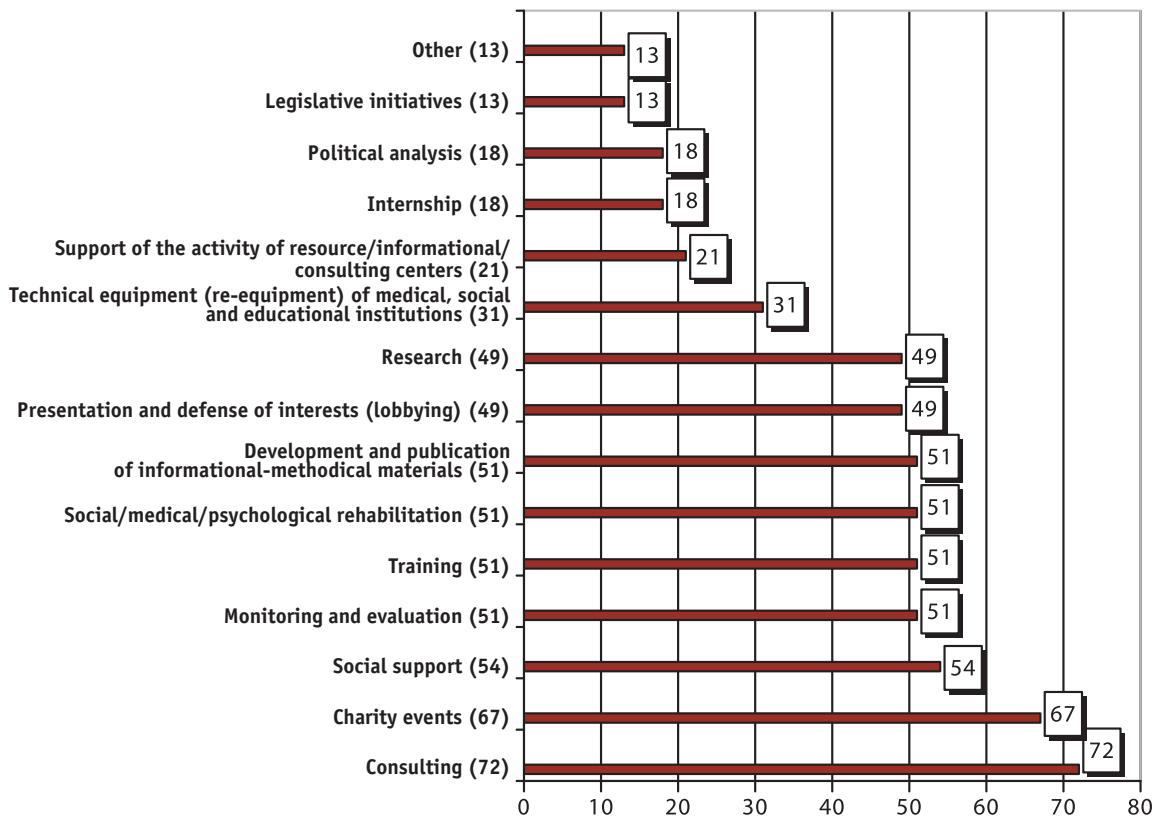


Diagram 3.3.2. Break-Down of Responses to the Question "Which Types of Services does your Organization Provide?"



**Diagram 3.3.3 Break-Down of Responses to the Question "Which of the Indicated Types of Activities is your Organization Involved in?"**

Diagrams 3.3.2 and 3.3.3 present a full break-down of responses regarding the services and types of activities conducted by operational foundations.

The uniqueness of operational foundations lies in the fact that they conduct their activities in several directions, introducing new types of services and offering new technology for their provision.

For example, operational foundations operate in the area of overcoming negative phenomena and prevent such manifestations among children, who have ended up living in difficult conditions. Specifically, definite projects oriented towards the protection of children's rights; the development family-type upbringing for orphans and children deprived of parental care; reformation of the residential school institutions; the provision of assistance for the graduates of residential school institutions to adapt to normal life; work with large families and families experiencing difficult living conditions; with "street children". The development and implementation of training programs for specialists, as well as parents and children; the development and publication of specialized manuals; and research is organized within the framework of the projects. The employees of

organizations participate in discussions on the strategy of state social policy, the development of new legislative acts, also provide social services directly, in the form of various consultations, conducting measures aimed at improving the situation of matters within the family. Significant gains in this sphere have been made by the Ukrainian "Christian Children's Fund", the International Charitable Foundation "Caritas-Ukraine" and the Crimean Charitable Foundation "Center for Social Security and Assistance".

Operational foundations also include organizations which aim their efforts at the development of civil society, local communities, and the strengthening of community organizations. For the most part, this takes place by means of administering grant programs, conducting training for representatives of community organizations and initiative groups, the publication of methodical literature, the preparation of, or the initiation of the development of a new legal framework. For example, such programs are conducted by the East Europe Foundation, the Counterpart Creative Center Charity Foundation, the Ukrainian Women's Fund, the Carpathian Foundation, etc.

Of the organizations, acting in the health sphere, a leading place is held by those conducting the fight against HIV/AIDS in Ukraine (for example, the All-Ukrainian Charity Foundation "Coalition of HIV Service Organizations", the Uman-based charitable fund "Probudzhennya (Awakening)", the Dniprodzerzhynsk City Charity Foundation "Impulse"); which help seriously ill children (for example, cancer patients, such as the Mykolayiv Oblast Charity Foundation "Assistance - Spriyannya"), etc. They offer training for different categories of people, develop informational-methodical manuals, conduct research, protect the rights of patients, organize informational campaigns for the populace providing enlightening information on the illness, means to overcome and prevent it, certain medicines are distributed free of charge (for example, vitamins, insulin, etc.) or medical supplies (syringes, bandages, condoms), provide support to the sick and their family members. Another important thing is that these organizations join in the lobbying of legislative initiatives in the health sphere.

Organizations which provide varied material support to the population and state entities also belong to the operational foundation category. For example, the collection and distribution of humanitarian aid; the medical treatment of children; the equipping of city and regional hospitals and children's homes; the establishment of specialized day care centers and home help programs, etc.

Summing up the data regarding the program activity of operational foundations, it should be noted that: they differ from other institutions in that they are service organizations, which directly provide service to the population and, as a rule, employ relevant specialists, introduce social innovations, conduct the approbation of new experimental models for overcoming social problems, thus promoting the integration of Ukraine into the European sphere of social work.

## Sources and Volume of Financing

The results of the research show that: operational foundations, which currently operate in Ukraine, have different volumes of financing for their activity. More than 30% of these organizations have an annual budget of up to UAH 50,000. A further 30% spend up to UAH 500,000 annually on their activities. In only 8% of foundations does the annual volume of financing waver between UAH 500,000 and UAH 1 million. 18% operate on resources which exceed UAH 1 million.

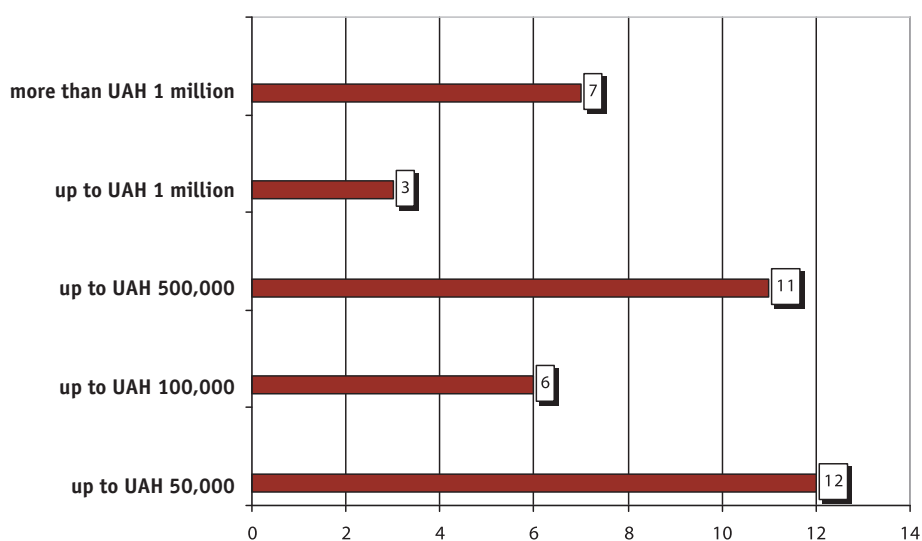


Diagram 3.3.4. Break-Down of Responses to the Question "Volume of Expenses on Charity Activity During the Course of the Year".

An analysis of the financial income of organizational foundations shows that the budget of 70% of these organizations is made up of grants from international organizations and the charity contributions of private individuals. At which, for 38% of foundations, incomes from grants constitute more than 70% of their annual budget. According to the results of the research, half of the operational foundations obtain financial assistance from commercial structures. Only 20% of organizations are lucky enough to obtain support for their social programs from



the state budget, while income from own commercial activity replenish the budgets of only 5% of operational foundations.

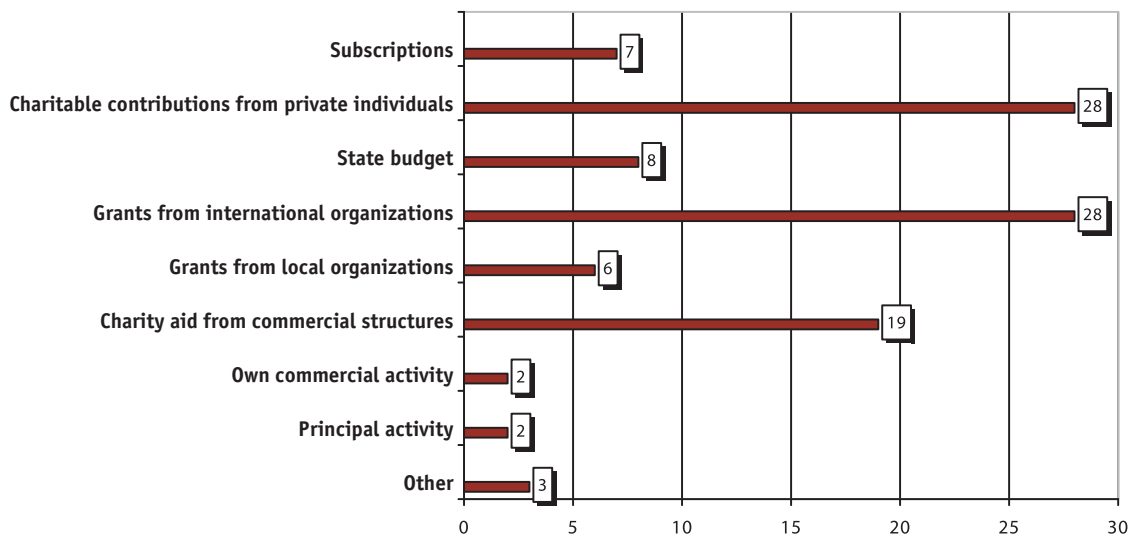


Diagram 3.3.5. Sources of Financing for Operational Foundations in 2007.

The figures reflect that, unfortunately, more than one third of active operational foundations in Ukraine are still very dependent on international donor programs, which makes their activity vulnerable and unstable. In spite of the significant contribution of these funds in the development and implementation of various socially significant initiatives, the state is not financially ready to support their activity, and existing legislation does not allow these entities to develop their own commercial activity to attract necessary resources.

One of the most urgent issues in the formation of the budgets of operational foundations to this day, continues to be administrative expenses. As witnessed by the results of the research, this difficulty is easier to overcome in organizations which work on a local level and have close cooperation with local state authority bodies and local authorities. Thanks to a low rental rate for office premises, it is possible to minimize the organizations' administrative expenses, particularly in those cases, when management persons in foundations hold down two jobs (which once again, are first and foremost characteristic for local operational foundations). For those foundations, which have to rent premises at commercial rates, the issue of high administrative expenses and their coverage remains very urgent. Today, for the most part, neither commercial entities, nor private individuals, are ready to give their resources to foundations, simply for the coverage of the organization's internal needs. Their key priority remains the program activity of these organizations.

## Significant Achievements

In analyzing the fundamental achievements of the activities of organizational foundations in Ukraine, it is possible to distinguish several basic components:

- there has been a concretization in organizations' spheres of activity, generally oriented on the humanitarian sphere (first and foremost social), which currently requires significant external support - financial, personnel, informational-methodical, technological, etc;

- in the last few years, most active and busy organizations, have been able to determine priority tasks and strengthen their influence on the resolution of urgent social problems. This is what made their work more noticeable and understandable for society and the state;

- operational charity foundations have already been recognized as fully-fledged representatives of the "third sector". Ever more often, they play the role of leading partner of state authority bodies and local authorities in the resolution of the urgent social problems in various sections of the population of Ukraine. The practice for signing agreements for long-term cooperation between state structures and operational foundations is expanding, their representatives work as part of coordination councils attached to state administration bodies, particularly the Ministry of Health, Ministry of Ukraine for Family, Youth and Sport, the State Social Service for Children, Families and Youth, as well as their on-the-spot structural sub-divisions;

- thanks to the professionalism and flexibility of domestic operational foundations, as well as their attraction of non-state financing, Ukrainian society is joining the best European and World experience regarding the resolution of the most urgent social issues. Implemented social innovations will, in the future, find support on the part of the state and become an element of the systematic operation of official entities.

- with their everyday work, varied programs and initiatives, operational funds are succeeding in suspending or reducing the spread of certain negative phenomena, and overcome specific problems, which the state is currently unable to resolve.

First of all, this pertains to such problems as:

- child neglect and homelessness;
- the rehabilitation of children and adults with special needs;
- HIV/AIDS prevention;
- the prevention of drug abuse;
- taking care of the elderly;
- other social "ulcers".

■ by implementing innovative social initiatives, in the initial stages, operational foundations become the competitors of individual central state bodies, as their services sometimes significantly exceeded the quality of the operation of state institutions, so this stimulates the development of the domestic social service system;

■ charity foundations are active participants of the lobbying process for changes in legislation on the local, oblast and national levels in the area of the population's social security, maternity and child protection, etc. Thanks to this, new regulatory-legislative documents are being introduced, which promote the targeting, accessibility and improved quality of social services;

■ today, charity foundations have considerable experience in joining forces for the sake of the protection of their interests and the formation of applicable public opinion. The experience gained in the establishment of coalitions and other associations aim to draw the attention of the Ukrainian authorities and the public at large to those tasks, which require immediate resolution, and which philanthropic foundations and organizations cannot resolve by themselves. Namely operational charity foundations which are on a par with other civic non-profit organizations, became the "powerful engines" of the principle of inter-sector interaction in Ukraine and developed successful models for the introduction of this principle into their own everyday activity;

■ an important achievement in the activity of operational foundations is the training of professionals in the social sphere. Being interested in the qualitative implementation of their programs, fund managements devote unrelenting attention to the training of specialists, enlisted for the implementation of a wide spectrum of social innovations. Accordingly, thousands of psychologists, teachers, social workers, doctors, lawyers and other specialists annually undergo specialized training, become acquainted with leading international and domestic experience, which they subsequently use in their professional work;

- operational foundations establish a significant amount of jobs in the non-state sector for specialists in the social sphere. In addition to this, foundations establish jobs for vulnerable groups of the population (for example, drug addicts, people suffering from HIV, people with special needs, etc.), for whom state employment programs are quite limited;

- operational foundations are an institution which widely propagates volunteer work and creates conditions for its establishment. These are the organizations, which are not indifferent to the problems of their compatriots, and can provide immediate assistance to those, who requires it, devoting some of their free time to do so;

- individual foundations act as the founders of printed mass media or publish their own brochures, prepare electronic information, etc., which are a reliable resource for the circulation of information regarding the effectiveness of charity programs and initiatives of domestic philanthropic foundations;

- although a significant number of operational foundations are still dependent on international donor support today, the number of philanthropic organizations, relying first and foremost, on national resources, established with the aid of private individuals or commercial structures, and local authority bodies, is increasing.

## Present-Day Challenges in Conducting Philanthropic Activity

The results of the research show that there is a range of obstacles facing domestic operational foundations, which, if overcome, could significantly improve the quality and efficiency of their work. Of the most fundamental ones, it is expedient to mention the following:

- *The lack of status of social services, provided by organizational philanthropic foundations.* The state ultimately has to perceive philanthropic organizations and foundations as one of the significant entities for the provision of social services, which could take upon themselves a determined volume of social work, aimed at the resolution of specific problems of the socially vulnerable section of the population.

■ *Absence of a mechanism for ordering social services.* As a result of the recognition of philanthropic foundations as entities for the provision of social services on a legislative level, a mechanism for social order must be put in place. It will allow the state to partially delegate its authority to charity organizations, which will execute individual types of social work or will provide a range of social services.

■ *Lack of principles for subsidizing philanthropic foundations and organizations.* For a significant amount of organizations, the existence of this principle would significantly alleviate the issue of rent and utilities expenses, and would also increase the volume of resources, aimed at the implementation of social programs and projects.

■ *A low level of public recognition of philanthropic activity.* A pressing need of Ukrainian society is the grafting, cultivation and the most extensive implementation of philanthropic principles, the formation of conscientious public opinion regarding the importance of charity work, as well as the magnitude of the difficult work of philanthropic foundations and organizations.

■ *The lack of formation of a state policy regarding the popularization and support of the development of charity work.* As operational foundations, to a large extent, put their programs into effect in close cooperation with state authority entities, it is absolutely necessary to develop and implement state programs for the development of philanthropy in Ukraine, which would encourage public servants to be more amenable towards the work of charitable institutions and contribute towards their activity.

■ *Lack of coordination in the activity, and weak mechanisms for lobbying the interests of philanthropic foundations.* Unions and associations of philanthropic foundations and organizations must be established in order to resolve this problem, which, on a national level, would influence policy, lobby joint interests and popularize the noble idea of charity, in an organized manner.

In addition, for the support of the further operation of charity foundations, the establishment of a system for the training and re-training of personnel at educational seminars and training for organizations' employees is very important; holding conferences on individual issues pertaining to philanthropy and social work; information campaigns for the popularization of the values of charity work, etc.

## 3.4. COMMUNITY FOUNDATIONS: INFLUENCE FOR IMPROVING THE QUALITY OF LIFE OF UKRAINIAN COMMUNITIES

### Introduction

Ukraine's entry into the European Community is accompanied by the establishment of new social institutions in the non-government sector, particularly community foundations, which are philanthropic organizations. They are managed by an independent council, established with the maximum representation of the local community - for the effective use of funds, transferred to the community by individual citizens, organizations or business structures.

A study was conducted of the specific features of the activities of community foundations (community development foundations) in Ukraine, with the aid of an analysis of the results of data provided by an electronic survey and focus groups.

11 organizations, which position themselves as community foundations or work in the essence-technological format of such foundations, participated in the electronic survey. Also, four organizations participated in a focus group, conducted with the aim of determining and clarifying survey results.

An analysis of these organizations according to region shows that community foundations operate in Western, Southern, Eastern, Central regions, as well as the Crimean Autonomous Republic.

### Prerequisites for the Origin and Development of Community Foundations in Ukraine

The first two community foundations in Ukraine were established in 1995. Most foundations were established during the period 2002 - 2005: 7 foundations, which participated in the survey, were actually registered at this time.

The results of an analysis regarding the founders of community foundations were quite interesting. 90.1% of participants of the survey noted that their foundations were established by private individuals, and only one organization named a commercial structure as its founder. At the same time, during the focus group, participants mentioned that individual foundations were established on the initiative of the Deputies of City Councils, individual political parties or on the basis of public organizations.

At the beginning of their development, community foundations in Ukraine had different strategic tasks: the development of public self-organization groups and the introduction of social order (Mykolayiv); the activation of community residents by means of developing local initiatives (Dnipropetrovsk); support for the needy sector of the population (Rivne); the development of local philanthropy (Donetsk). But personal gains and acquaintance with the experience of foreign community foundations allowed them to operate in the same essential field, which differentiates community foundations from other community organizations, for example the collection of charity funds and their allocation for the resolution of local problems with the participation of the public.

## The Activities of Community Foundations in Ukraine

Of course, the determination of the specific features of community foundations was the focus of attention of the research. The analysis was conducted according to the following parameters:

- spheres for the provision of grants and investment of funds, as the provision of grants is a mandatory characteristic of the foundation's work;
- spheres for the realization of own projects by the foundations, which could also be a component of their activities, particularly in the initial stages of their work;
- types of services which are provided by foundations in accordance with the Law of Ukraine "On Social Services".

The results received showed quite a broad range of providing grants and the investment of funds by community foundations (see Diagram 3.4.1.)

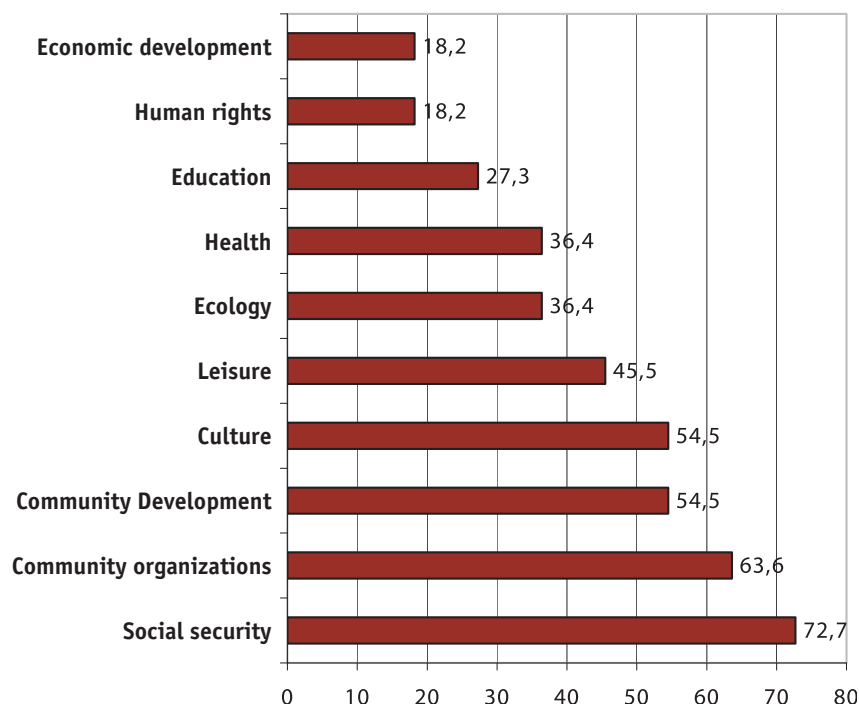


Diagram 3.4.1. Spheres for the Provision of Grants and Investment of Funds.

The top five priority spheres are social security (72.7%), support of community organizations (63.6%), community development (54.5%), culture (54.5%) and leisure (45.5%). Unfortunately, the limited possibilities of the survey format do not allow the possibility to detail the financing trends in each of the listed spheres, which would allow us to see more clearly the means for the resolution of local problems in the spheres indicated by the respondents. As can be seen in Diagram 3.4.2, the problems of health and education are placed last in the rating. In other words, the activity of local community foundations in Ukraine generally focuses on the resolution of the problem of social security for the population and the development of relevant territories.

It's worth noting that one of the mechanisms for providing grants is social project competitions, which are conducted jointly with local state organizations and authority bodies, which guarantees the transparency of the foundations' activities and allows the possibility of the maximal use of social resources. The element of competition in the provision of grants is very important for maintaining the high standards of the proposed projects.

All 11 foundations, which participated in the survey, noted that they implemented their own social projects. This can be considered a national feature of community foundations in Ukraine, since as a rule, in international practice, they execute the role of an intermediary in the process of the collection and effective allocation and use of funds.

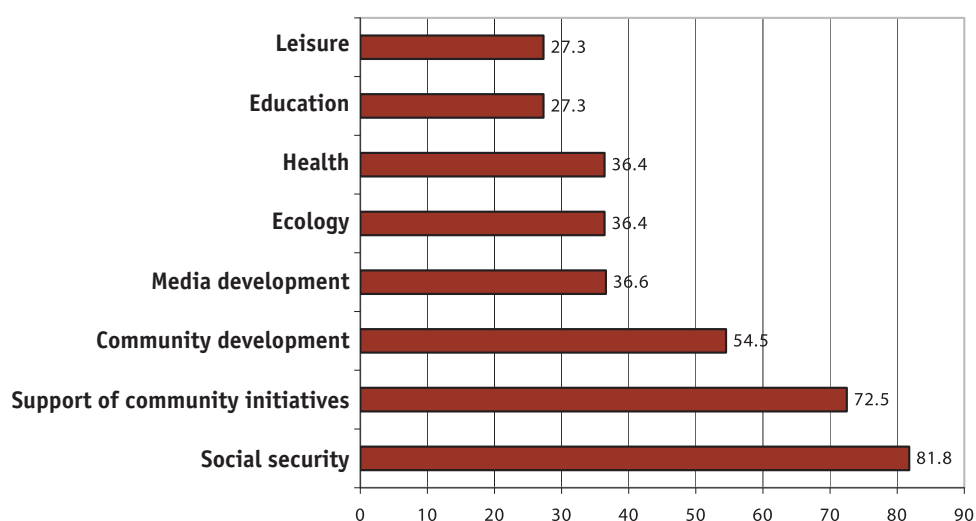


Diagram 3.4.2. Spheres in which Foundations Implement their own Projects



As can be seen in the diagram, foundations execute their own projects in just about the same spheres as the ones to which they direct the funds they attract. None the less, it is worth noting that the support of community initiatives (72.5 %) in the form of a defined project of the foundation is evidence of the fact that they are trying to direct their activity towards the resolution of urgent local problems. It is also important that the foundations implement their projects namely in the spheres which are the basis for the determination of the level of well-being in each community (ecology, education, social security, health, leisure).

As witnessed by the data in Diagram 3.4.3, community foundations conduct their activity in accordance with the mission and determining principles of their activity, as evidenced by the results of the first five positions of the rating.

It's important to pay attention to the fact that in their activities, more than half of the community foundations, devote considerable attention to the monitoring of the use of funds provided and project implementation. Unfortunately, the study and evaluation of the needs of the community, as witnessed by research figures (45.5%), are not a mandatory form of activity for six foundations, although the use of the income of community foundations should be based on the consideration of this data.

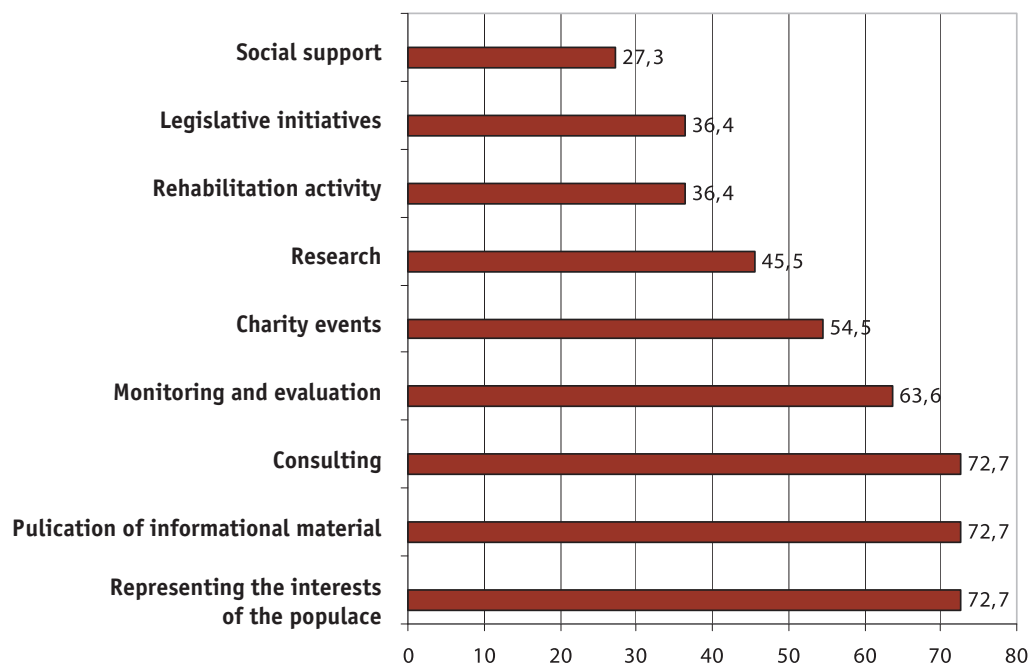


Diagram 3.4.3. Leading Types of Activity Conducted by Community Foundations.

In addition to the above-mentioned types of activity, community foundations conduct various charity events for the raising of funds and support of various purpose-oriented groups (physically and mentally handicapped children, HIV-patients, people who have returned from jail, orphans, etc.). Individual foundations also develop and implement training programs with the writing of projects for small grants, fundraising technology, in other words, conduct active enlightenment work. Nearly all foundations are involved in the development of social partnership in local communities. Quite often, they become the uniting link between local authorities, initiative groups and business structures. Foundations conduct training for initiative groups, local authority bodies, and individual foundations establish resource and information centers, the aim of which is to directly activate local communities. For the popularization of charity work within communities, foundations organize information campaigns, also prepare and publish philanthropic periodicals.

It is expedient to draw on the working experience of the Donetsk Charity Foundation "Dobrota", which has put into practice all the latest mechanisms for the operation of such community foundations, covering the development of social entrepreneurship, social franchising, social marketing technology and venture philanthropy, as bright examples of the activities of community foundations. One of the fields of operation is the development of a civilized form of philanthropy in the Donetsk community under the slogan "Anyone can be a philanthropist!" - from the attraction of average citizens to the provision of social project administration services for business companies.

Another example of the implementation of own programs, is the activity of the Princes-Benefactors Ostrozky Foundation (Rivne). The activity of the Foundation covers several neighboring oblasts. The key area of operation is the support of deprived and socially vulnerable sections of the population, the development of philanthropy and educational activity for representatives of community organizations, social partnership (active cooperation with representatives of authorities and entrepreneurial structures for issues pertaining to the introduction of regional development models).

The Dniprovs'k Association for Regions' Development (DARD) has been operating in the Dnipropetrovsk Oblast since 2002, which sees its mission as the promotion of the development of communities in the Dnipropetrovsk region. This was the aim of the "Tri-Sector Partnership for the Effective Development of Local Communities" project. Another important activity of the association is the estab-

lishment of centers for the support of community activities and the establishment of youth centers in village communities. In 2007, DARD began conducting project competitions for oblast community organizations.

The Mykolayiv City Development Foundation introduces principles for the support of community initiatives and the self-organization of city residents for the resolution of urgent issues. Mini-grant competitions are conducted in order to achieve this (a distinctive token of which is the attraction of additional financing from the local community, as well as volunteer work of the residents themselves). A new direction of the organization's work was to turn its efforts to conducting advocacy campaigns and community action campaigns for the protection of the rights and interests of representatives of the local residents of Mykolayiv.

The King George Community Foundation was established in Ivano-Frankivsk in 2002, which also energetically introduces fundamental technologies for the activities of community foundations - conducts project competitions among local community organizations; organizes round tables, conferences and training; conducts research on general philanthropic development trends.

Since community foundations introduce their own social projects, obviously, within the framework of their implementation, according to existing legislation, community foundations provide certain social services.

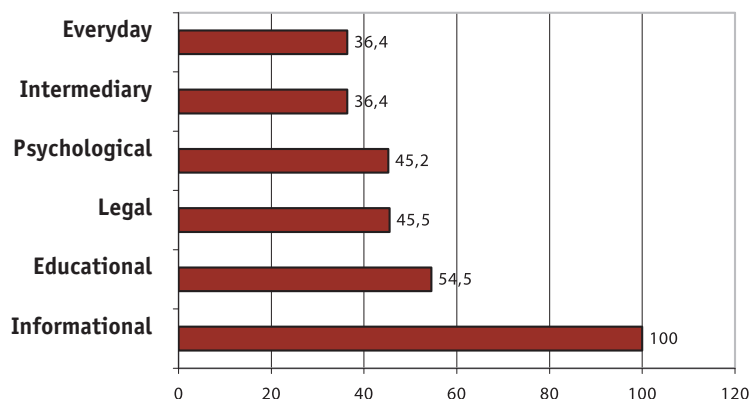


Diagram 3.4.4. Types of Services Provided by Community Foundations.

There is no doubt as to why all organizations provide informational services, since conducting fund-raising, activating communities and reporting on the activity of foundations, etc. is impossible without the provision of certain information. Quite a high specific share of the activity of foundations is directed at education (54.5%), legal (45.5%) and psychological (45.2%) services, which absolutely correlates with the spheres of the provision of grants, the introduc-

tion of social projects and types of activities, which were reviewed above.

A determining principle of the operation of community foundations is open and transparent activity, from the approval of decisions by the Board of Directors, to the publication of reports on financial income and expenses, and informing the populace on measures which have been conducted.

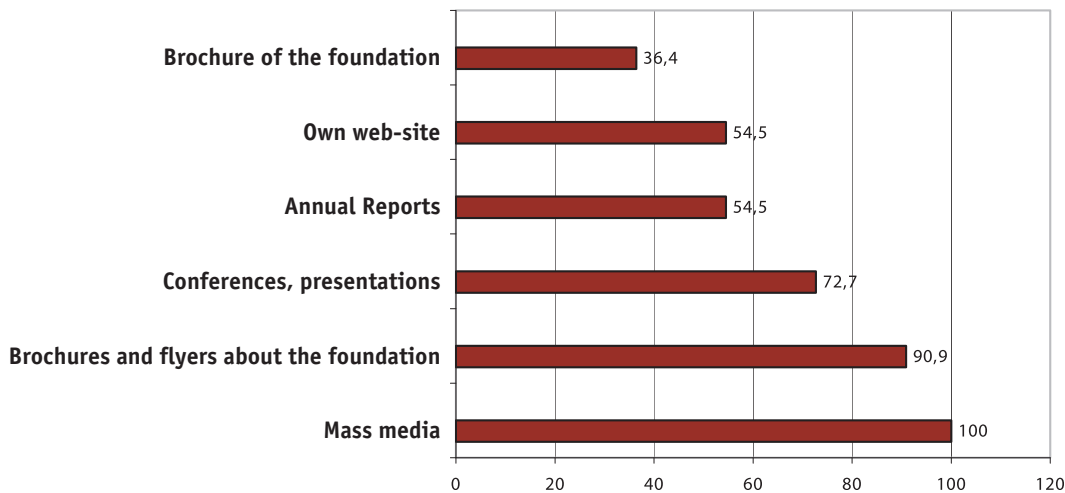


Diagram 3.4.5. Sources of Information on the Activities of Foundations.

As can be seen in the diagram, all community foundations participating in the survey popularize their activity via the mass media. The fact that half of the foundations (54.5%) have their own web-sites is quite positive. At the same time, only 54.5 % prepare annual reports on the activities of their foundations and publish them in various information sources, which, certainly does not promote the formation of a positive image of foundations in local communities.

Thus, one can come to the conclusion that the vast majority of community foundations act within the framework of a combination of two models of the activity of non-government organizations: namely community foundations and community organizations. On the one part, this promotes the development of social capital within communities, on the other it distracts foundations from their main task: to actively attract resources, search for organizations which could best apply resources for the resolution of the community's problems and the substantiation of the rational use of funds.

## Volume and Sources of Financing

Today, community foundations in Ukraine have different sources of financing (see Diagram 3.4.6).

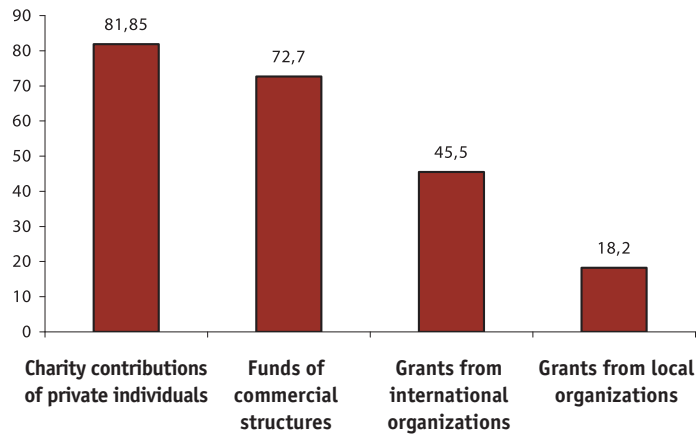


Diagram 3.4.6. Sources of Financing for Community Foundations.

As we can see, key sources of financing for foundations are the contributions of private individuals, (81.5%) and funds from commercial organizations (72.7%). This is evidence of the fact that community foundations actively implement one of their key tasks - the development of philanthropic culture and local philanthropy, increasing the social responsibility of business in order to improve the quality of life of a specific community.

It is worth noting that the source of financing for a significant amount of community foundations is grants from international organizations. This is evidence of the fact that individual foundations work as the implementers of certain projects of international donor organizations. Local authorities act as the financial partner in individual communities, providing a certain amount of funds from the local budget.

Research results show that at present, community foundations do not have significant financial capabilities. As made clear in Diagram 3.4.7., one third of community foundations attract up to UAH 50,000 in charity contributions per annum. If one takes into consideration the fact that almost 95% of community foundations are located in large cities and oblast centers, these amounts are not particularly significant. Only one community foundation named an amount which exceeded UAH 500,000.

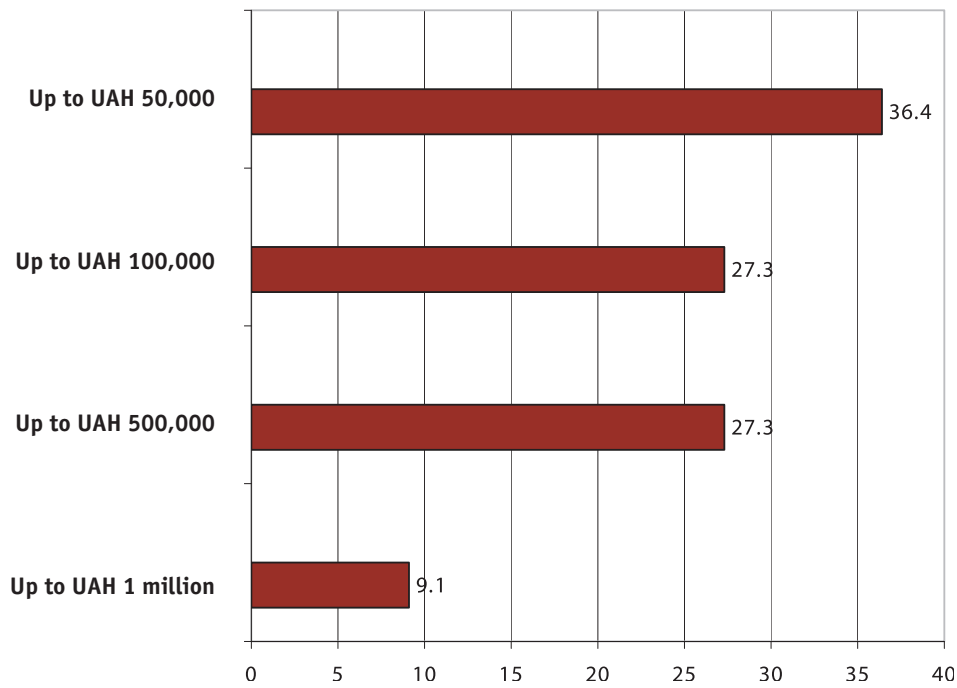


Diagram 3.4.7. Volume of Annual Income for Philanthropic Aid.

The following means of fundraising are used by foundations:

- written appeals to work collectives, requesting charitable aid;
- appeals to the public in the mass media;
- the placement of collection boxes in public areas;
- charitable competitions, exhibitions and cultural actions;
- establishment of a social enterprise.

The figures in the Diagram give us grounds to conclude that the reason for the inadequate income of funds to community foundations could be the limited means of people, the passivity of the populace and its distrust of state and non-government organizations; underestimation of the role of community charity in the resolution of social problems; a lack of a tradition for community members' participation in the resolution of issues at a local level; a weak cultivation of the significance and examples of public charity in the mass media.

## Modern Challenges for Charity Work via Community Foundations

As shown by the results of the survey and focus group, during the period of their establishment and development, the majority of these community foundations are faced with the following difficulties and obstacles:

- a complex registration procedure for registering a community foundation;
- individual contradictions in legislation, which slow down the development of the foundations' activity;
- the passivity of the community;
- the lost tradition of conscious "donations" in communities;
- the fairly frequent change of representatives in local authorities, which is one of the risks for the stable operation of the foundations;
- inadequate moral and material means for stimulating philanthropy in the country;
- the biased attitude of financial controlling bodies towards the activities of foundations;
- a lack of qualified employees.

The development of the community foundation movement in Ukraine could promote the implementation of a range of initiatives, such as:

- the introduction of supplements to the Law of Ukraine "On Philanthropy and Philanthropic Organizations" regarding community foundations, and the specific features of their activity;
- the initiation in local communities of measures for the recognition of different types of charity activity (for example, the nomination of a "Benefactor of the Year", "Volunteer of the Year", "Striving for Charity" award, etc.);
- annual fairs conducted by community foundations, the aim of which is to popularize the best achievements attained as a result of the activities of foundations;
- establishment of community foundation representative associations with their own web sites.

A comprehensive analysis of survey and focus group results allows us to single out such areas of future community foundation activity in Ukraine for ensuring a stable development of territorial-administrative units as:

- the introduction of diverse technologies for activating the community;
- the development of the "giving a gift" culture in local communities;

- the application of optimal fundraising technologies, taking the specific features of local communities into account;
- ensuring the transparency and openness in the form of management of the foundation via an institution of supervisory councils and boards of directors;
- annual reporting to the community on the income of resources and their allocation;
- establishment and expansion of the foundation's social franchise (a detailed registration of all the components of the foundation's philosophy and structure, strategic planning system, risk, etc.);
- the introduction of social marketing schemes in the foundations' activities;
- reduction in administrative costs by means of enlisting volunteers;
- the establishment and development of endowment funds;
- exchange of experience between domestic and international foundations.



### 3.5. A CORPORATE FOUNDATION AS AN INSTRUMENT OF A COMPANY'S SOCIAL RESPONSIBILITY

Philanthropy as an activity, through which private resources are voluntarily redistributed by their owners in order to help the needy, resolve community problems, as well as improve community life, is constantly in the center of the discussions of the community, politicians, public servants and activists in the non-government sector. Corporate charity draws particular interest, when funds, material non-cash aid, services, volunteers and other resources of business companies are directed towards community or charity organizations so that they can achieve their own mission.

Recently, we have seen a systemization and organization of charity work conducted by business companies. Companies establish charity foundations and develop aid programs for selected groups of society. Corporate foundations, their direction and form of activity are becoming of particular interest. So in the framework of the research on the activity of philanthropic organizations and foundations of Ukraine, attention was paid to existing corporate foundations.

This chapter presents the research results on the activity of corporate foundations in Ukraine. The research was conducted in order to clarify the status of the development of corporate foundations in Ukraine and their development prospects.

The task of the research was as follows:

- to clarify the circle and sphere of corporate foundations' activities;
- determine the problems, with which the foundations are faced in conducting their activities;
- singling out priority types of support and services which the foundations require.

The survey resulted in 7 filled out questionnaires from philanthropic organizations, which identify themselves as corporate foundations. A focus group was conducted in order to define the results obtained during the course of the survey, in which 5 representatives from 4 corporate foundations participated. In addition, an analysis was conducted of the web-sites of foundations and other internet resources, which contain information on the activities of these organizations.

## The Activities of Corporate Foundations

According to the data on these questionnaires, most of the foundations (5) were registered recently, between 2004 and 2007. Only two foundations have been operating for more than ten years (namely: 12 and 13).

Preconditions which have affected the establishment of foundations included the execution of social security programs for their own employees and their children and an understanding of the necessity for a systematic and professional approach to philanthropy. At the same time, this was also the political will of the founders and their wish to execute definite philanthropic aid programs.

3 - 25 people are employed at the surveyed foundations.

The researched corporate foundations cover nearly the whole list of proposed spheres of activity (Diagram 3.5.1). However, a detailed study of the programs is evidence of the fact that for most foundations, social protection, health, education, culture, human rights and socially vulnerable sections of the population are the top priorities.

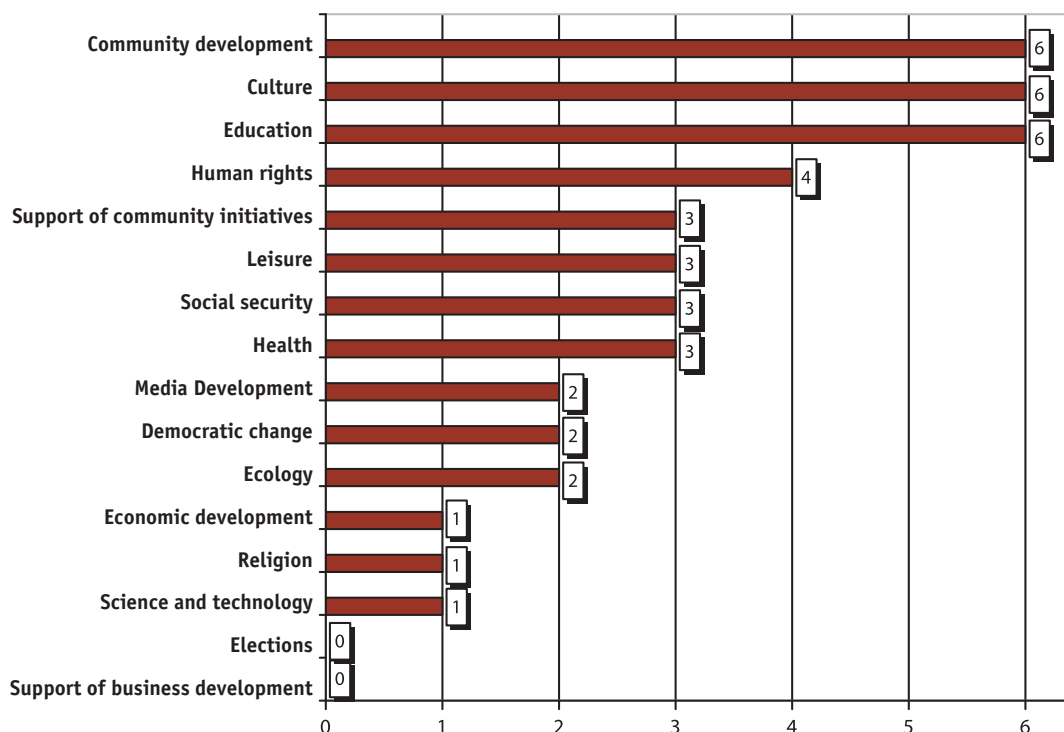


Diagram 3.5.1. The Spheres of Activity of Corporate Foundations (N=7).

Analyzing the spectrum of the program activity of domestic corporate foundations, three basic models of the organization of their work can be singled out, namely:

- the introduction of a "traditional" technology for the philanthropic activity of foundations - the provision of grants;
- the implementation of several own, operational programs, clearly defined according to strategic priorities;
- support and introduction of a broad spectrum of initiatives, directed towards the improvement of the life of the community in which the company - founder of the foundation, is located.

It should be noted: regardless of the fact that Ukraine already has extensive experience in the successful implementation of grant programs, this type of activity on the part of domestic corporate foundations is in the stage of establishment. This is why for most foundations and their founders, the problem of trust in the capabilities of potential recipients (community and philanthropic organizations) to qualitatively and effectively develop and implement projects on the basis of proposed initiatives still exists. Ukrainian leaders among corporate foundations regarding the execution of grant programs are Rusal's "Social Programs Center" and the all-Ukrainian charity foundation "Krona" (established on the initiative of the "Nika" group of companies). These are the foundations which from the day of their establishment, determined that grant programs were a top priority of their activity. Today, within the short period of their existence, these organizations have accumulated tens of examples of successful grant stories.

During the course of the research, five of the surveyed foundations noted that they have grant programs. Priority spheres for foundations in the provision of grants were determined as education (2), health (2), social security (2), community development (2), the ecology (2), leisure (2), as well as culture (1) and human rights (1).

Corporate foundations provide grant support to both private individuals, as well as civic organizations and state entities. As shown in diagram 3.5.2., most foundations provide grant support to community organizations.

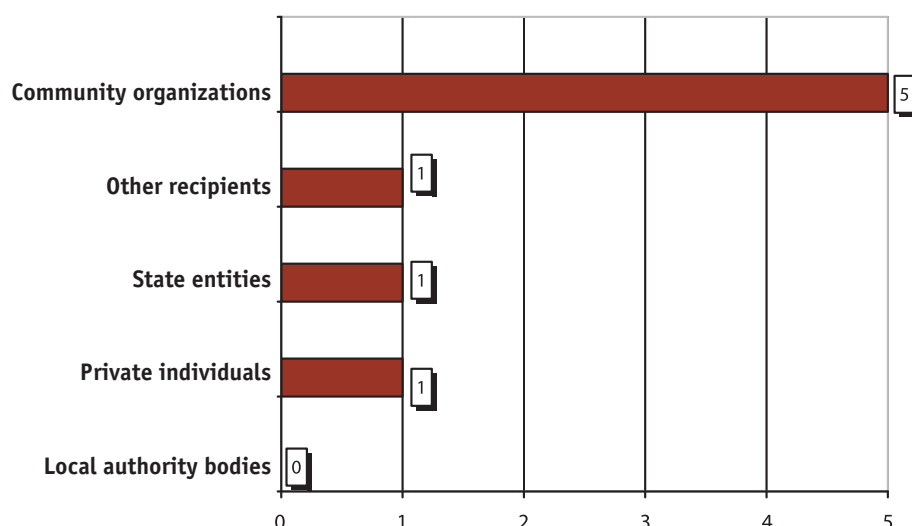


Diagram 3.5.2. Groups, to Whom Corporate Foundations Provide Grants (N=7).

Research results reflect that most corporate foundations give priority to the development and independent implementation of their own programs, directed towards the attaining of their mission.

For example, for the last four years, Yedinstvennaya Charity Fund, established by "Edipresse-Ukraine" and the magazine Yedinstvennaya has been conducting a long-term "Road to Success" program, aimed at the social adaptation of pupils at Ukrainian residential schools.

From the very start of its activity, All-Ukrainian Charity Fund "Children's World", which was established by Nadra Bank, has run the "Healthy Children in a Happy Country" program, the aim of which is a reduction in child mortality in Ukraine, by means of assistance in the acquisition of necessary medical equipment for the resuscitation units in 25 oblast children's hospitals.

For "Ridnyi Dom": Charity Fund, founded by OJSC Azot (Cherkassy), OJSC "Chernigovskoye Khimvolokno" (Chernihiv), CJSC "Rosava" ( Bila Tserkva), JSCIB "UkrSibbank" (Kharkiv) and CJSC "Corporation Energotransinvest" (Kyiv) and OJSC Kharkiv Tractor Plant named after S.Ordzhonikidze, there are two priority programs: "Social work for children with special needs" and "Social work with orphans and children deprived of parental care". Thanks to the implementation of these programs, more than 30,000 children are under the care of the fund.

In addition to providing grants, the Krona Foundation has several more operational programs in its portfolio, including: jointly with the Foxtrot Group of

Companies, LLC, the "Big Heart of a Small Life" program, which calls for aid for children - pupils of orphanages in the formation of their successful individuality and the full adjustment to a social and professional life; the "My Cosy Home" program, oriented at the reformation of the work of residential school-type institutions, which aims to create worthy living conditions and the development of orphans, as well as a range of other similar initiatives.

Characterizing another approach of corporate foundations to the organization of their own program activity, it should be noted that in individual cases, foundations, the founders of which are powerful enterprises in heavy industry, choose the strategy of introducing comprehensive branched programs, directed towards the improvement of the community's quality of life, in which the enterprise operates. A clear example of such an approach is the activity of the Mykolayiv-based "Social Programs Center" and Bel Stal Charity Foundation, established on the initiative of Euro Finance Ltd., LLC, a foreign investment enterprise.

The aim of the establishment of the Bel Stal Foundation was the wish to help the people of Bila Tserkva to create a future with their own hands, make their region and their life rich and socially self-sufficient. Based on the aim of the activity, the foundation implements a significant number of program initiatives, which include "Modern Education", "Health", "Recreation", "Sport and Youth Movement", "A Step Towards Nature", "Cultural Heritage", "European City" and "Social Partnership". In implementing its programs, the foundation is endeavoring to promote the development of the practice of community initiative associations for the sake of the development of the city's social sphere to the community of Bila Tserkva.

The Social Programs Center, established for the sake of the financial support of social initiatives in the city of Mykolayiv, also for ensuring the targeting, openness and transparency of charitable activity, implements the following programs: "A Worthy Life for the Elderly", "Healthy Youth - the Basis for the Prosperity of the Region", "The Construction of Children's Playgrounds" and many more. All of the foundation's initiatives are directed towards a transition from the financing of the partial resolution of the urgent community problems in the city of Mykolayiv, to the strategic support of the best solutions, which promote the improvement of the social status in the city, raising the standard of living of its residents, an increase in the social activity of the population and the development of youth and children's initiatives.

Within the framework of their own operational programs, corporate foundations conduct diverse activity - from training and conducting research, to legislative initiatives. Diagram 3.5.3 provides all the responses given by foundations in their questionnaires.

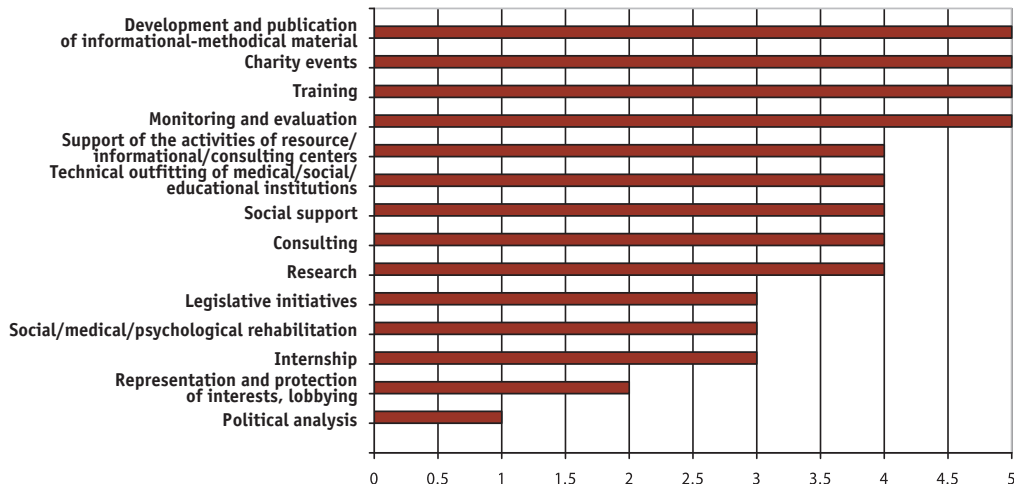


Diagram 3.5.3. Types of Activity Conducted by Corporate Foundations (N=7).

Corporate foundations also provide certain other services (indicated in Diagram 3.5.4).

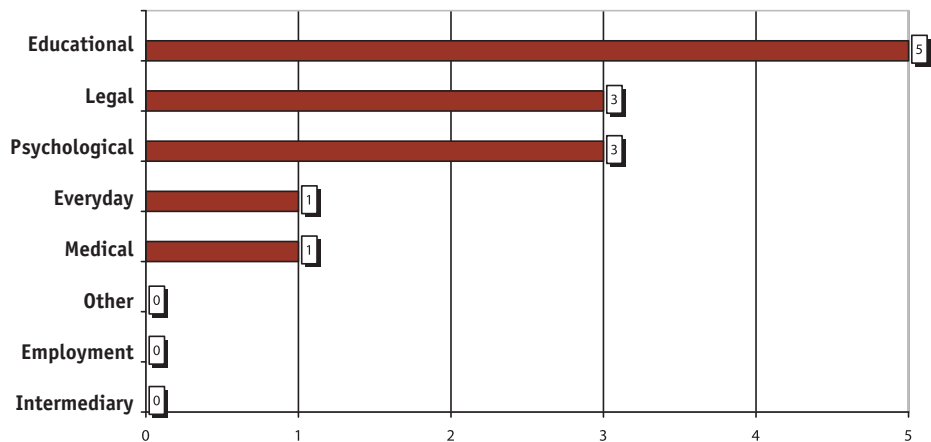


Diagram 3.5.4. Types of Services Provided by Corporate Foundations (N=7).

The survey results showed that most corporate foundations have targeted aid programs for private individuals and entities.

A clear example of the implementation of this activity is the All Ukrainian Charity Fund "Partnership and Social Help" (founded by OJSC Kreditprombank), the resources of which are dominated by targeted aid initiatives. The fund provides support to the pupils of children's homes, sanatoriums and medical centers, where children suffering from cancer undergo rehabilitation, on a permanent basis, juvenile cerebral palsy (JCP), psychoneurological pathology. The fund also supports

social institutions, which are located in remote regions and do not receive permanent subsidies from the state, commercial structures or private individuals.

Another example of the work with private individuals is the Krona Foundation's urgent aid program, which provides for the payment of medical treatment, the acquisition of necessary goods for children who have found themselves in a crisis situation. The Yedinstvennaya Charity Fund initiates campaigns for the collection of funds from the magazine's readers for the support of the medical treatment of one or other child.

According to research data, the fundamental recipients of benefits from corporate foundations are single, socially vulnerable and elderly people. Other categories indicated, included orphans, families with many children and problem families, liquidators of the Chernobyl Nuclear Power Plant, the sick and mentally handicapped, children suffering from cancer and leukemia, war veterans and the veterans of the Afghan war.

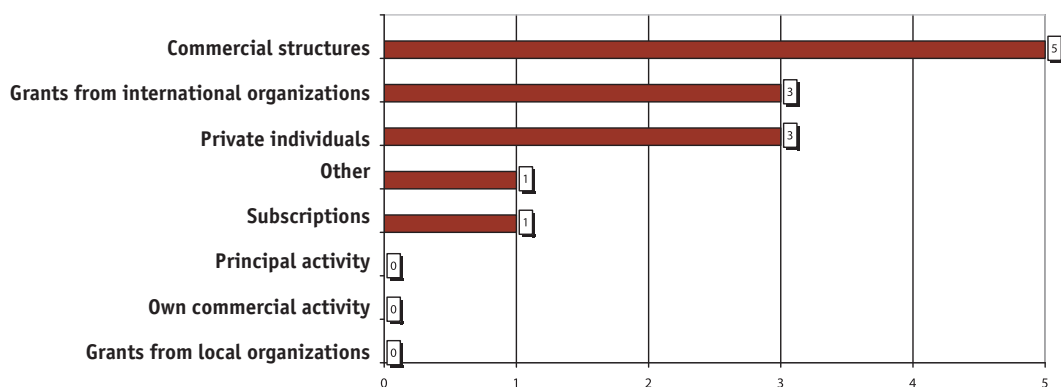
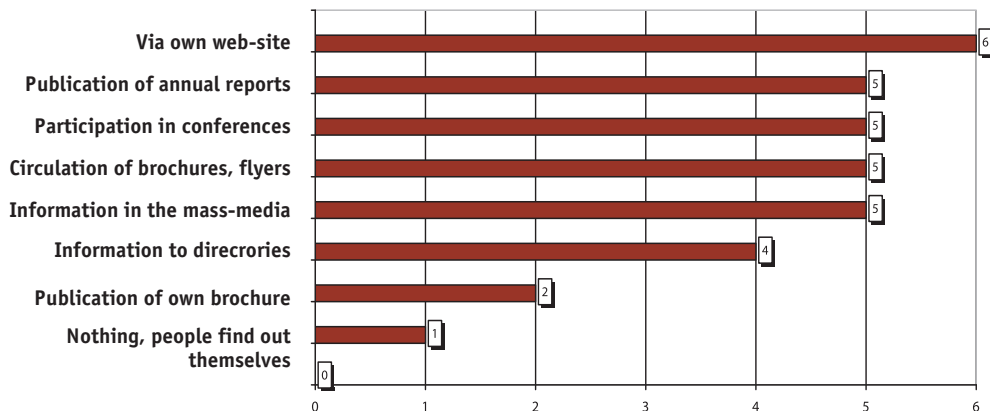


Diagram 3.5.5. Sources of Financing for Corporate Foundations (N=7).

As witnessed by data, the financial support of corporate foundations is varied, but the share of companies in the income of foundations, was the most significant; this is followed by support from international organizations.

The volume of the annual charity aid of five foundations exceeded UAH 1 million; that of one foundation did not exceed UAH 500,000. One organization provides charity aid in the amount of up to UAH 1 million per annum. During the course of the focus group, representatives of corporate foundations indicated that individual companies provided 99% of financial support for foundations, but this is the exception. The major portion of financing was funds from donors, partners and sponsors. At the same time, a characteristic feature for corporate foundations is minimal administrative expenses (5 - 10% of the total annual budget).

To the question on means for circulating information regarding their activities, the following responses were obtained (Diagram 3.5.6):



**Diagram 3.5.6. Means for Circulating Information on the Activities of Corporate Foundations (N=7).**

The large majority of corporate foundations have their own web-site, on which it is possible to find a detailed description of their programs and initiatives. In addition, foundations pay close attention to the preparation of annual reports, the advancement of information on their activities via the mass media and various public events.

In summing up the above, it is expedient to say that corporate foundations in Ukraine are young and do not have a lengthy history of activity and achievement. The initiators of the establishment of foundations are generally the founders and owners of business companies, which begin to devote a greater amount of attention to social issues. They understand that charity is the very business which requires a systematic and organized approach. Most foundations operate in the sphere of education, culture and community development, where they provide grant support to private individuals, community organizations and state entities. Support of community organizations prevails. In comparison with the USA and European countries (where the support of education is the third most popular sphere of company charity interests) and other research of corporate philanthropy, in Ukraine (CCC 2005) the most widespread spheres in which companies make contributions, are the social sphere and health. And although most respondents stated that they provide support for community organizations, in Ukraine, these organizations still continue to be applicants and not the partners of companies in philanthropic activity (once again, in contrast to the USA and European countries, where companies transitioned from forced philanthropy to partnership and cooperation with civil society organizations). Individual foundations provide benefits



and other services for their target groups. The most widespread are educational and informational services, provided by corporate foundations. The activities of foundations, which have become common practice, are the preparation of publications, conducting charity events, training, monitoring and evaluation.

## The Development Status of Philanthropy in Ukraine

During the course of the research, it was recommended that the representatives of corporate foundations participate in an analysis of the status of philanthropy in Ukraine. One of the key issues, which is subject to study, was the discovery of fundamental obstacles and achievements on the path towards the development of philanthropy and specifically, corporate charity in the current conditions of the development of society.

Determining key obstacles, which appear on the path of the development of charity in Ukraine, respondents named a lack of standards for the execution of charity activity and a low level public awareness of the essence and purpose of philanthropy. Such factors as problematic legislation, a lack of economic stimuli for the encouragement of benefactors/donors/sponsors are great hindrances to the development of philanthropic initiatives. Charity is not declared on the state level as a value to society; as is the lack of qualified employees in charity organizations (Diagram 3.5.7).



Diagram 3.5.7. List of Obstacles, Hindering the Development of Philanthropy (mean value under a 5-point scale, where 1 - least hindrance, and 5 - the biggest) (N=7).

Since cooperation with state authority bodies is an important component for corporate foundations in the development of their programs, it was proposed that the participants of the focus group characterize this cooperation. The representatives of corporate foundations also singled out the positive experience and individual negative moments. Basic obstructions also include the fact that the authorities are not always interested in the initiatives proposed by foundations, do not see the value of new approaches and do not want to recognize the necessity of qualitative changes. Even when foundations proposed cooperation in order to improve the vital activity of individual state institutions (for example, for orphans), on many occasions they received a cool welcome and a lack of willingness to meet halfway.

Only the enthusiasm of the representatives of foundations and their morale, directed at overcoming obsolete bureaucratic barriers, are the driving force, which finally help build partnership relations with the authorities. At present, nearly all foundations, participating in the research, have an organized cooperation with the Ministry of Education and Science, the Ministry of Ukraine for Family, Youth and Sport, Ministry of Labour and Social Policy of Ukraine, the State Social Service for Family, Children and Youth and their on-site structural sub-divisions. As a result of this, representatives of Ukrainian authorities have even themselves proposed cooperation with corporate foundations and the development of joint long-term purpose-oriented programs.

The main priorities on the road to strengthening cooperation between corporate foundations and authority bodies, singled out by respondents included:

- a guarantee of political will, without which a lot of initiatives do not have a chance of becoming successful, at the highest level;
- a consolidation of the efforts of charity organizations and authority entities;
- increased intensity in the exchange of information;
- a coordination of mutual efforts;
- the establishment of an advisory body for the accumulation of information on philanthropy and the coordination of the efforts of all participants of charity activity.

Respondents consider the greatest achievements, pertaining to the development of philanthropy in Ukraine to be:

- charity gaining greater support from the authorities (at least declaratively) - evidence of this is the Presidential Decrees "On Charity Day" and "On the

National Council of Philanthropy"; the declaration of 2008 as the Year of Philanthropy in Kyiv, Chernihiv and the Chernihiv Oblast; the establishment of a working group, attached to the Cabinet of Ministers, which joins together the representatives of the authorities, business and non-government organizations, to address the necessary steps required for improving state policy in the area of stimulating philanthropic activity; support in 15 oblasts of initiatives for the establishment of councils for philanthropy in oblast state administrations, which would join together the authorities, local business and community organizations;

- recognition of philanthropy is taking place at different levels: the "Benefactor of the Year" competition has been established; ratings of companies-benefactors are being formed; ever more people are seeing philanthropic activity as a positive and necessary phenomenon;

- the number of charity organizations is growing; there is an increasing number of business structures, wishing to help; philanthropy is expanding and becoming "fashionable";

- in April 2006, the process of the joining of business structures and organizations in Ukraine to the Global UN Agreement on the social responsibility of business with the support of Ukrainian and international companies-leaders and representatives of the Government of Ukraine;

- philanthropy is becoming more professional: there is an active transition from the traditional form of philanthropy to social investment; an expert environment is being formed in the area of the development and evaluation of projects/programs; more modern instruments are being used for the development of charity programs, the measurement of effectiveness, etc;

- active cooperation is being organized between business with philanthropic and other community organizations - as a result of which, the number and quality of social projects is improving.

The respondents named the following as the **highest priority task**, the execution of which will promote the development of philanthropy in Ukraine:

- the formation of public opinion regarding philanthropy; the popularization of charity activity in society, the development of a philanthropic culture (raising the prestige of charity activity, conducting enlightenment work among the population, the development of spiritual values; the establishment of cooperation with the mass media, search for other means of communication with the population);

- the development and consolidation of standards for conducting philanthropy, the formation of a due culture among representatives of non-government, state and municipal organizations; guaranteeing transparency in the use of voluntary contributions - all of this will also promote the increased authority of phi-

lanthropy in society;

- the formation of a professional environment, the training of managers on charity issues, and the training of specialists;
- the regulation of the activity of philanthropic organizations, the determination of their priorities;
- state support of philanthropy - first and foremost, relevant changes to legislation, improvement of the tax system, economic stimulation of philanthropy;
- continued pluralism regarding the free choice of directions and organizational forms of charity work.

## The Needs of Corporate Foundations

Recognizing a problem means, that organizations are aware of their abilities and limitations. Within the framework of this research, it was proposed that representatives of corporate foundations select those issues from the list, which must be resolved for further effective philanthropic activity. The results are presented in Table 3.5.1.

Table 3.5.1. Issues which must be resolved for further effective philanthropic activity by corporate foundations

	Needs	Probably needs	Does not need
Material and technical provision	2	1	3
Attainment of financial stability	2	1	4
The organization of the effective management of an organization	2	2	3
The organization of effective financial management	2	2	3
Ensuring a favorable regulatory and legal framework on all levels	4	2	0
Informational-methodical provision	1	4	1
Acquaintance with international philanthropic experience	3	1	2
Training and advanced training for personnel	3	3	1
Improving the level of work with volunteers	5	2	0
The organization of cooperation with authority agencies	3	2	2
Organization of cooperation with state institutions	2	2	2
Exchange of experience with other philanthropic and community organizations	2	5	0
Organization of cooperation with philanthropic and community organizations	2	3	1
Organization of cooperation with the mass media	1	4	1
Establishment/improvement of an organization's image	0	5	1

Most respondents feel that the issue of material and technical provision, the attainment of financial stability and the organization of the effective management of an organization are the most pressing issues for their foundations. The issues which require resolution pertain to ensuring a favorable regulatory and legal framework on all levels, informational-methodical support, the exchange of experience with other philanthropic and social organizations, the organization of cooperation with the mass media and the establishment/improvement of an organization's image. In addition, participants of the focus group indicated that there are too few professional employees and limited budget funds for individual expenditures for effective operation.

During the focus group, participants also indicated the existence of the following problems:

- the lack of systematic and regular activity and the implementation of initiatives in the area of philanthropy, both in authority bodies and in community organizations and business companies;
- nearly all activity is conducted on the national level, but on the regional level, initiatives (if there are any) are not coordinated amongst themselves;
- the legislative base does not promote the development of philanthropy;
- there isn't a due coverage of philanthropic activity and exchange of experience between foundations. In many cases "someone is doing something" (and is even doing it well), but the overwhelming majority of people or even their colleagues haven't heard anything about it;
- there isn't a single information base, for example, of the needs of orphans and pupils of residential school institutions, as well as other specialized sources of information for potential benefactors.

As can be seen, the list of problems almost completely corresponds with the difficulties which obstruct the overall development of philanthropy in Ukraine. A theory emerges from this: the implementation of only a few measures, which will promote the development of philanthropy on the national level, will produce the expected influence on also increasing the efficiency of the activities and corporate foundations.

## General Conclusions

This research showed a small number of organizations, which consider themselves to be corporate foundations. According to their type of activity, they can be associated with both corporate and operational foundations, since in addition to providing grants, to a large extent, these foundations are involved in the execution of their own programs, which are sometimes "borrowed" from the recipients of their grants.

It can be said that on a virtual map of Ukrainian civil society, corporate foundations are located in the middle, between the spheres of business and community activity. They are the bridge which joins these two opposites. They direct and improve the social work of the representatives of business and help in the broad popularization of this activity in the community.

Since the systematization of corporate philanthropy has only just begun in Ukraine and the establishment of foundations is quite a new form of its organization, it is too early to make profound conclusions regarding the overall stable trends of the activities of these foundations. But two basic approaches, which are being watched in the process of the development of the activities of domestic corporate foundations, can already be singled out today:

- companies are establishing their own corporate foundations in the hope that by taking such a step, they can promote the activation and development of community activity, and thus improve the social well-being of the communities, in which they are working. It is for this, that they consistently allocate resources for the implementation of set tasks;
- corporate foundations are established with a minimal contribution from the founding company, with the determined mission and hope, that the institution established will become capable of independently finding the resources for attaining this mission.

Which approach will prevail in Ukraine in the future, depends only on the responsibility of domestic business.

Although the development of corporate philanthropy in Ukraine began later and is not based on old traditions and customs, as in the USA and European countries, the following conclusion can be made: its development trends go hand-in-hand with changes, taking place in developed countries. The most important

issue, in which both corporate and philanthropy as a whole differs today in Ukraine - is the lack of traditions and a convincing calling to be involved with charity issues. In addition, philanthropy in the civilized world is based on values, in Ukraine, for the time being, it is fed by emotions.

Of course, the philanthropic activity of companies can help resolve certain problems and obtain long-awaited results, but without the support, understanding and most important of all, the cooperation of communities, non-government and charity organizations, the contributions of companies continue to remain "victims". A stable and developed economy allows the possibility for society to develop and grow; at the same time, society itself must encourage people to get involved in charity work, after all, this noble cause does not only show the level of development of society, but also becomes a gauge of the honor and conscience of each person.

## 3.6. PRIVATE FOUNDATIONS: THE POSSIBILITY OF IMPLEMENTING PERSONAL PHILANTHROPIC INITIATIVES

### Introduction

**Private foundations** – this is a philanthropic organization, established at the expense of one person or family for conducting a determined charity program. The aim of the activity of a private foundation is generally based on the orientation values of the founder.

In order to determine the principal trends in the activity of the first private foundations in Ukraine, an electronic survey was conducted within the framework of the research (according to the results of which, 6 respondents included their organization in the private foundation category), also 4 interviews with the heads of private foundations. In addition, an analysis was conducted of the web-sites of foundations and other internet resources, which contain information on the activity of these organizations.

### PREREQUISITES FOR THE EMERGENCE AND DEVELOPMENT OF PRIVATE FOUNDATIONS IN UKRAINE

Private foundations are the smallest, yet richest group of all charity foundations operating in Ukraine. And this is a natural phenomenon, since the establishment of such a foundation places additional responsibility and burden on its founder, which can be avoided, by entrusting the implementation of charity programs to the PR Department of his company. It is with good reason that the list of possible forms of private charity activity, determined by the Council of Foundations, the establishment of a foundation is in last place. However as a rule, the effect of such work is different.

In most cases, the establishment of a private foundation is preceded by the active philanthropic activity of its future founder, which is conducted in various forms, in different regions and in different fields. Moreover, this activity is often restricted by initiatives in the social and medical spheres: the provision of aid to orphans or other socially vulnerable sections of society, providing necessary



equipment to health, education and cultural institutions, etc.

In individual cases, private foundations are established as a result of the restructuring of corporate funds, which belong to companies, the owners of which are their founders.

According to the data of the research, the process of the establishment and registration of private foundations in Ukraine began in 2003. It gained greater momentum in 2005. It was at that time that the successful experience of the first private charity foundations was presented, there was growing interest in society to the issue of corporate social responsibility and private philanthropy. There are approximately 10 private foundations actively operating in Ukraine at this time (both on national, international and regional levels).

Private foundations are becoming powerful institutions, which resolve specific problems of Ukrainian society, sometimes being the only hope for individual people and organizations to receive one or other material support. Depending on the ramifications and volumes of programs, the number of employees at private foundations is in the range of 3 to 23 people.

## THE KEY AREAS OF ACTIVITY OF PRIVATE FOUNDATIONS

The mission of just about all private foundations in Ukraine is the formation of its image, the strengthening and development of the authority and increasing the understanding of Ukraine in the world. To do this, the founders of private foundations use their own authority and powerful connections in world business circles.

Private foundations implement their own projects and programs in the areas of health, education, culture and sport, give grants to other organizations and direct benefits. A fashionable trend in the last year has been projects in the area of state management, the support of economic education projects and the development of diplomacy.

Uncharacteristic for private foundations (according to the respondents, who participated in the research), is the implementation of projects and the provision of services in the media, leisure and ecological spheres, the support of business development and election projects.

Diagram 3.6.1 reflects the break-down of organizations according *to sphere of own project and program implementation*. According to the answers of the respondents, private foundations execute projects in the area of social security and health (4 each), culture (3), education (2), science and technology (1), leisure (1), religion (1), community development (1), other projects (1).

The choice of projects by private foundations in such spheres as the ecology, economic development, democratic change, community development, media development, the support of business, the support of community initiatives, elections and human rights, did not enjoy confirmation on the part of the respondents. Nevertheless, information on the internet offers data on individual initiatives which have been conducted in these spheres.

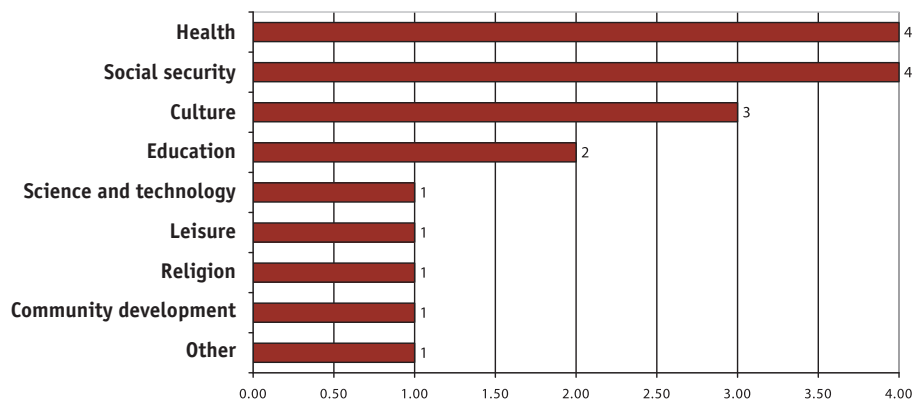


Diagram. 3.6.1. Areas in which Private Foundations Implement Projects/Programs (number of responses).

## GRANTS PROVIDED BY PRIVATE FOUNDATIONS

It's worth noting that the provision of grants is not a priority sphere of the activities of private foundations, since more often than not, they try to independently implement projects or provide purpose-oriented aid to persons or entities. Confirming the trends of foreign private (including our closest neighbors - Russians), most of our foundations also do not trust community organizations, striving to establish and finance their own "turnkey" projects.

And although in the survey, all private foundations-participants indicated the provision of grant support, but there is almost no information on the grant competitions they conduct which are available to the public. The recipients of grants from private foundations include community organizations (6), as well as private

individuals (2); state entities (1) and several other recipients (2) in the following spheres: education (1), health (2), social security (4), science and technology (1), culture (3), human rights (1), community development (1), support of community initiatives (1).

Recipients of grants from private foundations do not include local authority bodies. Not a single grant was given in such spheres as leisure, ecology, religion, economic development, media, support of business development, elections, etc.

## PROVISION OF SERVICES

Of the services proposed, the participants of the survey most frequently noted educational (4); informational (4); medical (preventative-treatment without the use of medicine) (3); legal (1); intermediary (1); everyday (1); employment (1); other (1).

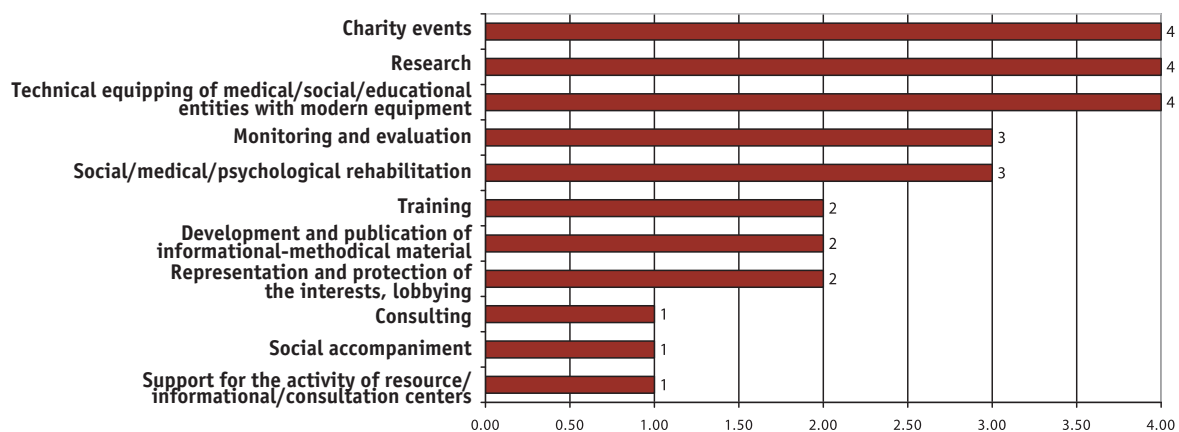


Diagram 3.6.2. Types of Activity Conducted by Private Foundations (number of responses).

Among the types of activity proposed in the questionnaire, private foundations most frequently noted research (4) and the organization of charity events (4). Traditionally important types of activity conducted by private foundations remain the equipping of medical, educational and social institutions with modern technical equipment (4).

Ukrainian private foundations are also involved in the protection and lobbying of the interests of different sections of society via a system of legal clinics (2), legal aid consultation centers (1); offer enlightenment and educational services (2).

As do other foundations, private ones develop, publish and circulate informational-methodical materials on various themes. But most private foundations are known

for their active support of domestic publications, art exhibitions, concerts, etc.

A particular role belongs to private foundations which work in the area of health, directing their activity to overcoming the most complex phenomena: HIV/AIDS in Ukraine; tuberculosis; cancer. Private foundations have the ability to provide large volumes of purpose-oriented material aid to the sick; support the work of specialized medical institutions; provide modern effective medicine. In addition, foundations support measures in social, medical and psychological rehabilitation (3) social support (1).

All private foundations noted social security as a sphere of their activity. In this sphere, they most often provide support to large families (as a result of participation in the "Giving Warm Love to a Child" program, initiated by the National Charity Council, established by Decree №1238/2007 dated 19 December 2007 of the President of Ukraine). In addition, half of the private foundations surveyed (3) are oriented towards the provision of targeted material aid to the socially vulnerable sections of the population, which include orphans and children deprived of parental care (1); the elderly (1); problem families (1); HIV patients (1).

A significant place in the activity of private funds is held by culture. The main measures are the establishment of art centers and conducting artistic events in order to show the contemporary art of both world-renowned and talented Ukrainian artists in Ukraine. In addition, for the sake of the development of art in Ukraine, training and grants are given to students and up-and-coming artists; support is provided for music ensembles, cultural institutions and museums. Competitions are held to encourage Ukrainian authors (for example the Earnest and Natalia Huliak Foundation presents the annual "Best Ukrainian Book" award), and books are translated into foreign languages, in order to popularize Ukrainian literature.

It's worth reviewing the conducting of charity events, concerts, fairs, television and radio marathons separately. Using their own powerful connections in Ukraine and the world, the founders of private foundations attract stars from the world of entertainment, popular artists and television hosts to such events. Since charity events aim to draw the attention of society to a given problem, the direct recipients of aid join in the participation of such events. For example, in 2007, Olena Franchuk's Anti-AIDS Foundation conducted a unique exhibition of the Love Fashion AID collection in a pavilion during Ukrainian Fashion Week, with the participation of not only Ukrainian stars from show business and sport, but also people who were HIV positive.

An important sphere in the activity of private foundations is education, although projects within it are very different. Let's take, for example, the Victor Pinchuk Foundation, which became the founder of the Kyiv School of Economics and has already supported the activities of this institution for more than ten years. In addition, it organizes a range of public lectures for the political and business community of Ukraine on a regular basis, enlisting the services of renowned scholars of the world, leading economists, politicians and other public persons to Ukraine. Another example is the training program for journalists "Digital Future of Journalism" of the Development of Ukraine Foundation. The most modern "digital journalism" studio in Ukraine, on the territory of the National University of "Kyiv-Mohyla Academy, was financed within the framework of this project; in addition, methodical recommendations have been prepared for Ukrainian journalists on the basis of an analysis of the activities of current publishing houses and media-holdings.

The foundations of prominent Ukrainian sportsmen (for example the Klichko Brothers' Fund and the Andriy Shevchenko Foundation) conduct programs, enlisting children and youth to sport, establish sports grounds and support sporting competitions.

The newest forms of activity, introduced by private foundations, are measures on a diplomatic level - meetings with diplomatic employees (such as "Breakfast in Davos", the Yalta European Strategy); diplomatic clubs, security forums, etc.

In addition to the activities of the above-mentioned types and spheres, projects conducted by private foundations differ because of their uniqueness. In particular, the "Open Ukraine" Foundation of Arseniy Yatsenyuk and Zbigniew Dzhyhali, supported "Touch and See", the first photo exhibition in Ukraine for the blind. For several years now, the Victor Pinchuk Foundation has conducted the "Pride of the Country" Award, the nominations of which include "Courage", "Duty", "Willpower" and "Lifetime Achievement". The significance of this is that the people awarded are Ukrainians, who have compelled admiration with their heroic deeds.

Summing up the data regarding the program activity of private foundations, it should be noted that: they differ from other charity organizations by the fact that they often introduce unique measures in spheres which are important for the maintenance of national historical heritage and cultural traditions. It is namely private foundations which challenge the worst illnesses of our time, providing aid to the sick and doctors. In addition, they support the positive image of Ukraine

on an international level, promoting the integration of our country into the European socio-cultural space.

## VOLUME AND SOURCES OF FINANCING

Private foundations in Ukraine have different volumes for the financing of their activities. Half of them (3), which participated in the research, had volumes of up to UAH 1 million, the rest (3) - more than UAH 1 million.

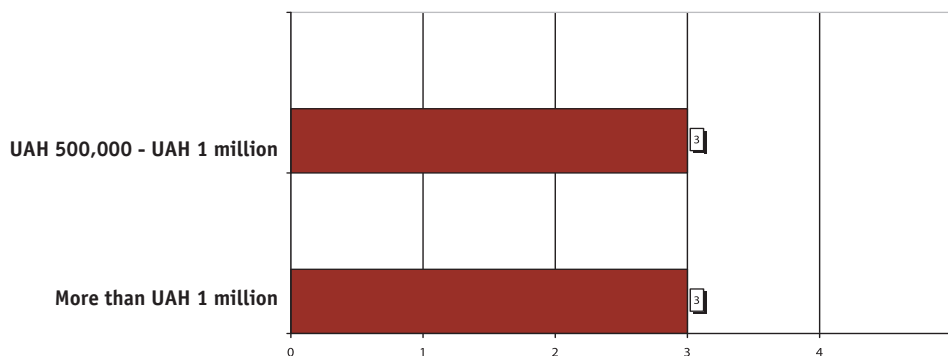


Diagram 3.6.3. Volumes of Financing of Private Foundations.

As witnessed by research results, the main sources of financing of private foundations are the funds of their founders. Everyone surveyed noted income from the contributions of private individuals (6), some of the respondents indicated maintenance at the expense of charity aid on the part of commercial structures (4), at the expense of grants from other organizations (2), other sources (1).

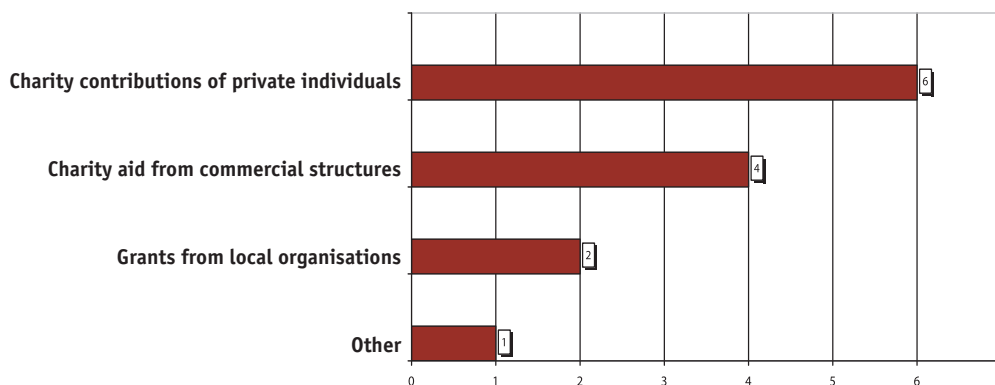


Diagram 3.6.4. Sources of Financing of Private Foundations.

This list of sources of income is witness of the fact that:

■ -in contrast to American and West European organizations, all Ukrainian private foundations are not only financed by the personal capital of the founders,

but also by the budgets of companies, the owners of which are their founders or their business partners;

- not all domestic foundations have purpose-oriented capital (endowment) and are financed annually by the contributions of their founders or companies, the owners of which are the founders.

Taking this into account, Ukrainian private philanthropy, regardless of the large scale, is not very stable in comparison to its western partners.

Another significant problem which affects the financial activity of Ukrainian private foundations is taxes. There is not a single tax benefit in Ukraine for private benefactors. It is namely private foundations, which in contrast to the rest of foundations, who are forced to carry the burden of triple taxation. Founders have to pay taxes when earning their capital, then pay endowment taxes on funds provided to the foundation from their personal income, then they still have to pay taxes, when giving one or other charity aid to private individuals or organizations.

## SIGNIFICANT ACHIEVEMENTS

Analyzing the key achievements of the activities of private foundations in Ukraine, several major aspects can be singled out:

- Private foundations, which are the youngest group of Ukrainian charity foundations, accumulate strong basic experience regarding the deployment of their program and administrative activity, which can serve as an example and resource for study for future private philanthropic initiatives.

- It is namely private foundations which differ from the rest of the participants of organized philanthropy with huge budgets, directed at the implementation of their own programs.

- Today, domestic private foundations exert every effort and resource, directed at the maintenance and development of our cultural heritage and traditions, strengthening the health of the nation, forming an image and raising Ukraine's authority.

- Examples of the latest philanthropic initiatives of most private foundations prove that if necessary, these organizations can act as strong partners of the state in the resolution of one or other social problem. However, it is important that this partnership is constructive and corresponds not only with the interests of the state, but also with the foundations, and has positive results for society as a whole.

■ Private foundations, together with other charity foundations, are active participants in the process for lobbying changes to legislation on the local, oblast and national levels in the area of the preservation of cultural heritage, health and the social security of the population and the development of philanthropy in Ukraine.

■ It is the activity of private foundations, regardless of the typical nature of the areas of the introduction of programs, which is unique and is singled out by its individuality of approach to the resolution of one or other problem. This is first of all related to the fact that most founders of private foundations do not perceive philanthropy as a standard set of one-time actions, but as a means of implementing their deep moral choice, their personal responsibility for the future.

■ Regardless of all existing tax burdens, private foundations, unlike other foundations, remain the most stable in their activities.

## CURRENT CHALLENGES FOR CHARITY VIA PRIVATE FOUNDATIONS

Research results show that there is a range of obstacles facing domestic private, as well as other foundations, the elimination of which would significantly improve the quality and efficiency of their activity. Participants in the research determined the following key factors, which impede the development of philanthropy (the mean value on a 5-point scale is indicated in the brackets, 1 - being the minimal impediment and 5 - maximum):

- Lack of qualified employees in philanthropic organizations (4.5);
- Low level of trust in philanthropy on the part of the population (4.3);
- Low level of public awareness on the essence and aim of philanthropy (4);
- Lack of standards for conducting charity work in Ukraine (4);
- Lack of economic stimuli for encouraging benefactors/donors/sponsors (3);
- Obstacles on the part of the authorities when conducting charity work (3);
- Limited material resources for supporting the everyday activities of organizations (3);
- Complex procedure for registering an organization (3);
- Problematic legislation (3);
- Lack of moral stimuli for encouraging benefactors/donors/sponsors (2.8);
- Charity is not declared on a state level as a value for society (2.8);



■ Obstacles on the part of the public when conducting charity activity (2).

Під час особистих інтерв'ю, а також у ході робочих зустрічей та конференцій, присвячених питанням благодійності, керівники приватних фондів неодноразово зазначали, що найбільш "пекучими" перешкодами розвитку приватних фондів є такі:

**An imperfect legislative base.** As has been said before, the heavy tax burden is the principal obstacle to the development of private foundations in Ukraine. Another important factor is the lack of legislation, which would regulate the issue of the establishment of the purpose-oriented capital of a foundation (endowment). It is the availability of purpose-oriented capital, which ensures the stability of the activities of western private foundations and makes them independent of changes in the financial status of their founders. Standard regulation for conducting charity lotteries and auctions, which according to valid legislation, regardless of their philanthropic nature are subject to significant taxation, require improvement. The same taxation problem also pertains to other instruments for attracting financial resources and different charity initiatives, for example, the collection of funds via sms-marathons.

**Lack of qualified personnel.** Today, the system for the training of personnel for work in community and charity organizations, including philanthropic foundations, has been neglected in Ukraine. If ten years ago, thanks to the active operation of a range of international donor programs, there was active "informal" training of specialists for the "third sector", then today, as a result in the reduction of the activity of foreign programs, such training is almost non-existent, and a domestic alternative has not emerged. For this reason, private foundations, attempting to build their management on the level of professional business, face a complicated task in the enlistment and retention of professionals in the area of the development and implementation of charity programs and the popularization of philanthropy as a socially-significant phenomenon.

**Difficulties in the popularization of private philanthropic activity via the mass media.** At present, the Ukrainian mass media put domestic foundations on the same level as "native" business, demanding large amounts of money for the placement of material on their charity activity. Thus, charity is automatically equated by the owners of the Ukrainian mass media to business advertising, which is strange and contradicts current international practice and standards.

**Lack of informational resources regarding the development of private philanthropy.** Yet another weak link in Ukrainian philanthropy is the lack of qualitative informational resources on the issue of charity. The translation of well-known western publications is also becoming a burning issue, as is the preparation and issue of Ukrainian resources which would be accessible to everyone, wishing to become involved in charity work on a professional level.

Respondents singled out the following requirements for the resolution of the above-mentioned problems and overcoming challenges:

- Guaranteeing a favorable regulatory and legal framework on all levels (6);
- Training and advanced training of personnel (6);
- Exchange of experience with other charity community organizations (6);
- Acquaintance with international philanthropic experience (5);
- Putting efficient organization management in place (5);
- Putting effective financial management into place (5);
- Arranging cooperation with charity and community organizations (5);
- Arranging cooperation with the mass media (5);
- Establishment/improvement of the image of organizations (5);
- Provision of informational-methodical material (literature, informational brochures, printed matter) (4);
- Increasing the level of work with volunteers (4);
- Improving cooperation with authority bodies (4);
- Establishment of cooperation with state entities (educational, social service, health institutions, etc) (4).

Summing up the results of the research of domestic private foundations, it should be noted that in spite of existing difficulties, the development of private foundations in Ukraine is gaining momentum. Private foundations initiate and support current programs for the resolution of the most burning issues facing Ukrainian society, the implementation of innovative technology for social development and bringing Ukraine into the world community as an equal partner, a country with a vast historic, cultural, economic and socio-political potential.

Розділ

DEVELOPMENT PROSPECTS FOR  
PHILANTHROPIC ORGANIZATIONS IN UKRAINE

An important component of the research in the determination of priority tasks in the further support of the development of Ukrainian charity foundations and organizations became the delineation of problematic issues and the existing needs of these institutions.

Thus, according to research results it emerged that the most urgent aspects of activity for many of the organizations represented in the survey are the training and advanced training of personnel, ensuring favorable standard-legal regulation on all levels, attaining financial stability, becoming acquainted with international experience and an exchange of achievements with domestic organizations. Issues which require only minimal immediate resolution include: putting into effect efficient organization management and cooperation with state entities, and the improvement of material-technical status (see Diagram 4.1.).

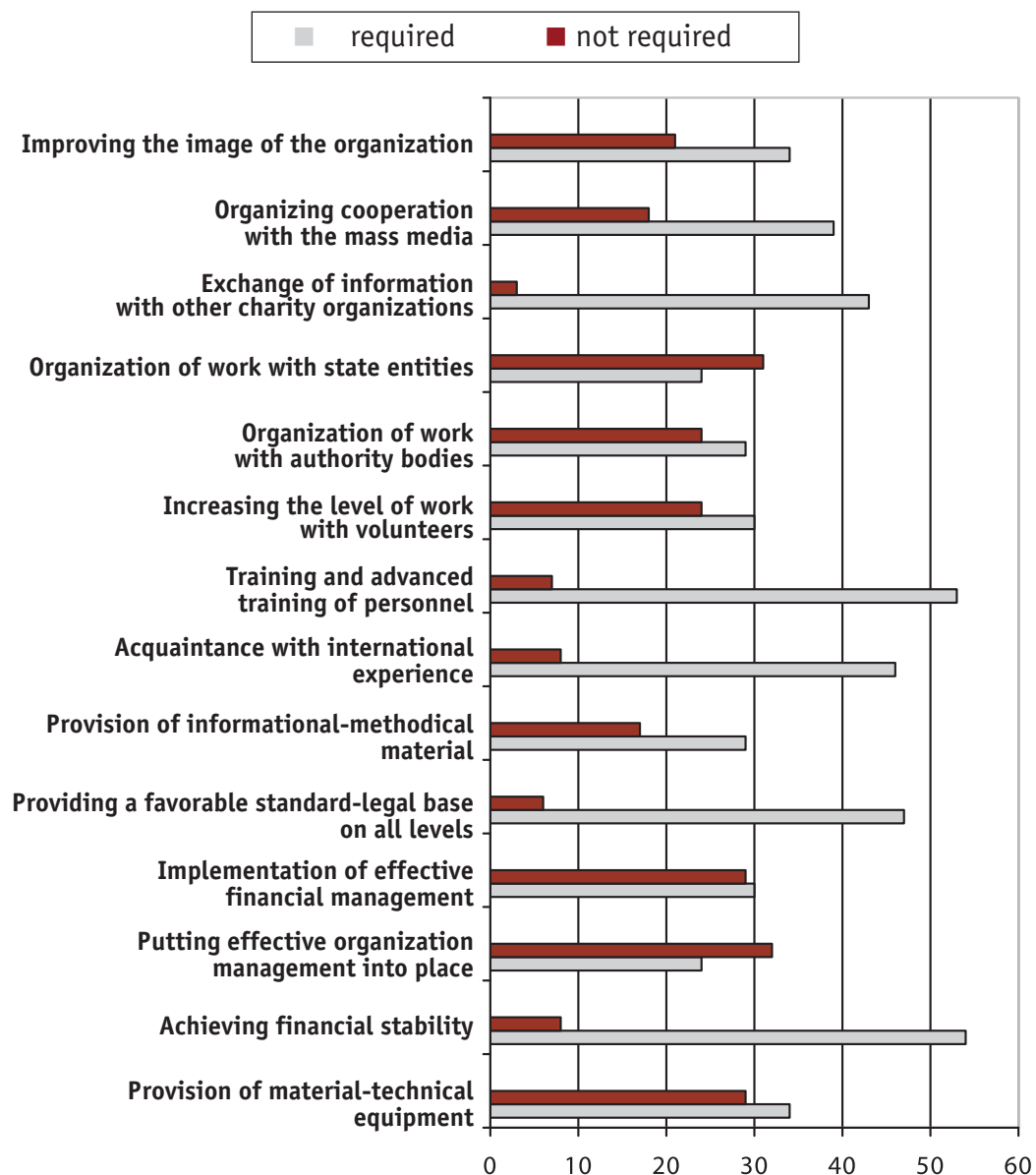


Diagram 4.1. Break-down of the answers of respondents to the question "What is important/not important for your organization for the further effective conducting of charity activity?" (%).

In their practical activities, modern business structures apply numerous innovative informational technology and methods. Of course, their use promotes the improved image of the company and is an index of relative development. As far as charity organizations are concerned, survey results constitute that: much of innovative informational technology is not applied. During the course of the survey, the respondents were asked to indicate the concepts with which they are acquainted and the ones about which they would like to learn more. It emerged that they were most acquainted with such a concept as "social advertising" (60%), "PR, media relations and advocacy" (54% of those surveyed); 46% have a good idea of what a social enterprise is. Only a third of those surveyed were well-informed with the concept of "social marketing"; one fifth - with the concept of "standardization of ISO quality management". 56% of respondents had heard absolutely nothing about corporate informational systems for saving data on customers and the history of their relations (Customer Relations Management - CRM), 47% - don't know anything about venture philanthropy (social investment). Such concepts as the "ISO standardization of management quality" and BTL (a type of advertising activity via direct communication with the consumer, promotional campaigns, direct-mail, exhibitions) are unfamiliar for 43% and 36% accordingly (see Table 4.1.).

Table 4.1. Break-down of responses to the question "To what extent are you acquainted with the following concepts?" (%).

Concept	Well-acquainted	Have an idea	Don't know anything
Social entrepreneurship	46	48	6
Social advertising	60	37	3
Social marketing	33	51	16
PR, media relations, advocacy	54	43	3
BTL	21	43	36
CRM	8	36	56
Venture philanthropy	12	41	47
Social franchising	21	52	27
ISO standardization of management quality	10	47	43

More than half of the responses to each of the proposed business-concepts reflected their wish to learn more. Of the data provided in Table 4.2., it can be seen that 80% of those surveyed needed to improve their knowledge of CRM and venture philanthropy. 78% and 70% of respondents, accordingly, want to improve their knowledge of the standardization of management quality (ISO) and BTL. As far as social franchising, social marketing and social entrepreneurship are concerned, 68%, 66% and 62% of representatives of charity organizations admitted to requiring additional knowledge. Regarding such concepts as "public relations technology (PR, media-relations, advocacy)" and "social advertising", knowledge about them would be worthwhile for 56% and 51% of the respondents, accordingly.

Table 4.2. Break-down of answers from respondents to the question "Which concepts would you like to learn more about?" (%).

Concept	%
CRM	80
Venture philanthropy (social investment)	80
Standardization of management quality (ISO)	78
BTL	70
Social franchising	68
Social market	66
Social entrepreneurship	62
Public relations technology (PR, media-relations, advocacy)	56
Social advertising	51

The data collected during the course of the research give grounds to single out the low priority tasks, directed towards the support of the development of philanthropy, including charity foundations and organizations in Ukraine:

- **The improvement of the national legislative base in the area of philanthropy.** The greatest expectation was for changes, which would promote:
  - the introduction of economic stimuli, which would promote benefactors, donors and sponsors (first and foremost, classifying charity contributions as a gross expenditure);
  - relieving private individuals, who support philanthropy in various forms, of double-triple taxation;

- standard regulation, covering tax benefits, the conducting of charity auctions, lotteries, sms-marathons, as well as the application of other technology for the attraction of charity resources;
- relieving the recipients of charity aid from tax burdens;
- legislative setting of the subsidiary principle for charity organizations and foundations (first of all - operational), which would allow the removal of administrative expenses, particularly the "rental of premises" and "municipal expenses" articles;
- standard regulation of the activity of social entrepreneurship (separating it from business entrepreneurship);
- legislative setting of the status of social services, provided by charity organizations, as well as the putting into practice of a mechanism of the social ordering of services, which will allow the state to partially delegate its authority to charity foundations and organizations.

■ **Implementation of standards for philanthropic activity and control of their compliance.** In order to increase the transparency and accountability of Ukrainian charity organizations, it is considered expedient to introduce standards - a range of certain rules/requirements - which domestic charity institutions must comply with (particularly the mandatory preparation of annual reports and their publication, undergoing internal or independent audits, etc.).

■ **The formation of state policy regarding the popularization and support of the development of philanthropy.** A clear state strategy needs to be defined and a state program must be developed, aimed at:

- encouraging domestic benefactors, donors and patrons;
- promoting the activity of different forms of Ukrainian charity institutions;
- training specialists in the field of philanthropy;
- support of social innovations, introduced by charity institutions;
- sharing of the best experience for the introduction of charity initiatives;
- ensuring pluralism regarding the free selection of priorities and organizational forms of philanthropic activity.

■ **Strengthening cooperation between different charity institutions, state executive and local authority bodies, business and the mass media.** In order to consolidate efforts and resources, the formation of a single vision and the development of a long-term strategy for the development of philanthropy and the exchange of successful experience of the principle of "inter-sector inter-



action" must be widely popularized among all participants of the Ukrainian philanthropic movement. In addition, it is important to coordinate activities and introduce mechanisms for lobbying the mutual interests of domestic charity institutions (especially by means of establishing formal and informal associations and unions of charity foundations and organizations), ensuring possibilities for the exchange of information, best practices and achievements in the area of philanthropy.

■ **·Increasing the level of community trust regarding philanthropy.** An urgent task is the popularization in Ukrainian society of the culture of philanthropy, the formation of a conscious public opinion regarding the importance of charity work, also the significance of the contribution of charity foundations and organizations in the social well-being of the nation.

■ **·Professionalization of the activity of charity institutions.** From the point of view of the large-scale increase in interest of Ukrainian society in the issue of philanthropy, the active implementation of a broad spectrum of charity programs by commercial structures, as well as the establishment of various charity institutions, an immediate need is emerging for the preparation of professional personnel for work in the area of philanthropy. The initiation of the training of future professionals on the basis of higher educational institutions (by means of introducing new disciplines/specialized courses, the introduction of new specializations) is important, also the development of a model for the re-qualification/advanced training of specialists for work in the indicated sphere. A system of informal education must also be organized (cycles of training and educational seminars etc. must be developed) for the employees of charity foundations and organizations, commercial structures, etc., aimed at familiarization with modern technology and set of instruments of charity activity, its optimization and popularization of results. In addition, the philanthropic sphere and its individual components must become the subject of scientific research, directed at the raising of the level of its quality, efficiency and the stability of results.

■ **·A strengthening of the philanthropic informational-methodical base.** An urgent need is the development in Ukraine of domestic informational-methodical materials on the following issues:

- the development of corporate and private philanthropy;
- the development and introduction of charity initiatives, projects and programs;
- the use of various technologies for the attraction of charity resources;

- conducting informational charity events;
- the organizational development of charity foundations and organizations;
- other.

Another urgent issue is the translation of popular foreign publications on the indicated issues and the establishment of universal domestic web-resources, which would accumulate the relevant information and make it accessible to the vast majority of interested persons.

The background is a dark red color. It features several white circular elements of varying sizes, some of which are double-lined, creating a sense of depth and movement. Thin white lines arc across the page, intersecting with the circles. A white rectangular box is positioned horizontally across the middle of the page, containing the text 'GENERAL CONCLUSIONS'.

# GENERAL CONCLUSIONS

The results of the conducted research give grounds to make certain conclusions and determine priority tasks regarding the development of the further activity of philanthropic institutions in Ukraine.

Today, it is possible to see the activities of several types of charity institutions in Ukraine, namely: charity organizations, operational, corporate, community and private foundations.

The large majority of charity organizations were established in Ukraine during the last 10 years (after the approval of the Law of Ukraine "On Philanthropy and Philanthropic Organizations" № 531/97-BP dated 16 September 1997). There is a possibility to distinguish three fundamental periods, which characterize the emergence of charity foundations of one or other type (the operational foundations in 1998 - 2003, community foundations - 2003 - 2005, private and corporate foundations - 2005 - 2008).

The main founders of charity institutions are private individuals; in individual cases, and depending on the type of organization, they are commercial structures or religious organizations.

Although the wish to help (altruism) is the basic motivation for the initiation of the activity of all charity organizations, it is possible to follow additional motives, depending on the type of organization. Thus, for the founders of operational foundations, it is important to mobilize resources for the sake of resolving one or other social problem; for the founders of community foundations - to manifest leadership and organizational skills in improving the social situation within the community, in which the foundation has been established; the activity of corporate foundations is directed at the establishment of a positive image of the company-founder; the private foundation becomes the instrument for the satisfaction of the personal ambitions of the founder, the attainment of his recognition by society.

Priority spheres in the activity of charity institutions are - the social security of the populace, health, education, human rights and the support of community initiatives. Social security and health are the key spheres for most of these organizations. However, other strategic areas of activity differ significantly, depending on the type of foundation. For community foundations, important spheres of activity were community development and the support of community organizations, while private and corporate foundations devote a lot of attention to the development of culture and education.

The program components of the activities of domestic foundations is first of all represented by a broad spectrum of operational programs, directed towards the resolution of given problems in all of the above-mentioned spheres. Within the framework of these programs, most charity organizations, which participated in the survey, provide informational, educational psychological and legal services. Other services include: everyday, medical, intermediary and employment opportunity, etc. The fundamental and predominant activity

for many organizations is consulting. Data shows that this practice is most often used by operational and community foundations. Other types of activity which are of importance to operational foundations are charity events and social support, while a significant number of community foundations is involved in the representation of the interests of citizens and the publication of informational material. For the large majority of private foundations, the most widespread types of activity are the conducting of charity events (charity concerts, fairs, auctions, TV and radio marathons), research and the technical outfitting (re-equipping) of medical/social/educational institutions with the latest equipment. Corporate foundations focus their attention on the development and publication of informational-methodical material, training, as well as conducting charity events.

In addition, within the framework of their own operational programs, philanthropic organizations provide purpose-oriented material aid to unprotected sections of society, namely: the socially vulnerable and the elderly; orphans and children deprived of parental care; pupils of residential schools; drug addicts, alcoholics and their family members; HIV patients; large families, problem families, etc.

In spite of the fact that grant programs are not a priority for most domestic foundations, this type of activity is represented in the portfolio of almost one third of all charity institutions. The large majority of grants are provided to community organizations, however, in individual cases, the recipients can also be private individuals, state and local authority bodies. Just like operational programs, grant programs are generally implemented in the areas of: social security, health, culture and support of community initiatives.

The following were determined to be the key sources of income for domestic charity institutions: grants from international organizations, charity aid from commercial structures and the charity contributions of private individuals. Research data shows that in the total aggregate, the financial stability of philanthropic foundations and organizations is still, to a large extent, dependent on international donors, which is why the activity of our benefactors is unstable, first and foremost, that of operational and community foundations, for the large majority of which, this source of income is a priority one for the replenishment of their own budgets. Only a very limited number of operational foundations have access to the state budget.

An analysis of the volume of expenses for the charity activity of different types of foundations shows that the large majority of operational foundations spend up to UAH 500,000 annually on their charter activity, of which one third has an annual budget of up to UAH 50,000. Community foundations have a similar correlation regarding the volume of financing of own activity. The large majority of corporate foundations spend between UAH 500,000 and UAH 1 million annually. This difference also characterizes the annual expenses of half of the private foundations, when the balance of such entities spends more than UAH 1 million on its programs.

A significant majority of those surveyed indicated that as a rule, their organizations provide information about their activities to the mass media, participate in conferences, circulate brochures and flyers, provide information to directories and conduct presentations. In order to inform the public about their activities, charity organizations publish annual reports, their own reports, and make use of a web-site. However, data shows that the level of public accountability still remains low, so organizations must introduce certain standards into their practice, which will help make their activity more transparent and accountable.

An analysis of the responses of charity organizations' and foundations' representatives allows us to single out a range of greatest achievements, which pertain to the development of philanthropy in Ukraine, namely: an increase in the number and expansion in the spectrum of the activities of charity organizations in Ukraine; organization of cooperation between charity institutions; organization of contacts with foreign charity organizations, donors and patrons; professionalization and systematization of charity activity; expansion of the principles of social responsibility in the activity of domestic institutions and organizations; increased public awareness of philanthropic development in Ukraine and the world; stimulation of philanthropy on the part of top state officials.

Key difficulties in conducting charity activity are noted as being: problematic legislation; a lack of standards in the country for conducting charity work; lack of economic stimuli for the encouragement of benefactors; limited material resources for supporting the everyday activities of organizations; a low level of trust among the populace towards philanthropy; the lack of qualified employees in charity organizations.

Research results give grounds to confirm that the process of the development of philanthropic organizations and foundations in Ukraine is gaining momentum. This process is moving hand-in-hand with the changes taking place in the philanthropic sphere of European countries and the USA. The only vital difference is the weakness of such a tradition in Ukraine, as well as the habit of being involved in philanthropy.

**At present, domestic philanthropic institutions:**

- conduct activity, which is oriented towards attaining social and spiritual stability within society, and is a significant instrument for social development, a means for restraining social cataclysms and conflicts;
- are becoming the main leaders to the idea of philanthropy and charity work in Ukrainian society;
- are creating conditions for the introduction of the best European and World experience in the resolution of the most urgent social problems of Ukrainian society;
- support modern programs for the introduction of innovative technology regarding the development of society and bringing Ukraine into the world community as an equal partner,

as a country with great historic, cultural, economic and socio-political potential;

- are becoming active participants in the process of lobbying changes to legislation on the local, oblast and national levels;
- have significant influence on the activation of Ukrainian communities and the development of social partnership in the interest of resolving given social issues;
- play a significant role in the training of specialists in the Ukrainian social sphere and create a significant number of working positions in the non-state sector for the employment of the above-mentioned specialists.

For the sake of continued efficiency, responsibility and transparency in the activity of Ukrainian philanthropic foundations and organizations, as well as for the support of the philanthropic development process in Ukraine, it is necessary to conduct a range of priority tasks, namely:

- improve the national legislative base in the area of philanthropy, taking leading international experience into account;
- introduce standards for charity activity and compliance control;
- form a state policy regarding the popularization and support of philanthropic development;
- strengthen cooperation between various charity institutions, executive and local authorities, business and the mass media;
- increase the level of the population's trust in philanthropy;
- improve the level of professionalism in the activity of charity institutions;
- strengthen the national informational-methodical base regarding the issue of philanthropy.