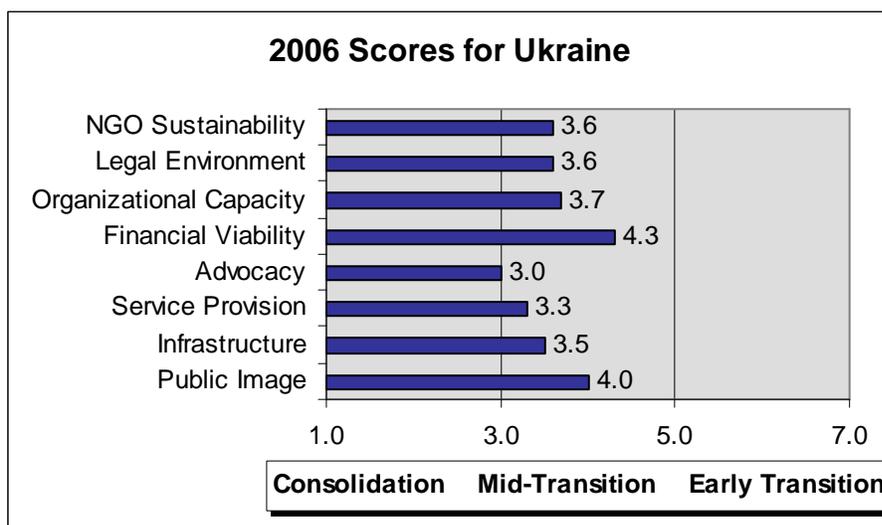


Ukraine



Capital: Kiev

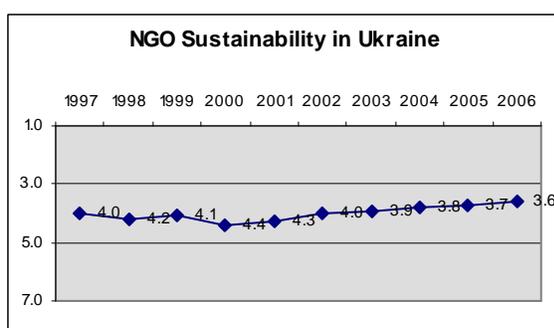
Polity: Republic

Population:
46,710,816

**GDP per capita
(PPP):** \$7,600

NGO SUSTAINABILITY: 3.6

In 2006, the Ministry of Justice of Ukraine registered 1791 domestic public organizations. The creation of more than 80 charitable organizations indicates a significant growth of philanthropy in Ukraine. According to some estimates, the total number of both registered and unregistered NGOs exceeds 47,000. Only 4,000 to 5,000, however, are considered active and have been well known for more than 2 years.



During the 2006 election cycle, Ukrainian NGOs consolidated their ability to monitor media coverage and access objective information, public surveys, and expert opinions. NGOs also conducted exit polls, analyzed party platforms, and monitored the election process, contributing to what the

OSCE declared a “free and fair” election process. The sector, however, had less influence with the political parties during the formation of a new government following the elections.

The NGO sector continues to improve its overall sustainability and made gains in the Legal Environment and Financial Viability dimensions. NGOs are increasingly able to advocate for better laws, such as those regulating registration and charitable contributions. NGOs also prevented the government from implementing laws that would have restricted NGO activities and citizen’s rights. NGOs, for example, blocked the implementation of a decree that called for officials to monitor the internet. More organizations reported an increase of funding from a wider variety of sources, including a larger number of domestic donors. A few NGOs are engaging in economic opportunities to fund their activities. Overall, organizations have fostered stronger relations with the private and government sectors, a reflection of the growing levels of trust and mutual interest, which in turn have led to more social contracting with the government and greater support from businesses. While these steps towards financial viability are significant, the majority of organizations continue to rely

on foreign funding, and as a result the sector remains in the mid-transition category in the Financial Viability dimension.

NGO advocacy activities led to a higher score in the Advocacy dimension, moving the sector

closer to the consolidation category. National surveys show that the majority of citizens are still unaware of NGO activities, suggesting that in addition to reaching out to the media, NGOs should increase their outreach to the public.

LEGAL ENVIRONMENT: 3.6

The government made many improvements to the legal environment in 2006. Counterpart Creative Center's 2006 annual survey of NGOs indicates significant progress against the indicators it uses to monitor the legal environment. Of the NGOs surveyed, 40% identified the "imperfect tax law" as a barrier to NGO development, a decrease of 9% from 2004. Similarly, 39% of those surveyed identified "imperfect NGO legislation" as a barrier to NGO development, a decrease of 7% from 2004.

The government amended the NGO Registration Law, and as of October 19, 2006, new organizations only have to register with the Ministry of Justice, rather than with two different ministries as was the case in the past. The government also amended the regulations governing procurement to permit NGOs greater access to government funds. Tax authorities filed seemingly unfounded charges against NGOs, though now that they realize that they are likely to lose the pending trials, the tax authorities have made efforts to improve relations with NGOs. Organizations generally perceive access to qualified lawyers and legal information to be sufficient, though there were exceptions in the regions. Access to qualified attorneys is evidenced by legal services hotlines now available to NGOs. In addition, UCAN has conducted research on the ability of NGOs to access legal remedies.



In recent reforms, government officials eliminated a 2% cap on the amount of the taxable income that corporations may deduct for their donations. Since the limitation was removed, the National Tax Administration reports a 20% rise in private donations. Reforms at the local level have resulted in an increase in government contracts for NGOs, which average between \$5,000 and \$6,000 per contract. The Defense Ministry, for example, funded focus groups to study the impact of its "NATO in the Ukraine" billboards. Other examples include tenders offered by the State Commission on Migration and National Policies, and grants administered by the Ministry of Family, Youth, and Sports Issues. In addition, city councils in large cities such as Mykolayiv, Odessa, and Rivne, and small cities such as Dubno in Rive Oblast, have created social contracting mechanisms for NGOs. Government agencies do not disburse funds in a timely manner, however, forcing recipients to return the funds that they were unable to use by the end of the contract period. Government officials report that agencies do not always disburse all of the funds allocated for social contracting because they have been unable to identify appropriate NGOs with which to partner.

Despite improvements to the legal environment, human rights organizations continue to report legal barriers, particularly in southern and eastern Ukraine. The government has been slow in creating the Administrative Courts, which human rights organizations see as important mechanisms for advocating for the

rights of their constituents. Human rights organizations also face a burdensome registration process and insufficient access to legal resources. Ukraine lost twelve cases at the European Court of Human Rights concerning long domestic court proceedings.

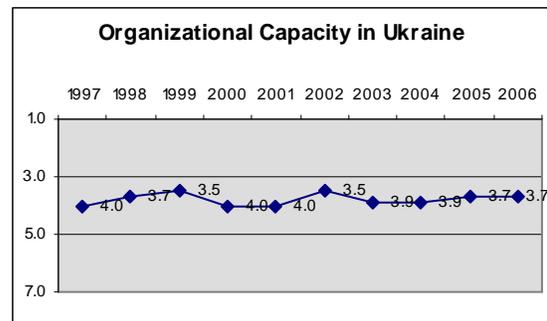
ORGANIZATIONAL CAPACITY: 3.7

An annual survey conducted by Counterpart Creative Center since 2002 found that in 2006 NGOs continued to improve their organizational development and are capable of governing, themselves and organizing their own activities. During the 2006 parliamentary elections, NGOs demonstrated their improved organizational capacity in conducting election-related activities such as mobilizing voters, analyzing political platforms, and stimulating debates over issues. Of those organizations surveyed, 80% reported that they have governing bodies. The majority of those organizations have boards of directors and 86% have written guidelines that identify the responsibilities and duties of their boards. The boards of directors also support the executive directors' efforts in fundraising for their organizations.

The survey also found that 94% of NGOs collaborate with other NGOs in realizing their activities. Such collaboration consists of information exchanges, as well as partnerships on projects and consultations, which have increased by 8%. NGOs state that cooperating with other organizations helps to expand their activities, and increases the effectiveness of their programs and quality of their services. Despite high levels of cooperation, the majority of NGOs believes that the sector is capable of even greater collaboration.

Think tanks have greater capacity to analyze policy for the public, government officials, and political parties. NGOs could, however, improve their ability to disseminate the results of their analyses. Over the past year, many professionals left the NGO sector for jobs in the government or private sectors. The

migration presents many challenges as management and leadership is more concentrated in the few remaining staff members. It has also presented opportunities for new and young leadership to emerge.



Only 4% of NGOs reported a need for more technical equipment, which is an improvement over the past. NGOs report that local businesses often permit NGOs the use of their fax machines or internet in exchange for services. Around 25% of the NGOs surveyed reported that they have their own Internet sites.

Some 61% of the NGOs surveyed have permanent staff, the average size of which is six persons. Only 42% of NGOs provide written job descriptions, while 50% of organizations surveyed have administrative rules and procedures. Approximately 63% of organizations encourage professional development of their staff by allocating funds for training, conferences, roundtables, educational courses. Over 76% of organizations surveyed used volunteer labor in 2006.

The greatest weakness for NGOs continues to be planning; only 37% have written financial plans separate from the financial plans for

individual projects, and strategic planning is more of a formality than a management tool. HIV/AIDS organizations that have steady

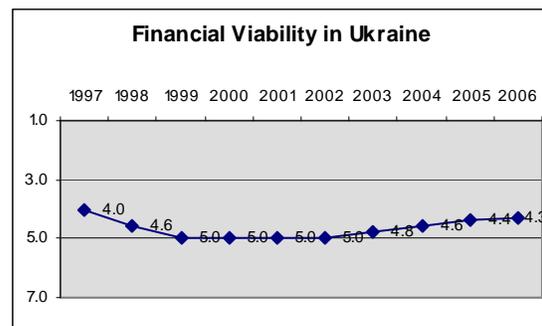
sources of income, however, continuously revise their strategic plans in order to adapt to dynamically shifting funding conditions.

FINANCIAL VIABILITY: 4.3

NGOs have a greater level of financial viability than in the past. Thirty-eight percent of NGOs reported a funding increase in 2006, a 6% increase over previous years. NGOs receive funding from a variety of sources, including grants, corporate and individual donations, and government support. The majority of such funding is from local sources as organizations in Lutsk, Odesa, Rivne, and other cities are more able to mobilize resources within their communities. The continued growth of corporate philanthropy and the ability to secure government contracts for social services and other mechanisms have also contributed to the diversification of NGO funding. In fact, the Counterpart Creative Center's 2006 annual survey of NGOs found a considerable decrease in the "internal barriers of NGOs." Most significantly, only 64% of those surveyed indicated that the "Lack of Financing" was a barrier to NGOs completing their mission, down 5% from last year.

As noted in the Legal Environment dimension, NGO-government cooperation has increased social contracting from the State, Oblast, and local levels of government. Twenty-two percent of NGOs report having more than three projects per year with government agencies. NGOs are also increasingly cooperating with businesses and the number of NGOs that cooperate with between three and five businesses is on the rise. The creation of the Corporate Social Responsibility (CSR) initiatives such as the UN's Global Compact, PR League Forum, and individual corporate efforts by Avon Cosmetics, and the Ukrainian and American Chambers of Commerce, have all contributed to promoting greater NGO-business cooperation. These efforts have sparked an interest in corporate philanthropy and increased the capacity of NGOs to identify non-traditional sources of funding. Financial support from the business sector has increased

4%, and many businesses partner with NGOs to mobilize resources within local communities. In Ivano-Frankivsk, for example, local bread and meat producers helped purchase equipment for an orphanage and a supermarket chain engaged in similar projects.



Projects with both social and economic benefits have attracted domestic support; one NGO, for example, promotes wind energy to further energy conservation. The Ukrainian Grant Makers Forum increased its membership over the past year, especially among corporate donors, another sign of the increase in philanthropy. Membership fees still account for some income for NGOs, though they have decreased 3% over last year. Innovative fundraising mechanisms, such as Social Enterprises (SE) in which NGOs raise money for their activities by engaging in economic activities, are providing NGOs with more funding opportunities. Many NGOs, however, lack the business skills and willingness to take the entrepreneurial risks required.

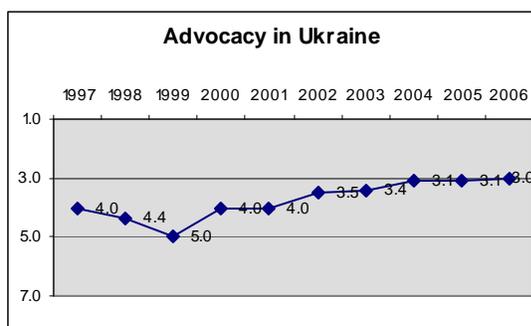
Many NGOs do not publish annual reports and as a result their financial management systems lack transparency. NGOs cite government corruption and the lack of transparency in NGO-business partnerships as reasons for not publishing their reports. The lack of transparency makes it difficult to gauge accurately the financial health of many NGOs, based on membership fees and other

fundraising mechanisms. Many NGOs report that they still lack qualified accountants, special accounting software, and cooperation from auditing firms, to adequately manage their accounting systems.

Government officials and political parties have begun paying think tanks to analyze policies and political positions; the income allows the organizations greater independence from foreign donors. Think tanks are unconcerned

ADVOCACY: 3.0

NGOs are increasingly able to influence public policy and advocate for their constituents at all levels of government. At the national level, NGOs advocated for amendments to the regulations concerning the registration of new NGOs, draft laws on access to information that were approved by parliament, and amendments to the election law that improved voter rights and mandated political debates. The Institute of Media Rights and Telecritika were successful in pressuring the government to repeal a law that restricted dissemination of information. NGOs also blocked passage of restrictive laws such as a decree permitting officials to monitor the internet and a law on volunteer movements. These successes are as important as passing a new NGO law.



NGOs formed a number of coalitions over the past year, focusing on short-term issues and even creating some long-term initiatives. Coalitions such as the Association of Rights Protection Organizations had a major role in reforming the administrative offices, law enforcement agencies, and judiciaries. The

that receiving payment for services will compromise their objectivity and ability to produce unbiased research. The Razumkov Center and the Democratic Initiatives Foundation are both funded by the Kyiv City Administration to conduct focus groups to understand the pro-NATO billboard. Overall, think tanks lack diversified sources of funding, but have the resources necessary to continue operating in the short-term.

Coalition of HIV/AIDS Service Organizations is leading a broad, powerful network of equal rights organizations that represent ethnic and sexual minorities, gender-based groups, and others to promote a comprehensive anti-discrimination law. Coalitions were also active during the elections. Clean Elections, for example, brought together between 15 and 20 NGOs, while Conscious Choice led by the Committee of Voters of Ukraine brought together 180 other organizations primarily from the communities. NGO coalitions stationed election observers throughout the country; think tanks reported on political parties and bloc platforms; and Razumkov Center, Helsinki Human Rights Group, and Democratic Initiatives conducted expert surveys and exit polls. These efforts contributed to what the OSCE determined were the “freest and fairest” elections in Ukraine to date. The Anti-Cancer Corps coalition, which raises awareness and combats breast cancer, continues to hold annual, nation-wide activities. The Ukraine-NATO League, which consists of NGOs that promote Euro-Atlantic integration and awareness of NATO, along with the Media Coalition, which is made up of more than 1,000 members, continue to petition government officials concerning limitations or denials of free speech.

At the local level, NGOs from Rivne, Mykolayiv, and other cities successfully lobbied their city councils to create a system that permits NGOs to compete for social contracts with local governments and secure municipal funding. A Kyiv organization successfully changed the land

development regulations giving city residents a greater voice in the decision making process. Green Cross in Lviv, an advocacy group for the disabled, successfully advocated for reforms that require construction companies to consult with advocates for the disabled when designing and constructing entrances to buildings.

The government adopted a proportional electoral system, which may impact government monitoring and accountability. In addition, officials eliminated “public meeting rooms” for meetings with lawmakers and their aides, which further limits citizen access to elected officials. Parliament deputies are not elected by districts,

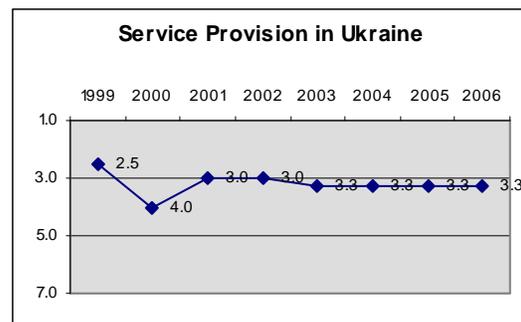
which limits their accountability to specific constituencies. Ukraine is still in need of government advisory bodies that create effective spaces for NGO representatives to advise government officials. Though presidential decree ordered all government bodies to create advisory councils, the councils are generally ineffective. Local governments failed to adopt implementing regulations that create space for citizen participation, and only 12 oblast centers have charters with regulations that govern public hearings and create other mechanisms that permit democratic participation.

SERVICE PROVISION: 3.3

NGOs continue to provide a wide range of services; 80% of organizations report that they meet with their constituents daily or weekly. In addition to providing “traditional” social services such as support for disadvantaged populations (the elderly, the disabled, and PLWHA, the unemployed, and youth), NGOs are developing innovative service delivery mechanisms and strategies. Galetsky Aptekar, an Lviv-based NGO, partnered with pharmaceutical companies to distribute medicines to the poor and indigent. The Ivano-Frankivsk organization near the Carpathian Mountains assisted local craftsmen to organize cooperatives that increase their market access. The Bukovyna Partnership Agency created a credit union that assists poor migrant workers with home-financing. Other NGOs are creating alternative dispute resolution mechanisms to increase access to justice and ease the burden on the court system.

NGOs throughout Ukraine, including areas such as Chernivtsi, Kharkiv, Lugansk, Mykolayiv, Odessa, Poltava, Sumy, and Vinnitsa oblasts, succeeded in securing an open and formal process for social contracting and accessing state funds. The governments involved are more adept in soliciting proposals and selecting NGOs to provide services. Realizing that NGOs can be reliable partners, government officials are more willing to allocate resources

for social contracting. Think tanks have expanded their cliental and now work with political parties and blocs as well as national and local governments. They also conduct focus groups, draft policy papers, and conduct public opinion polls. In addition, NGOs engage in economic activities to fund their non-profit missions, which increase their range of market-based services, such as the production of goods. These activities in turn support social and other services to their beneficiaries.



NGOs do not conduct formal needs assessments to identify the needs of their constituents. An annual survey, however, found that 80% of NGOs are in contact with their constituents on a weekly or even daily basis, providing them sufficient opportunity to identify and understand their needs. The business and government sectors continue to perceive NGO services as “charitable” activities that ought to be provided pro bono. In addition, some

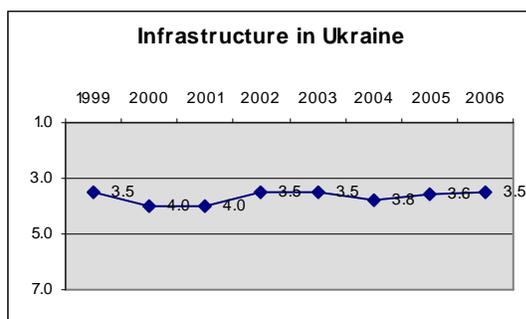
government procurement and reimbursement policies are still hindered by bureaucracy and unresponsiveness, making it difficult for NGOs

to access allocated funds and meet their cash flow needs. This is especially true for the programs funded by the various ministries.

INFRASTRUCTURE: 3.5

While the demand for general NGO resource center services has decreased, the demand for specialized services has increased considerably. This is especially true in areas of health care, human rights, and media services. The more specialized service providers offer a range of trainings, academic courses, and publications. An NGO management school exists in Lviv, and the Education Ministry recently approved an NGO accounting course at a government academy. Fee-based trainings and publications are more common and are replacing some of the general NGO resource centers; their fees range between 300 and 400 UAH (US \$59.57 and \$79.42).

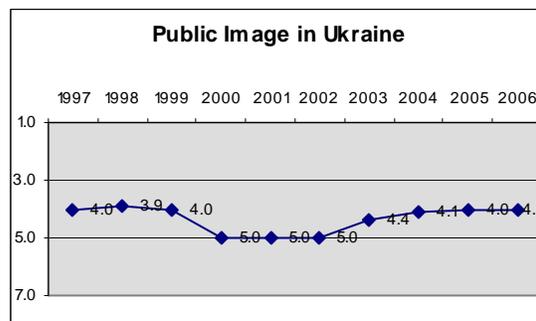
The number of issue-based umbrella organizations with regional partners continued to grow over the past year. While Ukrainian NGOs lack a single body that represents the sector's interests, umbrella organizations such as the Civic Forum, the Doctrine for Civil Society in Ukraine, and the Network of People Living with HIV/AIDS are increasingly effective. In addition, as noted in the Financial Viability section, domestic grant-making foundations are expanding rapidly. They primarily address issues such as health care, cultural heritage, and education, and include the Pinchuk Foundation and the Ukraine 3000 Foundation. More often, Ukrainian NGOs with international and domestic funding are providing grants. NGOs continue to form inter-sectoral partnerships. Business associations serve the private sector by combating corruption and restrictive regulatory policies, and advocating for their interests. Examples of successful partnerships include the trade association in Khmelnytsky, the Mykolayiv city fund for development projects, and the association of internet providers.



PUBLIC IMAGE: 4.0

According to a Democratic Initiative poll, 95% of journalists recognize a need to print more stories about NGO activities. NGO activities, however, do not sell newspapers and are therefore seen by media outlets as un-newsworthy. More often, the media focuses on sensational stories without covering the main issues. The majority of NGOs lacks public relations expertise and is unable to provide journalists with information in a usable format. Other than think tanks, whose survey results are frequently covered in the news, most NGOs lack strong relationships with members of the media. Most media outlets have yet to recognize NGOs as a source of expertise on

substantive issues, and reporters state that they are unaware of how to contact NGO experts.



Generally, citizens do not understand the role that NGOs play in society or how they may

participate in NGO activities. In a recent survey, only 0.7% of respondents reported that they were members of an NGO. This number ought to be higher considering the large number of people affiliated with religious organizations or trade and professional unions; the public has yet to see these as third sector activities. NGOs disseminate information primarily through press releases and brochures; the use of brochures has risen 7%. A survey reports that over 76% of NGOs believe that community members know about their organizations or activities. The survey also found that 85% of CSOs report using print media to present information about their activities, while 54% of CSOs report using radio and 53% television. The public's actual awareness of NGOs and their activities is not as great as NGOs believe. The discrepancy may indicate that the methods NGOs use to communicate with the public are not the most

effective means for disseminating information. Despite the public's lack of knowledge of NGOs and their role in society, the NGOs are more effective in communicating with the government and business sectors. This accounts for increased social contracting between the government and NGOs, as well as increased corporate social responsibility activities with businesses.

The NGO sector continues to promote its interests. The Ukrainian Grantmakers Forum promotes good practices and transparency among grantmakers. Similarly, 48 NGOs have now signed the NGO Code of Ethics, up from 37 in 2005, indicating a gradual interest in self-regulation. The majority of organizations still do not publish annual reports, due in part to a lack of accountants, and the failure to understand the positive affect that transparency has in terms of building trust with constituents.