

# UKRAINE



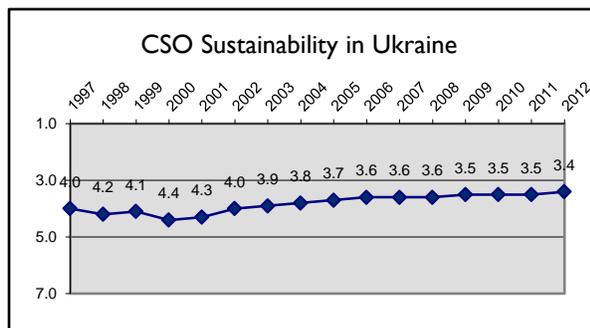
**Capital:** Kyiv

**Population:** 44,573,205

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

**Human Development Index:** 78

## CSO SUSTAINABILITY: 3.4



In 2012, the government of Ukraine adopted new laws and regulations affecting CSO legal status, registration, operational activities, economic activities, and the institutional framework for cooperation with the government at the national level. Some organizations are satisfied with the new laws, but most organizations do not know about them or have concerns about their practical implementation.

Parliamentary elections were held in October 2012. CSOs initiated several high-profile campaigns to

ensure fair and transparent elections. The civic movement Chesno assessed prospective parliamentarians according to criteria they developed and successfully pushed some opposition parties to get rid of some candidates.

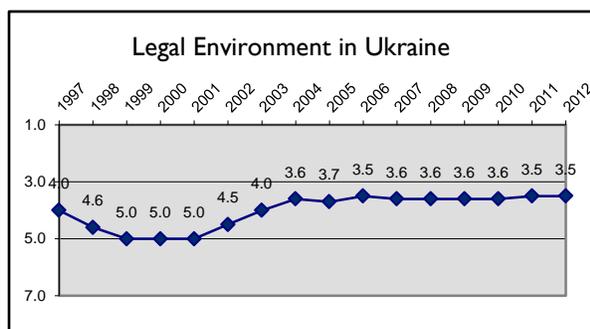
Limited funding opportunities and a weak economy continue to hinder CSO activities. Inadequate resources, uncompetitive salaries, and low public motivation weakened CSOs' human resources, despite the various institutional capacity building programs supported by the donor community. CSO representatives actively participated in civic and steering committees established under national and local government bodies, the President, and the Cabinet of Ministers.

According to the Ukrainian Unified State Register



of Companies and Organizations, 71,767 public associations and 13,475 charitable foundations and organizations were registered at the beginning of 2012, including international, national, and local organizations, as well as their branch offices, sub-offices, and separate units that are not registered as separate legal entities. This represents an increase of 6 percent and 5 percent respectively since the beginning of 2011.

## LEGAL ENVIRONMENT: 3.5



Registration procedures continue to be more complicated and lengthy for CSOs than for other legal entities. According to the Law on Public Associations, it takes at least three founders three days to register a local public association. Registering a national public association requires forty-two founders and takes forty days, as does registration of an international public association. Local, national, and international charitable organizations need two months to register. Registering a national organization, whether public or charitable, is especially complicated. The Ministry of

Justice frequently refuses registration to these organizations, claiming that their statutes do not comply with the law. Administrative fines up to \$280 are imposed on any person who participates in an association that has been denied registration.

A new Law on Public Associations was adopted in March 2012 and came into effect on January 1, 2013. The law establishes a more complete list of information that should be included in a public association's statute, simplifies registration procedures, eliminates regional boundaries for activities, and allows associations to conduct business activities as long as they further the organization's purposes.

In July 2012, the Supreme Council of Ukraine adopted the new Law on Charity and Charitable Organizations, but it still awaited the signature of the President of Ukraine at the end of the year. This law will simplify registration, provide for better control over the usage of charitable money, and establish new charitable instruments, such as endowments.

Several other legislative acts and policies regulating CSO activities were adopted in 2012. The Strategy and Action Plan of the State Policy for Promoting Civil Society Development in Ukraine were adopted. A Presidential Decree created the Constitutional Assembly, one of the objectives of which is to foster the development of grassroots democracy. Finally, nine regions of Ukraine endorsed regional programs that support civil society development. On the international arena, Ukraine joined the Open Government Partnership and adopted an Action Plan to increase government transparency and accountability.

There was less progress in other legal areas. The Law on Local Self-Governance, which would provide more independence to local bodies in decision making, was not submitted to the Supreme Council of Ukraine. The passage of the Law on Amendments to the Law on Public Procurement made procurement by state-owned enterprises and half state-owned enterprises completely non-transparent.

In connection with the parliamentary elections, local law enforcement agencies, like tax offices, prosecutor offices, and militias, paid more attention to CSOs. For example, the Civil Initiative Support Center, which coordinated efforts in over 500 towns aimed at combating manipulation during the parliamentary elections, was charged by the State Registry with not having a valid registration, which could lead to administrative fines and an investigation by the tax office.

The Tax Code hinders the work of CSOs. For example, the Tax Code only exempts certain types of revenue from the corporate tax for certain types of organizations. The State Tax Service presented several draft legislative acts and regulations for public discussion in the fall of 2012, including the draft Regulation on the

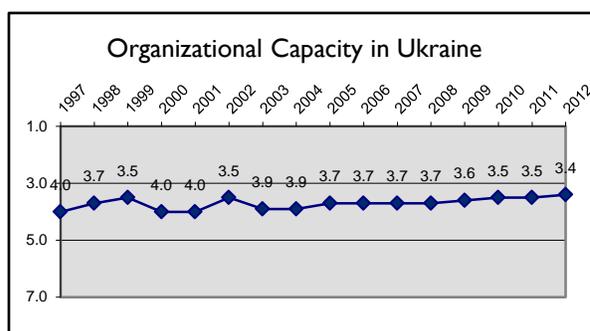
Register of Non-governmental Organizations, which was approved in December 2012, and Procedures for Preparing a Tax Report on how Non-governmental Organizations Use Funds. Since 2011, only charitable organizations have enjoyed VAT exemptions on in-kind donations. Legally, both individual and corporate donors have the rights to tax deductions, but it is very difficult and time consuming to access them in practice.

CSOs can conduct economic activities. Beginning in 2013, public associations will no longer need to establish separate enterprises for their economic activities.

CSOs have access to legal advice from lawyers trained in CSO law. More legal assistance will likely be needed in the coming years as the new laws on Public Associations and Charity and Charitable Organizations come into effect.

## ORGANIZATIONAL CAPACITY: 3.4

The organizational capacity of Ukrainian CSOs improved in 2012. Several technical assistance projects, including USAID through its Ukraine National Initiatives to Enhance Reforms (UNITER) project and Sida, provided financial support and capacity building activities to CSOs. In addition, an initiative group prepared a sector-wide organizational development strategy to coordinate donors' various capacity strengthening activities.



CSOs are increasingly interested in social mobilization.

In 2012, citizens in both urban and rural areas formed initiative groups in response to emerging issues. For example, the New Citizen Advocacy Group and Stop Censorship Advocacy Group organized several campaigns opposing the adoption of laws on libel, the status of the Ukrainian language, and higher education, among others. Another example of citizen mobilization was a fundraising campaign to help Television Business International (TBI), the only independent public TV channel, to repay its tax debt. Within a week, the \$500,000 debt was paid. Citizens primarily mobilize in response to troubling national and local developments, such as deforestation and construction in recreational areas.

A 2012 survey by the CCC Creative Center found that approximately 82 percent of organizations are membership organizations. Approximately 36 percent of polled organizations in 2012 (compared to 48 percent in 2010) reported that their membership increased over the past year; 39 percent of organizations noted that their membership remained the same; and 9 percent reported decreased membership.

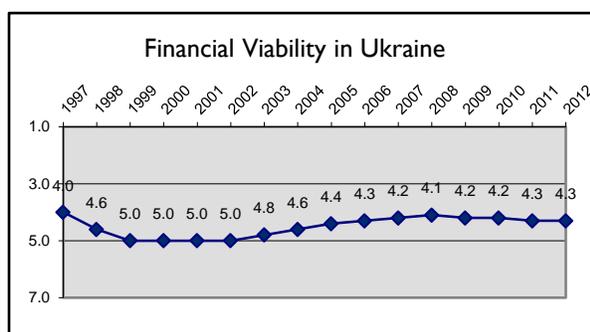
Strategic planning was one of the most popular training topics in 2012. As a result, a number of organizations developed their first strategic plans, and the quality of strategic plans improved significantly. Plans now include sections on operational planning, fundraising, capacity building, and the use of locally-raised resources. At the same time, most organizations live from grant to grant and are more oriented to short-term results. This trend is particularly strong at the local level since local supporters, including businesses, local government, and communities, only view strategic plans as useful for obtaining funding from international donors.

As a result of USAID and Sida requirements, organizations are starting to pay more attention to internal management, rules, and procedures, as well as appropriate distinctions between managerial and administrative functions and governance functions. CSOs have started to improve their legitimacy by involving representatives of local public authorities, businesses, and communities in organizational governance and management, but it is unclear whether the enhanced transparency and governance have improved the output of CSOs or increased their influence at the local level.

Staffing is one of the biggest challenges to the sector’s development. The CCC survey found that only 24 percent of polled organizations had permanent employees. Organizations find it increasingly difficult to retain employees, and the number of permanent employees has decreased. Many employees left the sector to work on parliamentary election campaigns; only some of these returned to the sector after the elections. In addition, CSOs must cope with the retirement of experienced workers and the influx of a new generation of employees who must be taught the basics of civil society work. A dearth of competent candidates makes staffing even more difficult. Volunteerism is also declining. Only 69 percent of organizations polled by CCC in 2012 had volunteers, compared to 75 percent in 2010.

CSOs are largely unable to update their equipment. The CCC survey showed that fewer organizations had offices, office furniture, telephones, and faxes in 2012. Access to e-mail and the Internet has increased, however, and CSOs utilize various social networks.

## FINANCIAL VIABILITY: 4.3



Funding remains the most crucial issue for Ukrainian CSOs. The 2012 CCC survey revealed that 66 percent of polled organizations had less income than the previous year, while 23 percent reported increased income.

The state is not a major donor to civil society. Only 2 to 3 percent of the state budget goes to CSOs, which represents just 8 percent of CSO budgets on average. Regulations on public financial support to CSOs are weakly implemented. Preliminary results of an

implementation review revealed that only some public authorities are required to follow competitive procedures when publicly funding CSO programs. Other public authorities either do not have funding for CSOs or are not required to distribute these funds competitively.

The government is making some effort to increase its funding of civil society. In October 2012, the Supreme Council adopted draft amendments to the Budget Code that would allow additional expenses to be covered through competitively granted financial support to CSOs. In addition, the Ministry of Social Policy continued to prepare legislation to ensure greater CSO participation in the contracting of social services. At the regional level, although fourteen of twenty-seven regions adopted programs for civil society development that provide for additional contest-based support for CSOs, only half of them have secured funding for 2013.

According to the 2012 CCC survey, fewer CSOs received membership dues, charitable donations from individuals and businesses, grants from local organizations, and income from economic activities in 2012, while more organizations received grants from international donor organizations. At the same time, income from membership dues, paid services, and international organizations constituted higher percentages in the annual budgets of the surveyed organizations. Most of the increased share of revenue from membership dues was among membership organizations and professional associations.

Some local initiatives demonstrate how to mobilize local charitable donations. For instance, the UNITER Project launched a crowd funding system (Spilnokosht) in Crimea; within three months the project raised approximately \$7,870 for two local projects. In addition, the Community Enhancement Centers (CECs) raised \$87,500 from businesses and communities for initiatives in Crimea.

Ukrainian CSOs have improved their financial management systems somewhat. USAID and Sida supported financial audits at several organizations to increase their eligibility to receive direct funding from international institutions and programs. Nevertheless, CSOs still pay little attention to financial transparency, as demonstrated by a competition of annual reports organized by CCC this year. Whereas local organizations

tried to provide detailed information about income and expenditures, national organizations with large budgets were reluctant to report this information in detail.

## ADVOCACY: 2.5

In 2012, national and local public authorities created more instruments to facilitate cooperation with CSOs. Most importantly, in January 2012, the President of Ukraine signed a decree to establish the Coordinating Council for the Development of Civil Society, which includes CSO representatives. The Cabinet of Ministers of Ukraine also created several advisory bodies with widespread CSO participation.

According to the 2012 CCC survey, 16 percent of organizations coordinate their activities with government; 23 percent adopt a confrontational stance with public authorities; 46 percent believe that their work complements the work of public authorities; and 12 percent believe that the public authorities use them.



Central state bodies, including ministries and state agencies, continue to develop civic councils. As of October 2012, sixty-nine central public authorities had operating councils. These councils are meant to serve as platforms for CSOs to discuss national and local policies and provide feedback and proposals to the government. Unfortunately, many councils are poorly organized. In addition, public authorities do not fully take advantage of public councils' expertise and recommendations.

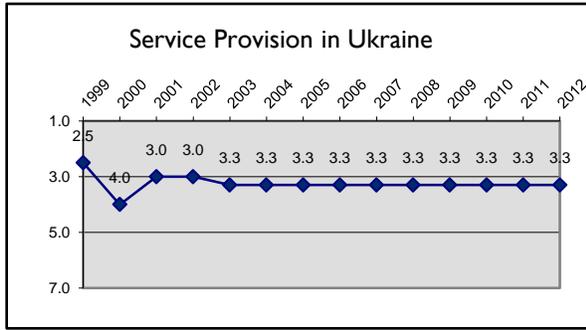
During the year, CSOs united to advocate for joint interests, including the Law on Public Associations, the Law on Charity and Charitable Organizations, and the Strategy and Action Plan of the State Policy for Promoting Civil Society Development in Ukraine. However, some of the CSO coalitions and partnerships that engaged in national lobbying exhibited weak communication and non-transparent decision-making processes, leading to criticism by other CSOs.

CSOs engaged in several national advocacy efforts in 2012. A coalition of national and regional CSOs developed legislation that allows citizens to initiate local referendums in order to influence local government decisions and initiate their own agendas. The Association of Private Farmers and Land Owners conducted advocacy campaigns on the land market and lobbied for the Law on the Moratorium on the Sale of Agricultural Land. The Chesno civic movement signed a Memorandum of Mutual Understanding and Recognition of Criteria to Ensure Fair Elections with several political parties to assess prospective parliament members. CSOs also prepared many analytical papers and informational materials that the government used in reports.

CSOs and initiative groups lobbied more actively at the local level, due in part to increasingly proactive citizens. For example, a CSO advocacy campaign resulted in the creation of bicycle lanes in the city of Lutsk. In Crimea, the CEC successfully lobbied for 700,000 UAH (about \$86,000) from local budgets for community needs. However, local CSOs fail to engage in partnerships with trade unions and other types of CSOs.

## SERVICE PROVISION: 3.3

The quality and variety of CSO services did not change significantly in 2012, despite the fact that the volatile economic situation decreased CSOs' abilities to provide services. International donor organizations have few grant competitions focused on CSO social services.



According to the 2012 CCC survey, 43 percent of respondents indicated that they serve youth, 27 percent serve children, 27 percent serve the organization’s members, 25 percent serve the population as a whole, and 19 percent serve other NGOs.

The lack of competition among service providers discourages them from improving their services. However, service providers are assisting the Ministry of Social Welfare with the development, testing, and

implementation of social service standards.

CSO services in areas like HIV/AIDS depend solely on funding from the Global Fund to Fight AIDS, Tuberculosis, and Malaria. With grants from the Global Fund, CSOs provided HIV prevention services to vulnerable groups, substitution therapy to drug users, and support and care to HIV patients. In 2012, these services were rendered to 200,000 people.

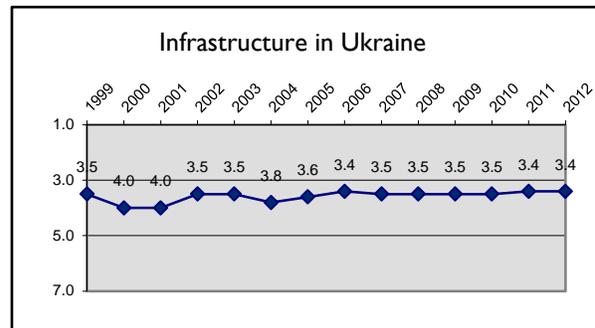
In 2012, the government of Ukraine issued several decisions to advance the system for free legal aid. The Concept of the State Earmarked Program for 2013-2017 envisages institutional development support from 2015 to 2017 for organizations - including CSOs - that provide free legal aid to citizens.

Although legislation on contracting of social services is advancing slowly, the state does not currently provide funds for such services. Public funding for social services, accessible to CSOs through competitive procedures, is available only in a limited number of municipalities.

CSOs do not know how to market their services or set their prices. Furthermore, CSOs are not ready to pay market prices for services from other CSOs because most organizations have received training and expert advice for free in the past.

## INFRASTRUCTURE: 3.4

The sectoral infrastructure did not change significantly during 2012. International donor organizations continued to support local initiatives. For instance, the UNITER Project funded the operations of five CECs in rural Crimea. The Renaissance International Foundation provided support to resource centers working with condominiums and self-organized groups, as well as free legal aid centers. The sustainability of these centers, however, remains questionable.



CSOs continue to need high quality training. Many new organizations, as well as some experienced organizations, lack knowledge on basic topics such as project management, public awareness campaigns, information events, and interaction with public authorities. This gap in knowledge stems from frequent staff turnover and the reluctance or inability of trained employees to transfer knowledge to other colleagues in the organization. Training is available, but is generally offered on a fee basis, which most organizations cannot afford.

CSOs can find service providers through the virtual Capacity Development Marketplace, a system developed to facilitate the UNITER voucher program. Most organizations, however, choose providers they already know. As of September 2012, 385 service providers and 992 users were registered on the website and 460

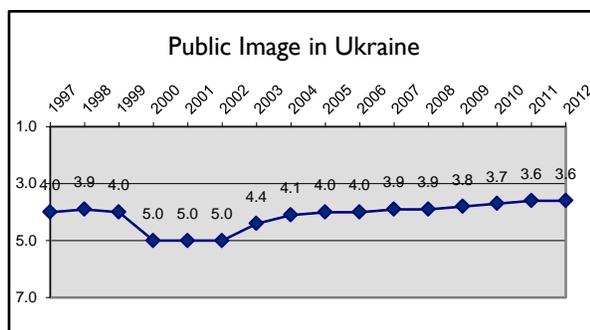
vouchers had been issued to CSOs for capacity building trainings. However, the voucher program's rates are too low and administrative requirements too high to attract experienced consultants and trainers.

Intersectoral partnerships continue to emerge. For example, Zakarpattia Professional Association of Women-Educators (Perspectiva) and the Yadzaki Ukraine company cooperate on a cross-border educational project on the culture of entrepreneurship. Crimea Enhancement Centers, in partnership with businesses and government, funded the repair of schools and medical centers and supported projects on environment, recreation, agriculture, social welfare, and healthcare.

Local community foundations and other organizations, such as the East Europe Foundation and ISAR-Yednannia, regrant international donor funds but do not receive substantial funding from local sources. With grants from the Global Fund, the International HIV/AIDS Alliance and the All-Ukrainian Network of People Living with HIV/AIDS have supported over one hundred CSOs throughout Ukraine over the past nine years.

According to the 2012 CCC survey, the most prevalent forms of CSO cooperation are information sharing (82 percent), joint activities (71 percent), meetings (70 percent), and consultations (57 percent). The majority of respondents participate in at least two coalitions.

## PUBLIC IMAGE: 3.6



The public image of CSOs improved slightly in 2012. Ukrainian citizens seem to be most informed about CSOs that operate in areas such as health care, humanitarian aid and charity, education, women's rights, legal issues, and democracy and governance. According to a September 2012 survey by the International Foundation for Electoral Services (IFES), about 66 percent of Ukrainians are aware that CSOs work in these areas and address issues that the government is unwilling or unable to solve.

Approximately 61 percent of citizens believe that CSOs contribute to the country's overall development, an increase from 55 percent in 2011. However, only 52 percent of respondents to the survey commented on the importance of CSOs, a significant reduction from 76 percent in 2011 and 62 percent in 2010.

In 2012, CSOs improved their cooperation with national mass media and started to use social networks proactively. For instance, the All-Ukrainian portals ukr.net and meta.ua started to feature news offered by CSOs. The most popular newspaper in the country, Segodnia (Today), also started publishing news about the work and services of CSOs.

Public authorities and government-organized NGOs (GONGOs) continue to perpetuate a negative image of the CSO sector and its activities. GONGOs pose as charitable foundations operating under public schools and hospitals, while merely collecting additional fees for state-rendered services.

Self-regulation has improved in the sector. CSOs are increasingly developing and following internal rules, procedures, and codes of ethics. Many organizations have included provisions on professional ethics in their bylaws. Twenty-seven local and national CSOs participated in Ukraine's first ever competition on annual reports, organized by CCC Creative Center in 2012.