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**DEVELOPMENT OF THE NGO SECTOR IN UKRAINE, 2002-04:
CHANGING PATTERNS OF ENSURING FINANCIAL SUPPORT
AND ACHIEVING SUSTAINABILITY**

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Overview

This paper focuses on current state as well as trends for further development of the NGO sector in Ukraine, examining existing trends and methods for attracting financial support and ensuring long-term sustainability. It offers overview of such aspects as strategic management, financial management, partnerships with other NGOs, donors, business structures and long-term fund-raising techniques.

Data presented in the paper comes from Counterpart International Creative Center's 2002 and 2003 panel surveys of Ukrainian NGOs¹. This organization conducts yearly surveys of NGOs in Ukraine using the "viable development" model,² which has three major components. Namely, the model tracks and analyzes NGOs' *organizational development, relationship with the environment and successful programmatic activities*. This model is a tool for adequate analysis and timely monitoring of those changes which take place in Ukraine's NGO sector.

Background on Ukraine's NGO Sector

Forty-one percent of Ukrainian NGOs were registered between 1996 and 1999, reflecting the generally favorable legislative and international-aid conditions prevalent during that time. Nearly 88% of Ukrainian non-governmental organizations are registered as NGOs while 12% are charitable organizations.

NGO Activities

The most widespread activity among NGOs is "protecting interests and lobbying" (44%), which underscores their growing knowledge and role in representing and protecting clients' interests. Many NGOs also engage in educational activities (34%), information dissemination (38%), provision of social services (29%), analysis and research (23%), charity (21%), providing legal aid (20%) and providing policy recommendations (10%). In 2003, 41% of the respondents reported they provide training and consulting as well as social services. This indicates a shift in NGO activities toward representing clients' interests, raising awareness, making policy recommendations and conducting analyses and research. In contrast, only 16% of NGOs stated in 2002 that protecting clients' interests and lobbying were among their main activities. Today NGOs are well-informed about their role in society, which is constantly changing. Thus, their main role is not confined only to representing the interests of socially disadvantaged groups in the population any more. Providing social services is only one function of Ukrainian NGOs.

Clients of NGOs

The most prominent clients of NGOs are youth (47%), members of an NGO (29%), children (28%), students (22%) and the population as a whole (21%).

¹ Стан та динаміка розвитку неурядових організацій України 2002 - 2003 роки. Короткий огляд *Творчий центр Каунтерпарт, Україна, Київ, 2004*

² Results of the panel survey for the year 2004 are expected to be released end of March 2005.

Characteristics of NGO-sector Activities

Most of the NGOs that work with children and youth conduct training and consultation, provide educational activities and offer social services. In the civic-education sector, NGOs primarily engage in providing training and consultation, educational activities, information, research and analysis. Organizations working in the NGO-development sector conduct training, offer consulting, disseminate information, protect lobbying interests, design policy recommendations and provide legal assistance. NGOs involved in the human-rights sector are mostly focused on providing legal assistance, protecting their clients' interests and lobbying efforts, designing policy recommendations on socio-political issues, and conducting research and analysis. The majority of NGOs working in the "politics, legislation, state-building" sector are dedicated to protecting clients' interests and lobbying, conducting analytical research, disseminating information, and the like. NGOs that are active in the social sector primarily focus on social services, rehabilitation and charity, training, consulting, protecting clients' interests and lobbying, education and legal assistance.

Regional Differences in Representing Sectors

In Ukraine's eastern region, the majority of NGOs work with children on civic-education projects while considerably fewer engage in developing the NGO sector, human rights, politics and legislation, and only a small number attempt to solve social problems. In central Ukraine, a large number of NGOs work in politics, legislation, state-building, and human rights, primarily because more technical assistance is available and there are better opportunities to influence third-sector development. The western region of Ukraine is mostly represented by NGOs seeking to solve social problems, which can be largely explained by the historical role which NGOs have played in the region.

NGO Web Sites

In December 2003, only 12% of NGOs indicated they had their own Web sites and were able to provide Web-site addresses, but by October 2004, this percentage had increased to 23%. There is also a trend for two or more NGOs to share one Web site.

Comparative Analysis of NGO-Sector Development

Through the comparative analysis of research results on the state of NGO-sector development in Ukraine, it is possible to draw certain conclusions about the dynamics of the developmental changes that occurred during this period.

Internal Management System

According to 77% of survey respondents, the major goal of their organization is to influence society. Eighty-nine percent of NGOs have a written mission statement that guides their organizational activities. However, the level of strategic management among NGOs actually declined between 2002 and 2003. For example, the percentage of NGOs with their own strategic-development plans decreased to 68% in 2003 from 75% in 2002. Long-term strategic plans, typically targeting three or more years, declined in popularity to 14% in 2003 from 22 % in 2002. The fact that the majority of respondents did not change their strategic plans between 2002 and 2003 could be due to their inability to adapt those plans to the changing environment.

Additionally, the role executive directors play in designing strategic plans diminished to 15% in 2003 from 32% in 2002 while the role of other members increased.

Material Resources

NGOs' material resources have grown in recent years. Whereas only 80% of NGOs had access to office space in 2002, 96% had access in 2003. The percentage of NGOs possessing internet access rose to 67% in 2003 from 47% in 2001, a 20% gain over two years. There is also evidence of increasing transparency, as more NGOs agreed to provide information about the amount and source of their funding. Although the percentage of NGOs cooperating with government (33%) and business (53%) is significant, the dollar amount derived from this support is not — in most cases, it does not exceed \$500 (U.S.) per year. International support during from 2001 to 2002, on average, accounted for up to 36% of NGO funding.

Overall, the number of NGOs reporting an increase in their funding has grown to 41% from 32%. Conversely, 22% of NGOs report their funding has decreased in the last year, down from 27%.

Financial Management

In 2003, 71% of NGOs had their own financial-management systems, compared to only 60% in 2002. This demonstrates that a high-quality audit positively impacts an organization's financial planning and reporting. NGOs also contend their auditing procedures are more transparent, which is evidence of the changing attitude among NGO leaders. Although the percentage of NGOs audited did not change between 2002 and 2003, the number of groups interested in being audited increased to 50% in 2003 from 26% in 2002. In 2002, nearly one-third of the NGOs did not respond to the auditing question, but in 2003, less than 1% failed to provide an answer.

External Relations

From 2002 to 2003, the level of contact and collaboration between NGOs and government authorities increased. In 2003, the number of NGOs reporting they did not have any joint government projects was 30%, compared to 43% in 2002. Furthermore, only 13% in 2003 (versus 29% in 2002) said they did not implement any joint projects with government authorities.

The relationship between NGOs and businesses also improved over this period. For example, the number of NGOs cooperating with three to five business organizations rose, while the number not cooperating with any business organization fell significantly. Most important, however, the NGOs' attitude toward businesses changed. More NGOs now regard business organizations not only as sources of funding and financial support, but also as partners. However, major obstacles to more fruitful cross-sector cooperation still remain, particularly the lack of knowledge in the business community about NGO activities.

Results of 2003 research according to the “viable development” model

The organizational development of Ukrainian NGOs was measured using the viable-development model developed by INTRAC (Great Britain). This model incorporates the following major factors:

I. Organizational capacity (or “internal capacity of the organization to be”).

This includes measures of self-identification, legitimacy, responsibility, management structures, organizational culture, resources and leadership.

Goals and mission: The data show the main reasons for creating NGOs are: the opportunity to influence society (77%), the desire to help others (69%), self-realization (36%), providing assistance to NGO members (38%) and the prospect of receiving funding (17%). Eighty-nine percent of NGOs have written missions that guide their work.

Strategic planning: 68% of NGOs have written strategic plans, but only 61% considered introducing changes to those plans in the last two years. The number of NGOs using strategic planning has decreased to 14% from 22%. Eighty-four percent of the organizations evaluate their ability to achieve their stated goals, and 85% use these evaluations in their decision-making strategy. Overall, most Ukrainian NGOs use both members and governing bodies to design and implement strategic planning

II. External Relations and NGO Influence (or “capacity of the NGO to co-exist”).

This includes:

a) *Cooperation with other NGOs:* Ninety-two percent of the responding NGOs cooperate with other NGOs. However, only 20% of NGOs indicate they are fully or significantly aware of other organizations’ activities that deal with similar issues and problem areas at the international level. This awareness increases significantly on the national, regional, and local levels. The most widespread form of cooperation is the exchange of information and experience.

b) *Cooperation with business:* Nearly 30% of NGOs cooperate with business organizations, but 74% think the amount of cooperation is insufficient. One-third of the respondents believe that “lack professionalism” is the main obstacle to more effective cooperation. Conversely, business organizations generally do not know a great deal about NGO activities.

c) *Cooperation with donor organizations:* 55% of NGOs cooperate with donor organizations. Most NGOs form partnerships in hopes of obtaining financial and technical support, and some have a higher degree of cooperation being partners (18%) or executive partners (10%) of donor organizations. This is evidence of the fact that NGOs are trying to work more closely with donor organizations, including taking an active role in formulating donor policy.

III. NGO Programmatic Activities (or “capacity of NGO to implement and influence”)

Major activities of Ukrainian NGOs include representing and protecting the interests of their members, providing training and consulting services, disseminating information, solving social problems and organizing education activities. 53% of NGOs implemented up to three projects a year, and 20% were more active, implementing five projects a year or more. 89% of NGOs consider the needs of their target audience when planning new projects or services. Additionally, the majority of NGOs (82%) evaluate their program activities through internal reviews.

NGOs’ Organizational Capacity (Measured by the index, elaborated by the Institute for Sustainable Communities)

The index of organizational capacity (from the viable-development model) measures different indicators of NGO activity, such as the practical implementation of strategic management, systems of management, strategies for attracting financial support, compliance with general accounting standards, managerial procedures and human and material resources. The average score on the index for those NGOs which were surveyed by Counterpart Creative Center in 2003 is 3.14. It suggests that there is capacity for organizational development and strengthening and that necessary administrative procedures for financial and human-resources management do exist. NGOs have the basic elements of strategic management, as well as systems of management and leadership. But these do not function very efficiently, and methods for attracting financial support are often unreliable and not in accordance with delineated strategy.

Given the distribution of points between different components of organizational capacity, management scores averaged 4.09. This illustrates that the majority of NGOs have an acting managing body with highly defined functions and responsibilities. NGOs also scored well on implementing the principles of strategic management, which demonstrates most NGOs have clearly defined goals and missions, as well as a shared set of principles and strategies. However, not all NGOs practice long-term strategic planning. Ukrainian NGOs also scored relatively high (3.25) on the financial-management component.

The weakest component of the index is NGO strategy for attracting financial resources – the average score is 2.29. This may be attributable to NGO leaders devoting insufficient attention to long-term strategies for diversifying financial support. The human-resources and financial-resources components scored lower than average, but still satisfactorily (2.75). Special attention must be given to the need for delegating responsibilities and engaging personnel in decision-making (2.71).

Conclusions

Although NGOs understand the importance of ensuring financial support, they still must learn to develop coherent, consistent and continuous plans for fund-raising that fit their organization's mission. Overall, survey data show that Ukrainian NGOs demonstrate certain ability to attract diversified financial support. But, on whole, organizations still lack a systematic approach to planning. In most NGOs, the director is not capable of deciding who is responsible for fund-raising on a continuous rather than temporary basis.

Although NGOs appear to attract financial support primarily from international-donor organizations, research shows this is not sustainable. Only 36% of the total funding for NGOs came from international donors in 2001 and 2002. During the last year, approximately half of NGOs have acquired new sources of financing, including business charity and membership fees. Significant numbers of NGOs also have begun to seek local funding sources. Finally, despite the somewhat low level of funding from businesses (about \$500 per year), the sheer existence of this practice signals progress in Ukrainian NGOs' abilities to attract financial support from diversified sources.

ABOUT THE AUTHOR

OLGA MAKSYMENKO is the project manager and development officer at EuroRegio Ukraine, a Ukrainian NGO and successor organization of the Kyiv Center of EastWest Institute, an international think tank which started its activities in Ukraine in 1997. The main program areas of EuroRegio Ukraine are regional and community development, cross-border cooperation and European integration of Ukraine. Maksymenko works with several projects, including “Assistance to Regional Development in Ukraine” as well as “Developing the Public-Information Program for the City of Poltava on the European Union and European Integration Issues Based on the Respective Experience of Krakow Municipality.” She has an M.A. in sociology from National Taras Shevchenko University, Kyiv, Ukraine, and an M.A. in political science from Central European University, Budapest, Hungary.