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# **EVALUATING SOCIAL AND ECONOMIC CONTRIBUTION OF THE UKRAINIAN CHARITABLE ORGANIZATIONS TO THE NATIONAL ECONOMY**

## **REPORT**

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## EXECUTIVE SUMMARY

Evaluating contribution and value of charitable organizations presents a challenge as well as developing an effective tool to perform such an evaluation. Studies like this have both methodological and financial challenges. That explains a very scarce number of available studies and surveys on social and economic value of activities carried out by charitable organizations. It should be noted that the available studies do not cover the whole sector but are rather focused on certain areas and organizations qualified as charitable.

The study has revealed that the share of charitable organizations in the Ukrainian GDP amounts to 0.73% (according to the State Statistics Service of Ukraine) and the share has been hit with a downward trend over the last several years (it used to be 1% back in 2008). On one hand, this is an indication that the sector of charitable organizations has been shaped up for the most part, and it has a rather noticeable impact on the national economy. On the other hand, this is an indication that the non-governmental suppliers of services, which are important from a social point of view, are not engaged in the delivery of public (municipal) contracts.

According to the report of the State Statistics Service of Ukraine on the Performance Results of Non-Governmental Organizations in Ukraine in 2012<sup>1</sup> **the revenues from charitable activities** amounted to 1.6 billion UAH or 44.6% of the total amount of finance for the activities of non-governmental organizations. The non-governmental organizations used about 90.5% of the available funds in 2012. The balance was 351.1 million UAH. The breakdown of finance used by non-governmental organizations can be presented as follows: financial expenses and payments for services amounted to 27.6% or 921.7 million UAH, salary and emoluments – 25.9% or 867.2 million UAH, charity-related costs – 20.9% or 699.5 million UAH.

Rate of change in **the number of organizations** was 17.5% in 2011 and -7.3% respectively (percentage wise to the previous year). The absolute number of charitable organizations in regions of Ukraine varies a lot, in particular, from 1519 organizations in Kyiv in 2012 to 92 organizations in Chernivtsi oblast in the same year.

As for **annual revenues** generated by the Ukrainian charitable organizations, according to the data provided by the Ministry of Revenues and Duties of Ukraine for the period of 2010-2012 annual revenues of the Ukrainian charitable organizations nearly reached 5 billion UAH and amount to 4732.8 million UAH, with a short-term decrease by 4% in 2011 if compared to 2010, in particular from 4.5 billion UAH to 4.3 billion UAH and an increase of about 11% in the period from 2011 to 2012 up to 4.7 billion UAH.

**Annual expenditures** of the Ukrainian charitable organizations related to the main activities were 4011.8 million UAH in 2010, 3787.9 million UAH in 2011 and 4258.2 million UAH in 2012. This makes 93.6%, 91.5% and 91.8% respectively of the annual earnings of charitable organizations during these years.

During 2010-2012 the annual rate of change in the expenses related to the charity-related activities has in fact doubled, in particular, from 6.5% in 2011 (up to 2010) to 13.7% in 2012 (up to 2011).

The indicators of the development of charitable organizations' sector **across Ukraine** have revealed a major difference between regions. The capital of Ukraine, the city of Kyiv, is a leader when it comes to the number of charitable organizations, their annual income and activities-related expenses as regards the index measurement for 1000 people. The oblasts of Donetsk and Dnipropetrovsk as well as the city of Sevastopol make a group that places second in this respect.

The methodology for assessing social and economic contribution of the Ukrainian charitable organizations to the national economy (hereinafter referred to as the MCFEU Methodology) and the

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<sup>1</sup> The State Statistics Service of Ukraine, a special issue on Performance Results of Non-Governmental Organizations in Ukraine in 2012, #05.6-11/53 as of June 04, 2013.

respective index have been developed as a comprehensive (compound) methodology, which is based on modern international and national methodological experience.

The development of the charitable sector and its role in the national economy depend on a number of political, economic, social and cultural factors, which are very often interconnected. This can be described by a complex systems science. On one hand, that determines the complexity of the methodology's structure and inability to single out one or several key factors; on the other hand, the complexity of the structure defines the relevance of the wide range of indicators to be presented in a concise fashion. That will provide a good visual expression and simple perception of the complex evaluation of the social and economic contribution of the Ukrainian charitable organizations to the national economy.

When developing the Methodology for assessing social and economic contribution of the Ukrainian charitable organizations to the national economy the basic principle was that this evaluation should be treated as a comprehensive evaluation of the charitable sector development in Ukraine on one hand. On the other hand, the evaluation should provide additional information to the already existing macro-economic statistical indicators, which can be used when assessing and developing proposals to the state policy on how to improve the charitable sector. At the same time it was decided to use the MCFEU Methodology to evaluate social and economic contribution of the Ukrainian charitable organizations to the national economy in general and to particular regions of Ukraine in order to compare regional patterns.

The Methodology for assessing social and economic contribution of the Ukrainian charitable organizations to the national economy (the MCFEU Methodology) was developed to review the state policy on the non-profit sector, in particular, to assess incentives and barriers, which hinder and interfere with the main activities of these organizations as perceived by the third sector actors. Once these barriers are lifted, the risks are reduced, the overall situation in the sector improves and the non-profit sector sees some progress.

## INTRODUCTION

In the days when charity is on the rise and organizations designed to be engaged in charitable activities in line with their mission as well as the pop stars, politicians, famous sportsmen and authorities are starting to pay greater attention to charity one crucial issue comes up. This is the issue of charity effectiveness. Around the globe charity is viewed as activities that can improve the lives of financially disadvantaged people as well as an opportunity to change people's lives and communities' well-being for the better. Therefore here comes the ultimate question that we have to find an answer to: ***What is social and economic value of charitable organizations in Ukraine?***

The answer is important not only to encourage rich people to share with less successful people but also to understand the share of the "discreet" sector of the Ukrainian charitable organizations in the national GDP; the impact donations have on beneficiaries; the share of social and economic prosperity created by charitable organizations and to what extent tax exemption has proved to be beneficial to organizations that receive donations and provide charitable support.

The sector of charitable organizations have untapped social and economic potential, which should be used and there has to be a good understanding of how to use it best and in the most effective way. The study is the first step in understanding social and economic contribution of the Ukrainian charitable organizations in the national economy.

The report has two parts. The first part includes information on the overall concept of the evaluation of the social and economic contribution of the Ukrainian charitable organizations to the national economy. The second part has two chapters. The first chapter includes the economic overview of the Ukrainian charitable organizations' contribution over the past few years. The second chapter presents a methodology of the evaluation of the social and economic contribution based on the modern international and national methodological experience.

## CONCEPT OF THE STUDY

Despite long history of charity and its variety there have not been too many attempts to assess its effectiveness and impact. This can be explained by the fact that the notion of charity varies from country to country as well as its nature when any person can be engaged in charity without even knowing it. Since organizations that have been registered and qualified as charitable organizations by the state technically have a right to be engaged in charitable activities it is important to assess the social and economic value of these organizations first and foremost. Therefore the target group of the study is charitable organizations that might be called a fund, a foundation, an organization, an institution etc., which have been registered or re-registered in Ukraine in compliance with the Law of Ukraine On Charity and Charitable Organizations.

In order to evaluate the economic value of charitable organizations the statistical information on annual earnings and expenses, number of employees and amount of taxed paid etc. will be used. The information was received from various public authorities including the State Tax Administration of Ukraine, the Pension Fund of Ukraine, the State Department of Statistics, the Ministry of Justice of Ukraine, the National Bank of Ukraine and other bodies. In order to get a more comprehensive picture of the dynamics and trends in the sector of charitable organizations the study will use the data only for the past few years.

Social and economic value of charitable organizations can be assessed in different ways; first of all, by defining the share of charitable organizations in the GDP of Ukraine or by developing a comprehensive approach to the evaluation of charitable organizations' contribution to social and economic development of the country.

In order to verify the consistency of the study's findings they will be analyzed against similar studies completed in other countries.

## METHODOLOGY

**The goal** of the study is to assess social and economic value of charitable organizations operating in Ukraine.

**The objectives** of the study are

1. To assess economic contribution of the Ukrainian charitable organizations and the relevant dynamics during recent years
2. To develop a methodology for assessing social and economic contribution of the Ukrainian charitable organizations.

**The scope** of the study includes charitable organizations operating in Ukraine. **The subject** of the study is social and economic value of charitable organizations operating in Ukraine.

## Assumptions

- 1.1. The economic contribution of the Ukrainian charitable organizations is more than 1% of the national GDP.
- 1.2. The annual economic contribution of the Ukrainian charitable organizations grows.
- 1.3. Annual earnings of the Ukrainian charitable organizations increase.
- 1.4. Expenses for annual programmes of the Ukrainian charitable organizations increase.

## Sampling

In order to assess the economic contribution of the Ukrainian charitable organizations the information about the activities of all Ukrainian charitable organizations that report to the public authorities will be used. The information was received from the respective national public authorities that have a

mandate to collect such information about the operations of charitable organizations, for instance, the State Tax Administration of Ukraine, the Department of Statistics etc.

**Data Collection and Tools**

The information to be used for assessing economic contribution of charitable organizations and verifying assumptions was received by submitting requests to relevant public authorities.

**Methods**

Various methods will be used when conducting the study including review of information materials and respective documents, programmes and financial data, interviews with civil servants, surveys and other.

**Limitations of the Study**

It should be mentioned that the researchers have faced a number of obstacles when performing the study. These obstacles significantly slowed the study down and did not make it possible to test the developed methodology for assessing social and economic contribution. First of all, the time of the study was limited. The need to have a competition of experts on economic analysis has delayed the start of the study. Second of all, the CCC has not received a single answer from the public authorities to its requests for statistical data. Therefore, the authors had to act through the Member of Parliament of Ukraine. But even under those circumstances the answers were delayed. It took more time to develop the methodology than it was originally planned.

## FINDINGS OF THE STUDY

### The state of the non-profit sector of the Ukrainian economy in the period of 2010-2012

The basic macroeconomic results on the Ukrainian non-profit sector's development are measured by the State Statistics Service of Ukraine within the framework of the annual Gross Domestic Product of Ukraine. In 2012 the Ukrainian GDP amounted to: (See Table 2-1)

Table 2-1

**The Gross Domestic Product of Ukraine in 2010 (in actual figures)**

	I Quarter	II Quarter	III Quarter	IV Quarter	Total for the Year
The Gross Domestic Product, in billion UAH	<b>293.493</b>	<b>349.212</b>	<b>387.620</b>	<b>378.564</b>	<b>1'408.889</b>

The share of non-profit organizations in the Ukrainian GDP according to the GDP disposition structure method amounts to: (See Table 2-2)

Table 2-2

**The Share of Non-Profit Organizations in the Ukrainian GDP in 2012**

	I Quarter	II Quarter	III Quarter	IV Quarter	Total for the Year
The Gross Domestic Product of Non-Profit Organizations that Provide Services to Households, in billion UAH	<b>2.543</b>	<b>2.563</b>	<b>2.547</b>	<b>2.592</b>	<b>10.245</b>
The share of the GDP in %	<b>0.87%</b>	<b>0.73%</b>	<b>0.66%</b>	<b>0.68%</b>	<b>0.73%</b>

Therefore the share of the non-profit organizations in the Ukrainian GDP amounts to less than one per cent in 2012. However, a negative downward trend observed over the past few years as well as the quarterly downward trend should be brought to notice.

Lately there has been a global trend to determine the contribution of the non-profit sector to the country's GDP more precisely. A number of studies were completed on that subject matter. The Johns Hopkins Center for Civil Society Studies has taken the lead in that respect. The organization has a reputation of a leading source of innovations and knowledge about the non-profit sector, social investments and tools for non-profit organizations' management. Having worked together with governments and international organizations, investors and peers around the globe the Johns Hopkins Center for Civil Society Studies promotes knowledge of non-profit organizations' sector to strengthen and mobilize potential and resources of non-governmental and non-profit organizations and the entire non-profit sector in order to address complex challenges related to the changes the modern world faces. The introduction of subsidiary/satellite accounts' concept in the System of National Accounts is considered to be one of the elements of the quantitative research of the charitable organizations' role in the country's GDP by the Johns Hopkins Center for Civil Society Studies. It has been reflected in the UN Handbook<sup>2</sup>. This concept has been widely used by different countries over the past few years. Among the CIS countries it was the experience of Kyrgyzstan<sup>3</sup> that should be noted. The country prepared a publication on the introduction of the satellite accounts in the System of National Accounts in 2010. The publication was jointly prepared by the National Statistics Committee of the Kyrgyz Republic, the Johns Hopkins Center for Civil Society Studies and the Office of the United Nations Volunteers Programme in Kyrgyzstan within a framework of the project on the application of the United Nations Handbook on Non-Profit Institutions in the System of National Accounts implemented in Kyrgyzstan. The main goal of the project implemented in Kyrgyzstan was to introduce a subsidiary (satellite) account for non-profit institutions thus enabling the national statistic authorities to

<sup>2</sup> United Nations, Handbook on Non-Profit Institutions in the System of National Accounts, 2006, ST/ESA/STAT/SER.F/91 - 376 p., [http://www.un.org/ru/publications/pdfs/nonprofit\\_organizations\\_in\\_national\\_accounts\\_2006\\_rus.pdf](http://www.un.org/ru/publications/pdfs/nonprofit_organizations_in_national_accounts_2006_rus.pdf)

<sup>3</sup> Non-Profit Institutions in the Kyrgyz Republic. A Special Publication/The National Statistics Committee of the Kyrgyz Republic, the National Accounts Department, Bishkek, 2010. - 92 p.

document and classify the value, structure, finance and role/contribution of non-profit or non-governmental and volunteer organizations in the country's development to further compare their contribution across the country and to other countries. In Ukraine the work on the development and introduction of subsidiary (satellite) accounts in the System of National Accounts to assess the role of non-profit and charitable sector, in particular, have just started as of mid-2013. And it is way too early to speak about its results.

According to the information of the State Statistics Service of Ukraine published in the special issue on Performance Results of Non-Governmental Organizations in Ukraine in 2012<sup>4</sup> the state statistics authorities received reports from 25297 central bodies of the non-governmental organizations in 2012, which is 8% higher than it was in 2011 and that makes 39.7% of total number of central bodies of non-governmental organizations legalized by the registration authorities (an increase by 12.5% в.п. if compared to 2011). Other organizations were not found at their registration addresses and no additional information about their whereabouts was available. The total number of members registered with non-governmental organizations that have reported to the statistics authorities is 36.3 million people<sup>5</sup> including 7.4 million people (or 20.3% of the total amount), which are members registered with the central bodies. In 2012 non-governmental organizations of all levels conducted 608.4 thousand public events; in 2011 the number was 467.9 thousand events. The largest share of events was conventions, conferences and meetings – 25.1% or 152.4 thousand events and lectures (meetings) with 23.3% or 140.9 thousand events. The non-governmental organizations received 3.7 billion UAH from various finance sources to carry out their basic activities, which is by 9.6% more than it was in 2011. The charitable donations amounted to 1.6 billion UAH or 44.6% of the total sum for funding the activities of the non-governmental organizations. The non-governmental organizations used up about 90.5% of their available funds in 2012; the balance was 351.1 million UAH. The largest share in the structure of funds allocation by the non-governmental organizations amounted to tangible costs and payments for services – 27.6% or 921.7 million UAH; remuneration – 25.9% or 867.2 million UAH; charity-related expenses – 20.9% or 699.5 million UAH. **(See Table 2-3).**

Table 2-3  
**Performance Results of Non-Governmental Organizations in Ukraine in 2012**

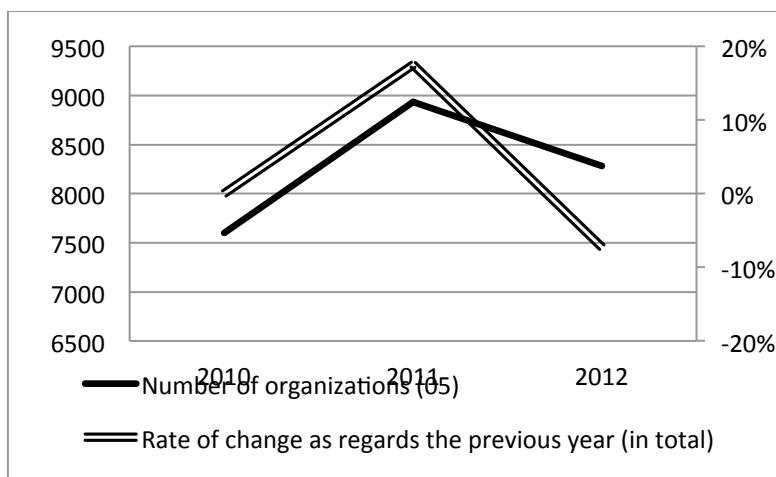
	With the Following Status				
	Central	Internatio-nal	All-Ukrainian	Local	Local Branches
<b>Number of Non-Governmental Organizations</b>	25297	163	638	24496	134165
Number of registered members (people)	7366417	19137	1225003	6122277	28897495
Number of collective members-organizations	38936	372	9678	28886	17657
<b>Number of Employees/Staff Members on Payroll (people)</b>	12593	470	2073	10050	21949
Number of enterprises, institutions, organizations founded and created by non-governmental organizations to implement the statute's goals	1661	23	724	914	1049
Number of print newspapers/publications	158	6	50	102	11
<b>Conducted:</b>					
Public events, meetings and	6360	280	561	5519	7787

<sup>4</sup> The State Statistics Service of Ukraine, a special issue on Performance Results of Non-Governmental Organizations in Ukraine in 2012, #05.6-11/53 as of June 04, 2013

<sup>5</sup> It should be noted that it refers to number of people registered with non-governmental organizations according to the information provided by the non-governmental organizations themselves. Since no verification materials are required to support the membership information when reporting to the authorities the information is likely stretched and therefore should be qualified as indicative. This is a classic example of so-called soft data in the compound indexes.

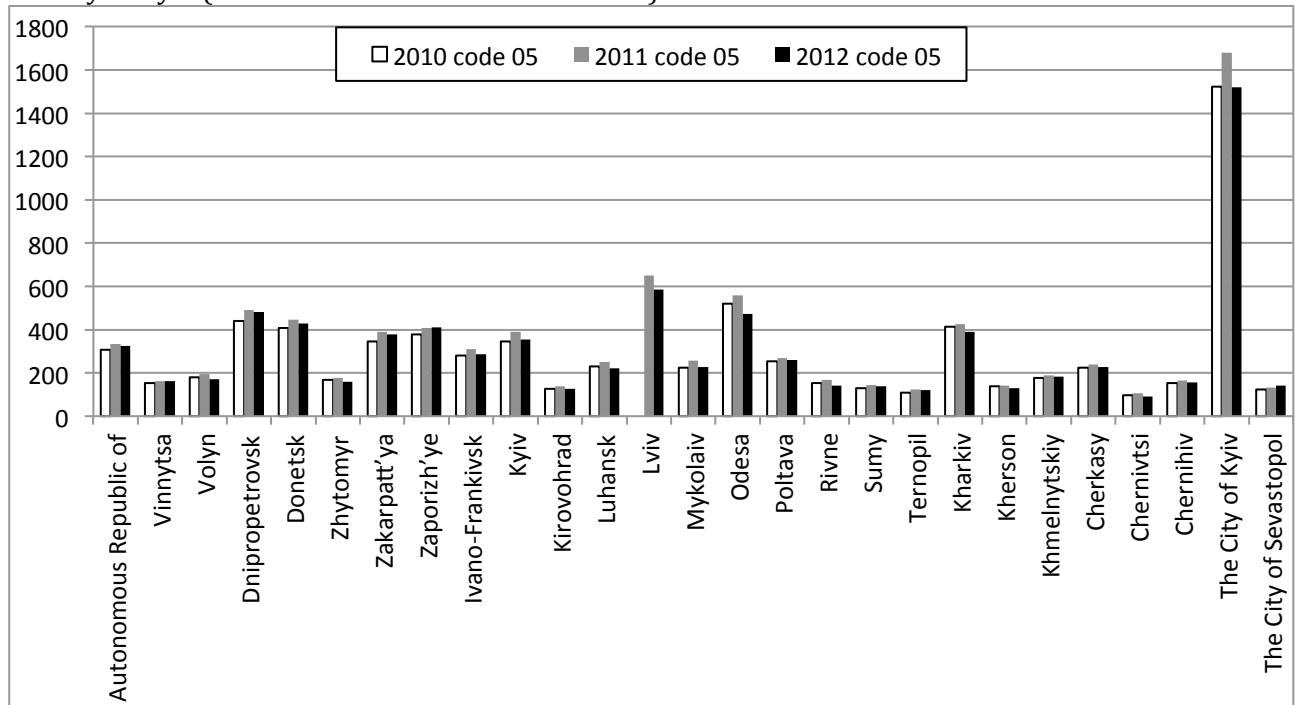
	Central	With the Following Status				Local Branches
		Internatio-nal	All-Ukrainian	Local		
demonstrations						
Exhibitions	9134	90	387	8657	7881	
Conventions, conferences, meetings	45806	439	1755	43612	106639	
Fundraising events	10677	419	932	9326	5027	
Lectures (meetings)	95161	7669	5660	81832	45767	
Workshops	26448	1080	1935	23433	15188	
Other public events	105182	3197	2891	99094	121389	
<b>Received Money, in Total, in thousand UAH</b>	2517152.7	355700.9	764239.1	1397213	1177442	
Including from the government/authorities	159433.5	1318.3	109612.2	48503	131430.5	
From membership dues	347392.1	3265.4	52158.8	291967.9	186247.9	
From charitable activities	1558606.7	328528.7	393250.5	836827.5	87984.2	
Including						
From the Ukrainian enterprises and institutions	560177.2	7260.9	144409	408507.3	68860.1	
From the Ukrainian citizens	129168	5698.8	7917.5	115551.7	14840.1	
From non-residents	869261.5	315569	240924	312768.5	4284	
From economic activities of enterprises, institutions, organizations founded and created by non-governmental organizations to implement the statute's goals	60641.1	1015.4	30486	29139.7	543418.7	
From other sources	391079.3	21573.1	178731.6	190774.6	228360.7	
Including						
Loans from banks and other financial institutions	83.4	0.4	26.1	56.9	241	
Interest/profit for disbursed loans	4128.7	3.5	8	4117.2	0	
<b>Used Money, in Total, in thousand UAH</b>	2230032.4	346205.3	607951.8	1275875	1113466	
Including taxes and compulsory payments	126763.3	5477.7	35269.9	86015.7	103645.4	
Remuneration	326329.1	12659.8	113133.6	200535.7	540868	
Welfare expenditures	39374.1	5118.9	4997.7	29257.5	76998.2	
Tangible costs and payments for services	690466.9	17425.2	261517.9	411523.8	231268.6	
Capital expenditures	56851.9	186.3	27737.5	28928.1	13809.4	
Refurbishment	45929.8	438	13231.2	32260.6	12846.1	
Charitable expenses	649799.5	302522.5	41618.1	305658.9	49726	
Other expenses	294518	2376.9	110445.9	181695.2	84303.9	
Including interest paid on received loans	429.6	0	1.7	427.9	23.8	

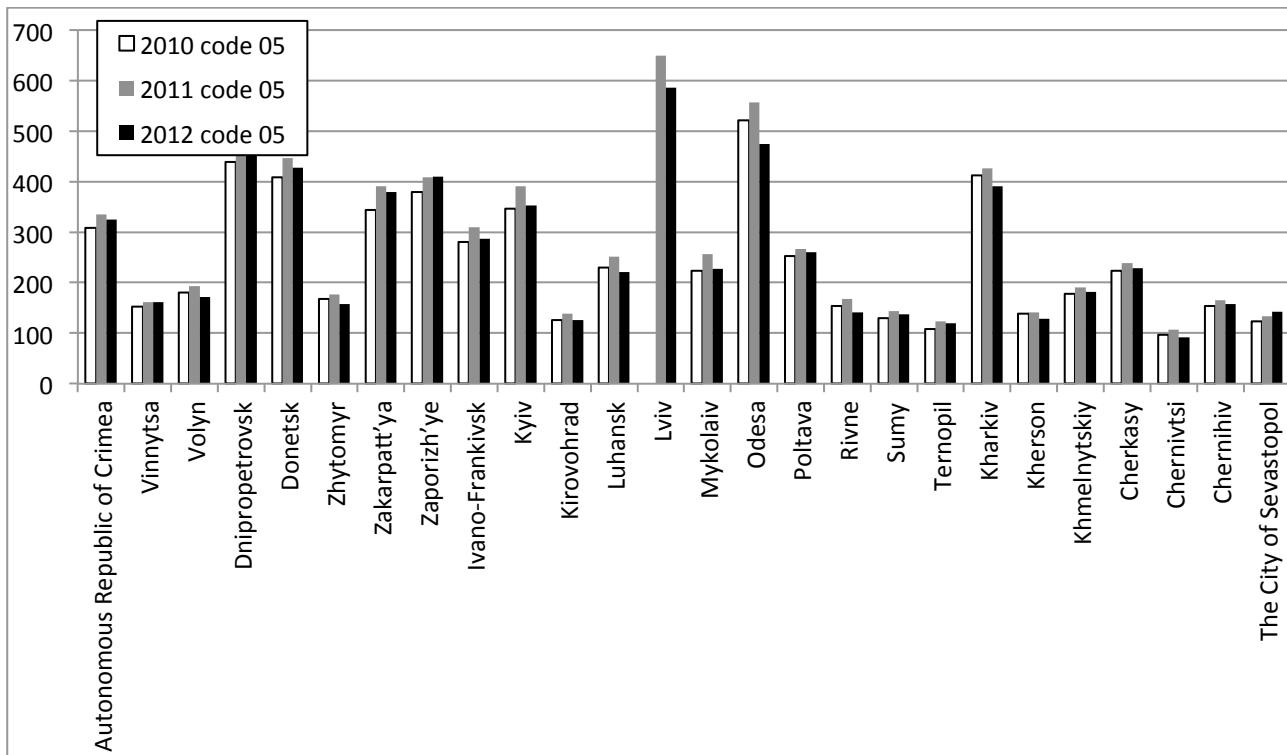
A request was submitted to the Ministry of Revenues and Duties of Ukraine in order to clarify the development indicators of the non-governmental sector of the economy of Ukraine (See Annex 1). According to the data received from the Ministry of Revenues and Duties of Ukraine and its further processing the main development indicators of the non-governmental sector of the economy of Ukraine in 2010-2012 look as follows (as regards charitable organizations).


**Chart 2.1 Number of Charitable Organizations in Ukraine in 2010-2012 and Their Dynamics**

The number of charitable organizations in 2010-2012 is presented on Chart 2.1. These organizations have the non-profit classification code 05. In 2010 the number was 7600, in 2011 the number was 8932 and in 2012 the number was 8283. The dynamics was 17.5% in 2011 and - 7.3% (percentage wise when compared to the previous year). It means that the number of charitable organizations varies within quite a wide range and the negative sign of dynamics stands for the lack of a clear and steady trend.

The number of charitable organizations across Ukraine is presented on Chart 2.2 whereas Chart 2.3 provides information on the quantity of charitable organizations in various regions of Ukraine except the city of Kyiv (to make the chart more illustrative).

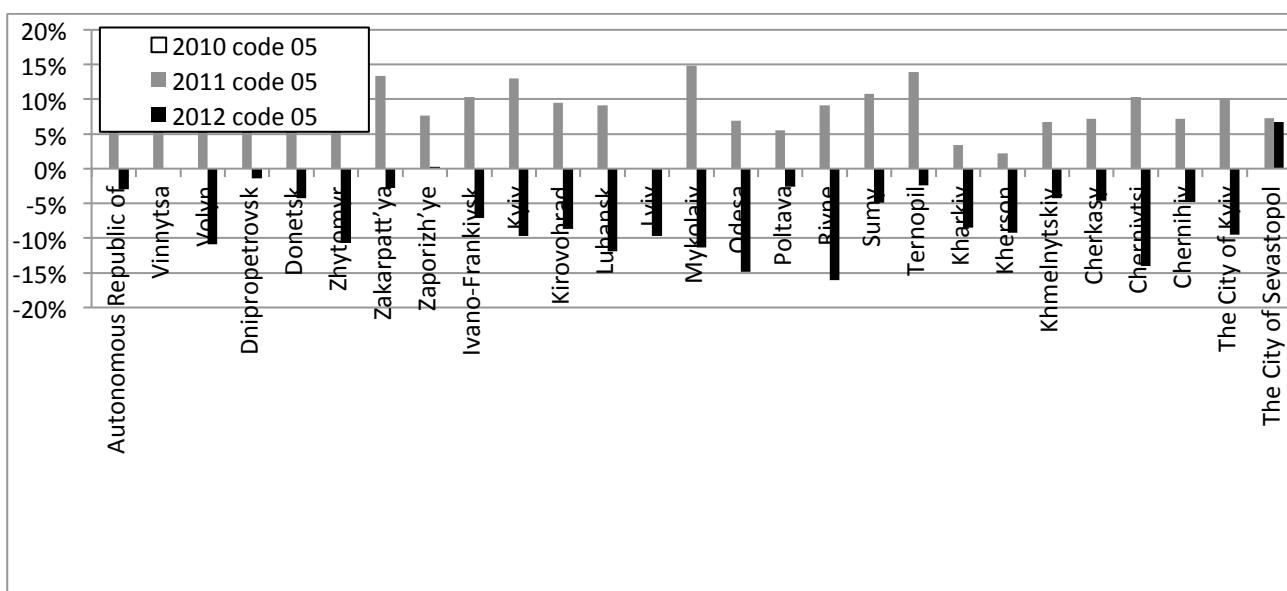

**Chart 2.2 Number of Charitable Organizations in Various Regions of Ukraine in the Period of 2010-2012**



**Chart 2.3 Number of Charitable Organizations in Various Regions of Ukraine in the Period of 2010-2012 Excluding the City of Kyiv**

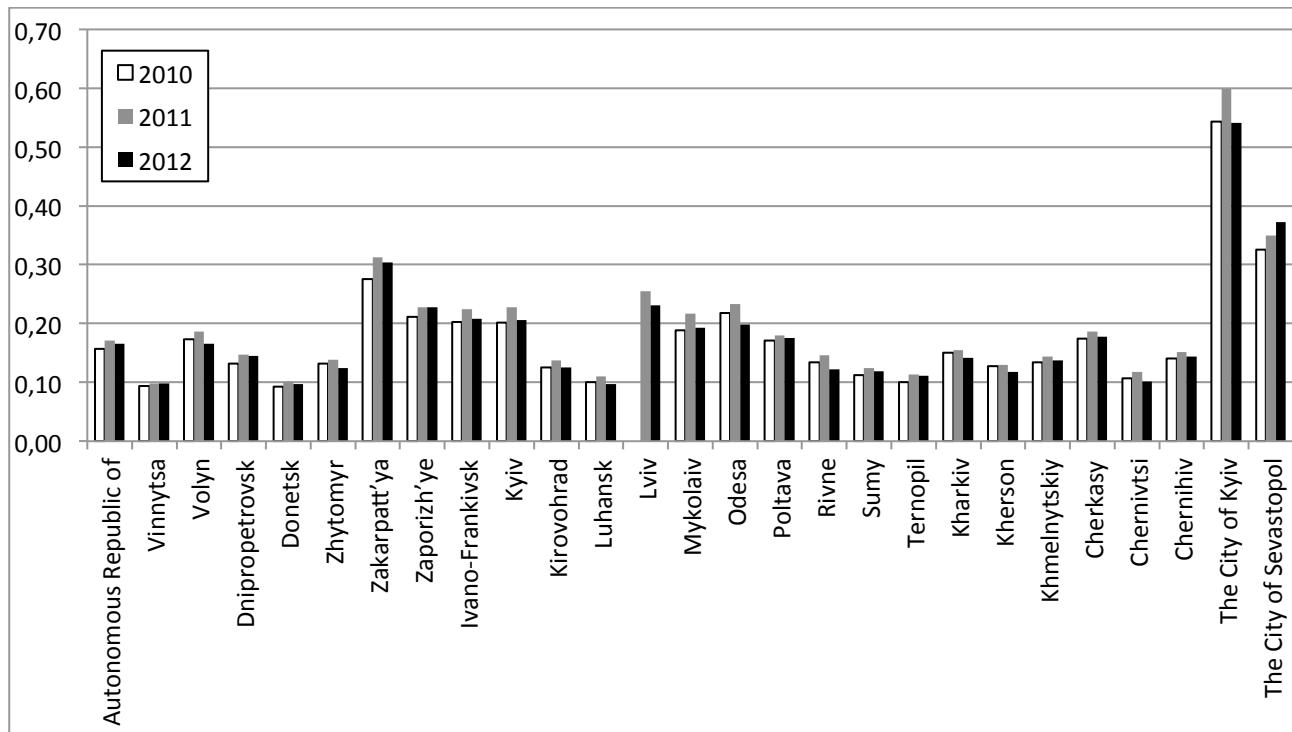
According to Charts 2.2 and 2.3 a conclusion can be made that the absolute number of charitable organizations in various regions of Ukraine differs significantly, in particular, from 1519 organizations in the city of Kyiv in 2012 to 92 organizations in Chernivtsi oblast in 2012.

The capital of Ukraine, the city of Kyiv, is the ultimate leader when it comes to the absolute number of charitable organizations. The number of charitable organizations in Kyiv city is three times higher than the number of charitable organizations of the next administrative-territorial unit with the largest number of registered charitable organizations, Lviv oblast, in particular. NB: there is no information about the number of charitable organizations in Lviv oblast in 2010 in the document provided by the Ministry of Revenues and Duties of Ukraine.



**Chart 2.4 Dynamics of Charitable Organizations' Number in Various Regions of Ukraine in the Period of 2010-2012 if Compared to the Previous Year**

A conclusion can be drawn from Chart 2.4 that in general the dynamics in the number of charitable organizations in various regions is the same as the annual dynamics for charitable organizations in Ukraine, except Vinnytsia and Zaporizh'ye oblasts, where the number of charitable organizations remained the same in 2011 and 2012 and the city of Sevastopol, where the number of charitable organizations was increased by 6.8% in 2012 when compared to 2011. The highest positive rate of change in the number of charitable organizations in 2011 was observed in Mykolaiv, Ternopil, Zakarpatt'ya and Kyiv oblasts and the highest negative dynamics in the number of charitable organizations were detected in the oblasts of Rivne, Odesa and Chernivtsi.



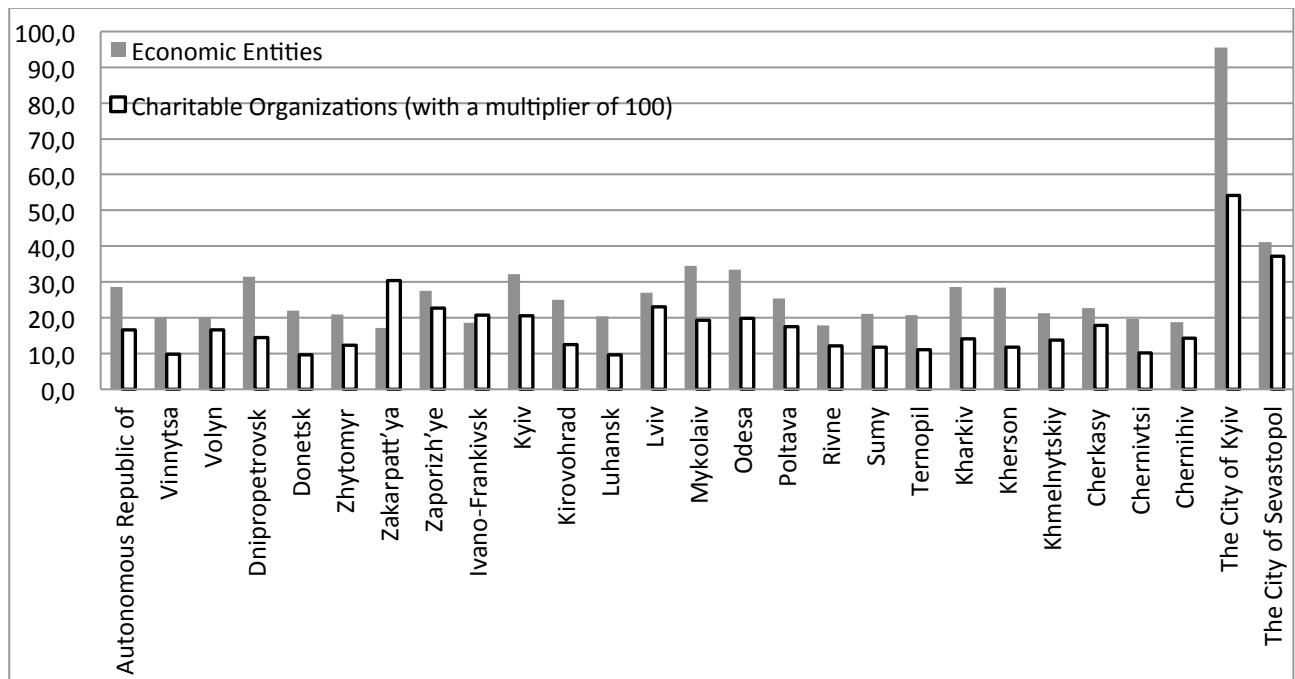
**Chart 2.5 Number of Charitable Organizations in Various Regions of Ukraine in the Period of 2010-2012 per 1000 People on Annual Average, Units**

It should be noted that the absolute data on the number of charitable organizations is affected by the size of a respective administrative-territorial unit (oblast).

Therefore Chart 2.5 provides information on the calculated number of charitable organizations in the period of 2010-2012 per 1000 people on annual average in order to compare different administrative-territorial units properly. According to the data depicted on the chart the highest number of charitable organizations per 1000 people on annual average is in the city of Kyiv, in particular, 0.6 organizations per 1000 people. The number of charitable organizations is almost twice as high when compared to the number in the next administrative-territorial unit per 1000 people, which is the city of Sevastopol (0.35 organizations per 1000 people) and Zakarpatt'ya oblast with 0.31 organizations per 1000 people.

To put this in perspective, the average number of charitable organizations per 1000 people across Ukraine is 0.2 (as of 2011) including the city of Kyiv and 0.17 excluding the city of Kyiv. It means that the number of charitable organizations in 2011 in the Autonomous Republic of Crimea (0.17) and Volyn oblast (0.19), Zakarpatt'ya (0.31), Zaporizh'ye (0.23), Ivano-Frankivsk (0.22), Kyiv (0.23), Lviv (0.26), Mykolaiv (0.22), Odesa (0.23), Poltava (0.18), Cherkasy (0.19) and the city of Sevastopol (0.36) is the same or higher than the average number for Ukraine. As for Vinnytsia (0.10), Dnipropetrovsk (0.15), Donetsk (0.10), Zhytomyr (0.14), Kirovohrad (0.14), Luhansk (0.11), Rivne (0.15), Sumy (0.12), Ternopil (0.11), Kharkiv (0.15), Kherson (0.13), Khmelnytskyi (0.14), Chernivtsi (0.12) and Chernihiv (0.15) oblasts is lower than the average number for Ukraine in 2011 (0.17 – excluding the city of Kyiv).

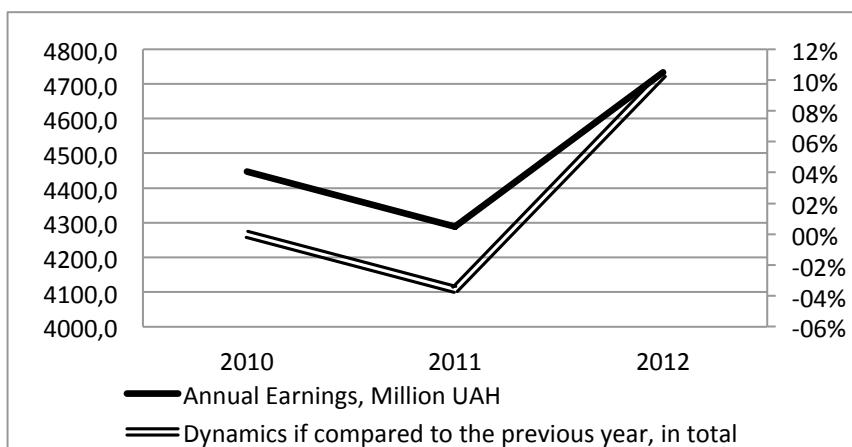
In this respect the outsiders are Vinnytsia (0.10), Donetsk (0.10), Luhansk (0.11) and Ternopil (0.11) oblasts.



**Chart 2.6 Comparison of Number of Economic Entities and Number of Charitable Organizations (multiplied by 100 for the purpose of the study) in Various Regions of Ukraine per 1000 People on Annual Average in 2012**

It should be noted that there is a high correlation between the number of economic entities and the number of charitable organizations in different oblasts (See Chart 2.6). The correlation multiplier is 0.816. Therefore an assumption can be made that more likely there is a direct link between the number of economic entities and the number of charitable organizations within the limits of administrative-territorial units, which is an indication of the overall business and administrative climate.

In terms of annual earnings of the Ukrainian charitable organizations they have almost reached 5 billion UAH, in particular, 4732.8 million UAH, in the period of 2010-2012 according to the information of the Ministry of Revenues and Duties of Ukraine. There was a short-term decrease observed in 2011 when compared to 2010, in particular from 4.5 billion UAH to 4.3 billion UAH (4%) and the growth by 11% in the period of 2011-2012 up to 4.7 billion UAH (See Chart 2.7).



**Chart 2.7 Annual Earnings of Charitable Organizations in 2010-2012 in Million UAH and Dynamics if Compared to the Previous Year (%)**

Annual earnings of the Ukrainian charitable organizations differ significantly from one administrative-territorial unit to another. The largest revenues have been observed in the capital of Ukraine. Chart 2.8 provides information on annual earnings of charitable organizations across Ukraine including the city of Kyiv whereas Chart 2.9 provides information on annual revenues of charitable organizations across Ukraine excluding the city of Kyiv.

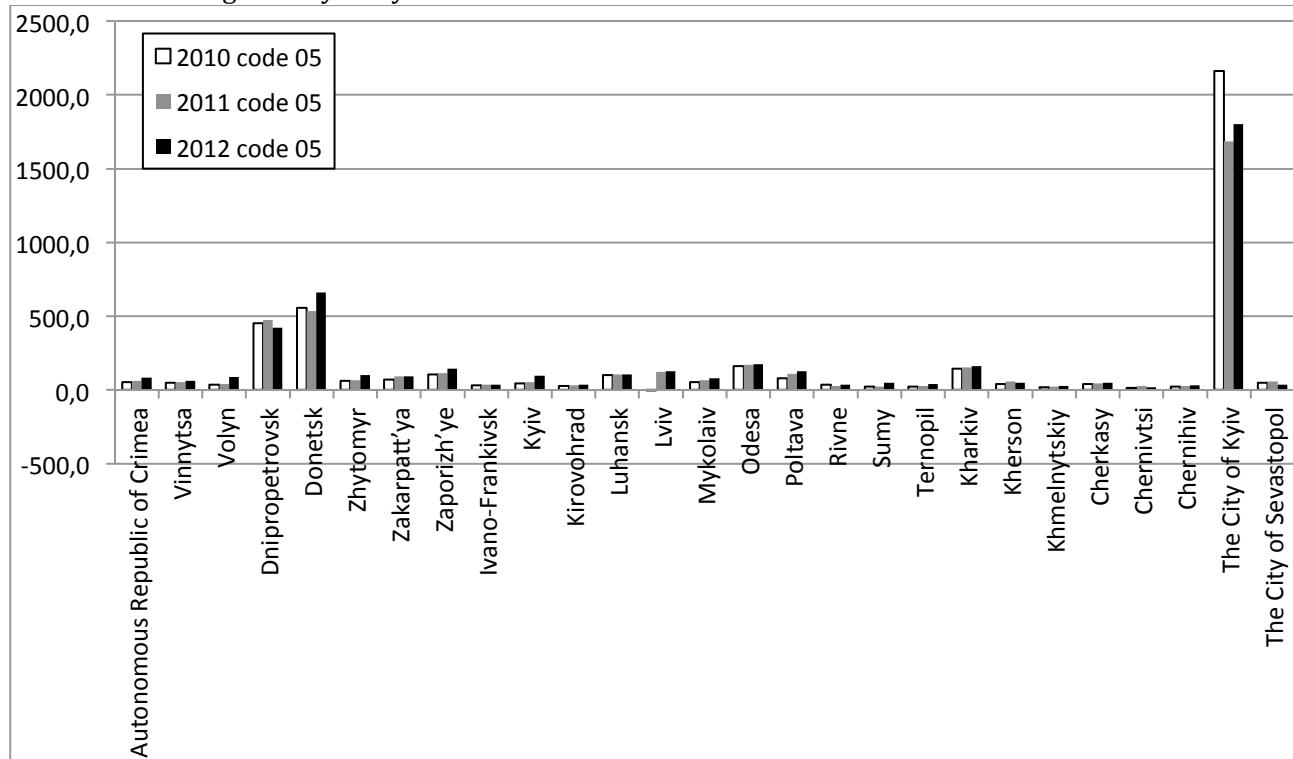


Chart 2.8 Annual Net Earnings of Charitable Organizations in Various Regions of Ukraine in Million UAH

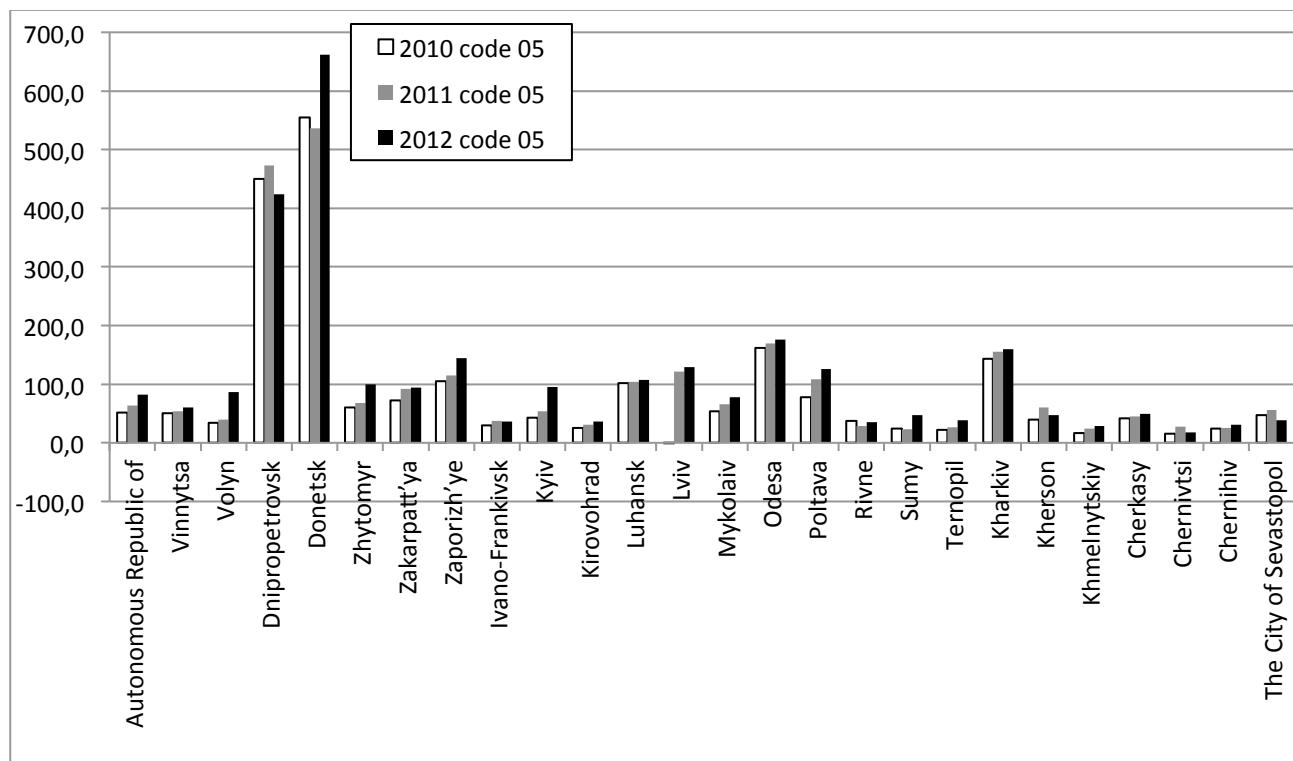
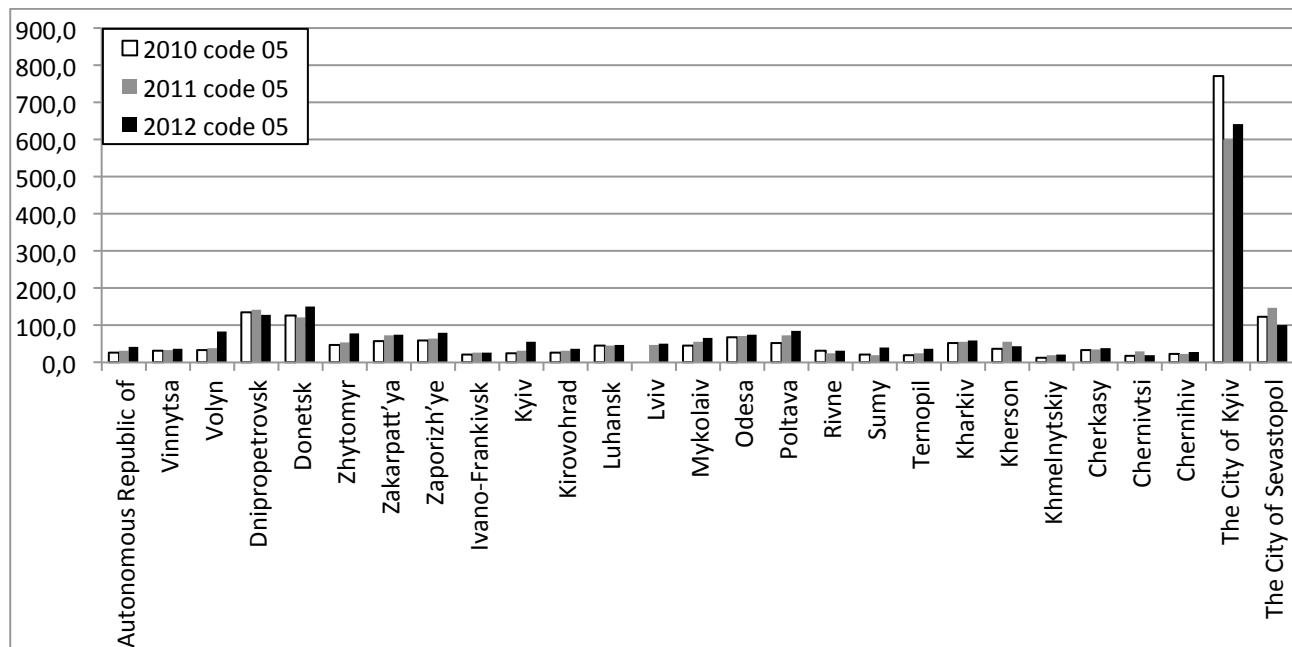
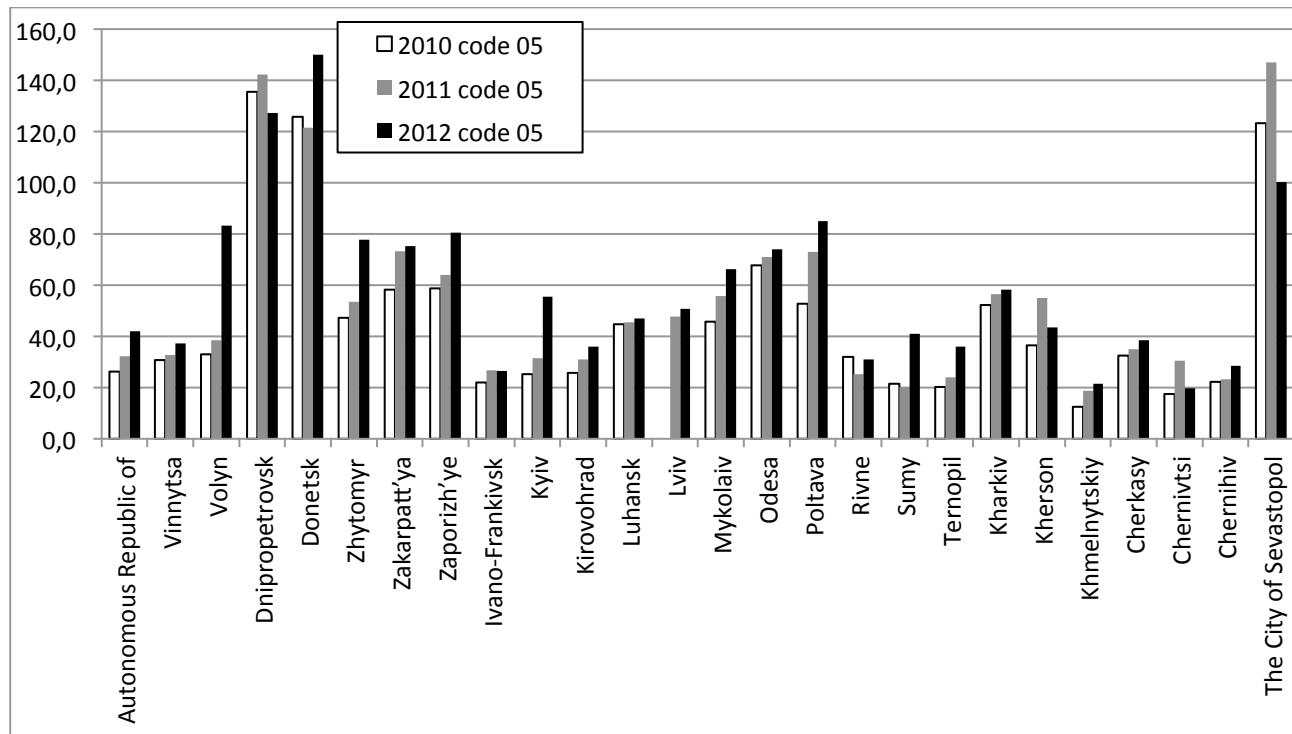


Chart 2.9 Annual Net Earnings of Charitable Organizations in Various Regions of Ukraine Except the City of Kyiv in Million UAH

The information presented on the charts demonstrates that the Kyiv city-based charitable organizations have the highest annual earnings. They exceed the amounts generated by charitable organizations from Dnipropetrovsk and Donetsk oblasts (ranking next) by approximately four times. In their turn the revenues of charitable organizations from these two oblasts are three times higher than the figures for charitable organizations from other administrative-territorial units of Ukraine. However, the picture changes somewhat when talking about the revenues per 1000 people (See Charts 2.10 and 2.11).



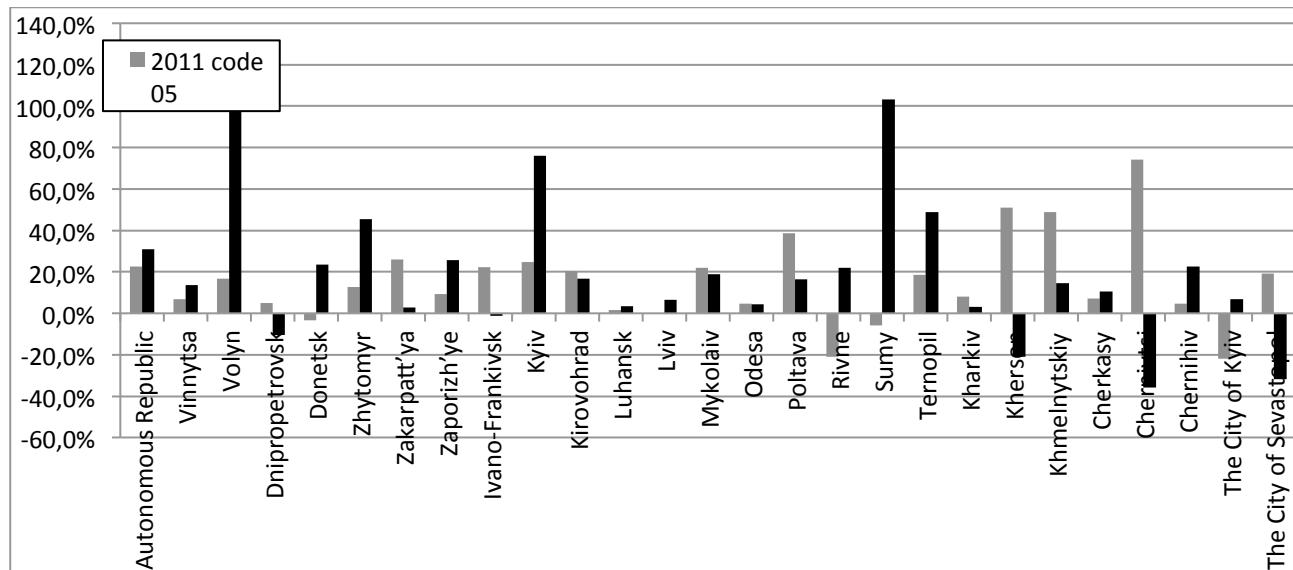
**Chart 2.10 Annual Earnings of Charitable Organizations in Various Regions of Ukraine per 1000 People on Annual Average in Thousand UAH**



**Chart 2.11 Annual Earnings of Charitable Organizations in Various Regions of Ukraine per 1000 People on Annual Average Except the City of Kyiv in Thousand UAH**

Annual revenues of charitable organizations in various regions of Ukraine per 1000 people on annual average have demonstrated that the Kyiv city-based charitable organizations have the highest revenues of all; in particular, they are six times higher than the revenues in other oblasts. However, the next ranking group includes charitable organizations from Dnipropetrovsk and Donetsk oblasts and the city of Sevastopol. The lowest annual earnings of charitable organizations per 1000 people on annual average in 2012 were detected in Khmelnytskiy and Chernivtsi oblasts.

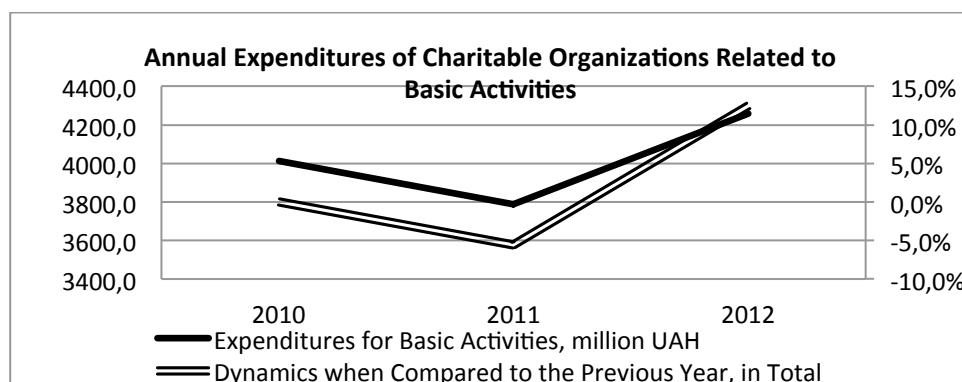
Chart 2.12 presents the dynamics of annual earnings of charitable organizations in various regions of Ukraine.



**Chart 2.12 Dynamics of Annual Earnings of Charitable Organizations in Various Regions of Ukraine when Compared to the Previous Year, %**

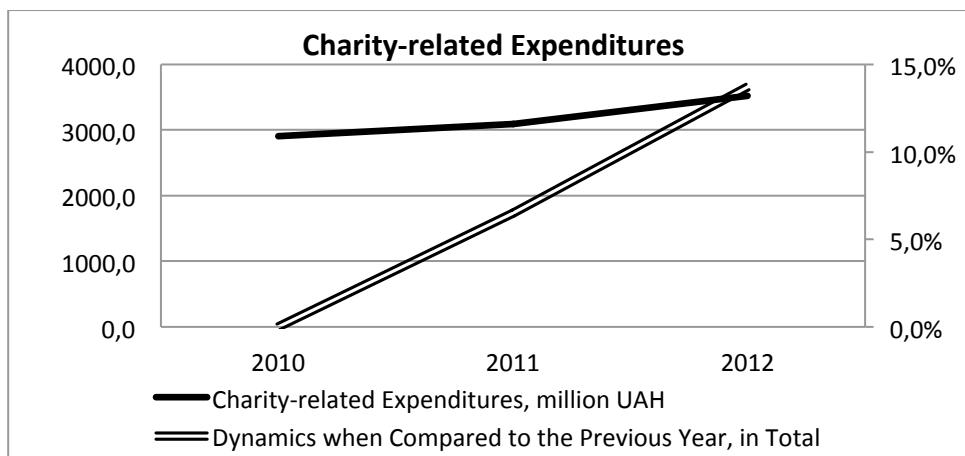
According to Chart 2.12 in 2012 the most positive dynamics in the annual earnings' growth can be seen at Volyn, Kyiv and Sumy oblasts – 116%, 76% and 102% respectively. In 2012 the oblasts of Dnipropetrovsk, Ivano-Frankivsk, Kherson and Chernivtsi as well as the city of Sevastopol have negative dynamics in the growth of their annual earnings - -10%, -1%, -20%, -35% and -31% respectively. The oblasts of Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Rivne, Sumy, Kherson and Chernihiv as well as the city of Kyiv have changed the nature of the dynamics in the period of 2010-2012. In particular, Donetsk, Rivne and Sumy oblasts and the city of Kyiv have improved their dynamics from decrease to growth and the rest have the opposite dynamics.

According to the Ministry of Revenues and Duties of Ukraine in 2010-2012 the annual expenditures of charitable organizations operating in Ukraine related to basic activities amounted to 4011.8 million UAH in 2010, 3787.9 million UAH in 2011 and 4258.2 million UAH in 2012 (see Chart 2.13).



**Chart 2.13 Annual Expenditures of Charitable Organizations Related to Basic Activities in 2010-2012 (in Million UAH) and Dynamics if Compared to the Previous Year (%)**

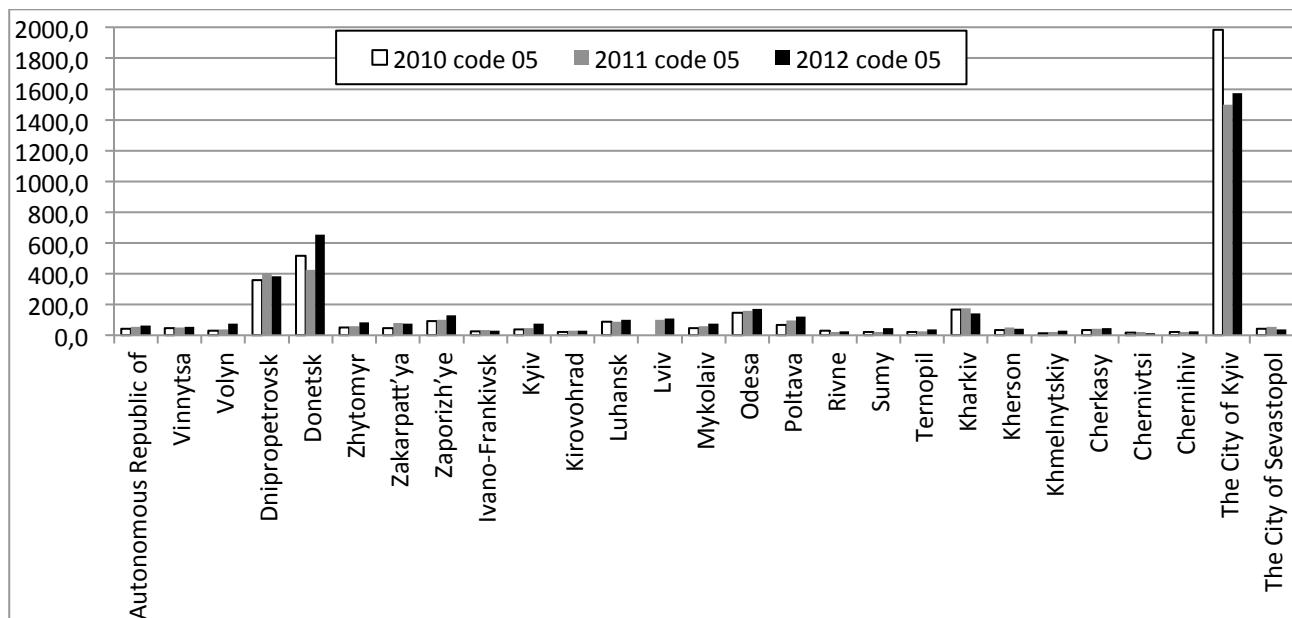
The charitable activities themselves constitute an integral part of the basic activities of charitable organizations. Based on the information provided by the Ministry of Revenues and Duties of Ukraine charity-related expenditures were increased in the period of 2010-2012 in the following way: 2904 million UAH in 2010, 3093 million UAH in 2011 and 3518 million UAH in 2012 (see Chart 2.14).



**Chart 2.14 Annual Expenditures of Charitable Organizations Related to Charitable Activities in 2010-2012 (in Million UAH) and Dynamics if Compared to the Previous Year (%)**

During 2010-2012 annual rates of changes related to expenditures on charitable activities doubled from 6.5% in 2011 (if compared to 2010) to 13.7% in 2012 (when compared to 2011).

It should also be mentioned that the official data provided by the Ministry of Revenues and Duties of Ukraine differs much from the results reported in the National Philanthropist Rating published early July 2013<sup>6,7</sup>. According to the latter citizens of Ukraine donated 580 million UAH for charitable activities in 2012 whereas the official data on the annual earnings of charitable foundations was 4636,7 million UAH, which in fact exceeds the rating's data by ten times.

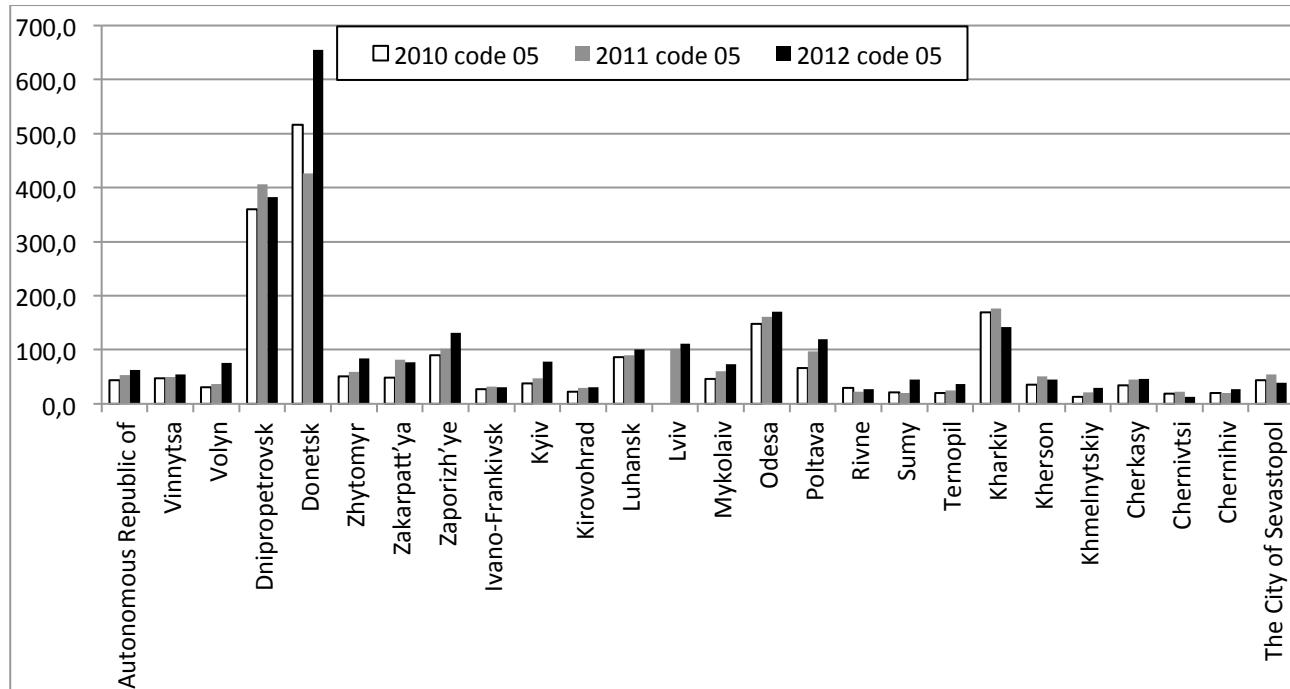


**Chart 2.15 Annual Net Expenditures of Charitable Organizations Related to Basic Activities in Various Regions of Ukraine in 2010-2012 (in Million UAH)**

<sup>6</sup> Telegraph Information Agency "How much money do Ukrainians donate for charity?" 07 July 2013 <http://telegraf.com.ua/biznes/finansyi/648787-skolko-deneg-ukrainsyi-otdayut-na-blagotvoritelnost.html>

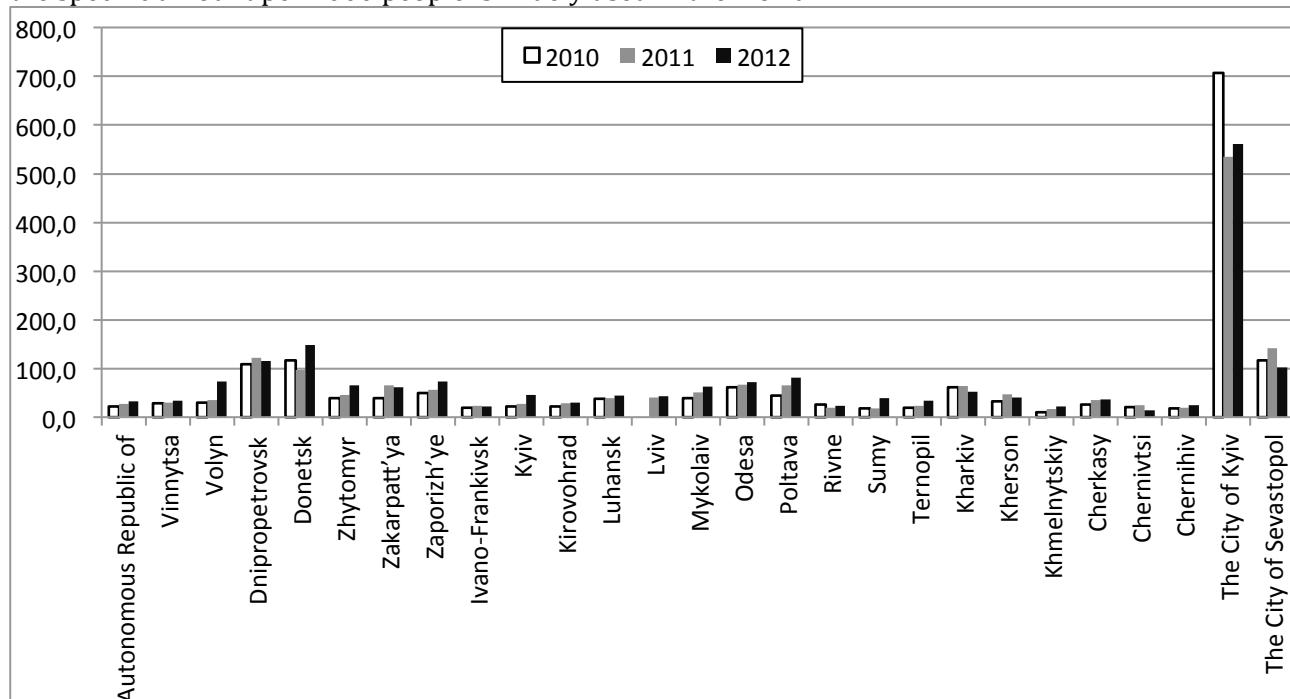
<sup>7</sup> National Philanthropist Rating, <http://donator.org.ua/funds/>

The annual net expenditures of charitable organizations in various regions of Ukraine are presented in the absolute terms on Chart 2.15. The same information only excluding the data for the city of Kyiv is presented on Chart 2.16. The city of Kyiv places first when it comes to the amount of total expenditures. Then come the oblasts of Donetsk and Dnipropetrovsk. For more details please see Annex 2.



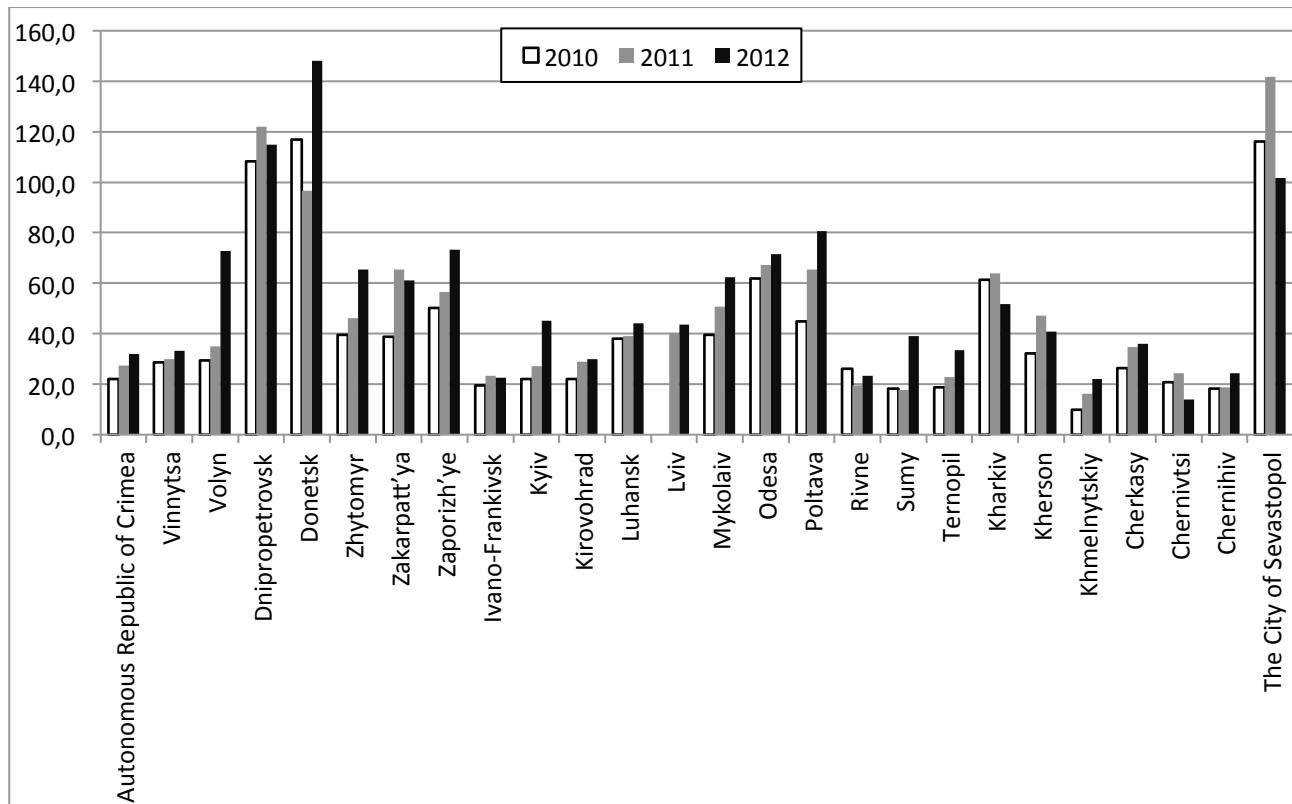
**Chart 2.16 Annual Net Expenditures of Charitable Organizations Related to Basic Activities in Various Regions of Ukraine Except the City of Kyiv in 2010-2012 (in Million UAH)**

However, the application of a standard tool, which enables us to assess the specific amount and not the absolute amount, somehow changes the ratio between the oblasts (see Charts 2.17 and 2.18). Whereas the specific amount per 1000 people is widely used in the world.



**Chart 2.17 Expenses of Charitable Organizations Related to Basic Activities in Various Regions of Ukraine per 1000 People (in Thousand UAH)**

The expenditures of charitable organizations related to basic activities in various regions of Ukraine per 1000 people have demonstrated that the capital of Ukraine, the city of Kyiv, takes ultimate leadership in this sense by exceeding the closest administrative-territorial unit by seven times. However, in contrast to absolute figures the specific figures include the city of Sevastopol to the second group.



**Chart 2.18 Expenses of Charitable Organizations Related to Basic Activities in Various Regions of Ukraine Except the City of Kyiv per 1000 People (in Thousand UAH)**

### Summary

The contribution of charitable organizations to the national GDP can be assessed with the help of the information presented in the chapter. It amounts to 0.73% according to the State Statistics Service of Ukraine. However, there has been a downward trend observed over the past few years, in particular, starting from 1% in 2008. On one hand, this is an indication of the existing and well-shaped sector of charitable organizations and that the sector that has a noticeable impact on the national economy. On the other hand, this indicator is lower than in Russia; in particular, it is 1.2% of GDP there and it is lower than in other countries. For instance, the contribution of the non-profit sector to the national GDP is 2.8% in Hungary, 2.1% in Columbia, 15.8% in the Netherlands and 7.5% in the US. The reason for that is practically zero engagement of non-governmental suppliers of services critical from the social point of view in the government's (municipal) contracts in the opinion of many experts and analysts.

The indicators of the development of charitable organizations' sector across Ukraine have revealed a major difference between regions. The capital of Ukraine, the city of Kyiv, is a leader when it comes to the number of charitable organizations, their annual income and activities-related expenses as regards the index measurement for 1000 people. The oblasts of Donetsk and Dnipropetrovsk as well as the city of Sevastopol make a group that places second in this respect.

ANNEXES

Annex 1. A Letter-Request to the Ministry of Revenues and Duties of Ukraine



НАРОДНИЙ ДЕПУТАТ УКРАЇНИ  
Ляпіна Ксенія Михайлівна

Верховна Рада України, 01008, м. Київ, вул. Грушевського, 5, тел.: 255-91-44, факс: 255-92-21  
E-mail: liapina.kseniia@rada.gov.ua

“ІВ” квітень 2013р. № 4/49-13

Міністру доходів і зборів України  
Клименку О.В.  
04655, м. Київ-53, Львівська площа, 8

Шановний Олександре Вікторовичу!

Прошу Вас для виконання обов'язків та функцій народного депутата України щодо формування державної економічної політики, у тому числі у сфері благодійництва та оцінки та моніторингу діяльності благодійних організацій, що необхідно для вироблення рекомендацій по коригуванню відповідної державної політики, у визначений законодавством термін надати в електронному вигляді на мою адресу наступну інформацію щодо стану сектору благодійних організацій та їх впливу на економіку України за період з 2004 до 2012 років (з розбивкою по кожному року):

- Кількість благодійних організацій, зареєстрованих по Україні - загалом та окремо по областям (ознака неприбутковості з 0005 по 0008 та 0014 – по кожній групі неприбутковості окремо)
- Річні доходи неприбуткових установ (організацій), що включені до Реєстру неприбуткових відповідно до абзацу «б» підпункту 7.11.1 пункту 7.11 статті 7 (ознака неприбутковості з 0005 по 0008 та 0014 – по кожній окремо) по Україні загалом та по областям;
- Загальні суми профінансованих видатків неприбуткових установ (організацій) (ознака неприбутковості з 0005 по 0008 та 0014 – по кожній окремо) по Україні загалом та по областям зокрема;
- Загальні суми витрат, що здійснювались неприбутковими установами (організаціями) (ознака неприбутковості з 0005 по 0008 та 0014 – по кожній окремо) для виконання статутних завдань (проведення основної діяльності) по Україні загалом та по областям зокрема;
- Загальні суми витрат, що здійснювались неприбутковими установами (організаціями) (ознака неприбутковості з 0005 по 0008 та 0014 – по кожній окремо) для виконання статутних завдань (проведення благодійної діяльності) по Україні загалом та по областям зокрема;
- Загальні суми витрат, що здійснювались неприбутковими установами (організаціями) (ознака неприбутковості з 0005 по 0008 та 0014) для виконання статутних завдань (проведення екологічної діяльності) по Україні загалом та по областям зокрема;

- Загальні суми витрат, що здійснювались неприбутковими установами (організаціями) (ознака неприбутковості з 0005 по 0008 та 0014) для виконання статутних завдань (проведення *оздоровчої* діяльності) по Україні загалом та по областям зокрема;
- Загальні суми витрат, що здійснювались неприбутковими установами (організаціями) (ознака неприбутковості з 0005 по 0008 та 0014) для виконання статутних завдань (проведення *освітньої* діяльності) по Україні загалом та по областям зокрема;
- Загальні суми витрат, що здійснювались неприбутковими установами (організаціями) (ознака неприбутковості з 0005 по 0008 та 0014) для виконання статутних завдань (проведення *аматорсько-спортивної* діяльності) по Україні загалом та по областям зокрема;
- Загальні суми витрат, що здійснювались неприбутковими установами (організаціями) (ознака неприбутковості з 0005 по 0008 та 0014) для виконання статутних завдань (проведення *просвітньої* діяльності) по Україні загалом та по областям зокрема;
- Загальні суми витрат, що здійснювались неприбутковими установами (організаціями) (ознака неприбутковості з 0005 по 0008 та 0014) для виконання статутних завдань (проведення *культурної* діяльності) по Україні загалом та по областям зокрема;
- Загальні суми витрат, що здійснювались неприбутковими установами (організаціями) (ознака неприбутковості з 0005 по 0008 та 0014) для виконання статутних завдань (проведення *наукової* діяльності) по Україні загалом та по областям зокрема.

Про результати розгляду звернення прошу Вас повідомити мене особисто у встановлений законодавством 10-денний термін.

Заздалегідь дякую Вам.

*Адреса для надання відповіді: liapina.kseniiia@rada.gov.ua. Тел: +380 44 255 91 44  
Контактна особа для уточнень: Ляпін Дмитро, +380 44 229 59 98*

**З повагою**

**К.М. Ляпіна**

**Annex 1. A Letter-Request to the Ministry of Revenues and Duties of Ukraine**

**TO:** Mr. Oleksandr Viktorovych Klymenko, Minister of Revenues and Duties of Ukraine, 8 Lvivska Sq., Kyiv-53, 04655

**FROM:** Ms. Kseniia Mikhailivna Liapina, Member of Parliament of Ukraine, Supreme Council of Ukraine, 5 M. Hrushevskoho St., Kyiv, 01008. Tel: 255-91-44; Fax: 255-92-21; E-mail: liapina.kseniiia@rada.gov.ua

**Date:** April 26, 2013

#4/49-13

Dear Oleksandr Viktorovych,

I would like to kindly ask you to provide the following information on charitable organizations and the impact they had on the economy of Ukraine in the period of 2004-2012 (divided by years) to my e-mail address within the timeframe stipulated by the law. I will need this information to perform my duties and responsibilities as a Member of Parliament of Ukraine as regards national economic policy making including the charitable sector and also for ensuring evaluation and monitoring of performance of charitable organizations in order to produce recommendations on how to adjust the state policy in this area.

- Number of charitable organizations registered in Ukraine – in total and in each particular oblast (non-profit codes from 0005 to 008 and 0014, with a separate information for each non-profit group)
- Annual earnings of charitable institutions (organizations) included to the Non-Profit Register according to Paragraph "B" of sub-clause 7.11.1 of clause 7.11 of Article 7 (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) – total for Ukraine and for each particular oblast
- Total amount of funded expenses of non-profit institutions (organizations) (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) – total for Ukraine and for each particular oblast
- Total amount of expenditures incurred by non-profit institutions (organizations) (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) related to basic activities (stipulated by the by-laws) total for Ukraine and for each particular oblast
- Total amount of expenditures incurred by non-profit institutions (organizations) (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) related to basic activities (*charitable* activities) total for Ukraine and for each particular oblast
- Total amount of expenditures incurred by non-profit institutions (organizations) (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) related to basic activities (*environmental* work) total for Ukraine and for each particular oblast
- Total amount of expenditures incurred by non-profit institutions (organizations) (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) related to basic activities (*health-improving* activities) total for Ukraine and for each particular oblast
- Total amount of expenditures incurred by non-profit institutions (organizations) (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) related to basic activities (*learning* activities) total for Ukraine and for each particular oblast
- Total amount of expenditures incurred by non-profit institutions (organizations) (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) related to basic activities (*amateur sports* activities) total for Ukraine and for each particular oblast
- Total amount of expenditures incurred by non-profit institutions (organizations) (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) related to basic activities (*educational* activities) total for Ukraine and for each particular oblast
- Total amount of expenditures incurred by non-profit institutions (organizations) (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) related to basic activities (*cultural* activities) total for Ukraine and for each particular oblast

- Total amount of expenditures incurred by non-profit institutions (organizations) (non-profit codes from 0005 to 008 and 0014, with separate information for each non-profit group) related to basic activities (*academic work*) total for Ukraine and for each particular oblast.

I would like to ask You to inform me personally about the results of my request within ten days as stipulated by the law.

Many thanks in advance.

Contact information for sending the response to:

liapina.kseniia@rada.gov.ua

Tel: +380 44 255 91 44

Contact person (in case there are questions) is Mr. Dmytro Liapin

Tel: +380 44 229 59 98

Sincerely Yours,

Ksenia Liapina

**Annex 2. A Table from the Ministry of Revenues and Duties of Ukraine (an extract).**

#	Name of Oblast	Number of Organizations			Annual Earnings, in Million UAH			Expenditures on Basic Activities, in Million UAH		
		2010	2011	2012	2010	2011	2012	2010	2011	2012
1	Autonomous Republic of Crimea	308	335	325	49.9	62.4	71.4	43.4	53.8	62.9
2	Vinnytsia	153	161	161	49.6	52.6	58.5	47.0	49.2	54.5
3	Volyn	180	193	172	34.4	39.7	81.9	30.5	36.4	75.4
4	Dnipropetrovsk	439	489	482	376.2	423.9	396.3	360.5	406.0	382.2
5	Donetsk	408	446	427	537.3	469.4	689.3	516.0	426.6	654.7
6	Zhytomyr	168	177	158	59.7	68.0	92.7	50.6	58.8	83.5
7	Zakarpatt'ya	344	390	379	54.9	87.6	93.3	48.4	81.6	76.4
8	Zaporizh'ye	379	408	409	99.1	111.2	140.6	90.2	101.7	131.7
9	Ivano-Frankivsk	280	309	287	28.9	35.0	33.6	26.9	32.3	31.2
10	Kyiv	346	391	353	42.7	51.5	83.9	37.9	46.8	77.7
11	Kirovohrad	126	138	126	24.2	31.4	33.8	22.2	29.0	30.1
12	Luhansk	230	251	221	95.1	97.5	109.0	86.6	89.4	100.8
13	Lviv		649	586	0.0	110.6	127.7	0.0	102.3	110.7
14	Mykolaiv	223	256	227	49.6	63.1	77.5	46.5	59.8	73.7
15	Odesa	521	557	474	159.5	173.5	183.4	148.0	160.5	170.9
16	Poltava	253	267	260	74.5	103.7	127.3	66.6	96.8	119.5
17	Rivne	154	168	141	34.6	24.8	32.6	30.1	22.6	26.8
18	Sumy	130	144	137	22.7	22.7	47.6	21.1	20.5	45.1
19	Ternopil	108	123	120	22.0	26.5	37.8	20.3	24.7	36.1
20	Kharkiv	412	426	390	181.4	191.4	157.8	168.9	175.9	142.2
21	Kherson	138	141	128	38.6	55.0	49.2	34.9	51.3	44.4
22	Khmelnitskiy	178	190	182	16.7	26.1	34.8	13.2	21.5	29.2
23	Cherkasy	223	239	228	37.2	46.5	49.4	33.9	44.4	46.1
24	Chernivtsi	97	107	92	20.5	23.9	14.9	18.7	22.1	12.6
25	Chernihiv	154	165	157	23.4	24.8	30.7	19.9	20.6	26.6
26	City of Kyiv	1524	1679	1519	2108.5	1663.6	1741.1	1985.1	1499.6	1574.4
27	City of Sevastopol	124	133	142	46.0	54.9	40.7	44.3	54.0	38.8
	In Total:	7600	8932	8283	4287.0	4141.5	4636.7	4011.8	3787.9	4258.2