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Philanthropy in the U.S.: Lessons and Experiences for the Ukrainian Emerging Philanthropic Sector.

Introduction.

This paper was prepared during the 4-week long International Fellowship Program – Fleishman Fellows in Civil Society - at the Sanford Institute for Public Policy, Duke University. Rather than a systematic research project on philanthropic institutions, it provides a summary of findings made during the Fellowship program and how those findings might be utilized for the benefit of the emerging philanthropic sector in Ukraine. The study of available publications, working papers and other written materials on philanthropy laid the groundwork for this paper. My previous research on community foundations conducted at the Center for Philanthropy and Civil Society, City University of New York as well as personal discussions with scholars and field practitioners in 2003-2004 were used while preparing this paper.

Relevance of the U.S. experience to Ukraine. The U.S. experience and lessons are, without a doubt, relevant for the newly established Ukrainian philanthropic institutions, even though many can find differences between the U.S. and Ukrainian legal and financial environment, as well as in the scale of operations. Taking into account the general decline of the concept of the welfare state in Europe, and rising attention to the development of non-governmental decentralized models of social care, we suggest that in Ukraine the philanthropy concept will have substantial interest.

The principal shift from the concept of welfare states and the reduction in the social support from governmental sources requires an intensive building of alternative, non-governmental support networks. The changing economic and political system in Ukraine provides more space for innovative solutions in the area of social and community development. Unlike Poland or other Central European countries, Ukraine has to develop the network of philanthropic institutions from the scratch: three generations of Ukrainians lived under regime that destroyed any reminders of institutional philanthropy. The working models from the U.S. and other countries must be studied carefully before being transplanted into the Ukrainian cultural context.

State of the civil society and philanthropy in Ukraine.

Civil society organizations/NGOs. Global trends in the development of the non-profit sector and the philanthropy became visible in Ukraine since the mid 1990s, but the inheritance of the previous époque made the development of the Ukrainian non-profit sector slower than in Central European countries. A report on the CIVICUS index on civil society (2001) stated that there are approximately 25,490 associations and charities, and 8,000 non-formal groups in Ukraine. Only 8,500 associations and charities and 500 groups are actually operating. Though official statistics note a constant growth in the total number of civil society organizations (CSOs), only about 50% of these are in operation. These CSOs are unequally geographically distributed across Ukraine, with the higher concentration in political and economic centers (like Kyiv or Lviv), and fewer in rural and economically underdeveloped areas. The ratio of CSOs per capita is 1:3,985 individuals, with an average density of 50 CSOs per 100,000 individuals. The largest number of CSOs per capita is in Kyiv, the capital of Ukraine (87.6 per 100,000).

A 2003 annual survey of Ukrainian civil society organizations (CSOs) conducted by Counterpart Creative Center covered 630 organizations from all parts of Ukraine. The majority of organizations (88 percent) were registered as public organizations and only 12 percent were registered as charity organizations. Almost half of all respondents reported that children and youth is one of the major sectors they work in (45 percent). The next major sector of activity is

social issues selected by 31 percent of CSOs. Human rights selected 31 percent, civic education – 27 percent, CSO development – 17 percent.

The most common activity selected by CSOs is advocacy and lobbying (44 percent), which demonstrates an increase in role and awareness of NGOs in the issues of advocacy for clients interests. CSOs are engaged in educational activities (24 percent), information dissemination (38 percent), research and analysis (23 percent), and developing policy recommendations (10 percent). The Counterpart Creative Center indicates a shift in CSO: activities toward representation of interests, raising awareness, development policy recommendations and research and analysis.

Citizen participation and common problems of the non-profit sector in Ukraine.

Several Ukrainian research centers and independent scholars (e.g., Innovation and Development Center, Center for Philanthropy, Alex Vinnikov) had noticed that Ukraine has a low level of citizen participation in the activities of CSOs. Surveys show that 83% of the country's citizens have never participated in any CSO activities, leading to the conclusion that there is no long-standing tradition of citizen participation in Ukraine. However, the aforementioned survey of Counterpart Creative Center in Ukraine indicates quite high participation of volunteers - 75 percent of CSOs claimed they actively involve volunteers. Probably, the new emerging CSO rely much on volunteers in situation of lack of funding sources for their programs; many of them involve youth.

Western Ukrainian territories that during the 19th and the first half of the 20th century belonged to the Austrian-Hungarian Empire and later to Poland, have a higher level of CSOs per capita and a higher level of citizen participation. A Canadian historian with a Ukrainian background, Orest Subtelny, in one of the publications for the CIDA-funded project on Strengthening Roots of Civil Society in Ukraine gave a broad picture of the rise of civil society and self-help organizations in Western Ukrainian territories in the 1920s and '30s. Cultural organizations, credit unions, cooperatives, sports clubs, youth associations, educational societies, and other institutions had significantly changed the social, economic and political landscape of the Ukrainian lands.

Unfortunately, this dynamic process was stopped by the Soviet-German split of Europe before WWII. In Eastern Ukraine, which historically belonged to the Russian empire, the level of political freedom and citizen involvement in public life was significantly lower, compared to Western countries. Finally, the Soviet regime discredited the whole idea of voluntarism and civic participation by implying obligatory membership in a select number of governmental-controlled organizations. An interesting material on connections between the civic traditions and the social capital, and how both influence the evolution of the democratic believes can be found at the study of Martin Aberg and Mikael Sandberg *Social Capital and Democratization: Roots of Trust in post-communist Poland and Ukraine, 2003*. Researchers draw a wide picture of historical and cultural differences between two neighboring countries, describing the correlation between social and political capital, explaining why the democratic transformation process goes much faster in neighboring Poland.

The first NGOs in independent Ukraine appeared from environmental and human rights groups that were anti-governmental in 1980s, in the sense of their broad involvement in oppositional anti-communist movements. This image of NGOs as anti-governmental organizations still exists among the public, especially among those who are less educated.

Funding sources.

Among the direct outcomes of the weak historical and cultural roots of non-profits among the present generation of Ukrainians is their low institutional and financial sustainability. Surveys (US AID, 2000, CIVICUS, 2000) show that international donors support up to 80-85% of the income of registered NGOs. Counterpart Creative Center's report says that in 2001-2002 36 percent of CSOs funding was provided through grants of international donors. Many organizations operate periodically, based on available funding resources.

The Assessment of Non-governmental and Civil Society Organizations in Ukraine and Moldova by USAID in July 2001 revealed a number of other problems that hinder the sustainability of the non-profit sector in Ukraine. These problems could be equally projected on the emerging foundations in that the foundations are part of the wider non-profit community, and they often start up from other NGOs. Some of the problems revealed are:

- Relationships among NGOs at the local level are strained as a result of mistrust and competition for limited financial resources from foreign donors. In many regions and cities, there is a complete lack of information sharing and knowledge collaboration among NGOs,
- NGOs see their role in developing democracy and civil society through the filter of donor priorities,
- Foreign funding of NGOs has caused NGOs to shift their financing strategies away from local fundraising to international donor support,
- Inadequate attention has been paid to local resource generation and volunteerism.

Most of the existing problems are rooted in the absence of experience of a tradition of democratic development in Ukraine. The Ukrainian non-profit sector lacks well-trained and educated leaders who understand the main trends in the global non-profit sector. It also lacks successful working models for new institutions (such as corporate or community foundations).

Philanthropic institutions

In Ukraine the concept of philanthropy is unknown and underestimated. A tradition or culture of mutual support was always a part of community life. Mainly, it was based on church-based charity that took care primarily of the socially-disadvantaged; traditionally these were the orphans, the poor and disabled. Philanthropic activities by several prominent Ukrainian industrialists at the end of the 1890s and the beginning of the 1900s are unknown, or known only to a narrow circle of researchers and historians (for example, see V. Kovalinsky. *Metsenaty Kijeva, 1998* or M. Slaboshpitsky. *Ukrajinsky Metsenaty, 2001* or Y. Khorunzhij. *Ukrajinsky Metsenaty. 2001*). As a result, in the perception (and in the vocabulary) of the wider public, charity and philanthropy are synonymous.

Ukraine still has not introduced an effective legislation providing incentives for businesses to give money for charity. Any significant legislative or logistical incentives that would stimulate philanthropy and charity are absent. This is not a case in some other Eastern European countries. In neighboring Hungary and Slovakia, for example, the law allows entrepreneurs to dedicate 1% of their pre-tax income for support to charitable organizations. Those preferences which exist in Ukraine are usually ignored by businesses as too inefficient for practical use. As the sociological surveys show, many private businesses provide small-scale support to those who are in need – orphans, the poor, the disabled – but they are making donations episodically, mainly based on religious incentives, and directly to people in need. The survey of the Kyiv Center for Philanthropy conducted in late 1990s indicates that businesses often see NGOs as

“competitors” rather than potential partners. Psychologically, for many successful entrepreneurs who made their money in the whirlpool of the emerging market economy in Ukraine, it is more comfortable to refer to their own hard work which brought results. “15 years ago we were also poor, take our example instead of asking financial support”, - many of them say. Ideas of social partnerships and philanthropy are still to be incorporated into the educational process.

However, the first examples of philanthropy are already present in Ukraine. Many of them are connected with the corporate sector, primarily international companies and local banks. During the last 2-3 years several international and Ukrainian companies and banks (e.g., Philip Morris, Motorola, Aval Bank, Eximbank) started philanthropic programs, setting a good example and a standard of corporate social responsibility. The changes in legislation in 2000 – 2003 allowed establishment of corporate and private foundations, the foundations also received a possibility to develop an endowment, but only in form of bank deposits.

The new trend in the Ukrainian philanthropy is establishment of the private foundations by representatives of large financial groups, who are often called oligarchs in Ukraine. In Fall 2003 during the George Soros visit to Ukraine, one of the richest man in Eastern Europe Victor Pinchuk (who married the daughter of President Kuchma and owns control over steel and pipe industry in Ukraine), stated on the joint with G.Soros press-conference that he will match Soros efforts in democracy building by his own contribution. Victor Pinchuk registered the Legal Aid Fund and committed several million USD long-term support to it. At this stage, the main component of activities of the Legal Aid Fund is the development of legal clinics in Ukraine. Legal clinics are free legal aid centers for protection of rights and interests of the underserved and disadvantaged population. At present, 23 legal clinics are operating in Ukraine as part of law schools in 17 regions (oblasts), supported by the International Renaissance Foundation. Until 2007, the Legal Aid Fund is planning to support and expand activities of legal clinics through all regions of Ukraine.

In 2000-2004 several foundations were established by a number of other visible financial and political leaders. However, in the Ukrainian legal environment it is often difficult to differentiate philanthropy from corporate or political sponsorship

The case of Ivano-Frankivsk community foundation

As we have already stated earlier in the paper on community foundations (Center for Philanthropy and Civil Society, CUNY, 2003), there are several local foundations in Ukraine that fit many criteria and definitions of community foundations. Most of them were established (or transformed from NGOs) in 2000-2002. Unlike in most Western countries, Ukrainian legislation did not permit non-profits to build on their endowments (however, since 2003 they are allowed to develop the bank deposit endowment type of assets), and all of the Ukrainian foundations are pass-through institutions. That does not discourage leaders of community foundations, since they see possibilities for changes in the legislation, as has happened in most of the countries of Central Europe. At present they focus the activities of their foundations mainly on building local support and on the development of the institutional structures that ensure wide involvement of the community. The institutions that have features of the community foundations were established in Ivano-Frankivsk, Rivne and Odessa. Several others are expected to be established next years.

The first community foundation started from very small community-supported initiatives. In *Ivano-Frankivsk*, a mid-size town located in Western Ukraine not far from the Ukrainian-Polish border, the leader of a local NGO convinced a group of locals – 3 local community leaders and 3 entrepreneurs - to establish a community foundation. The basic concept of the community foundation was learnt from personal contacts with donor agencies, consultants, and from a study

trip to Banska Bistrica, Slovakia, where one of the most successful community foundations in the CEE operates.

The newly-established community foundation has a Supervisory Board that consists of three cement factory businessman (all are well known in the community, and one of them is MP), and an Executive Committee that consists of Director and two local NGO leaders. The foundation is in the process of negotiating with several businesses and banks to provide long-term, on-going support for its operational expenses. Also, it is planning to form a Board of Benefactors, which would reflect the community more widely.

In 2002 the foundation distributed 25 small grants ranging from \$30 to \$5,500 to local NGOs, social institutions, and individuals. Grants were awarded based on a review by an expert committee, mostly to help children, sports, culture, chess clubs, and publications. The foundation's budget was \$24 000 in cash, and another roughly \$9 000 in in-kind contributions. Many (among them - Nick Deichakivsky, Coordinator for Ukraine, Dorothy Reynolds, Consultant, C.S. Mott Foundation) see this as a good start up for a foundation operating in a Ukrainian provincial city. However, the organization is facing challenges that are typical for many beginners – building a representative Board of Directors, inclusiveness of all major segments of community in its activities, demonstrating its effectiveness to the community and developing a wide base for financial support within the community, and long-term financial and program development.

The case of Carpathian Foundation.

There are several promising developments in a number of community development institutions. For example, the Carpathian Foundation, a unique cross-border organization, operating in the bordering regions of Hungary, Poland, Slovakia, Romania, and Ukraine, provides financial support and technical assistance to local communities and their organizations in order to encourage local problem-solving by utilizing cross-border and interethnic cooperation. Since 1995 the Carpathian Foundation distributed more than 7 million USD in grants to local charities, NGOs and local governments. Hundreds of community organizations and NGOs representing the area's numerous ethnic groups benefited from its grants and technical assistance programs. Having a representative Board of Directors (from the 5 countries served), an ethnically-diverse grant committee, diverse funding sources (though most of them are contributions from US private foundations and individuals) and a variety of programs, the Carpathian Foundation itself is a new community development type of foundation, that combines grant-making, research, developmental work, and operational programs in its activities. The region's diversity made the Foundation's programs responsive to the specific needs of different ethnic communities (Roma Networking Program, as an example

The Ukrainian Grantmakers' Forum.

In Spring 2004 several large Ukrainian foundations and grant-making organizations (mostly those operating with the support of the US AID and private US foundations) started a Ukrainian Grantmakers' Forum (UGF). The mission of the UGF is to promote effective and responsible organized philanthropy with the purpose of enhancing the ability of its members to fulfill their charitable goals in their work with non-profits and others. The first meetings were attended by the representatives of the Carpathian Foundation, Ednannia-ISAR, Eurasia Foundation, Institute for Sustainable Communities/UCAN project, International Renaissance Foundation, Mott Foundation, Poland-America-Ukraine Cooperation Initiative (PAUCI). The initial idea behind the new association was to serve as a forum that provides opportunities to establish relationships, share experience, develop common strategies; develop a code of ethics; to establish working relationship with international philanthropy support organizations; help promote an enabling legal and regulatory environment for philanthropy and charitable giving; promoting philanthropy

and the culture of giving throughout society; professionalization of grantmaking staff and management. It is expected that other institutions, different from grantmaking foundations, will be able to take part at the Ukrainian Grantmakers Forum as associate members and the partners. The founding members decided to register legally the UGF in 2005, and to hire a professional staff. One of the first challenging tasks of the newly-established Association will be hosting of the 2005 meeting of the Grantmakers East Group in Kyiv.

U.S. Experiences for the Ukrainian emerging philanthropic sector.

New Trends in the U.S. Philanthropy.

The U.S. pioneered in launching the concept of large-scale institutional philanthropy and getting tremendous results in its development. Foundations are the most numerous US grant-making organizations. Leslie Lenkowsky (*Foundations and Corporate Philanthropy, 2000*) counted 50,000 foundations that spent more than \$25 billion in 1999. Of today's 17,000 larger foundations (those that have at least \$1 million in assets or make \$100,000 annually in grants) slightly more than 200 were already in existence by the end of WWI. Over 500 community foundations exist today, more than half of which were established after 1980. Although they compose less than 1 percent of grant-making organizations, in 1999 they held about 6 percent of foundation assets and make more than 7 percent of all grants. According to the Foundation Yearbook, published in 2003 by the Foundation Center, giving in 2001 by 62,000 grant-making foundations rose 10.7% to \$30.5 billion

The world of philanthropy is in the process of transformation. New commercial institutions started their own donor-advised funds (Fidelity Investments and Vanguard are good examples), national giving organizations (such as Social Venture Partners) often act more professionally comparing favorably with many small private foundations, and a number of federated charities (such as United Ways) started their own endowments. The Global Business Network's "*Trends in Philanthropy Today*" (June, 2003) highlighted the trend toward using innovative models and schemes in philanthropic giving outside the foundation world. The report mentioned fascinating experiments with Giving Circles in places such as Baltimore, and focused on different kinds of emerging donors, such as women and African Americans. Very new organizations such as Acumen, New Profit and Social Venture Partners ask donors to put money into a common pool designed to fund organizations selected as partners. Money is only one of the resources offered: knowledge, consulting and volunteer time are variously made available as well.

Being in intense competition with commercial gift funds and donor-advised funds at United Ways, many community foundations have recently concentrated more on donor services, sometimes at the risk of losing their leadership roles in their communities. Emmett Carson, CEO of the Minneapolis Community Foundation describes the current status of community foundations in the rapidly changing world of philanthropy as an "identity crisis".

Many community foundations found themselves at a competitive disadvantage in the new philanthropic market. A report of the Foundation Strategy Group initiated by the Council on Foundations, "*Strengthening Community Foundations: Redefining the Opportunities*" released in October, 2003, confirms this trend: "Strategies and operating practices that seemed highly effective during the heyday of rapid growth no longer seem viable today. The result has been a degree of confusion and consternation, as each community foundation struggles to balance its budget through short-term compromises and stop-gap measures". The report, however, is rather optimistic about future of the community foundations. It recommends that each foundation must redefine its opportunities in light of external and internal realities, and make strategic choices about its priorities.

Teaching philanthropy.

The process of acquiring the value of philanthropy is complex and it requires starting it from the very early years. Patricia O. Bjorhovde in *Teaching Philanthropy to Children: why, how, and what // Creating Tomorrows Philanthropists, 2002* describes how over the past several years several national, regional, and local organizations have developed curricula to teach aspects of philanthropy to young people. These organizations include youth serving organizations like the Girl Scouts, 4-H, community foundations, service and research organizations like Independent Sector and the Search Institute, and the professional organizations like the Association of Fundraising Professionals. Several organizations are working in close coordination with public and private schools. A number of curricula are written for children as young as five years of age, but most tend to focus on children in middle school, ages ten to thirteen, and continue through high school.

The advice to the young nonprofit sector in Ukraine is evident: the development of future philanthropists and volunteers needs to be started through the introduction into educational policies component of practical learning of voluntarism and mutual help. Unfortunately, during the Soviet times the whole idea of volunteer services was spoiled by imposing the mandatory membership in several selected youth and social organizations, but the emerging new Ukrainian volunteer sector provides a good opportunity for this kind of work.

Nonprofit institutions and diversity of funding sources.

One of the keys to success in fund development of newly established philanthropic institutions is the diversity of funding sources across the range of social, ethnic and religious groups. The history and experience of community foundations in Michigan and Indiana prove that if foundations do not involve local support, but instead rely mainly on big donors or short-term fundraising campaigns, their asset growth may be rather slow and episodic.

It would be interesting to take a look also at Canadian structure and expenditures of nonprofits. At an introduction to *The Nonprofit Sector in Canada, 2000* Michael Hall and Keith G. Banting state that there were 77 926 registered charities in 1999 and an estimated additional 100 000 other legally incorporated nonprofits. There are also substantially more numbers of grass-roots associations or unincorporated forms of organizations. 36 percent of all registered charities are classified as Places of Worship, Social Services charities are the second large group – 14 percent followed by the Community Benefit charities. The smallest category is hospitals, which consists of about 1 percent of charities.

It is interesting to see the distribution of funding resources among different types of charities. The Canadian Center for Philanthropy suggests that the bulk of all revenues in 1994 (56 percent) went to the two charity types that are the smallest in number – hospitals and teaching institutions which together comprise only 5 percent of all charities. Social service organizations received about 10 percent of all revenues, health institutions – 7 percent, places of worship – 6 percent of sectors revenues. Almost 60 percent of the revenues were provided in form of the government grants and payments; earned income accounted for 26 percent of all revenues, and private giving accounted for 14 percent.

The public funding of social NGOs and community organizations in Ukraine seems to be one of realistic possibilities to be further explored. Ukraine has no longstanding tradition of individual or corporate philanthropy, but the experience of the U.S. and Canada in public funding of nonprofit sector may be applied, among other tools.

The public funding of the Ukrainian NGOs became feasible after the new Law on Social Services was introduced in 2003. According to the new Law, NGOs became legally eligible for

providing social services, and now they can take part at the tenders for providing social services. Previously, it was done rather on the experimental basis, at risk of abandoning the existing legislation. However, the Law mentioned licensing of social service providers; and that was interpreted by some experts as a ground for the potential discrimination of NGOs against the governmental and municipal social agencies. The new Law provided better space for the volunteer work by specifying in a separate section the volunteer services. In addition to the Law, the new Civil Code described clearly the volunteer status, and in articles 900-907 it regulates the procedure of the free delivery of such services, and the mechanism of compensation of related expenses. These legal documents may make the life of the NGOs easier, as far during last years not clearly regulated status of NGOs in providing social services and unclear status of volunteers were a significant barriers in developing social service NGOs, both in sense of their numbers and capacity.

Importance of the start up stage. There are many examples in the U.S. that can bring lessons to newly-established organizations. Some of the U.S. private and community foundations made significant progress during their first 10-20 years of existence; others needed 50-70 years to achieve the level of a mid-sized foundation. Waldemar Nielsen in his book *Inside American Philanthropy, 1996* provides a numerous examples of both success stories and failures of family foundations. His findings may help managers of the foundation sector to avoid mistakes that may lead to the crash of the very good intentions and plans. Invaluable lessons of starting private foundations may be also obtained from historical studies of the U.S. prominent philanthropists (see, for example, *Notable American Philanthropists, 2002*).

Another material - a working paper by Michael Rawl of the Mid-Shore Community Foundation, "*Exploring the Growth Circles of Community Foundations*" - may be useful for management and boards of the emerging Ukrainian community foundations. The report suggests that "typical" community factors that determine the growth cycle include:

- A history of philanthropy, creating a community that understands and values charitable giving,
- The size of the population base, combined with income diversity within the community,
- Dominance in the community by a given corporation, religious influence, type of profession, military base, college/university, or ethnic population,
- Existence of a reasonable number of "centers of influence" that can be easily reached and involved, vs diverse influences, spread out over a large region,
- Economic growth in the community over the prior 10 or 20 years,
- Existence of strong private foundation in a region,
- Age of the primary population base, i.e. elderly retired vs large numbers of two-income families.

Having deep roots in the community is a key prerequisite for any new community foundation. That, along with institutional capacity and an ability to demonstrate leadership in the community, can significantly accelerate or impede the growth of any given community foundation.

Community foundations and ethnic diversity. The rapidly changing demographics of the U.S. population have made community foundations more sensitive to issues of institutional change as these foundations begin to develop boards that are reflective of the local community. Emmett D. Carson in his article on community foundations, racial diversity, and institutional change notes that as a result of being denied access to government and non-profit –sponsored social service, African Americans pooled their incomes together through churches to provide a broad range of services including housing, education, emergency care and assistance, and social justice advocacy. As a consequence, much Afro-American giving to this day is directed through churches, and the churches play the role of community foundations without endowments.

The role of informal ethnic and church networks is enormously high, especially in rural areas of Western Ukraine and Crimea. Any community foundation can not achieve a successful level of operations without being well linked to the grass-root structures and networks. Experience of the first years of the three emerging Ukrainian community foundations proves that most of their funding is from individual citizens and small businesses rather than from big donors.

Community foundations and citizen empowerment. One of the measures of community foundations' support for the empowerment of low income and disenfranchised groups is the level of grant support it provides for projects that seek solutions to poverty and discrimination through community organizing, leadership training, advocacy and public policy initiatives. A 1994 study by the National Committee for Responsive Philanthropy found that a majority of the foundations did not give priority in their grant-making, service, and fundraising activities to low income and other disenfranchised groups. Five out of the ten community foundations studied distributed, for example, less than \$.30 of every grant dollar primarily to benefit disenfranchised communities. Of the ten community foundations studied, only one (the Philadelphia Foundation) was a committed funder of citizen empowerment and social action. Following its grant-making priorities, the majority of its grants were awarded to support community-based initiatives that sought to reduce poverty through the organization and involvement of community residents. The study also has shown limited community foundation support for organizations controlled by disenfranchised groups. Eight of the nine community foundations awarded less than one in five dollars from their grants for the disenfranchised to nonprofit organizations controlled by the disenfranchised.

Community foundations as elite institutions. The findings of the National Committee for Responsive Philanthropy relative to the governance, management and leadership activities of the community foundations studied strongly suggest that they currently function as elite institutions, with little demonstrated commitment to share decision-making power or transfer authority to low income and other disenfranchised groups. The foundations, for example, typically exercised leadership in a manner that excluded low income residents in the formulation of new projects. Most of the projects developed by community foundations to impact poverty or discrimination were designed and implemented by people whose credentials, social class, and occupational status would generally identify them as members of the community elite. In addition, very few of the U.S. foundations that were studied had annual reports, funding guidelines and other communications materials that revealed a focus on citizen action or empowerment.

For the emerging Ukrainian non-profit sector the lessons from the aforementioned studies are extremely important since many foundations in Ukraine were started with a significant percentage of their support coming from USAID and private U.S. foundations. USAID helped to establish a number of strong NGOs, but often failed to increase a citizen participation in existing projects or catalyze new projects through demonstration and empowerment. The average citizens often see Ukrainian foundations as elite institutions, and "branches" of the U.S. foundations. However, since serving socially-disadvantaged groups became a core of the programs in many existing foundations in Ukraine, most of them support direct service delivery by local NGOs to the socially-disadvantaged.

Philanthropic institutions and the diversity of the Boards and Staff.

One of the lessons to be learnt by the Ukrainian foundations from the U.S. experience is related to the diversity of the foundations' Boards and staffs. A national study on diversity practices in foundations (2001) found that a diverse staff attracts diverse grantees, and that diversity is regional – no formula exists for creating a diverse board or staff. Among the recommendations of the study are: diversity and multiculturalism must be institutionalized to become part of grant-

making organizational culture. Written materials of foundations have to include a commitment to diversify in key statements, diversity objectives must be communicated, and organizational policies that reflect diversity must be communicated as well.

The U.S. experience in governance of philanthropic institutions is very useful for Ukraine. As several reports suggest, professional standards with respect to ethics, transparency, and good governance are extremely low throughout the non-profit sector. While the Counterpart Creative Center's survey (2003) suggests that 88 percent of the NGOs have a governing Board, the field practice show that boards in majority of cases play a formal statutory role required by the government regulations, not a governance function. A few organizations have working Boards; in most cases NGOs and foundations are established and operate as a mechanism for the implementation of ideas of several local leaders. In many cases the same people serve as the Board and the staff of organization,

Some of the standards and principles developed in the U.S. and Canada may be used as a good example by the Ukrainian foundations. Principles for Community Foundations, developed by Community Foundations of Canada, include those related to reflection by community foundations on the diversity of their communities. CFC recommends to the staff of the community foundations:

- to talk with leaders of the various groups within the community,
- to review available information on changes in local demographics,
- to read relevant community reports and participate in discussion,
- to interact with various groups to learn their issues and concerns,
- to encourage grant applications from diverse community groups,
- to cultivate donors from varied backgrounds.

Foundation's learning networks.

The U.S. experience in the development of philanthropy is not the only one that could be used by the emerging Ukrainian foundation sector. In Europe the community philanthropic organizations represent one of the most dynamically growing areas. They exist in at least 17 countries, totaling some 225 organizations all over Europe. The European Foundation Center identifies 65 community foundations in the United Kingdom, 1 in Belgium, 13 in Bulgaria, 1 in Czech Republic, 50 in Germany, 2 in Ireland, 14 in Italy, 12 in Poland, 1 in Portugal, 11 in Slovakia, 15 in Russia. There are several more examples of the emerging community foundations in the Baltic countries and Romania.

The emerging Ukrainian philanthropic institutions can learn a lot from being part of a rapidly developing learning network. One of the instrumental factors of success of foundations has been their membership in associations and networks that encourage sharing of information and best practices in foundation management. The Global Business Network Report on trends in philanthropy (June, 2003) describes this new trend: "The field has steadily organized itself into networks by type of institution, by geography, by identity and by issues and sub-issues. Some of these institutions are old, and some are very new. Some have staff, and some do not. Most are non-commercial, but a growing number are commercial. Many consist of philanthropists; some of those who study and advise them. Some are formal organizations; many are informal groups of peers, or natural communities of practice among groups such as large foundations' presidents and chief operating officers".

The effective exchange of information and mutual learning were the driving force in starting up membership organizations, such as the Council on Foundations, where foundations have annual events, research and publications, and training activities. Community Foundations-Canada developed its own professional development program, CF-LINKS that offers training, support

and assistance to emerging and existing community foundations. Several international learning networks for foundation leaders opened possibilities for U.S., European and foundations worldwide to learn from each others experiences.

Conclusion.

Large-scale institutional philanthropy is a relatively new phenomenon not only in post-Communist countries, but in most countries of the world. Applied in different countries with the different cultural backgrounds and traditions it may bring different results and consequences. With no doubt, philanthropy provides a good tool for managing the community problems in the countries where the governments withdraw from the active role in providing educational, health care and social services. The philanthropic institutions and foundations, in particular, appear as an answer on new challenges in development, not as an indicator of a new wealth. In many cases the philanthropic institutions remain the only answer on appearing challenges of development. But the institutional philanthropy also can not be seen as a replacement of traditional functions of the governments or private sector. The history of the U.S. philanthropy in twentieth century proved that it can play rather an important role of catalyzer of social life, it can also provide innovative solutions that may be employed by the governments at all levels.. The U.S. model of philanthropy must be well searched by the practitioners from other counties; it has many features that are unique and may not work in other environments. But its achievements as well as lessons are invaluable for the new emerging democracies as well as for the new generations of philanthropists.

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