

# ECONOMIC SCIENCES

## FEATURES OF FINANCING CIVIL SOCIETY ORGANIZATIONS IN UKRAINE

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**Introductions.** An extensive system of public organizations is an important indicator of the development of civil society. The development of each organization as well as civil society as a whole requires an understanding of the obstacles to development and the needs of organizations.

**Aim.** The main problems of public associations in Ukraine: weak strategic and operational planning due to lack of permanent sources of funding, limited human resources, inefficient management, insufficient evaluation of their activities and low level of public reporting.

**Materials and methods.** Solving the problems of the functioning of civil society organizations largely depends on the financial existence and effective system of financial support of public organizations.

**Results and discussion.** In the theory of financial law to the question of the availability of non-productive finance, their role addressed D. Bekerskaya, noting that

the finances of industries, institutions, organizations of non-productive sphere have some independence, specifics of formation and use of resources, that is why must be selection in an independent group and attached as a component to the financial system [1, p.13].

Well-known Ukrainian scientist O. Vasylyk, considering the financial system as "a set of individual units that have features in the creation and use of funds of financial resources concentrated in the state, non-financial sector of the economy, certain financial institutions, households to finance economic and social needs society as a whole, its individual segments of the population, economic structures, individual citizens ", also identifies links in the financial system, among which are finances of public (and hence charitable) organizations [2].

According to V. Kodatsky and K. Sharlay, the finances of public organizations are certain economic relations that arise during the movement of their funds. They are an integral part of the financial system of Ukraine [3].

A number of instruments of state financial support for civil society organizations have already been introduced in Ukraine. Both central executive bodies and local authorities actively use two main tools:

- financial support to civil society organizations aimed at ensuring activities, including maintenance. It is usually used for certain types of organizational and legal types, for example, for public associations of veterans, the disabled, sports associations, national creative unions;

- financial support of civil society organizations aimed at the implementation of programs (projects, activities), which is distributed on a competitive basis.

It is very important for public organizations that according to the legislation of Ukraine they can simultaneously receive funds from several sources. It is also possible any percentage of income [4]

There are two main ways to fund nonprofits: internal and external. The internal ones include: funds from charitable events (income from marathons, sales, concerts, etc.), voluntary donations of individual members of the organization, income from economic activities. External sources of funding are grants from international donor

organizations, public and state funds of the government or local organization, sponsorships from commercial structures, private and charitable donations [5].

Direct budget subsidies are general state funding for the activities of public organizations, which, according to state institutions, make a significant contribution to the development of the state. The direct budget form of financial support is most typical for Central and Eastern European countries (usually NGOs such as the Red Cross, National Pensioners' Federations, the Society of the Blind, etc.) are financed by public funds. Most often, subsidies provided by government agencies or ministries are received by public organizations working in the profile. For example, the Romanian Ministry of Youth and Sports has the right to fund organizations working in the fields of youth, physical culture and sports.

Subsidies are a form of budget support that is allocated from the central and local budgets on the basis of law, but sometimes an administrative decision. For example, the Slovak Parliament passed a special law establishing rules for the allocation of subsidies to public organizations; distribution of funds is carried out by ministries. In Bulgaria and Hungary, subsidies can also be allocated directly by parliament, provided for in the annual budget law. Funds allocated in the form of subsidies may come from sources other than the budget – for example, from privatization funds (Czech Republic – but this source exists only for a limited time), or from lottery fees as in Croatia.

Grants – public funding of public organizations for the implementation of a specific project, in accordance with clearly defined areas of activity, deadlines and budget items [6]. Grant funding is awarded as a result of an open competition with the submission of project applications. Grants can be allocated from the central or local budget, as well as from special funds created from other sources. For example, in Denmark, both budget sources and funds from the Danish Football Sweepstakes and Lotteries are used to issue "basic grants". Term grant funding is divided into one-time, short-term and long-term. Government agencies support one-time or short-term funding of grant projects without risking early financial commitments. In our opinion, the short-term nature of state support for grant projects limits the stimulation and

development of civil society organizations.

Grants can be distributed by the authorities, local governments of various government agencies (UK), public foundations (Hungary), national associations, which in turn distribute funds among their member organizations (Germany).

Public competitive procurement is the purchase by the state of goods and services, in particular, produced by a public organization [7].

In European countries, as a rule, a legislative mechanism is established for all potential participants in public procurement. In Germany, civil society organizations, using their legal advantages over public institutions, most often receive funding from the state for the provision of social services, in the UK - equal competition among commercial, public and public institutions. In Poland, according to the Law on Public Benefit Activities, public organizations compete with government agencies in the field of social services and public services.

The mechanism of payment for services using vouchers is one of the methods of payment for services by a third party. Under this system, potential recipients of services receive vouchers that give them the right to use the services free of charge. The recipient chooses the service provider. As a rule, service providers have a license or permit to provide services that are agreed at the state level. The state pays a fixed amount to service providers provided to each consumer on the basis of collected vouchers. The mechanism of financing by means of vouchers promotes increase of quality of services at the expense of competitive activity and expansion of freedom of a choice for the user of services. Successful practice of using vouchers in the Scandinavian countries.

Regulatory financial support is monetary compensation paid to public organizations for the provision of services. A precondition for the use of such a financial mechanism may be a contract or obtaining a permit for this type of activity. Such a system exists in Hungary, Croatia, where public associations can establish social service institutions on a contract basis with the relevant ministry [7].

In European countries, a system of indirect financial support in the form of tax benefits or tax exemptions is used, which is aimed at stimulating the effective, active

activities of public organizations. The most common are the following benefits: benefit or exemption from income tax of the organization; tax benefits for donors who make financial payments to public institutions; preferential income tax for beneficiaries of public organizations.

The main criterion used by the state for the appointment of state financial support is the criterion of "public benefit" from the activities of the organization.

Ukraine has chosen to develop and support the activities of civil society organizations. In Ukraine, financial support for the activities of public organizations at the expense of state funds is insufficient and ineffective.

**Conclusions.** The main problems in the functioning of civil society organizations: discrimination against most types of public organizations, non-transparent distribution of budget funds, lack of sufficient number of competitive project funding programs, openness to corruption risks and conflicts of interest.

In our opinion, the solution of current social problems is practically impossible without the introduction of a financial and legal basis for the development of civil society organizations in Ukraine.

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