



**CIVIL SOCIETY
ORGANIZATIONS
OF UKRAINE:
SOCIO-ECONOMIC DIMENSIONS**



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The Civil Society Organizations of Ukraine: Socio-economic dimensions. Lyubov Palyvoda, Tetyana Potopalskaya, Natalia Baldych - Kyiv: CCC Creative Center, 2018. - 18 pages.

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The publication provides information on: i) satellite accounts, their nature and location within the system of national statistical accounts, the guidance system for international economic statistics; ii) the tasks involved in identifying the entities and activities in Ukraine that are in scope with the satellite accounts called for in the recently issued United Nations Satellite Accounts on Nonprofit and Related Institutions and Volunteer Work, embracing nonprofit institutions, cooperatives, mutuals, social enterprises and both direct and organization-based volunteer work; and iii) approaches to calculating the contribution of this third or social economy sector (the TSE Sector) to employment, service markets and GDP. The brochure completes the description of the work carried out on the implementation of TSE sector satellite accounts on Ukraine and the expected results of such implementation. The publication is intended for civil servants, researchers, civil society organizations, public activists and international technical assistance providers.



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FOR BETTER CSO TRANSPARENCY AND PUBLICITY PROJECT DESCRIPTION

In February 2016, the President of Ukraine signed a decree approving *the National Strategy for Supporting the Development of Civil Society Organizations of Ukraine for 2016-2020*. One of the objectives of the strategy was «the introduction of auxiliary (satellite) accounts for the statistical recording of civil society organizations and the accounting of their activities in accordance with international standards».

In September 2017, the CCC Creative Center began to work on the *For Better CSO Transparency and Publicity* project, which was supported by the UNDP *Civil Society for Democracy and Human Rights in Ukraine* project, with the financial support of the Danish Ministry of Foreign Affairs. Transparency and accountability of its organizations and their interaction with the authorities are among the important development challenges of the civil society in Ukraine. The goal of the project is to increase transparency and accountability of CSOs and public interaction of CSOs with the executive authorities. For its achievement, it was planned to work on:

1. Development of recommendations for the implementation of national satellite accounts for CSOs;
2. Provision of public access to CSO reporting; and
3. Ensuring transparency and accountability of the authorities in Ukraine by institutionalizing activity assessment of the executive authorities in the field of «interaction with the public».

The work on developing recommendations for the implementation of national satellite accounts for CSOs included:

- Creation of a working group of representatives of the authorities (APA, the Secretariat of the CMU, the Ministry of Justice and the State Statistics Committee) and the CSOs to develop an approach and plan for the implementation of satellite accounts to determine the socio-economic contribution of CSOs to GDP;
- Approval of implementation of national satellite accounts of CSOs;
- Development of a methodology for calculating the contribution of CSOs to the socio-economic development of Ukraine through determination of the share of CSOs in Ukraine's GDP.

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Creating favorable conditions for the development of civil society, various forms of participatory democracy and the establishment of effective interaction between the public and the state authorities are important elements of any democratic state. The growth of the role of a civil society in various spheres of public life, in particular the advancement of reforms at the national and local levels, European integration and the development of e-governance to the provision of diverse volunteering assistance, has necessitated the identification of tools and mechanisms for measuring the impact of civil society organizations on the country's economy.

Macroeconomic stability of any country is one of the essential conditions for ensuring economic growth. The formation of information on economic processes in the country in an aggregated form is ensured by the compilation of national accounts, which allow determining the development of a particular type of economic activity in terms of its impact on the economy of the country in the matter of formation of gross value added. Macroeconomic policy is based, to a large extent, on major SNA aggregates, including gross domestic product, final consumption, capital accumulation, etc. To make sound management decisions,

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there is a need for additional aggregated information that characterizes financial resources, their distribution and end-use in certain types of economic activity. Ensuring this need is the basis for conceptual approaches to the formation of auxiliary (satellite) accounts. The SNA guidelines allow for the compilation of satellite (sub) accounts to meet the special needs of productive activity data in a particular economic area that can not be met within the framework of the basic structure of national accounts, in particular the activities of civil society organizations.

Auxiliary (satellite) account of civil society organizations is a unique tool for determining the impact of civil society organizations on the economy of the country, on the basis of macroeconomic aggregates to describe the scale and economic value of their activities, as well as the implementation of international comparisons. That is why the work started within the framework of the CCC For the better CSO transparency and publicity project is difficult, but extremely important for the introduction into national practice of the methodology of establishing a satellite account for non-profit and related organizations and volunteering.

NEW VISIBILITY FOR THE THIRD SECTOR AND SOCIAL ECONOMY IN UKRAINE: A Major Statistical Breakthrough

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The Johns Hopkins University Center for Civil Society Studies has been honored to cooperate with the CCC Creative Center of Ukraine and the State Statistical Service of Ukraine in making Ukraine one of the first countries to implement the new United Nations guidance document for bringing new visibility for the first time to the broad "third or social economy sector," the "TSE Sector."

Unknown by most observers, this sector embracing non-profit institutions, public-benefit oriented cooperatives and mutuals, social enterprises, philanthropy and volunteer works up the third largest workforce of any industry in Western Europe and the U.S. Both in developing and transitional countries these entities and the volunteer effort they motivate, are widely regarded as crucial to national progress and to the achievement of the 2030 Development Agenda.

However, to date reliable data on these institutions and volunteer activities have been missing or obscured in official international statistical systems. The just-released United Nations *Satellite Account on Nonprofit and Related Institutions and Volunteer Work* now promises to remedy this problem and bring this TSE sector into systematic empirical view by equipping statistical agencies with comprehensive methodological guidance on its measurement. This new *Handbook*, produced in collaboration with the Johns Hopkins Center for Civil Society Studies, revises an earlier UN *Handbook on Nonprofit Institutions in the System of National Accounts* and extends its coverage to all entities and activities that exhibit three key attributes:

- They are private, i.e. not controlled by the state;
- They are primarily oriented to public benefit purposes, rather than the pursuit of private profit; and
- They embody a significant element of free choice.

In announcing its availability, UN Statistics Division Director, Stefan Schweinfest noted:

"The compilation of a satellite account on Nonprofit and Related institutions and Volunteer work allows for the measurement of the economic impact of the TSE sector and provides an important basis for evidence-based policy-making and for efforts to improve the enabling environment for the TSE sector."

The Handbook is available at: https://unstats.un.org/unsd/nationalaccount/docs/UN_TSE_HB_FNL_web.pdf

Statistical offices around the world participated in the formulation of this new statistical handbook. In the process,

they produced a document with **a number of special strengths:**

- **Broader coverage of TSE sector institutions**, including not only nonprofit organizations, but also cooperatives, mutuals, and social enterprises;
- **Inclusion of volunteer work**, both organization-based and direct;
- Based on a **bottom-up set of common definitions** that guarantee comparability from country to country and over time;
- **Institutionalized in official national accounts statistical systems**, ensuring regular updates by professional statisticians and the ability to make systematic comparisons between the TSE sector and other components of national economies;
- A special chapter providing guidance on **the measurement of the impact of the TSE sector**.

In choosing to implement this new *Handbook*, policy makers and sector leaders in Ukraine promise to boost significantly the visibility and credibility of this important set of institutions and citizen public-service activities, to document the considerable scale of this sector and to guarantee greater evidence-based attention to its potentialities and needs.

We look forward to cooperating with our Ukraine partners in moving this process along toward a successful conclusion that will serve as a model to other countries and make the analysis of this sector a regular part of official statistics in Ukraine.

INTRODUCTION

The great rise of organized, private, voluntary and non-profit activities amounting to a «global associational revolution»¹ has been going on for the past forty years. However, despite the magnitude and scope of this phenomenon, official data for its description and understanding has long been lacking in Ukraine. In recent years, the efforts to more accurately determine the contribution of a civil society and its organizations to socio-economic development, and in particular the GDP of the country, are increasing.

According to the Center for Civil Society Studies of John Hopkins University², a leading source of innovative research and knowledge about civil society organizations (hereinafter referred to as CSOs) in the world, the civil society sector is collectively the fifth³ largest economy in the world, behind only the United States, China, India, and Japan, but ahead of Germany, France, Italy, Russia, Spain and Canada. The share of civil society organizations in GDP⁴ is an average of 4.5%, and the share of employment in the sector is higher and reaches an average of 5.5% in the world, while in the Nether-

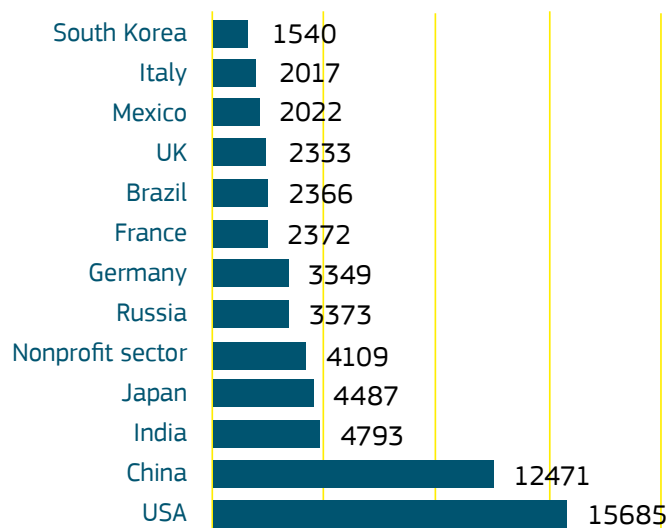
¹ Lester M. Salamon, "The Rise of the Nonprofit Sector," *Foreign Affairs*. (July/August 1994), Vol. 73, No. 3, pp. 111-24).

² The Johns Hopkins Center for Civil Society Studies, <http://ccss.jhu.edu/>

³ Lester M. Salamon and S. Wojciech Sokolowski. (2008). *Global Civil Society: Dimensions of the Nonprofit Sector*

⁴ Ibid

Graph 1. NPI revenue (41 countries) vs. 12 largest global economies, 2012 (billions of US dollars)



lands - 15.9%, Belgium - 13.1%, and 12.3% in Canada and 9.2% in the United States⁵.

By working with governments and international organizations, donors and colleagues around the world, Johns Hopkins University's Center for Civil Society Studies promotes knowledge of CSOs to strengthen and mobilize their capabilities and resources to address the challenges of changing the face of the modern world. To conduct research on the role of civil society organizations and their contribution to GDP, UN Statistical Department proposes the

⁵ Ibid

introduction of auxiliary (satellite) accounts in the National Accounts System (SNA), reflected in UN Guidance⁶ and introduced in more than 30 countries all around the world.

Why is it important to measure and understand the contribution to the CSO sector? Because: i) the economic contribution and social role / contribution of the CSO sector is increasing; ii) the CSO sector has all the features for its separation into a separate sector of the economy (social), namely: the nonprofit nature of the sector, the production of services and goods of collective consumption, the structure of management and incomes, employees and sources of income, the sector organizations pay taxes and have different organizational forms-legal forms, are self-governing, have non-political character, expenses and voluntary donations are characteristic only for this sector; iii) the growth of the importance of the CSO sector in society as it plays a unique role in achieving public policy goals by mobilizing private resources for public

⁶ United Nations, (2018), *Satellite Account on Nonprofit and Related Institutions and Volunteer Work*, New York: United Nations

purposes; iv) its legitimacy as a public actor is linked to its governance structure, typically based on democratic principles rather than ownership of capital; and iv) the need to review information and data on CSOs. Also, the lack of due attention to the development of CSOs at the decision-making level slows down both the development of civil society and CSOs as well as society as a whole.

The purpose of this publication is to provide in an accessible form information on: i) TSE satellite accounts, their nature and places in the system of national statistical accounts (hereinafter - SNA); ii) challenges with assessing CSOs in Ukraine; and (iii) approaches to the calculation of CSOs share in the employment and service market and contribution to GDP. The brochure is closed with a description of the work done so far, next steps in the implementation of satellite accounts of Ukrainian CSOs, and the expected results of the implementation of satellite accounts for CSOs in Ukraine.

WHAT ARE SATELLITE ACCOUNTS AND WHY THEY ARE NEEDED

The existing System of National Accounts in Ukraine (SNA) meets the international standards adopted in 1993 and revised in 2008. The SNA "is the internationally agreed standard set of recommendations on how to compile measures of economic activity in accordance with strict accounting conventions based on economic principles. The recommendations are expressed in terms of a set of concepts, definitions, classifications and accounting rules that comprise the internationally-agreed standard. They provide a comprehensive and detailed record of the complex economic activities taking place within an economy and of the interaction between the different economic agents and groups of agents, that takes place on markets or elsewhere." (2008 SNA para 1.1).

The SNA contains data in the context of five institutional sectors of the economy, namely: 1) non-financial corporations; 2) financial corporations; 3) general government sector; 4) households; 5) non-profit organizations serving households (NPISH). Data from each of the sectors of the economy have a single format and can be compared with the corresponding data from different countries.

The system of national accounts has a general and universal approach, but for the adoption of sound management decisions, there is often a need for additional information in certain areas of economic activity. In order to meet these special needs, data on activities in a certain area of the economy provides for the possibility of setting up auxiliary (satellite) accounts within the framework of the

basic structure of national accounts. That is, **auxiliary (satellite) accounts are a special accounting structure in the format of accounts and tables, which reflect information about a particular industry to get a complete and systematic idea of it.** Satellite accounts are being implemented in various areas, such as: health care, employment, agriculture, environmental protection, social protection, tourism, etc. Some of the mentioned above satellite accounts are being implemented in Ukraine.

TSE satellite accounts are additional national accounts that contain metrics and supplement the economic information of the national accounts system. They cover all CSO-related economic activities that are included in the SNA, but are not identified as a separate sector of the economy. This activity is determined and combined in a separate account, that is, an account that is ancillary (satellite) to the national accounts.

United Nations, (2008), Satellite Account on Nonprofit and Related Institutions and Volunteer Work, New York: United Nations

Despite their diverse organizational or legal forms, these institutions and activities share a high level of commonality that distinguishes them from other institutions or activities covered by SNA. This commonality can be characterized as involving the combination of three crucial elements⁷:

- They are **private**, i.e., not controlled by government;
- Their main purpose is to serve **a social or public purpose**, rather than to maximize and distribute returns to invested capital; and
- Engagement in them is done of **free will and without compulsion**.

For ease of explication, this collection of institutions and related activities refers as the “third or social economy sector,” the “TSE sector,” for short. Unlike the sector of civil society organizations, the TSE Sector is made up of three sets of institutional units and activities: (a) certain NPIs; (b) other institutional units that share certain fundamental characteristics with such NPIs; and (c) certain work without pay, whether conducted through in-scope institution-

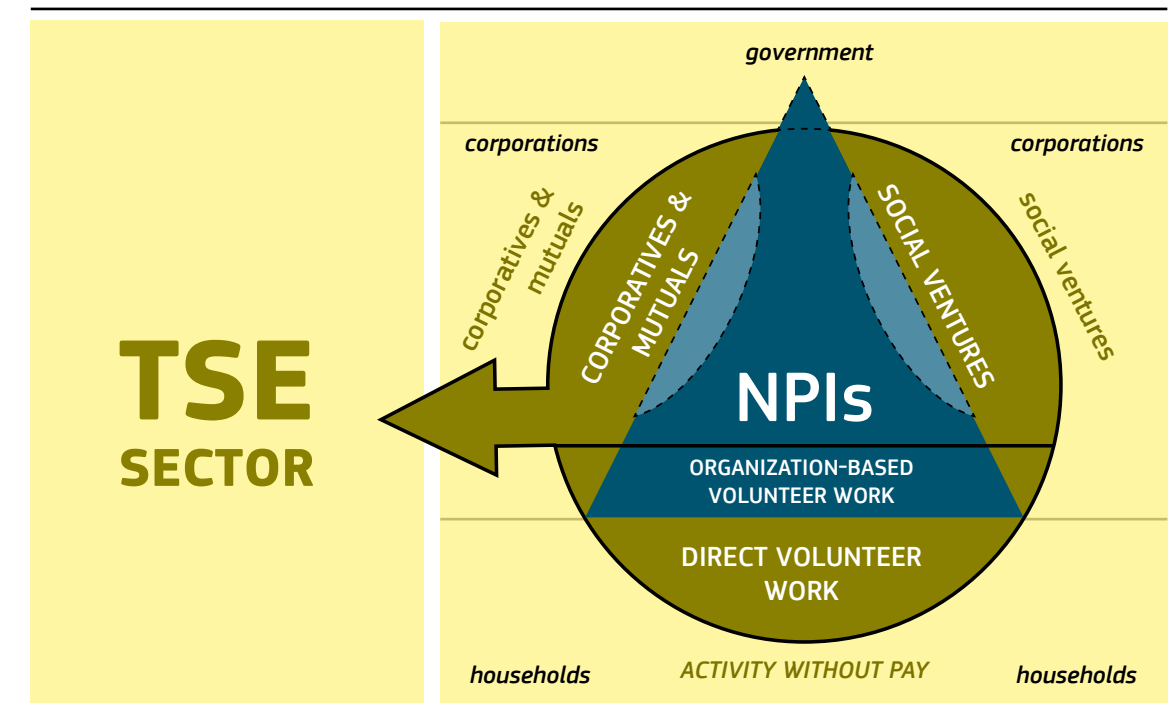
⁷ United Nations, (2018), Satellite Account on Nonprofit and Related Institutions and Volunteer Work, New York: United Nations

importance of this set of institutions and voluntary activities. Recent United Nations documents thus make reference to such institutions and volunteer activity as crucial to the achievement of the sustainable development goals and the 2030 Development Agenda.

Despite the increased interest in these institutions and related behaviors, systematic empirical information on them has long been highly limited, because most of them are not separately identified in existing national statistical data systems, such as the national accounts, even though they are generally covered by these data systems. The main reason for this lack of statistical visibility is the set of rules for allocating economic units to institutional sectors in the SNA framework. Institutional units are allocated to institutional sectors according to whether they are (a) “market producers,” i.e., producers of outputs sold at economically significant prices; (b) non-market producers, controlled by government; or (c) non-market producers, not controlled by government. Third sector institutions that are market producers, not controlled by government are assigned to one of the corporations sectors in national accounts. Those that are non-market producers, controlled by government, are assigned to the general government sector. And those that are NPIs and non-market producers, not controlled by government, are assigned to the Nonprofit Institutions Serving Households (NPISH)

al units or directly for other households.

Such institutions and voluntary activity without pay attract policy interest because of their growing economic presence, their extensive involvement in the solution of public problems and the consequent contributions they are thought to make to the common good. There is a developing consensus among national authorities, international development agencies and the scholarly community about the im-



sector. As a result of these allocation rules, only those third sector institutions, assigned to the NPISH sector, retain their identity as NPIs, cooperatives or mutuals, or social enterprises while those NPIs and related third sector institutions, assigned to the corporations and government sectors, become statistically “invisible” in the SNA aggregates and lose their identity, as third sector entities. This is problematic, because research has shown that these non-NPISH entities account by far for the overwhelming bulk of the economic activity, represented by the third sector.

A similar problem exists for volunteer activities⁸. Volunteering takes two different forms: (a) uncompensated work for or through organizations (2008 SNA para 19.37 to 19.39);

⁸ International Labour Organization (2011) *Manual on the Measurement of Volunteer Work*. Geneva: International Labor Organization, available at: http://www.ilo.org/global/publications/books/WCMS_167639/lang-en/index.htm.

and (b) uncompensated work outside any organization, provided by members of individual households to neighbors, friends, or communities (2008 SNA para 23.42-45). Under SNA, volunteering for organizations is conceptually included in the output of the units that employ such labor, but its value is estimated at its actual cost, which is practically zero (2008 SNA para 7.41 and 19.38). Volunteer work performed outside of organizations is treated as a household sector activity (2008 SNA para 23.43 - 23.45). If it results in the production of goods, it is valued at the market value of the produced goods, but is merged with the other activities of the household sector and therefore, not visible in the reported data. If such work results in the production of services, it is considered to be outside of the SNA production boundary and therefore, not counted at all. As a consequence, neither organization-based, nor direct volunteer work is visible in SNA statistics and due to the valuation rules for volunteer work the full value of such work is not captured in SNA.

To address the growing demand for regular information on at least one major component of this “Third Sector,” i.e. nonprofit institutions (NPIs), the United Nations in 2003 issued a *Handbook on Non-Profit Institutions in the System of National Accounts* (United Nations, 2003, henceforth *2003 NPI Handbook*). This *2003 NPI Handbook* outlined a methodology for identifying all NPIs included in the SNA framework regardless of the institutional sector to which they are allocated and recommended an approach for creating satellite accounts, depicting all NPIs, not controlled by government, regardless of the institutional sector to which they are assigned. This methodology has been effectively used by a wide array of statistical offices throughout the world, to portray the economic activities of this set of institutional units.

In 2017 the Handbook⁹ was revised to offer comprehensive methodological guidance for creating a coherent satellite account on the “**TSE sector**”, embracing three components: (a) NPIs, that are not controlled by government; (b) certain related institutions, that are not controlled by government, including in-scope cooperatives, mutual societies, and social enterprises; and (c) unpaid volunteer work.

⁹ United Nations, (2018), Satellite Account on Nonprofit and Related Institutions and Volunteer Work, New York: United Nations : https://unstats.un.org/unsd/nationalaccount/docs/UN_TSE_HB_FNL_web.pdf

THE SITUATION WITH THE CSOs, ACCOUNTING IN UKRAINE

The activities of CSOs in Ukraine, like in most other countries of the world, are not currently the subject of integral accounting, monitoring and analysis of statistical and administrative information. Data on CSO activities and its results in the SNA, conducted by the State Statistics Service of Ukraine (hereinafter SSSU), are simultaneously located in the five institutional sectors of the SNA and do not provide full information on existing CSOs and their activities.

Statistical data sources in Ukraine also provide incomplete and inaccurate assessments of the share of CSOs in gross domestic product (GDP) of Ukraine. The reason is in estimation of only the gains, costs and added value of CSOs, included only in the sector of non-profit organizations, serving households. However, the share of CSOs, included in other sectors is not counted as activity of non-profit organizations, which provides incomplete information about their activities. Unfortunately,

the use of indicators for CSOs included in the sector of non-profit organizations, serving households, also does not give an idea of the quantitative parameters of the development of the CSO sector as a whole and does not reflect the actual impact on the economy of the country, in particular.

The situation with the statistical recording of CSOs in Ukraine can be characterized as follows:

- There are several CSO registries (*the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Units* (hereinafter referred to as the USR) of the Ministry of Justice of Ukraine (hereinafter referred to as MoJ), *the Register of Non-Profit Organizations and Institutions of the State Fiscal Service of Ukraine* (hereinafter referred to as SFS), and the State Statistics Service of Ukraine (hereinafter SSSU), which do not relate to each other and are structured in different ways;

Table 1. Distribution of different forms of CSOs in Ukraine by SNA Institutional Sectors

Type of Unit or Activity	SNA Institutional Sectors:					TSE Satellite Account NPI
	S11 Non-financial corps	S12 Financial corps	S13 Government	S14 Households	S15 NPISH	
Corporations	NFC	FC				
Government			G			
Households				H		
Non-profit institutions (NPIs)	NPI ¹⁰ _{S11}	NPI _{S12}	NPI _{S13}		NPI ¹¹ _{S15}	NPI _{S11-13, S15}
Cooperatives/ Mutuals ¹²	CM _{S11}	CM ¹³ _{S12}				CM _{S11, S12}
Social Enterprises ¹⁴	SE _{S11}	SE _{S12}				SE _{S11, S12}
Volunteer Work	V	V	V	V ¹⁵	V	

- There is a significant difference between the data on the number of CSOs in different registries;
- There is a difference in the names of different types of CSOs and the grouping of CSOs under different organizational and legal forms of management (hereinafter referred to as the OSPF);
- There is a difference in the information (metrics) collected from CSOs of different types by different state authorities (SSSU, MoJ, SFS) and their duplication;
- There is a difference in the forms and requirements for CSO reports of various organizational forms, collected by SSSU, MoJ, SFS and other executive bodies;
- It is impossible to determine the actual number of active CSOs and non-active CSOs; CSOs which are not profitable in accordance with the tax legislation of Ukraine, and those, using the general system of taxation;
- The data collected from CSOs relate to their activities rather than the results achieved, that is, data collected about ongoing activities instead of performance indicators and outputs / outcomes of CSOs (for example, the number of services provided by type of service and target groups);
- In state statistics of Ukraine, there is no clear link between the nonprofit status of the organization in

¹⁰ Include: Trade and Industry Chambers; Self-regulating organizations

¹¹ Include: Public Associations; Religious Organizations; Charity Organizations; Condominiums; Self-organized Groups; Self-regulated Organizations; Creative Unions; Trade Unions; Associations of Local Self-government Bodies and Their Unions; Judicial Self-government Bodies; Employer's Organizations and Their Associations

¹² Out of scope of the NPI SA and TSE sector

¹³ Non-state pension funds; Credit unions; Self-regulating organizations

¹⁴ Some social enterprises are classified as NPIs because they are barred by laws from distributing profits

¹⁵ Direct volunteer work producing services is outside of the SNA production boundary and therefore, not counted in the central system

terms of its taxation, namely, inclusion in the Register of non-profit institutions and organizations and its membership in one of the five sectors of the economy.

As a result of the current situation, it is impossible to reliably and without reservations, determine the number of civil society organizations, since coverage of these registers is incomplete. The registers overlap in their coverage and are difficult to reconcile, due to incompatible information. Let's explain it using the example. One of the most common organizational and legal forms of CSOs is a public association. As of 01.01.2018, there are 80,461 such organizations registered in the Unified State Register of Legal Entities, Individuals - Entrepreneurs and Public Associations, maintained by the Ministry of Justice, (code 815 - public organizations), while the Register of Non-Profit Institutions and Organizations maintained by the State Fiscal Service of Ukraine (feature 0032 - public associations), contains 33,684 organizations, and the number of organizations, which in 2017 reported to the SSSU, is 17,958 units. The discrepancy of the number of public associations in the above registries can be explained as follows:

- The Unified State Register of Legal Entities, Individuals - Entrepreneurs and Public Associations

contains general information on the number of CSOs, registered in accordance with the legislation governing the activities of the relevant by organization type non-profit organization, both active and non-active;

- The register of non-profit institutions and organizations of the SFS is formed solely on an application basis, subject to certain restrictions imposed by the Tax Code of Ukraine (prohibition of the distribution of revenues (their parts) among founders and members, management bodies and related persons (except for wages, accrual of unified social fee); the condition for the transfer of assets to one or more non-profit organizations of the corresponding type or to the state budget revenue in the event of termination (liquidation, merger, transformation) of a legal entity;
- The totality of state statistical observation on the activities of civic organizations is not consistent with the total number of registered civic organizations, but only 40% of such organizations submit annual reports annually.

APPROACHES TO THE ACCOUNTING OF CSOs THROUGH INTRODUCTION OF SATELLITE ACCOUNTS

Given the complexity of the SNA system, one approach to remedy the problem, which is the lack of visibility of the full NPI sector and to generate more complete and coherent data on the NPI sector, might be to develop a data system focused squarely on the sector. Such an approach would have the virtue of organizing the needed data around the set of organizations that is of particular concern. Tempting though that might be, how-

ever, the Handbook¹⁶ rejects that approach and works instead within the SNA framework. The advantage of such an approach is the opportunity that it provides to build on an established data system, which is staffed by existing statistical agencies and has already resolved many of the

¹⁶ United Nations, (2003), *Handbook on Non-Profit Institutions in the System of National Accounts*. New York: United Nations, available at: https://unstats.un.org/unsd/publication/seriesf/seriesf_91e.pdf.

key technical issues involved in mapping economic activity and also has in place a process for working out additional issues as they arise in the future. In addition, that system has an additional advantage of making it possible to compare the NPI sector to other economic sectors within a common, agreed-upon format.

The introduction of an auxiliary (satellite) account will allow to identify information about CSOs included in other sectors of the economy, then to receive additional data to determine the contribution to the social and economic life of the society. The urgency of work in this direction is that the satellite account is a unique tool for determining

the contribution of CSOs on the country's economy, and the implementation of international comparisons of this sector be able to compare Ukraine with other countries.

In addition to estimating the full economic weight of the TSE sector, the UN handbook also proposes methodology for estimating their contribution to SDGs. According to the UN SDG, the activities of CSOs are: i) important in the area of poverty reduction and creation of economically productive opportunities for all citizens; (ii) significant in the field of imperfect educational systems in many countries and in the promotion of environmental protection; and (iii) defining in the field of human rights protection, etc.

APPROACHES TO THE CALCULATION OF THE CONTRIBUTION OF CSOs TO THE EMPLOYMENT, SERVICES MARKET AND GDP

SNA calculations use statistical reporting of enterprises and organizations, financial statements, administrative data available to government bodies, as well as sample surveys. In addition, expert estimates and assumptions are used. As noted above, the institutional units of the CSO sector are represented in different institutional sectors of the economy. Therefore, the calculation of the contribution of CSOs to GDP should be carried out in three stages:

Stage 1. Identification of the indicators already included in the SNA, by selecting them from data on institutional sectors (Table 1).

Stage 2. Identification of CSO data sources for obtaining information on employment and volume of services.

Stage 3. Summary of all available data for the compilation of the satellite account of the CSO.

Economic transactions in the SNA are accounted for using the accrual method of recording, that is, at the actual

prices that acted at the time of the transaction. Given the particularities of the CSO sector (some activities are not recorded, some services are provided free of charge or below market prices, volunteer work is used, etc.), reporting or administrative data alone to calculate its contribution to the most important macroeconomic indicators is not enough. Thus, for the purpose of compiling the satellite account of the CSO objectively, there is a need for additional data on:

- 1) received transfers from management bodies, enterprises and organizations, as well as households - to determine the extent of supporting CSOs and tracking the various sources of their income;
- 2) volunteer work - to determine the contribution of CSOs to employment and pay, and thereby generate value added from this activity; non-market issue, that is, provision of services at the expense of volunteer work, charitable contributions or other transfers not reflected

in income - to determine the output volumes of the CSO sector, their contribution to the production of certain services and the actual value added of this sector.

Data on received transfers can be obtained by: 1) aggregating data on the provision of various transfers from the side of their suppliers, and / or 2) aggregation of income data from the CSO side. Based on these data, the structure of received CSO transfers is drawn up and the role of different transfer providers in supporting CSOs is determined. Such data is useful for formulating policy at the state and local level, regarding financial and other types of CSO support.

Data on a volunteer. The International Conference of Labor Statisticians determines volunteer work as «a work performed by persons of working age who, during a short period of time, carried out any unpaid, non-compulsory activity for the manufacture of goods or the provision of services to others.» To be volunteered, work must take at least one hour during a defined reporting period (as a rule, 4 weeks). Volunteer work can be organization-based and direct. Both are characterized by sufficient practical differences and have attracted sufficiently different treatment within the SNA to deserve separate reporting in the TSE sector satellite account. Organization-based volunteer work can be carried out through or for various types of organization (including government bodies, for-profit companies, cooperatives or non-profit organizations). For the purpose of the TSE sector satellite account, only work carried out for or through organizations that are themselves in scope qualifies. Direct volunteer work represents unpaid work carried out by individuals outside organizations and is allocated to the household sector in the central system, which values such work differently, depending on whether it leads to the production of physical structures or of services. For the purposes of the TSE sector satellite account, however, all direct volunteer work is considered in scope.

Six measures of volunteer work are of primary interest for the purpose of the TSE satellite account: 1) the number of persons, who volunteered during a particular reference period; 2) the number of hours they volunteered;

3) whether the volunteer work is direct or channeled through an organization and, if the latter, what type of organization; 4) the industry (field) of the organizations, through which the volunteer work is carried out; (5) the tasks performed by the volunteers; and 6) the monetary value represented by this work (ILO *Manual*, paras 5.5-5.10). Five of these are directly measured and the sixth is derived from the ones measured plus additional data. It will also be useful to collect available demographic data on the volunteers if such data is available on the survey platforms used to measure the other variables.

Devising a suitable approach to valuing volunteer work poses significant challenges. In the ILO *Manual* and the Guide for Valuing Unpaid Household Service Work (hereinafter ECE Guide), which was issued in 2017 (United Nations, Economic Commission for Europe, 2017), a “replacement cost” approach to valuing volunteer work is recommended. By that method, the value of volunteer work is imputed by what it would cost to hire someone to do the work done by the volunteer without pay. That essentially requires measuring the duration (number of hours) of the performed volunteer work and applying an appropriate wage received by employees performing comparable work. Where use of the specialist replacement cost method is not feasible because of data limitations or other factors, the next best available generalist detail should be used. Possible alternatives include (a) the average wage by industry; (b) the average wage by occupation; (c) the average wages of high, medium and low-skilled workers; or (d) a minimum wage or the wage of a low-paying occupation, such as social work activities without accommodation (ISIC Rev.4, division 88) or personal services activities (ISIC Rev.4, division 96).

The International Labor Organization’s (ILO) *Manual on the measurement of volunteer work* (2011) recommends a procedure for measuring and evaluating such work as part of a regular labor force survey (LFS)²⁸. Because of the difficulties of getting access to labor force surveys, other alternative vehicles for generating reliable and comparable data on volunteer work may need to be explored. One

²⁸ A labor force survey is an inquiry directed to households, designed to obtain information on the labor market and related issues through a series of personal interviews.

Table 2. Existing core SNA current account data related to TSE

SNA Account	Indicator	Algorithm of calculation
Production	Output ¹⁷	
	Market output	
	Output for own final use	
	Non-market output of NPISH	
	Intermediate consumption ¹⁸	
	Value added, gross	<i>Output – Intermediate consumption</i>
	Consumption of fixed capital ¹⁹	
Generation of income	Value added, net	<i>Value added, gross – Consumption of fixed capital</i>
	Compensation of employees ²⁰	
	Taxes on production ²¹	
	Subsidies on production ²²	
Allocation of primary income	Operating surplus, gross	<i>Value added, gross – Compensation of employees – Other taxes... – Other subsidies...</i>
	Property income ²³	
Secondary distribution of income	Balance on primary incomes, gross	<i>Gross operating surplus... + Property income</i>
	Other social insurance benefits ²⁴	
	Miscellaneous current transfers ²⁵	
Redistribution of income in kind	Disposable income, gross	<i>Balance of primary incomes, gross + Social contribution + Other current transfers</i>
	Social transfers in kind ²⁶	
Use of disposable income	Final consumption expenditure ²⁷	
	Disposable income, gross	
	Saving, gross	<i>Disposable income, gross – Final consumption expenditure</i>

¹⁷ Output is defined as the cost the producer (service provider) receives per unit of good or service, excluding any taxes on products and including subsidies on products.

¹⁸ Intermediate consumption consists of the value of the goods and services (raw materials, fuel, energy, repairs, transport services, financial services etc.) consumed as inputs by a process of production.

¹⁹ Consumption of fixed capital is the decline, during the course of the accounting period, in the current value of the stock of fixed assets owned and used by a producer, as a result of physical deterioration, normal obsolescence or normal accidental damage.

²⁰ Compensation of employees is defined as the total remuneration, in cash or in kind (estimated in money), payable by an owner or entity authorized by him to an employee in return for work done by the latter during the accounting period.

²¹ Other taxes include all payments by organizations to state and local budgets, state target funds as a result of the use of land and obtaining permits for specific activities.

²² Other subsidies on production consist of subsidies that residents may receive to carry out production process in order to implement certain economic and social policies.

²³ Property income is accrued for the transfer to institutional units for temporary use of non-financial assets (land, subsoil, property rights) and financial assets. That is, these incomes include rent, interest, dividends, royalty, rent.

²⁴ Social contributions are actual payments on social insurance to Pension Fund and state social insurance schemes.

²⁵ Other current transfers consist of different payments: fines and penalties, conditional payments from the main activity to cover the current expenses of their social and cultural units, etc.

²⁶ Social transfers in kind are determined by the cost of goods and services that are provided either free or at prices that are not economically significant (when the prices do not cover the cost of production of goods and services).

²⁷ Final consumption expenditure are the costs for purchasing goods and services used to address own needs of institutional units.

such potentially promising alternative is time use surveys (TUS) that use the International Classification of Activities for Time Use Statistics (ICATUS) or its equivalent. TUSs provide a highly reliable measure of time spent on volunteer activities, making it possible to estimate the total number of FTE volunteer workers in the economy during a given reference period. This estimation involves multiplying the average number of minutes per person per day, reported in the TUS by the size of the adult population and by the number of days in the reference period, and then dividing this product by the average number of hours per a full-time job during that reference period.

Data on the non-market output. In the standard SNA-based approach, non-market output is estimated for NPISH but not for NPIs or “related” institutions that are allocated to the corporations sector, on the assumption that market producers do not generate non-market output. However, unlike other market producers, market TSEs may have

substantial non-market output that is not captured in their market receipts. Such output is typically supported by volunteer work, charitable contributions, or other transfers that do not show up in sales revenue. For example, an educational or a health care institution may provide some of its services free of charge or at prices below the production cost. While non-market output of market TSEs is not included in SNA-based accounts, the value of such output should be estimated for the purpose of assembling TSEsAs to determine the actual full value added of the TSE institutions. To cope with this challenge, the UN handbook recommends that for the purpose of constructing the TSE satellite account, the non-market output of market TSEs be valued in the same way that the SNA values the output of non-market NPIs—i.e., on an operating expense basis.

For the compilation of the satellite account of the CSOs, the available data and additional data obtained in the SNA are presented in Table 2.

and the accounting of their activities in accordance with international standards»;

2. Established in October 2017, the Working Group on Satellite Accounts for CSOs, which includes representatives of state institutions (Administration of President of Ukraine, Secretariat of the Cabinet of Ministers, Ministry of Justice, Ministry of Finance, SSSU, SFS) and donors and local CSOs;
3. Work definitions of the terms «civil society» and «civil society organization» and specific features of CSOs have been developed;
4. The list of organizations that according to organizational-legal forms can be attributed to CSOs (Table 3);
5. The list of CSOs for OPF, which correspond to international CSO signs, is selected, and they are selected to participate in the creation of auxiliary (satellite) accounts for CSO statistics (Table 2);
6. Identified sources of information on CSOs, namely: SSSU, MoJ, and SFS, and a list of conducted studies as sources of additional information on the activities of CSOs of Ukraine;
7. There is an interest of key state bodies in developing the methodology for composing a satellite account of the CSO;
8. There is support and interest of Lester Salamon, Director of the Center for Civil Society Study at the Johns Hopkins University in providing methodological support;
9. Six representatives of the working group have been trained on the methodology of compiling auxiliary (satellite) accounts of CSOs in the Center for Civil Society Studies at the Johns Hopkins University (USA);
10. Together with representatives of the State Statistics Service of Ukraine, a step-by-step plan for calculating the contribution of CSOs through the creation of auxiliary (satellite) accounts in Ukraine for 2018-2019, has been developed.

WHAT WAS DONE AND WHAT IS NEXT?

What has already been done in Ukraine

At the moment, several initial and important steps have been taken to ensure proper accounting of CSOs in Ukraine, namely:

1. *The National Strategy for Promoting the Development of Civil Society in Ukraine for 2016-2020*, approved by the Decree of the President of Ukraine, in which paragraph 4.2 specifies «the introduction of auxiliary (satellite) accounts for the statistical recording of civil society organizations

In Ukraine, according to the Methodological provisions of the state statistical observation “Inspection of enterprises on labor statistics” (dated by August 18, 2014, No. 241), all legal entities (statistical units) are divided into groups: 1) with a staff of 50 or more persons - are inspected on a monthly basis on a solid basis by submitting a job report; 2) with the number of employees from 10 to 49 persons - are examined using the sampling method; and 3) with the number of employees less than 10 people - are not covered by statistical observations. As CSOs typically employ less than 10 people, they are hardly covered by statistical observation on labor issues.

As CSOs typically employ fewer than 10 people, they are hardly covered by statistical observation on labor issues. Therefore, in order to determine the contribution of CSOs to employment and GDP, sample surveys and official employment are needed (for employees who perform paid work in CSOs). In Ukraine, for the purpose of forming a satellite account of CSOs, it is possible to conduct a unified selective monitoring of official employment and volunteer work in this sector.

Table 3. List of CSOs by organizational and legal forms: all and selected for participation in the project (highlighted and underlined)²⁹

1. Public Organizations	11. Employer’s Organizations and their Associations
2. Religious Organizations	12. Trade and Industry Chambers
3. Charity Organizations	13. Other Associations of Legal Entities
4. Condominiums	14. Private Organizations (Institutions/Agencies)
5. Self-organized Groups	15. Non-state Pension Funds
6. Associations of Local Self-government Bodies and Their Unions	16. Credit Unions
7. Judicial Self-government Bodies	17. Service Cooperatives
8. Self-regulated Organizations	18. Branches (other departments/subdivisions)
9. Creative Unions	19. Other Legal Forms (defining a legal form of an CSO on an individual basis)
10. Trade Unions	

²⁹ Palyvoda, L., Vinnikov, O., Kupriy, V., etc. (2016). Defining Civil Society for Ukraine – Research Report. Kyiv, Ukraine: CCC Creative Center.

What needs to be done:

1. To review the compliance with the criteria for the TSE sector institutions the CSOs' legal forms given in Table 3, to form TSE-Ukraine institutions³⁰. Identify sources and availability of data for TSE-Ukraine institutions.¹³
2. Identify sources and availability of employment data in TSE-Ukraine and volunteering.
3. Prepare the first reports on the methodology of composing the satellite account of the TSE-Ukraine sector.
4. To carry out experimental calculations of satellite accounts of TSE-Ukraine sector.
5. To prepare the final report on the methodology of compiling the TSE-Ukraine satellite account.
6. Include the final report on Ukraine to the global TSE Satellite Accounts Report (prepared by the Johns Hopkins University Center for Civil Society Study)
7. Describe the methodology of TSE-Ukraine satellite accounts for further use.

When implementing these steps, note the following. The source of information for determining the list of institutional units which according to the criteria relates to CSOs is the *Uniform State Register of Legal Entities, Individual Entrepreneurs and Public Associations*, which provides the most complete information about residents, who conduct activities in the country. It is also necessary to revise the list of information, provided by CSOs of different organization legal forms in the form of reports to various authorities, paying particular attention to the quality and, in particular, the need for such information.

³⁰ Based on the UN *Satellite Account Handbook on Nonprofit and Related Institutions and Volunteer Work* as the framework for this work going forward

So what? Or - expected results

Developing a methodology for compiling TSE-Ukraine satellite accounts will allow:

- To analyze the national regulatory framework for the identification of TSE-Ukraine institutions and volunteers;
- Identify types of organizations specific for TSE-Ukraine sector;
- Harmonize the classifications used to characterize CSO economic activities and volunteer work in accordance with national needs;
- Identify sources of data on CSO activities and volunteer work in accordance with national needs;
- Get information on the actual number of existing CSOs;
- Determine the contribution to the sector of CSOs in Ukraine's GDP;
- Provide international comparisons of the TSE sector in Ukraine;
- Promote openness and transparency of CSOs;
- Provide evidence-based argumentation on CSO development, their social and economic contribution, and volunteer contribution to Ukraine's development.

The implementation of these measures will contribute to the implementation of the tasks of *the National Strategy for Promoting the Development of Civil Society in Ukraine for 2016-2020*, approved by the Presidential Decree No. 68/2016 of 26.02.2016, regarding the implementation of auxiliary (satellite) accounts for civil society organizations and their impact in accordance with international standards.