

# Local Community Funding Guide

models, resources, establishment and operation of a community foundation



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“Local Community Funding Guide - models, resources, establishment and activity of a community foundation” is a scientific and practical guide designed to acquire or deepen knowledge of the types, options, procedures for establishing and operating various local funds and implementing funding activities in practice, which will significantly increase the financial independence and flexibility of local communities in their development.

The guide is the result of a study of both theory and existing practice of local community foundations in Ukraine and the English-speaking world, taking into account the diversity of their needs and potential.

The materials presented in this guide contain both a summary analysis and general characteristics of the most common types of funding in Ukraine and the world, as well as an overview of the most relevant international and Ukrainian experience in this area. In addition, the guide describes the institutional framework that will be necessary for the successful “launch” of funding by any community.

The purpose of the manual is to assist villages, small and medium-sized Ukrainian cities (districts) in establishing and operating foundations to finance local projects, programs, and priority areas of life.

This document contains complete information on all stages of funding: planning and preparing the establishment of relevant funds, filling them with financial resources, financing local needs, and ensuring its transparency.

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## Glossary

**Local community** is a group of residents who live together within a settlement (village, town, city), which is an independent administrative-territorial unit. A local community is also a voluntary association of residents of several settlements that have a single administrative center.

**Amalgamated local communities** is a type of local community that was formed in Ukraine in the course of the decentralization reform (2015-2020) through the voluntary amalgamation of neighboring local communities of villages, towns or cities located on the territories of the respective village, town or city councils.

**Funding by local communities** is the collection and management of financial resources by relevant funds (targeted pools of financial resources) at the level of a particular community to further promote local development or support targeted community initiatives.

**Fundraising** is the process of comprehensively raising funds (or other necessary resources) for the further implementation of current projects or supporting the activities of a particular entity.

**A grant** is a non-refundable donation of funds awarded to organizations or individuals to carry out their activities, which are non-profit and described in a proposal approved by the grantor.

**A grant writer** is a person who writes and submits applications for grants and is proficient in the art of presenting ideas or needs in order to attract funding from various foundations, commercial or charitable organizations, or even governments.

**Profit funds** are usually investment (or venture) funds that are an investment instrument that pools the capital of many participants and effectively invests it, earning a profit.

**Non-profit foundations** are charitable organizations that operate on the basis of a charter, have participants and are managed by participants who are not obliged to transfer any assets to the foundation to achieve the charitable objectives. A charitable foundation has its own charitable program, which consists of a set of charitable activities aimed at achieving the foundation's statutory goals. The

activities of such foundations do not provide for the receipt of profit by the participants of the foundation as a result of its activities.

**Investments** are business transactions that involve the acquisition of assets (such as fixed assets, intangible assets, corporate rights, or securities) in exchange for cash or property.

**A targeted community development program** is, on the one hand, the basis for funding from a certain source of community expenditures, and on the other hand, a targeted short-term (several years) plan of measures to develop a certain area of its life with the involvement of its residents.

**A project for funding by a local community** is a set of all necessary activities that are carried out to achieve specific goals in the community within a clearly defined timeframe and with the help of funds (budget) allocated for these activities. The characteristic features of projects are goal-oriented, clearly defined duration, uniqueness, relatively high level of complexity, identification of their target groups and final beneficiaries, defined coordination and management tools, monitoring and financing system.

**Crowdfunding** is the cooperation of people on a voluntary basis who pool their own money or other resources together, usually via the Internet, to support the efforts of other people or organizations. Crowdfunding can serve a variety of purposes, including disaster relief, support from fans or followers, political campaigns, funding for startup companies and small businesses, free software etc.

**Crowdsourcing** is the process of voluntarily involving a wide range of people in solving problems using their knowledge, creativity, and experience, similar to subcontracting work using information technology.

**An endowment** is a type of financial fund created by interested founders (sponsors) to further financially support the activities of non-profit organizations. At the same time, all donations received are not spent on development programs or projects, but are invested in various profitable financial instruments that constantly generate additional income, and only this income is spent, while the fund's principal remains intact. Thus, the fund can never be financially “emptied”.

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## Introduction

This guide is an educational and practical tool, the main purpose of which is to assist, first and foremost, small and medium-sized cities and districts of Ukraine in the prompt creation of relevant local funds, filling them with financial resources and further use them as an additional non-governmental source of funding for the development of priority local areas, programs, combinations, etc.

The peculiarity of the guide is the fact that it was prepared by a Ukrainian author who combined the results of research work in this area and practical experience of participation in local self-government and understanding of its urgent problems and needs. Based on this, and after analyzing the most successful international and Ukrainian practices of local funding, the author tries to comprehensively synthesize and organize the acquired knowledge and practical recommendations in this area of community activity, which are adapted to modern Ukrainian realities, and which can be quickly and effectively used in practice by local communities in conditions of limited own financial resources and insufficient funding from the state budget.

The relevance of this manual also lies in the fact that despite significant institutional and legislative changes for the better, namely the Laws of Ukraine “On Industrial Parks”, “On Voluntary Amalgamation of local Communities”, “On the Principles of State Regional Policy”, etc., there are very serious gaps in the systematic approaches to broad-based resource mobilization at the level of cities (rayons) to ensure greater financial independence and autonomy in decision-making and financing of local needs.

It should also be noted that the above activities will be especially in demand and relevant in the post-war period, when the issue of restoring normal life in cities and districts (their infrastructure, socially important facilities, various spheres of life, etc.), especially in those communities affected by the hostilities, will become acute, as this will require enormous resources and the state will obviously not be able to help everyone at once.

Despite Ukraine's modest international ratings, the war, and the unfavorable climate for development and investment, there is a very positive experience of several Ukrainian cities and regions in the field of funding, which can be adopted in the post-war period, when the potential for international investment in Ukrainian regions will increase many times over.

Popularization and implementation of this instrument of raising and utilizing funds by Ukrainian communities from non-budgetary sources, which they currently use quite rarely or partially, is another objective of this manual, which, among other



things, considers the content and importance of all types of local funding, its organization, sources of funds and relevant areas of their possible use.



Given the detailed information provided in this guide, it is possible and even necessary to establish and manage local foundations, as this process is not too complicated.

The structure of this manual comprehensively and fully reflects the essence of the topic itself, the main stages of creation and operation of various types of local community foundations, an overview of the main sources of their financial resources and control over the transparency of the use of funds raised. In addition, additional attention is paid to the review of the existing legal framework that regulates the processes of funding by local communities in our country.

Another element that confirms the practicality of this guide is the relevant annexes, which contain the necessary recommendations and standard documents that can be used to create and maintain the relevant work of local community

foundations. In the appendices, you can find model statutes, minutes of meetings, a list of international donors to which you can apply for grants, etc.

Local funding is a specific process that requires some time and effort, and positive results cannot be achieved through a single decision of an executive body or an invitation to a potential donor to cooperate. To make such activities successful, it is necessary to conduct coordinated work of various local authorities, regional businesses and activists, international organizations and a team of relevant professionals who will be able to implement all the necessary steps.

# **CHAPTER 1. The essence and theoretical and methodological foundations of funding by local communities**

## **1.1. Prerequisites for the introduction of funding by local communities**

The dynamic development of our country's local communities is one of the top priorities of the Ukrainian legislative and executive authorities, which use the results of the budgetary and financial decentralization process, expand the capabilities and potential of the local communities themselves, and help the united local communities establish appropriate ties with foreign investment and innovation entities based on the latest scientific and technological achievements. But, on the other hand, the local communities themselves also have the opportunity to take their own initiative to create appropriate investment attraction tools.

In order to achieve the most dynamic cultural and economic development of Ukrainian cities, amalgamated local communities and regions as a whole, to gradually strengthen the trends towards poverty alleviation and improve people's well-being, local authorities and self-government bodies should rely not only on budgetary but also on alternative financing instruments in their development efforts. In this sense, perhaps the simplest and, at the same time, quite effective tool for ensuring sustainable and continuous economic, social and cultural growth, which is also available at the local level, is community funding. It is particularly interesting and attractive in terms of the very low costs of its creation (launch) and the amount of effort required to further attract financial resources.

Funding by local communities is an important accumulative financial mechanism for their strengthening, and it is this type of fundraising and subsequent financing that allows local communities to actively participate in addressing their own needs and attract resources to implement projects that improve regional life and develop the economy, infrastructure, education, culture, etc. In physical terms, community philanthropy is a set of activities of local foundations based on cooperation between local governments, regional businesses, and foreign donors.

## **1.2. The importance of research and analysis of local community funding**

In my opinion, very little attention is paid to this tool in Ukraine, and it is little known to both citizens and employees of local councils and state administrations, which in turn limits the ability of regions, cities and united local communities in our country to fully use it, and this in turn limits their comprehensive development. Scientific research, outreach and popularization of this topic will help to provide an additional impetus for more dynamic development of all spheres of life in local communities and Ukraine as a whole.

This topic is quite relevant and significant for a comprehensive study and relevant practical recommendations, as it affects the general condition and economic and cultural level of local communities, namely the following factors:

### ***1.2.1. Their stable development***

In many countries, local community funding plays a crucial role in ensuring sustainable economic and social development of local communities and maximizing their innovation and investment potential. The study of this topic and the conclusions drawn will help to understand what mechanisms and resources may be available to Ukrainian local communities to solve their own problems and achieve sustainable growth.

### ***1.2.2. Citizen participation in the decision-making process***

It is funding by local communities that actively promotes the direct participation of all citizens in decision-making on the priority of funding a particular project or initiative. This factor strengthens democratic processes and has a positive impact on the development of civil society and its responsibility for its future.

### ***1.2.3. Optimizing the use of financial resources***

Funding by local communities significantly contributes to optimizing the use of financial resources at the local level. The study of this topic makes it possible to identify the best and most effective practices and strategies in the use of limited resources of the respective local funds.

#### ***1.2.4. Analysis and comparison of international experience***

Many countries have been actively using community funding mechanisms for several decades to achieve their local goals. A comprehensive study of their experience will provide valuable lessons and additional opportunities for the communities of our country.

#### ***1.2.5. Important in the context of decentralization of government***

Our country is actively moving towards decentralization of power, which makes local communities more and more responsible for their own development, and funding will become one of the key financial instruments for implementing this policy in the future.

### **1.3. Theoretical foundations of funding by local communities**

Local community funding is a very important institution that is able to accumulate various resources, efforts of residents, local authorities and further stimulate the sustainable development of local communities (including financing various programs and initiatives, investing in innovations, etc.) At the same time, it is completely autonomous, does not depend on state funding and direct influence from the outside, and is created exclusively by the efforts and initiative of communities. To fully understand this concept and its essence, it makes sense to consider all its key aspects and characteristics.

The concept and essence of this phenomenon cover a fairly wide range of activities aimed at improving the quality of life and socio-economic development of communities at the local level. It is this tool that can play an important role in promoting their sustainable and inclusive development, civic participation and strengthening self-government in general.

#### ***1.3.1. The concept of funding by local communities***

Community funding is the process of raising and managing financial resources at the local level through the creation and operation of various funds aimed at financing initiatives, projects and various programs, which are usually aimed at improving the quality of life of various categories of citizens and the dynamic development of the economic, social and cultural sphere of local communities. This process includes the fundraising of funds from various sources, their effective and



transparent use to address specific and urgent tasks and needs of local residents. The global mission of community foundations is to unite local authorities, residents and businesses for the sustainable development of the community or to respond promptly to its needs or challenges.



### ***1.3.2. The essence of funding by local communities***

The essence of local community funding consists of the following key aspects:

- local focus: local community funding always focuses exclusively on specific local unique needs;



- citizen participation and influence: local residents are involved in this process on a regular basis, participating in the decision-making process to select the most relevant and priority projects and allocate previously accumulated resources among them. This aspect contributes, among other things, to the development of democratic processes at the local level, which inevitably strengthens civil society;
- diversification of funding sources: local communities raise funds from a variety of funding sources, which may include budget allocations, donations from private businesses, grants, investments, etc.;
- self-government and autonomy: the process of funding by local communities provides for a sufficient degree of autonomy and self-governance of community residents and local authorities. This is manifested in the fact that they themselves decide which of the available projects to finance and how to organize and conduct the process of distributing the accumulated funds;
- the desire for greater economic independence: this means that funds should come from a variety of local and external non-budgetary sources, and donors can be individuals (who make one-time donations or help through crowdfunding), as well as various companies or private equity funds;
- sustainable development: the main purpose of funding by local communities is to gradually ensure the sustainable development of local communities, including economic, social and environmental aspects;
- a wide range of activities: it includes care and well-being, arts and sports, recreation and culture, nature, energy and environment, education and climate issues;
- financing of public initiatives: it is, in principle, absolutely accessible to any member of the community and politically neutral;

## 1.4. Objectives of funding by local communities



The successful development of local communities in the economic, social, and environmental spheres directly depends on the adequacy of funding for relevant projects and programs, which usually aim to:

### ***1.4.1. Sustainable development of local communities***

This is one of the main goals of local community funding, which includes a comprehensive stimulation of economic growth, gradual improvement of social infrastructure, cultural, educational and healthcare institutions that directly affect the quality of life of all local residents.

### ***1.4.2. Strengthening the social sphere***

Local communities can use the funding tool to support any social programs (assistance to low-income families, families with disabled children, care for the elderly, etc.).

### ***1.4.3. Creation of new jobs***

Funding can also actively contribute to job creation at the local level, which is very important for local economies, as it really helps to strengthen employment, improve living standards and reduce unemployment.

### ***1.4.4. Improving local infrastructure***

This goal includes the reconstruction and construction of roads and other elements of transport infrastructure, heat and water supply and sewerage systems, construction of new housing and other significant facilities aimed at supporting economic development and comfort of life of residents.

### ***1.4.5. Environmental sustainability of communities***

Funding can also be a tool for solving various environmental problems: nature protection, efficient and environmentally friendly use of natural resources, waste recycling, prevention of rural degradation through the effective use of natural resources owned by communities, etc.

### ***1.4.6. Innovative technologies***

Implementation of modern innovative technologies, such as artificial intelligence (both in general and in the context of neural networks), cloud technologies, the latest methods of collecting and analyzing large amounts of data, blockchain technology, etc.

### ***1.4.7. Startups***

Startups aim to provide financial and information resources to young entrepreneurs.

Given the fact that funding for the above-mentioned areas from the state or local budget is insufficient in most cases, there is almost always a need for additional sources of support for priority areas on the ground, and this is what the funding by local communities is “aimed at.”

## **CHAPTER 2. Organizational and Institutional Framework for the Establishment and Operation of local Community Foundations**

### **2.1. The history of community funding**

The reasons for its emergence are deeply connected with social, economic and philanthropic motives. This phenomenon dates back to the early 20th century, when the concept of community foundations first emerged with the creation of the Cleveland Foundation [1] in 1914 by Frederick H. Goff, who envisioned a community foundation that could meet the various needs of the community that changed over time. This model allowed for the creation of flexible, donor-driven foundations that could respond to changing community priorities and needs.

The Cleveland Foundation was an innovative concept in philanthropy. At that time, business leaders (John D. Rockefeller, Andrew Carnegie and others) were already thinking about creating private foundations to channel part of their huge fortunes to charitable activities. But Goff created an alternative mechanism that allowed for the fair and efficient use of funds that could be accumulated in excess of the costs of meeting immediate needs. Donations to such foundations were meant to be a simple and affordable way for people with modest or middle-class incomes to give to charity.

The urgent need to address specific local problems, which were often overlooked by global charities or foundations, also stimulated the creation of community foundations, which over time provided effective mechanisms for local decision-making and efficient and transparent distribution of funding.

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[1] Cleveland Foundation website <https://www.clevelandfoundation100.org>

Today, such foundations seek to respond as quickly as possible to the ever-changing needs of their communities, which includes funding initiatives in a variety of areas of public life. In addition, many modern community foundations have focused on promoting equality and inclusion in their communities, seeking to address systemic problems and support marginalized groups by targeting funding for relevant programs and initiatives. With the development of digital technologies, the work of community foundations has also been transformed, from online fundraising to sophisticated data analysis to further assess local needs and community impact.

Overall, the concept of community funding, particularly through community foundations, has proven to be a fairly sustainable and adaptable model that actually meets local needs. As these funds continue to develop dynamically, their commitment to promoting community well-being, equity, and sustainable development remains the cornerstone of their existence.

## **2.2. Historical overview of community development funds in Ukraine**

Community development funds have played an important role in the Ukrainian system of local self-government, on the one hand, and in ensuring the sustainable development of local communities, on the other.

The first significant steps in creating such funds were taken in our country in 2000-2010. At that time, they emerged in response to the need to strengthen the financial autonomy of TCs and increase their ability to address their own prospects and development. In 2010, in the context of these trends, the Verkhovna Rada adopted the Law of Ukraine “On Local Self-Government in Ukraine”, which became an important milestone in the history of community development funds. It was this law that established the basic legal framework for the prospective establishment and operation of community development funds, and it also expanded the financial autonomy of local communities and their control over the flow of budgetary funds.

In 2014, after the Revolution of Dignity, a more active period began in shaping the regulatory framework for community funding. The state has been making more and more efforts to encourage local communities to create their own trust and development funds. During this period, such funds appeared at the village, city, and regional levels. Over time, community development funds have become increasingly specialized and adapted to the new needs and challenges of local communities. For example, rural community development funds are increasingly focused on the

development and construction of rural infrastructure, while urban ones are increasingly focused on supporting projects in the areas of entrepreneurship, education, and culture. These processes reflected the growing diversity of needs and priorities in most local communities. In addition, they are beginning to cooperate more actively with each other and with state and international targeted programs. Thus, community development funds are increasingly receiving financial support and technical and intellectual assistance from various international organizations, including the European Commission, the United Nations, etc.

Today, at the state level, Ukraine continues to work on improving both legislation and organizational mechanisms that should facilitate funding by local communities. The current challenge is to ensure stable financing of community funds, as well as to strengthen transparency, control and accounting of the funds accumulated by them, and appropriate measures are being taken to improve the human resources competence of local authorities in the creation and management of such funds.

### **2.3 Overview of the national legislation regulating the activities of funding by local communities**

The main legislative acts that formed the legal basis for institutional support of funding by local communities in Ukraine through the creation and operation of profitable or non-profit funds include the following:

- the Constitution of Ukraine;
- the Law of Ukraine “On Investment Activity”;
- the Law of Ukraine “On Local Self-Government in Ukraine”;
- the Law of Ukraine “On Innovative Activities”;
- the Law of Ukraine “On Joint Investment Institutions”;
- the Law of Ukraine “On Charitable Activities and Charitable Organizations”;
- the Tax Code of Ukraine;
- the Civil Code of Ukraine;
- commercial Code of Ukraine;

The current legal system of our country includes more than 30 laws and other regulations that in one way or another regulate funding by local communities.



### The Law of Ukraine “On Investment Activity” [2]

It is aimed at equal protection of the rights and interests of all investment entities (regardless of their form of ownership), as well as at ensuring favorable conditions for increasing investment in the Ukrainian economy and developing international cooperation in the economic sphere.

Investment activity under this law may be carried out on the basis of:

- investment by foreign entities of various forms of ownership;
- investments made by Ukrainian citizens, non-state enterprises, business associations, unions, etc;
- investments by local governments;
- joint investment by citizens and legal entities of Ukraine and foreign countries.

The subjects of investment activity are individuals and legal entities of Ukraine and foreign countries.

### The Law of Ukraine “On Local Self-Government in Ukraine” [3]

Article 28, “Powers in the sphere of budget, finance and prices” (subparagraph 3 of paragraph 9), includes “promotion of investment activity in the respective territory” among the relevant delegated powers of executive bodies of village, town and city councils.

### The Law of Ukraine “On Innovative Activities” [4]

Defines the objects and subjects of innovation, the essence of state regulation and financial support for innovation.

### The Law of Ukraine “On Collective Investment Institutions” [5]

It provides prerequisites and establishes rules for attracting and placing financial resources belonging to investors and defines the legal basis for the establishment and operation of various types of collective investment entities, such as corporate and mutual funds, their assets and securities. The law is especially important for funding by local communities in the form of a profit (investment) fund.

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[2] The Law of Ukraine “On Investment Activity” <https://zakon.rada.gov.ua/laws/show/1560-12#Text>

[3] The Law of Ukraine “On Local Self-Government in Ukraine”  
<https://zakon.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80#Text>

[4] The Law of Ukraine “On Innovative Activities” <https://zakon.rada.gov.ua/laws/show/40-15#Text>

[5] The Law of Ukraine “On Collective Investment Institutions” <https://zakon.rada.gov.ua/laws/show/5080-17#Text>

### Law of Ukraine “On Charitable Activities and Charitable Organizations” [6]

It defined the types, procedure for the establishment, operation and reporting of charitable organizations. It also distinguished between such concepts as “charitable foundation” and “public organization”, introduced new terms such as “charitable grant” and “charitable endowment”, expanded the general scope of charity, and legalized the right of a benefactor to control the targeted use of charitable donations.



Tax Code of Ukraine [7] establishes the concepts of “non-profit organization” (clause 1, part 1, article 133) and “business entity”. A non-profit enterprise or organization is one that is legally established and registered, whose constituent documents prohibit the distribution of income received among founders, members or employees (except for salaries and taxes), and which is included in the Unified Register of Non-Profit Institutions and Organizations.

In addition, all property and non-property relations are regulated by the Civil Code of Ukraine [8], which also governs all transactions involving the property or resources of investors, philanthropists or benefactors (including foreign ones).

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[6] Law of Ukraine “On Charitable Activities and Charitable Organizations”

<https://zakon.rada.gov.ua/laws/show/5073-17#Text>

[7] Tax Code of Ukraine <https://zakon.rada.gov.ua/laws/show/2755-17#Text>

[8] Civil Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/435-15#Text>

The legal basis of economic activity (as regards profit funds) are established by the Commercial Code of Ukraine [9]

Also, at the local level, relevant documents are adopted that define regional priorities: these include “Development Strategies for the region, city, and united local community” and “Programs of socio-economic development for the respective year.”

## **2.4. Brief analysis of existing studies of funding by local communities**

The issue of launching and functioning of community foundations is in the field of view of specialists in funding and theoretical economists, in particular: Ladislav Poliak in “The role of community foundations in local development - Slovak experience”, Michael Shuman in “Creating a Community Investment Fund”, Peter Berliner and Vikki N. Spruill in “Community Foundation Field Guide to Impact Investing from the Desks”, Jens Kimmel in “A guide to Community Foundations in the Netherlands”, Margaret Ledwith in “Community Development: Community Development: Creating Vibrant Local Spaces”, Stefano Zamagni, Luigino Bruni in Handbook on the Economics of Philanthropy, Reciprocity and Social Enterprise, John P. Kretzmann, John L. Kretzmann, John L. McKnight in “Building Communities from Within: A Path Toward Finding and Mobilizing Community Assets” (“Building Communities from the Inside Out: A Path Toward Finding and Mobilizing a Community's Assets”), founders and managers of various investment and community development funds from many countries, and information portals on funding. However, especially in Ukraine, where community funding is fragmented and largely spontaneous, this area has not been systematically studied. In this regard, generalization of theoretical and methodological approaches, existing practices in this area is quite relevant and relevant, especially in the context of more effective functioning of cities and amalgamated local communities and increasing their financial autonomy in the context of local government reform and future post-war recovery of the regions.

## **2.5. Funding functions of local communities**

This tool includes the following functions.

### **2.5.1. Fundraising and accumulation of funds**

This is one of the key functions and involves working with various sources of

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[9] Commercial Code of Ukraine <https://zakon.rada.gov.ua/laws/show/436-15#Text>

financial resources, such as local taxes, private donations, grants, programs, and investments.

#### 2.5.1. Fundraising and accumulation of funds

This is one of the key functions and involves working with various sources of financial resources, such as local taxes, private donations, grants, programs and investments.

#### 2.5.2. Allocation of resources

Funding allows local governments and communities to allocate funds in a transparent and efficient manner, taking into account current needs and priorities.

#### 2.5.3. Manage specific projects

Funding also covers project and program management, which includes planning, monitoring and evaluation of their implementation.

#### 2.5.4. Citizen participation

Funding by local communities allows local residents to be actively involved in executive decision-making and control over the use of funds, which has a positive impact on strengthening civil society.

#### 2.5.5. Encouraging and stimulating innovation

Funding can and should also actively support innovative projects and initiatives, which significantly contributes to the development of new technologies and more efficient and modern solutions in all areas of public life.

#### 2.5.6. Long-term planning and sustainability

Funding allows local communities to effectively develop long-term strategies for their development, ensuring stability and predictability in the use of financial resources.

### 2.5.7. Participation in local development programs

Community foundations can directly or indirectly participate in the creation of municipal economic and social development programs (for some countries), which, for example, are mandatory for every municipality in Slovakia [10].

## **2.6. Types of local community development funds**

In general, community development funds are organizations that operate on the territory of a particular community and operate with targeted capital to solve socially important local problems and improve the quality of life of the community as a whole.

Community philanthropy in the world is a rather multifaceted and diverse field of activity, and in this context, several types of such funds can be distinguished, which are intended to play an important role in ensuring sustainable and dynamic development of local communities.

### 2.6.1. Budgetary funds

They are formed exclusively at the expense of the local budget.

### 2.6.2. Non-budgetary non-profit foundations

They are not intended to make a profit and distribute it among the founders (participants) and are most often created in the form of charitable foundations (organizations).

The general idea of this type of foundation is that a charitable structure that is trusted and has an effective mechanism for solving urgent problems should operate in a particular community for its residents. The peculiarity of such foundations is their territorial limitations in their activities and a clear focus on the community and its needs.

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[10] "The role of community foundations in local development – Slovak experience"  
<http://store.ectap.ro/articole/944.pdf>





Summarizing the international experience, the following characteristics of non-profit foundations of local communities can be identified

- they strive to improve the quality of life of community residents;
- pursue an open and transparent policy of their activities;
- take an active part in the life of local communities as catalysts and organizers of solving urgent problems and developing specific solutions to issues important for the community;
- do not depend on the influence of third-party organizations or authorities;
- Provide targeted grants to other non-profit organizations or groups of residents to further address various local problems or issues;
- provide a range of services to donors to help them achieve their philanthropic goals;



- strive to be a permanent source of financial resources for the community and often create an untouchable capital, which is formed from donations from local businesses, citizens, government, and third-party non-profit organizations;
- are truly accountable to their community: they regularly inform residents about their tasks and financial status and report on their performance;
- are governed by an established board consisting of various community representatives;

Non-profit foundations include the following:

- social support funds - they accumulate funds to finance programs and initiatives aimed at improving the social sphere of local communities (this includes projects to support young families, education and healthcare, youth programs, low-income citizens, etc);
- general funds for local community development are a key tool for financing a wide variety of projects and programs at the local level. They are usually established as non-profit organizations or government agencies and raise funds from various sources, including budget allocations, investments, donations, and grants;
- environmental sustainability funds. They are usually focused on solving environmental problems locally and improving the environment there. Such funds finance projects for the sustainable use of natural resources, nature conservation, and reduction of harmful emissions;
- infrastructure development funds. Their purpose is to finance the construction and renovation (reconstruction) of physical infrastructure (including roads and bridges, airports, and housing construction, etc.), which directly contributes to improving the standard of living and quality of life of citizens and supports sustainable economic growth;
- local community investment funds. They are aimed at attracting investment and private or intergovernmental capital to support local economic development. These funds also often cooperate with private investors and large enterprises to stimulate entrepreneurship and create new jobs, which in turn will contribute to the growth of local economies;

- cultural development funds. They accumulate funds and finance projects related to the development of culture and arts and national identity. This includes support for museums, artistic and cultural events and institutions;
- youth and educational development funds are a tool for financing educational programs and trainings, scholarships, and all kinds of initiatives aimed at promoting youth development and increasing access to education;
- innovation and entrepreneurship funds. They support innovative start-ups and enterprises and provide financing, advice and other resources for the development and implementation of new technologies and business projects;
- revolving funds. Provide loans for the implementation of specific projects of local communities in accordance with their priority areas of activity (such as energy conservation, entrepreneurship support, infrastructure improvement, landscaping, etc.). Such loans are concessional and must be repaid for further financing of other projects;

It should also be noted that the simultaneous combination of several different types of funds mentioned above can be the key to a more comprehensive and sustainable approach to the comprehensive development of local communities.

### 2.6.3. Non-budgetary profitable funds

These are mainly community investment funds (including venture capital funds). They are usually created as profit-making organizations whose purpose is to generate income from financing commercial projects and their further operation, lending to small businesses, etc. All investors (they can be both businesses and local residents) of such funds receive dividends in the form of interest or a portion of the profits earned by the fund during the reporting period.

Also, in recent years, endowments have been rapidly spreading around the world - funds created by interested founders to financially support the activities of certain non-profit organizations, but not by spending contributions (fixed capital), but by the profit received by the endowment from investing fixed capital.

All of these types of community foundations have become more popular in Western countries, but given the fact that Ukraine does not yet have a regulatory framework that would regulate the creation and operation of endowments, and

investment and venture capital funds are legally limited to securities and real estate transactions, there are practically no community foundations in our country.

## **2.7. Interaction of local community foundations with their environment**

The relationship between a local community foundation and its “environment” is usually considered in several ways:

2.7.1. Interaction of the community foundation directly with its residents.

2.7.2. The relationship of the community foundation with other nonprofit organizations (public, charitable, etc.).

2.7.3. Relationship of the community foundation with private enterprises and individual entrepreneurs to attract them to donations or investments on certain conditions.

2.7.4. The relationship of a community foundation with the municipality in which it operates (or plans to operate).

Ladislav POLIAK identifies these four areas in his work [10].

In addition, in my opinion, 2 more items should be added to this list:

2.7.5. Interaction of community foundations with the state budget.

2.7.6. Cooperation with international financial organizations and funds.

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[10] "The role of community foundations in local development – Slovak experience"  
<http://store.ectap.ro/articole/944.pdf>

## CHAPTER 3. Establishment of local community foundations



### 3.1. Ways and stages of defining the mission, goals and priorities

The first step is to reliably and clearly identify the main problems of the community - this is the key to the high quality of all future social and economic projects of the community foundation, adequate compliance of the foundation's activities with the actual needs of the community, a high level of trust from local residents, and significant and sustainable support from partners.

Community issues are best identified through a sociological survey of its residents. The purpose of such a survey is usually to study the problems of the community's population and find effective ways to solve them.

The following tasks are set as part of the survey:

- identify the most important personal problems of the residents and the territorial community as a whole;
- identify all possible ways to solve these problems within the community;
- to study the level of safety of living in the territorial community;
- to determine the level of readiness of local residents to engage in progressive changes in the local community;

Online or offline surveys can be conducted by volunteers, participants of youth initiative banks using the peer-to-peer method. The results of such surveys must be presented to residents in a way that is convenient for them.

Based on the generalized and systematized data on community issues, the mission, development priorities and main goals to be achieved through the work of the future fund can be determined, from which the Investment Rationale of the fund logically follows.

The mission should give a clear direction of what global changes in the community the future activities of the foundation should achieve. For this purpose, it is necessary to first assess the main needs of the community [11], its historical context, taking into account past efforts and current initiatives. Meetings, workshops, or community meetings can also be organized to engage all stakeholders (involved and interested parties) in discussing the future mission of the foundation.

A well-formulated mission statement should be:

- inspiring, i.e., motivating and uniting community residents to achieve a common goal;
- clear and concise: easy to understand and memorize;
- future-oriented: focusing on long-term results and aspirations;
- fully focused on positive changes in the community as a result of solving actual problems, which will be described in the relevant programs or projects;

- with a specific goal (the answer to the question, what does the foundation want to achieve?);
- describing future activities, i.e. the ways and actions by which the foundation will achieve its goal;
- have values (a set of fundamental beliefs and principles that will guide the fund in its future activities);
- have a long-term impact on the community that the foundation seeks to achieve;
- have beneficiaries (those who will benefit from the foundation's activities);

The goals and priorities (within the chosen mission) already stem from the advantages and promising qualities of the local community, such as:

- favorable and convenient logistics location (the goal may be to finance the development of transport and warehouse infrastructure to generate more income from the movement of various goods);
- the potential to upgrade infrastructure facilities and the material and technical base of enterprises or institutions (implementation of energy saving, improvement of the level of service by institutions, etc);
- the presence of unique objects on the community's territory (historical, cultural, natural, business, etc.): in this direction, the condition of such objects, tourist infrastructure and relevant information campaigns can be improved to increase the flow of tourists;
- rich natural resources on the community's territory with the potential for their more efficient use (agricultural, forest, recreational, hunting grounds) - upgrading agricultural production or recreational equipment;

On the other hand, goals can be set based on areas of the community that need immediate improvement, development or renewal, including:

- start-ups, stimulating or improving business conditions;
- improvement of existing or creation of new cultural or infrastructure facilities;

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[11] "Assessment of community needs and resources " <https://ctb.ku.edu/en/assessing-community-needs-and-resources>



- support for youth and low-income citizens;
- improving the local environment;
- introduction of new, relevant and useful services for community residents;



### **3.2. Determining factors for establishing a foundation.**

The American Local Investment Resource [12] identifies the following key factors (questions):

- Who will be on the team and what areas of work will they be involved in?
- What are the goals of the fund?

To facilitate the identification of goals and priorities, you can use the Model Worksheet for Community Investment Theses (application 1)

- Will the fund have a business model and, if so, what kind?

Peter Berliner and Vicki N. Spruill in their “A Practical Guide to Impact Investing for Community Foundations” [13] draw attention to the following basic questions for establishing a foundation:

- How much money is likely to be available in the short and medium term?
- What financial return do you expect as the foundation's programs progress?
- What areas have the greatest potential for effective use of impact investments?
- Where are the first successes likely to support the foundation's development?
- What areas of the foundation's activities are of interest to the donor community?
- Are there ways to attract donors to invest that seem particularly promising?

I would like to add a few more questions that I think are relevant, and the answers to which will help us to understand the “picture” of the future foundation's activities more fully:

- What will be the specific sources of fundraising?
- What programs (priorities) will the foundation finance?
- How and when will the foundation report to the community?

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[12] "A resource for local investment" <https://localinvesting.org>

[13] A practical guide to impact investing for community foundations

<https://missioninvestors.org/sites/default/files/resources/Community%20Foundation%20Field%20Guide%20to%20Impact%20Investing.pdf>

- How and by whom will decisions on the use of funds be made?

### **3.3. Risks**

Michael Schuman in “Creating a Community Investment Fund” notes that balancing investor risk with the virtues of society that fill the gap in the capital system is one of the most fundamental ideas of the project (of course, this applies only to for-profit funds). On the other hand, since the success of a fund may depend on unpredictable factors related to the market, products, management, investor relations.

In this case, the best that a local fund can do is to delve into one specific sector and specialize in one or two areas of local investment (support) and focus on their priority implementation [14].

Another risk is the complete dependence of the funds' sustainability on the reliability of their sources of funding.

There is also a risk of inefficiency or misuse of funds, which requires the organization of proper control over the activities of the funds.

Corruption: there is a risk of corruption in decision-making on the distribution of funds, especially if there is no transparency in making such decisions.

### **3.4. Establishing a foundation**

#### 3.4.1. Priorities of activity

Based on the understanding of the foundation's mission and the areas (spheres of community life) that it will finance (according to paragraphs 3.1 and 3.2 of this manual), it is better to specify in advance, in consultation with the community, the priority urgent problems that need to be addressed as a matter of priority (for example, through a survey in social networks, on local government websites, local media various kinds of questionnaires or public hearings) and write appropriate targeted programs [15], [16] or projects (aligned with the foundation's mission) to

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[14] "Creating a Community Investment Fund", Michael Shuman. <https://www.pvgrows.net/wp-content/uploads/2015/03/Creating-A-Community-Investment-Fund-for-PVGrows-2013.pdf>

[15] "A guide to developing local targeted community programs on the example of education" <https://decentralization.ua/uploads/library/file/773/DECIDE.pdf>

[16] "Procedure for developing municipal targeted programs and monitoring" [https://www.lutskrada.gov.ua/sites/default/files/dodatok\\_538.doc](https://www.lutskrada.gov.ua/sites/default/files/dodatok_538.doc)

address them, which will specify the purpose and ways of financing them and, once fully implemented, will be completed with appropriate reports. To start with, it will be enough to develop one or two such projects (programs).

### 3.4.2. Preliminary consultations

Next, consultations are usually held with local authorities, businesses, and activists to determine who will be the founders of the foundation (this will affect future control over its activities and the amount of funds raised at the local level) and to determine who will be willing and able to become a sponsor (donor) at the local level at the initial stage.

Then, on the basis of the above-mentioned work, you can proceed to the direct creation of the fund.

### 3.4.3. Creation procedure

All types of non-profit foundations are established as a non-profit (charitable) organization or structure and registered as a legal entity in accordance with the requirements of the current legislation of Ukraine on public associations and non-profit organizations. The founder may be a local community, its residents, representatives of local business or third-party organizations, this process includes the following:

- holding a constituent assembly to approve the charter;
- preparation of the necessary documents for registration (including the charter, minutes of the constituent meeting of the foundation's members, a package of applications and a notice of intent to establish a local community foundation);

The charter of a charitable foundation [17] is a document that must contain all the basic principles for the foundation to carry out its activities. The main principle of drafting the charter should be that it should provide for all possible principles and regulations of the foundation's work. In other words, if in the future it is unclear how to solve a particular problem regarding the activities, then you will need to refer to the charter and read how it regulates the relevant aspect of the activities.

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[17] Model charter of a charitable foundation  
<https://funding-lc.info/wp-content/uploads/2024/05/TYPOVYY-STATUT-BLAHODIYNOHO-FONDU.pdf>

According to the Law of Ukraine “On Charitable Activities and Charitable Organizations,” the charter of a foundation must provide for its name, goals and areas of future activities, the list, composition, competence of governing bodies and the algorithm for making all decisions.

The charter must also contain the procedure for electing, appointing or approving all governing bodies and their removal, the procedure for amending the foundation's constituent documents, the sources of its income and the procedure for monitoring its activities and reporting, the grounds (and procedure) for terminating the foundation and the procedure for distributing its assets.

The minutes of the general meeting of participants of the charitable foundation [18] must contain the place and date of the meeting, the number of all persons who participated in it, proposals and the result of voting on the establishment of the foundation, approval and approval of its name and charter, election of governing bodies (head) and approval of their powers;

- registration of the foundation with the state authorities;

For state registration, you will need to correctly prepare and submit the following documents

- copies of documents confirming the identity of the founder(s), if they are citizens, and a copy of the charter and documents of the founder's authorized person, if it is a legal entity;

- copies of the minutes of the general meeting of participants on the establishment of the fund (if there are 2 or more founders), or the relevant decision of the founder (if there is only one) - 2 copies;

- the charter of the foundation in two copies;

- registration application (registration form);

- a corresponding application for registration of a non-profit organization;

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[18] Model minutes of the general meeting of members of a charitable foundation <https://funding-lc.info/wp-content/uploads/2024/05/Protokol-ustanovchykh-zboriv-zasnovnykiv-Blahodiynoho-fondu.pdf>



- description of the entire ownership structure of the future foundation;
- opening a bank account and making a seal;
- obtaining a non-profit status.

Profitable (investment) community funds are established in a similar manner (except for the last stage of obtaining a non-profit status) and with a strategy and conditions for attracting investors, as well as a mechanism for distributing profits received from the funds' activities (described in the charter).

### **3.5. Recruitment of employees**

For the effective and legal operation of the newly established foundation, competent employees will certainly be needed to ensure its full functioning, as the foundation must keep records, submit relevant reports, raise and distribute funds, resist cyberattacks and fraud, etc.

Ukrainian community foundations usually employ the following specialists:

- director: is responsible for the general management of the foundation;
- an accountant: deals with accounting and submission of financial statements;
- a security specialist: usually involved in conducting training seminars for employees on how to avoid getting involved in criminal schemes, taking measures to preserve and enhance the foundation's reputation, etc;
- fundraising manager: builds relationships with donors, donors, sponsors, and grantors to raise funds or other non-financial assets to fully realize the foundation's mission;
- grant writer: writes and submits grant applications for the foundation;
- volunteers: are engaged to assist in various aspects of the foundation's activities;

All other issues are usually resolved through the short-term involvement of highly specialized outside specialists.

As for foreign (especially western) community foundations, given that they are usually much larger and more extensive in their structure and activities than Ukrainian ones, their staff is often quite broad. For such foundations, the following typical positions (specialties) of their employees can be noted:

- chief executive officer;
- chief operating officer;
- financial director;
- administrative assistant;
- office manager;
- accountant;
- grant manager;
- development manager;
- major donations specialist;
- planned giving specialist;
- donor relations manager;
- grant writing specialist;
- fundraising coordinator;
- program manager;
- community outreach coordinator;
- marketing coordinator;
- social media manager;
- graphic designer;
- grants manager;
- community impact specialist;
- grants coordinator;



- evaluation and training specialist;
- IT director;
- system administrator;
- database manager;
- HR manager;
- volunteer coordinator;
- chairman and deputy chairman of the board of directors;
- secretary;
- board members / trustees;

Thus, for the normal functioning of the community foundation, it will be necessary to form an effective and well-coordinated team of the above specialists.

## CHAPTER 4. Fundraising



Fundraising - “resource mobilization” or “fundraising” is the process of comprehensive attraction of resources (financial, human, technical, material, informational or other) for further implementation of existing relevant projects or support of activities of a specific entity that does not involve financial gain (profit).

Fundraising is not exactly “begging for money”, but rather “offering to make a donation”, it is a planned work aimed at finding sources of donations that will be made consciously. In the process of fundraising, certain partnerships are established and a strategy of cooperation with people or organizations that have the ability to provide material support is adopted.



#### 4.1 Ways to raise funds

To successfully raise funds for non-profit foundations, local communities should simultaneously use different ways and means, namely

**Local budgets:** for this purpose, local communities can actively participate in budgeting and subsequent lobbying for the allocation of funds for priority projects.

**State subsidies and grants:** the state constantly provides subsidies and grants to local communities for their priority goals. To do this, local communities should actively monitor available grant programs and properly prepare the relevant applications to obtain the necessary funding, for which it is best to allocate separate specialists.

**Partnership with the private sector.** Working with businesses and entrepreneurs from the private sector to solicit donations on an ongoing basis is also an effective

way to raise funds. Local communities can negotiate with representatives of local businesses to fill the fund to further finance specific projects or create public-private partnerships (this includes investments in infrastructure, sponsorship of various socio-economic events, or funding of social programs).

**International foundations and organizations.** A large number of different international organizations and specialized foundations also regularly provide funds for local projects in Ukraine. Communities can work closely with such organizations and apply for grants or receive appropriate technical support. This can be quite useful for implementing projects in the fields of education, environment, and healthcare.

## 4.2. Postulates of effective fundraising

Effective fundraising is based on several postulates:

- first, you need to have a clear description (project, program, etc.) of the “good cause” for which funds will be raised;
- secondly, a clear presentation of the foundation for potential sponsors, philanthropists and benefactors: who are its founders, what resources it has, and what good deeds it has already done and what more is in the pipeline;
- availability and constant updating of the database of potential donors;
- potential benefactors should be offered not just one donation option, but several at once (for example, a direct donation offer and an offer to install a charitable collection box on the benefactor's premises);
- all sections of the project should be directly related to the problem that the project is going to solve;
- periodic reporting on the resources (funds) spent, which helps to gain the trust of donors. At the same time, it is important to demonstrate the results of the fundraising campaign - this helps donors feel that their donations are crucial in achieving the project's goal;
- a well-designed donation page: this will inspire additional trust in people and make them more likely to donate to the project;

### 4.3. Benefactors

As a rule, benefactors are divided into sponsors, donors, philanthropists, and patrons.

A sponsor can be either an individual or an organization whose support is based on receiving both direct and indirect benefits. The latter often involves the dissemination (popularization) of certain pre-agreed-upon information about the sponsor (brand mentions, information about activities, etc.).

A donor is an individual or an organization that makes donations or funds grants based on the results of a competition.

Patrons are individuals who make donations to areas they personally favor.

A philanthropist is a person who is engaged in charity and at the same time has certain ideas on how to solve the problems of the surrounding community and society as a whole.



Understanding which type of donor is in front of the fundraiser, the fundraiser makes different offers for them accordingly, which significantly increases the effectiveness of raising the necessary resources.

#### **4.4. How to “recognize” your donor?**

Given the practice of charitable foundations in Ukraine, there are a number of signs and criteria that a particular donor is likely to provide financial assistance:

- the donor's goals and values should coincide with the foundation's goals;
- the foundation implements projects that are important to the donor;
- the foundation works with target groups that are a priority for the donor;
- the foundation's project experience, scope of activities, and level of organizational capacity meet the donor's requirements for grant applicants;

Also, in order to be successful in obtaining funds from donors, projects should not be invented “for the competition”; the decision to participate should be made after analyzing the geographical distribution and topics of projects supported by the donor in the past, the scale of the supported projects (local, regional or national) and the amount of grants provided, the characteristics of the winners (by legal form, activity profile, their history and experience).

#### **4.5. Main tools for fundraising by fundraisers**

- board of trustees (consisting of wealthy individuals who can share their experience, resources, and connections);
- attraction of free goods and services (office, storage space, sponsored transportation, communication, etc;)
- membership fees (regular payment);
- letters (mainly a tool for keeping in touch with those who have previously supported the foundation);

- personal communication with potential donors (according to statistics, in Ukraine, approximately 5-7% of meetings with donors yield positive results);
- Moneyboxes: setting up or moving moneyboxes in crowded places or moving them door-to-door;
- charity fairs, dinners, banquets with famous people;
- charity competitions or tournaments, festivals or concerts;
- presenting the project to labor collectives;

Working with donors is usually always successful, you just need to be patient and have good projects. As practice shows, on average, a donor usually does not donate from the first meeting, but if you are consistent in this activity, you can effectively attract resources in the right amounts.

#### **4.6. Obtaining grants**

To receive a grant, you need to have a well-written project and prepare an appropriate application that will be submitted to the grantor. To do this, it is advisable to designate a responsible person who will learn grantwriting (high-quality writing of grant applications) or contact a professional.

There are special training courses that will help you quickly and comprehensively master the profession of a grant writer [19].

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[19] <https://synergy-universe.global/letsgrant#tarifs>





In addition, for example, the Vinnytsia Regional Association of Local Governments in its “Methodological Recommendations for Correct Project Writing and Grant Receiving” [20] notes that in order to be successful in obtaining a grant, the project must be

- clear and precise - it should contain accurate descriptions of the costs for which the expected funding is needed and descriptions of the work to be performed by your foundation;
- reliable - to have factual and understandable materials: tables, graphics, diagrams, etc. (it may be necessary to conduct a preliminary study of the project to assess the needs and possible attitude of residents to the project);
- important - not only for the foundation itself, but also for the successful solution of the problem that the project is aimed at. The long-term effect of the project usually becomes an additional attractive factor;

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[20] "Guidelines for writing projects and obtaining grants correctly"

<http://sg.vn.ua/wp-content/uploads/2017/01/Metodychni-rekomendatsiyi-dlya-napysannya-proektiv.pdf>

- effective - the result of the project implementation must bring significant public benefit;
- realistic - the proposed work must be feasible;
- economic - to bring high results at low costs to the donor;
- relevant - to really contribute to solving really urgent problems for the community;
- be in line with the interests of the donor and the charitable policy it pursues;

On the part of the donor, a positive decision to make a grant or donation is usually influenced by factors that must be met when submitting the relevant application or request:

4.6.1. The presence of an innovative approach to solving the problem described by the project. many donors prefer new ideas to the same old ones, and are more interested in those proposed solutions that are based on the latest knowledge.

4.6.2. The applicant's determination to implement their project under any circumstances. Donors like people who are fully committed to the work they do, not those who will only do something if they are provided with funds.

4.6.3. The applicant has the necessary experience to implement the project. The employees who will implement the project are not required to be high-level experts in the relevant field, but sufficient experience and enthusiasm will still be required. Therefore, the information about the people involved in the project should indicate that they are sufficiently qualified.

4.6.4. The project is aimed at helping to solve social problems or challenges, not at increasing the foundation's wealth.

4.6.5. The project and the work of the foundation's staff are intended to assist the funded objects, not to do all the work for them.

4.6.6. The Applicant constantly invests its own funds in the project. This fact will confirm to the donor that by involving its own resources, the foundation will try to implement the project as best it can, and will continue its work even after the funds it receives from the donor are exhausted, while trying to find other sources of funding.

4.6.7. The Applicant will continue the project even after the funding has been fully exhausted. Sponsors or grantors like to fund something that is so valuable and useful to people that it will continue even after the allocated funds have been fully utilized. Usually, no donor wants to launch projects that will stop a year or two after the end of funding.

4.6.8. The applicant is always ready to have its work evaluated by independent experts. This helps both those submitting the project and the donors themselves to improve the progress.

#### Grant application.

An application for project funding should usually include:

- a cover letter (which contains a brief description of the project idea and a summary of the project idea and its importance);
- a description of the project itself (with generalized information about the project, an introduction, a clear and understandable description of the problem, the goal and objectives of the project (specific measurable results that will improve the situation or solve the problem) and ways of implementing it, evaluation and possibility of further funding, budget and annexes);
- additional materials (biographical information of project participants, various letters of recommendation, annual report and certificate of non-profit status, charter of the foundation, curriculum, etc.);

A list of major international donors is provided in application 2.

I can also recommend a competent guide “Overview of European Union Programs Available to Applicants from Ukraine” [21] by Myroslav Kosheliuk, an expert in local and regional development, and Laura Trofin, a PhD in European Studies and Sociology. It covers a huge number of programs (EU sectoral programs, transnational and interregional cooperation programs) and also considers new financial instruments that have been specifically designed to support Ukraine and provides guidance on how to prepare a project application.

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[21] "Overview of EU programs available to applicants from Ukraine" <https://granty.org.ua/wp-content/uploads/2024/03/Posibnyk-Oglyad-program-YES-dostupnyh-dlya-zayavnykiv-z-Ukrai-ny.pdf>

## 4.7. Crowdfunding

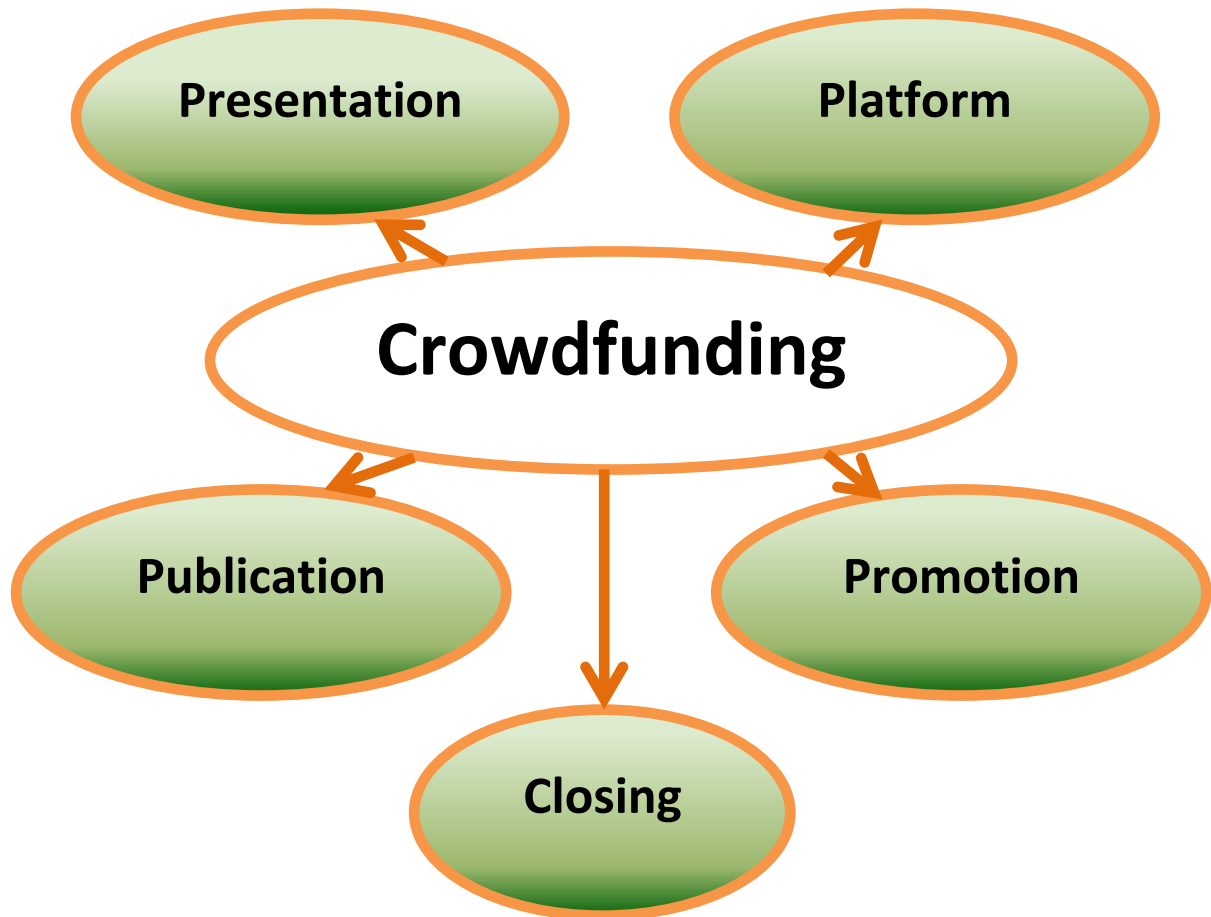
In recent years, more and more new forms of financing, such as crowdfunding, have become available in Ukraine. This is a modern tool for raising capital from a large number of people, which is used to finance new projects.

Crowdfunding platforms provide access to an alternative type of financing, where local communities can raise funds for their urgent projects. In addition, for such contributions, philanthropists can receive rewards from the community in the form of memorable gifts or certificates for various services, participation in promotions, etc.

There are several types of crowdfunding, depending on the purpose of the campaign:

- charitable: it is mainly used to implement non-profit projects, and the benefactors themselves will not benefit from their donations;
- for a fee: investors or donors may receive a certain gift or, for example, long-term access to the company's goods (services);
- Peer-to-Peer: is the provision of a loan by an investor in order to receive interest;
- equity: allows investors to get a share in the company's capital;

In Ukraine, charity crowdfunding has recently become the most popular, especially in the context of military operations and assistance to citizens and communities in general. However, there is already an urgent need for such crowdfunding in our country, which could become an alternative tool for financing startups, projects, and programs of local communities, although it should be noted that there is currently no appropriate legal framework for this, and its development and implementation is still a prospect.



Crowdfunding as a format of cooperation, when citizens voluntarily pool and jointly channel resources to support the efforts of local communities, can be quite effective for the post-war recovery of Ukrainian communities. Crowdfunding platforms will allow communities to present their projects to a wide audience and attract financial support in exchange for rewards in the form of events or gifts for investors. Participants of crowdfunding platforms are also interested in the success of projects, so they will be active promoters of promising projects. For their part, communities should build clear and understandable communication, constantly attract the attention of various media, and set reasonable and realistic marketing goals.

In order for crowdfunding to be effective, it needs to be carried out in several stages:

- presentation: the ability to present a project or idea well and clearly can be crucial. In this context, the presentation should contain a thorough description of the main idea of the project, additional illustrations and models that allow people to understand why they should give money to this particular project;

- choosing a platform: in the process of preliminary selection, you need to clearly know all the features of your project and understand what you expect from the publication. You should also pay attention to who the platform cooperates with, whether there is a commission for publication, and whether it is possible to make changes to the project after its publication. Preference should be given to officially registered platforms, as this will increase the chances of receiving the necessary funds;
- publication: the crowdfunding platform evaluates and verifies the proposed project, determines possible ways of crowdfunding, and, if approved, publishes it. The platform or the author sets the deadline for fundraising;
- promotion: publishing on a crowdfunding platform is often not enough to raise funds effectively. To obtain financial resources, the project will most likely need to be promoted, for which I recommend demonstrating the project idea to as many people as possible, informing them about the goal and values that should encourage them to make their contributions;
- closing: as soon as the required amount is raised, the project should be closed. The platform will check the completeness of the funding and transfer the funds to the author's account;

A list of crowdfunding platforms is provided in application 3.

## **4.8. Crowdsourcing**

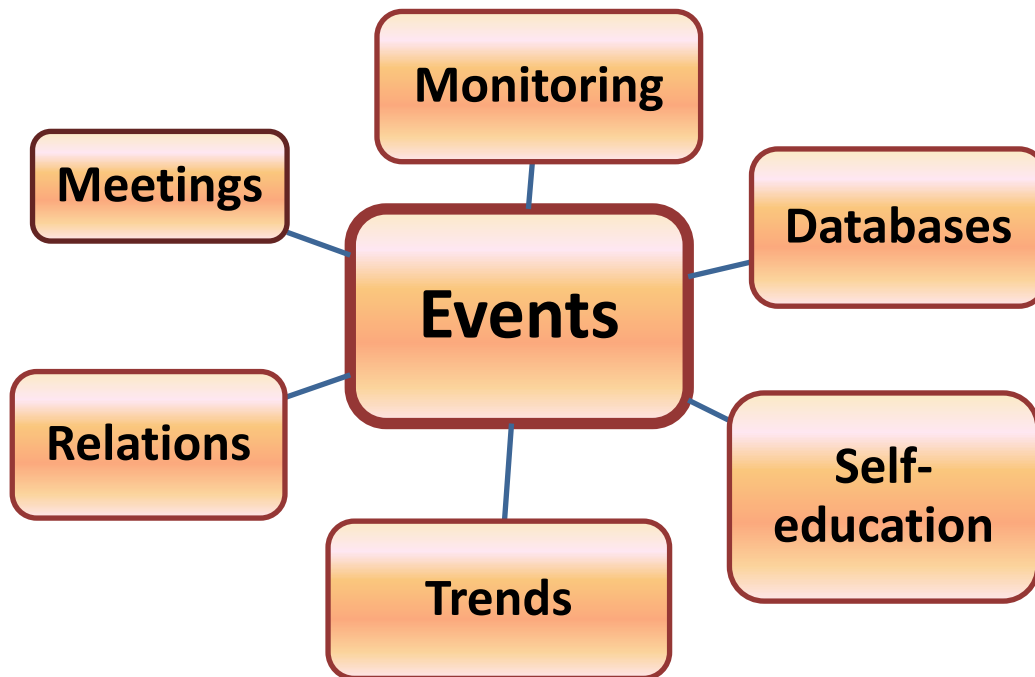
It allows you to attract outside human resources to jointly solve local problems or achieve urgent goals. Although it is not direct funding, it can also significantly help the implementation of projects (physical, organizational, or other assistance from people and volunteers).

## **4.9. Local initiatives**

In addition, all sorts of local initiatives, such as fairs, raffles or charity events that the community can organize, can also help raise funds from local residents.

#### 4.10. Conducting events and communications

It should also be noted a number of activities that need to be carried out by the foundation's employees on a regular basis for the effectiveness of all the above activities to attract financial resources:



- holding working meetings, round tables, etc;
- continuous monitoring of existing financial sources;
- measures to establish closer ties with donors;
- creation and constant maintenance of relevant databases;
- monitoring of trends in charity and philanthropy;
- Continuous self-education and improvement of the team members' expertise;

Establishing effective communications with the public is another important element in the effectiveness of both the foundation in general and fundraising in particular. Typically, such communications are conducted in the following ways:





- creating and promoting a high-quality and clear website that will contain all information about the foundation's activities;
- creating and maintaining up-to-date pages in social networks;
- regular coverage of current work;
- public reporting on all implemented projects;
- publication of annual reports (both narrative and financial);
- registration on various thematic portals and conducting dialogues, discussions, etc;
- promoting best practices;

Summarizing the above material, we can say that local communities in Ukraine have a variety of opportunities to raise funds to finance projects and programs. However, the effective use of all of the above methods requires careful planning,

cooperation, and appropriate professional skills of the participants and employees of the community development fund in the field of financial management.

## **CHAPTER 5. Functioning of local community foundations**

### **5.1. Management of the fund**

The governing bodies of the local community foundation are usually: the supreme governing body - the General Meeting, the management body - the Supervisory Board, the executive body (which operates on a permanent basis) - the Management Board, which consists of the Chairman of the Board and its members. Sometimes local foundations have a board of directors, which also includes representatives of the public and is responsible for managing and distributing attracted and accumulated resources.

The list of governing bodies, their quantitative composition, functions and responsibilities, as well as the rules of procedure for their work are determined by the foundation's charter.

### **5.2. Instruments of the funds' activities**

Community-based charitable foundations finance local priorities through the following tools:

5.2.1. Establishment and functioning of a general grant fund, which in most cases is formed by a large number of contributions from different sources (private, business, donor or budget). This fund is usually used to provide financial support for a wide range of socially significant innovative and priority local projects. The General Fund accumulates contributions of various sizes into one pool, which is then distributed to selected areas.

5.2.2. Thematic grant funds - which are formed to solve a single problem. These are often cultural, educational, or environmental events, or urgent improvement issues for the local community. The peculiarity of such projects is their repeatability.

5.2.3 Named foundations of companies, corporations, or philanthropists. They can also be created to create an appropriate image of such enterprises or to perpetuate the memory of a benefactor.

5.2.4 Targeted scholarship or tuition programs for specific students. In many cases, donors of such programs are enterprises or organizations that have a shortage of qualified personnel in certain specialties.

5.2.5. Donation programs collected by enterprises. These can be charitable contributions from consumers of local products (who know that part of the profit from sales of such products will be directed to charity), from employees of enterprises (in the form of transferring part of their salaries). Such funds are collected for specific public non-profit institutions that provide social services or assistance to certain social categories of community residents. In such cases, the community development fund usually performs certain intermediary functions, such as accounting for the funds collected, monitoring the effectiveness and transparency of their use, reporting, etc.

In addition, community funds usually finance certain local projects (programs) in the amounts and in the order determined by the fund management bodies.

### **5.3. Youth initiative banks**

Local community foundations usually finance certain local projects (programs) in the amounts and in the order determined by the fund management bodies.

In this context, the activities of such structures as Youth Initiative Banks should be noted separately.

Their main classic goals include actively promoting economic growth, reducing youth unemployment in communities, and developing a culture of innovation and progressive youth entrepreneurship in the community.

#### **Youth initiative banks at community development funds**

In our country, this is a relatively new and unique model that involves the comprehensive involvement of young people in active public work in their communities in order to develop their leadership and decision-making skills. Youth initiative banks have already become quite popular in European community foundations, as they allow to effectively engage young people in local communities

in solving current problems and priorities by including them in the process of using previously raised funds. For this purpose, community foundations allocate a certain part of their own capital to support ideas for qualitative changes in the life of their community for the better.

Community foundations usually initiate the creation of youth initiative banks, which can receive initial funding from large charitable organizations, government funding programs, or private donors. Young people (aged 15 to 25) form a special committee of the youth bank, which often represents quite different segments of local youth. Members of such a committee should be trained in grantmaking, project management, civic leadership, and financial oversight. At the same time, experienced professionals serve as mentors for such youth, which increases their level and confidence in managing a bank of youth initiatives.

Next, community foundations create grant committees, which should be formed from trained and engaged youth. These committees should independently determine the priorities of grant competitions, the principles of their conduct, attract additional resources if necessary, and organize advertising campaigns among their neighbors, and as a result, select the most relevant applications. This kind of work is aimed at encouraging young people to be active in improving their own (and not only) lives in their community, and to provide an opportunity to experience the reality that they can influence community life and quickly acquire the necessary skills and relevant experience.



The Youth Bank of Initiatives provides an opportunity for all interested young people to prove themselves in the following main roles - to become members of initiative groups that propose to change the life of the community for the better and prepare relevant projects or programs that are subsequently submitted to the Youth Bank of Initiatives;

- to prove themselves as philanthropists who are directly involved in the financial support of such projects;
- become members of the Youth Initiative Bank teams (join its committee) to help raise funds (fundraising) for further financing of urgent tasks and influence decision-making on the selection of projects for priority funding;

As for the foreign experience in the field of youth initiative banks, the following points should be noted: these are specific units of local community foundations that regularly provide grants on the ground and are headed by young people from these communities. Such “banks” significantly empower young people at the regional level, constantly involving them in the multifaceted decision-making process of raising and allocating funds (in terms of specific amounts, directions, goals, etc.) to



finance the implementation of various local social initiatives. As a rule, such units support projects aimed at addressing urgent and relevant community needs, increasing civic engagement, and promoting the development and popularization of social entrepreneurship among young people.

The concept of youth initiative banks first emerged in the late 20th century as part of a broader social movement to engage young people in local community development and, on the other hand, philanthropy. The very first youth initiative banks were established in the United Kingdom and later spread throughout Western Europe and North America. This then innovative idea quickly gained momentum, especially after charitable organizations and foundations began to recognize the importance and need to involve young people in decision-making processes that would affect their communities.

Such foreign youth banks follow structured processes that include fundraising and accumulation of funds, subsequent decision-making, and final monitoring of already funded projects.

#### Fundraising for youth initiative banks

Youth initiative banks are involved in a variety of fundraising activities, such as crowdfunding campaigns, partnerships with local businesses, applying for grants, receiving donations from individuals and large organizations, etc.

In the process of such financing, to ensure its transparency, they may hold relevant tenders to determine contractors for the performance of certain works or provision of various services.

## **5.4. Reporting**

Foundations keep accounting records, prepare and submit relevant financial and statistical reports in accordance with the procedure established by law. In addition, foundations regularly or upon completion of programs (projects) report to the community on the use of previously raised funds (donations, targeted contributions, grants, etc.) to fulfill their tasks and goals as provided for in the charter.

## 5.5. Assessing the impact of funding on the community

For a community foundation to be successful, it is advisable to regularly evaluate its impact, which involves:

- setting goals and results that can be measured in a realistic way;
- regular collection and analysis of relevant data from residents or community partners;
- periodic publication of impact reports to share existing findings and lessons learned;

## 5.6. Ensuring the fund's sustainability and prospects for its existence

Ensuring the sustainability of a community foundation requires a comprehensive and proactive approach.

By establishing a strong financial base, building effective governance, actively engaging the community, ensuring program effectiveness, adapting to constant change, and communicating its impact, a community foundation can thrive for years to come and continue to make a significant difference in the lives of those it serves. Through careful planning, ongoing evaluation, and commitment to its mission, it can secure its future and achieve lasting impact.

Here are the main factors for the sustainability and longevity of community foundations [22], [23]:

- creating a solid financial base: it consists in gradual and methodical diversification of sources of financial resources. This will reduce dependence on a single source and significantly increase financial stability;
- conducting regular fundraising campaigns targeting individual donors;

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[22] Community Tool Box "Developing financial sustainability" <https://ctb.ku.edu/en/table-of-contents/finances/grants-and-financial-resources/financial-sustainability/main>

[23] Korn Ferry "5 factors to ensure a successful sustainability strategy" <https://www.kornferry.com/insights/featured-topics/people-planet-profit/factors-to-ensure-successful-sustainability-strategy>

- applying for grants from government agencies, private foundations, and international corporations;
- developing partnerships with local businesses to obtain sponsorships and donations;
- monitoring the “reasonableness” of the use of funds;
- engaging experienced investment managers to oversee the investment portfolio;
- preparing and adhering to the annual budget;
- ensuring transparency and accuracy of financial reporting;
- conducting independent audits to verify financial condition and compliance with regulatory requirements;
- implementing robust internal controls to prevent fraud;
- providing ongoing training and development for management;
- regularly informing the community about the foundation's activities through newsletters, social media, local media and community meetings;
- creating channels for receiving feedback from community members;
- encouraging volunteerism for various roles and projects;
- regularly evaluate the effectiveness and impact of programs through monitoring;
- making necessary adjustments to programs based on evaluation and feedback;
- implementing a system for efficient data collection, management and analysis;
- continuous use of an online fundraising platform;
- keeping abreast of trends and changes in the philanthropic sector;
- conducting regular research on new challenges, opportunities, and best practices in the field of fundraising and resource mobilization;
- communicating the foundation's impact to build support and trust;

- cooperation with local media to raise awareness of the foundation's activities and successes;

*For profitable funds:*

- establishing an endowment fund, which will also ensure a steady stream of income;
- Identify potential risks and develop a strategy to mitigate them;
- creating a crisis management plan in case of unforeseen events or emergencies;
- creating and maintaining financial reserves to mitigate the effects of economic downturns or unforeseen expenses;

## **5.7. Responsibilities**

A nonprofit community foundation has certain responsibilities that are related to both its status and activities and include the following main aspects

- Responsibility to its donors and to the public, which is related to the efficiency and transparency of the use of donations received and to ensuring that its purpose is fulfilled. The Foundation should comply with all agreements with donors and ensure competent accounting and reporting on the use of the funds received;
- responsibility to its beneficiaries. Foundations must ensure that all services or assistance they provide are aimed solely at achieving positive results for their beneficiaries;
- responsibility before the law. In this context, foundations need to comply with all legal provisions regarding their activities, taxation and reporting;
- internal responsibility. It consists in establishing effective internal control and management procedures that will ensure the avoidance of possible shortcomings or abuses. It is the internal control mechanisms that help ensure maximum transparency and responsible management of the foundation;
- responsibility to employees and volunteers. It is very important to take care of your employees and volunteers, which is manifested in providing them with safe working conditions and adequate compensation for their work;

## CHAPTER 6. Domestic and foreign experience of funding by local communities

### 6.1. Examples of successful funding by local communities in Ukraine

Funding of projects and programs by Ukrainian communities has recently become an increasingly important tool for shaping and ensuring sustainable development and improving the quality of life in different regions of our country and will definitely become crucial in the post-war period in the context of restoring normal social and economic life of communities, especially those affected by hostilities. Below are a number of examples of successful funding by local communities in Ukraine.

#### *Podilska Hromada project in Vinnytsia. Vinnytsia [24]*

After identifying the socio-economic needs of the local community, the foundation takes an active part in meeting them step by step, encouraging charitable donations and accumulating resources. A large number of charitable projects and programs have been implemented, and thematic, personalized, and family funds have been created. Podilska Hromada programs: “Yard Sports”, “School Accessible to All”, “A Computer for a Friend”. Thematic funds: “One Kopeck” and “A Drop of Life”. The project is still active and progressing.

#### *Zhytomyr Community Foundation [25]*

Developed and implemented several programs. “Promoting self-employment and micro-entrepreneurship of internally displaced persons from Luhansk and Donetsk regions, as well as the Autonomous Republic of Crimea” - helps internally displaced persons who have business ideas to start their own business. “Youth Bank - a platform for communication and development of Zhytomyr youth. “Street University of Zhytomyr is an active discussion platform where topical issues of city life are discussed.

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[24] "Podil community" <https://gromada.vn.ua>

[25] Zhytomyr Community Foundation <http://www.fondgromady.org.ua>

*The "ZACHIST" community fund t. Kherson [26]*

Foundation projects:

- Special Fund "Stop Virus" - actively contributed to overcoming the spread of the COVID-19 virus in the Kherson region;
- "Introduction to Google and Microsoft corporate tools" - a video course was created on how to launch and use Google for Nonprofits and Microsoft for Nonprofits tools for more effective activities of civil society organizations (CSOs). This helped charitable foundations to work more efficiently;
- Voice Guides - the Foundation purchased smartphones for blind citizens;

*Berezan Community Foundation [27]*

Projects:

- Youth Bank of Initiatives "NEW WAY";
- British Council Ukraine for the youth of Berezan;

*Community Foundation of Boyarka [28]*

Projects:

- "Wave of Change": aims to increase the effectiveness of public initiatives in the Boyarka community;
- "Happy Days" (with financial support from the Global Fund for Community Foundations): aimed at children and adolescents;
- "Development and Growth" - increases the Foundation's capacity to influence the quality of life in the community;
- "Heating points for condominiums in the Boyarka community";

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[26] *The "ZACHIST" community fund t. Kherson* <https://zahyst.ks.ua>

[27] *Berezan Community Foundation of Berezan* <http://berezanfond.com.ua>

[28] *Boyarka Community Foundation of Boyarka* <https://fond.boyarka.site>



*“Bari Community Foundation, Bar [29]*

Projects:

- bodies of self-organization of the population;
- harvest way;
- environmental project;

*Association “Reincarnation of Hrytsiv” of Hrytsiv and Korpylivka villages [30]*

Projects:

- community voice;
- rural community development;

*«Kharkiv Charitable Foundation “Toloka” (Kharkiv) [31]*

The Foundation's projects are aimed at providing psychological assistance to children and adults with IDP status, helping to rebuild destroyed housing, and supporting medical facilities.

All of these and many other examples demonstrate the highly successful experience of local community funding in our country. Through competent planning, active cooperation, and attraction of financial resources from various funding sources, local associations are able to implement relevant projects to promote and improve the living conditions of their residents and the dynamic economic development of their regions.

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[29] Bari Community Foundation ” <https://bari.vn.ua>

[30] Association “Reincarnation of Hrytsiv” of Hrytsiv and Korpylivka villages <https://grytsiv.km.ua>

[31] Kharkiv Charitable Foundation “Toloka” <https://toloka.kharkiv.ua>

## 6.2. Funding by territorial communities

### Foundation "SASC Bridge Finance"[32]

In March 2020, it invested £5.85 million to purchase a 5 MW solar power plant, which has enabled the production of affordable energy for low-income citizens in deprived areas of Chelsea. As a result of the fund's work, the plant generates clean energy for 1300 homes.

### Boston Impact Initiative Foundation (Massachusetts, USA) [33]

In 2019, he invested in an exotic but relevant topic in Ukraine - the startup All Here, which is a software that “fights” absenteeism in public school districts through technological services. The platform helps educators document absences, recognize absenteeism patterns, and create action plans. AllHere's products have been shown to successfully restore attendance for 47% of students who have been absent, reduce chronic absenteeism by 30%, and improve attendance for 83% of all students.

### Foundation "Iroquois Valley Farmland REIT" Evanston, umam Illinois [34]

It invests in the introduction of organic food production, which is the key to soil restoration and improving the health of local residents, for which it pools money from various investors to further finance the project “Converting conventional farmland to organic” through preferential leases and mortgages.

A more complete description of understanding the process of creating and operating community foundations in the United States is described step by step in application 4.

### Kabale Municipality Development Fund (Uganda) [35]

It supports programs and projects aimed at reducing poverty in the municipality of Cabale. The Foundation creates employment opportunities, promotes social justice and good governance, which ensures the efficient use of community resources and sustainable growth in living standards.

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[32] SASC Bridge Finance <https://www.socialandsustainable.com>

[33] Boston Impact Initiative <https://bostonimpact.org>

[34] Iroquois Valley Farmland REIT" <https://iroquoisvalley.com>

[35] Kabale Municipality Development Fund <https://www.kmdf.or.ug>

## **CHAPTER 7. Problems and limitations of funding by local communities in Ukraine and recommendations for its improvement**

### **7.1. Existing problems and constraints faced by local communities in Ukraine in the process of funding**

Funding of projects by local communities in Ukraine is an important prerequisite and factor for their development. However, there are a number of problems and limitations that local communities have to face when trying to raise funds for their projects. Here are the main ones.

#### **7.1.1. Lack of qualified personnel**

To effectively fund their projects, local communities are in great need of highly qualified specialists in the financial, economic, and legal fields who are able to develop high-quality business plans, develop appropriate foreign relations to attract grants, and manage finances. The lack of such personnel often becomes a serious limitation for successful project funding.

#### **7.1.2. Bureaucratic barriers**

Various bureaucratic procedures and the complexity of obtaining approvals can significantly slow down the funding process. Local communities often face the need to comply with numerous rules and requirements when applying for grants or interacting with government agencies.

#### **7.1.3. Inaccessibility of financial instruments**

In Ukraine, not all financial instruments are available to local communities. Lack of access to financing through the capital market or lack of alternative sources of funding often limits the capacity of communities.

#### 7.1.4. Economic instability

This factor can also create certain problems for local communities. Uncertainty about the economic future and increased financial risks often discourage investors and limit access to funding sources.

Addressing the above challenges requires a comprehensive approach, including improving financial literacy, cooperation and assistance from the government and international organizations, and the development of local financial instruments and human resources.

### **7.2. Recommendations for improving funding by local communities in Ukraine**

Summarizing the domestic and foreign experience of funding by local communities, increasing its efficiency and popularization, we can outline the following key recommendations, the implementation of which will have a positive impact on this process.

#### 7.2.1. Development of local development funds

The state can stimulate the creation and development of local development funds in each region of Ukraine by introducing tax incentives and financial support for such funds, as well as by ensuring transparency and efficiency of their activities.

#### 7.2.2 Strengthening local self-government

This can be done by delegating more financial autonomy to local governments, enabling all local communities to make more informed and objective decisions about funding priority projects.

#### 7.2.3. Development of the local economy

This requires supporting local entrepreneurship by stimulating the creation of new jobs and, accordingly, increasing tax revenues to local budgets.

#### 7.2.4. Training and consultations

To this end, training programs and consultations can be organized and conducted for local authorities and citizens on how to finance urgent projects and attract financial resources from various sources.

#### 7.2.5. Transparency and accountability

The state should ensure full accessibility of information on the distribution of funds and the effectiveness of funded projects.

#### 7.2.6 Partnership with the private sector

Promoting partnerships between local communities and private companies includes joint investment projects and active sponsorship.

#### 7.2.7. International cooperation

Continuous interaction with international financial organizations and donors will help attract additional funds.

#### 7.2.8. Evaluation of results

It is necessary to conduct regular independent evaluation of the results of funding and make appropriate adjustments to the strategy depending on the goals achieved and the needs of local communities.

#### 7.2.9. Education and public awareness

It is also necessary to constantly raise the level of education and awareness of citizens about the importance of community funding and their role in this process.

## CHAPTER 8. Conclusion

As a result of the above, the following should be stated: local community funding can and should play a key role in ensuring the sustainable development of local communities in Ukraine, and the use of such a tool will allow local communities to implement projects and programs aimed at improving the lives of citizens and infrastructure.

The main sources of funding, such as local budgets, state subventions, international donor organizations, and investments from businesses, etc. should function simultaneously, which will allow diversifying the financial base for funding.



Challenges and constraints: The study identified a number of pressing challenges and constraints that local communities in Ukraine face in one way or another when funding their projects. These include a lack of experience in fundraising, limited



financial resources, various bureaucratic barriers, and an unstable financial situation.

**Potential for Improvement:** Despite the challenges, there is strong potential for a step-by-step improvement in Ukraine's community funding landscape, including support for local economies, development of local foundations, strengthening of local governance, and improved transparency of financial flows.

The study on community foundations in Ukraine revealed the complexity of this problem, but also confirmed the importance of developing such an instrument for local communities and their ability to actively participate in their own development. Improving community-based financing will contribute to a more sustainable socio-economic development of Ukraine as a whole.

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## **Application 1. Typical investment thesis worksheet**

### 1. Name of the foundation

It is best if it is short, descriptive, and easy to pronounce. It can reflect the community (e.g., Boston Impact Initiative) or investment focus (e.g., East Bay Permanent Real Estate Cooperative), or convey the desired goal (CoPeace).

### 2. The size of the fund

It will depend on the unique characteristics of your community and the economic mission of your foundation, as well as the business needs and investment appetite in your community and its capacity to attract investment or grants.

### 3. How much can we reasonably expect to raise from our community?

Is our projected fund size sufficient to make a significant difference in our community?

### 4. Are there sufficient investment opportunities to deploy a significant portion of the fund?

### 5. Geographic focus

Identify an area that matches your intended market for both investors and businesses. As with fund size, there is no magic formula for determining the ideal geographic boundaries, but you can use the Impact Reality Check worksheet on the Community Investment Fund Calculator (see [hyperlink](#)) to estimate the number of investments you plan to make and compare them to your business environment. Ultimately, you are working to ensure that the geographic focus is large enough to provide a large number of investment opportunities and small enough to foster strong direct connections between investors and businesses. A few other considerations regarding geography:

### 6. What other sources of funding exist in your region - will your fund compete with or complement other sources of capital?

## 7. Do you want to allow investments from people and institutions outside your region?

In some cases, the concept of “community” may transcend geographic boundaries and be more about the affinity of investment types. For example, the Iroquois Valley REIT pools money from investors across the country who are interested in supporting family-owned organic farms.

## 8. Economic mission

Your economic mission defines the social and/or economic problems you are trying to solve. It will depend on the characteristics of your community - its history, strengths, needs, barriers, and existing infrastructure.

It will also take into account the unique capital challenges faced by the businesses/nonprofits/municipal projects you seek to serve. Many communities are struggling with a generational legacy of property redistribution, predatory lending, and exploitation. Others have many lenders but no source of patient, risk-tolerant, non-debt (i.e., equity or “equity-like”) capital for early-stage businesses or for those for whom debt is not a viable option.

Based on the materials of NC 3 (National Coalition for Community Capital: <https://www.nc3now.org>)



## Application 2. List (database) of donors, grantors and platforms that accumulate them

### Foreign information resources on fundraising where a large number of contacts of various donor organizations are collected.

- <http://foundations.org> - a wide catalog of relevant grantors, which was created in 1995 and is constantly updated;
- <http://www.guidestar.org> - international portal of non-profit organizations;
- <http://foundationcenter.org> - international website about philanthropy;
- <http://www.efc.be> - International Association of Public and Corporate Donors;

### Sites with the most up-to-date information on calls for proposals:

- “Moving Forward Together” website  
<https://eu4ukraine.eu/category/opportunities-ua> - contains information about current calls for proposals that you can join;
- eastern Partnership website, has sections on EU projects and current opportunities <https://euneighbourseast.eu/uk/projects>;
- website “Decentralization” <https://decentralization.gov.ua> regularly publishes information about grants;

## **Donors:**

- 1 National Center for Nonprofit Boards  
<http://www.governanceprofessionals.org/>
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- 3 European Foundation Centre <https://philea.eu/>
- 4 Tides Foundation <https://www.tides.org/>
- 5 Bond <https://www.bond.org.uk/resources-support/funding/>
- 6 Eastern Neighborhood Territorial Cooperation Programs  
<https://www.facebook.com/eaptc.eu>
- 7 Eurasia Foundation <https://www.eurasia.org/>
- 8 The German Agency for International Cooperation <https://www.giz.de>
- 9 European Cultural Foundation <https://culturalfoundation.eu/>
- 10 Program “Changes in the Region” – RITA <https://programrita.org/>
- 11 Westminster Found. For Democracy <https://www.wfd.org/>
- 12 Swedish International Development Cooperation Agency (SIDA)  
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2. Bridges Ventures - <https://www.bridgesventures.com>
3. CEI Ventures - <https://www.ceimaine.org/subsidiaries/cei-ventures>
4. Citizen Capital - <https://citizencapital.eu>
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6. Equilibrium Capital - <https://eq-cap.com>
7. FMO - <https://www.fmo.nl>
8. Good Capital - <https://www.goodcapital.vc>
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10. Gray Matters Capital (GMC) - <https://graymatterscap.com>
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1. **"Spilnocosht"** is an information and crowdfunding platform that publishes various projects in the areas of social development, innovation, social entrepreneurship, education, ecology, science, technology, and urbanism.

<https://biggggidea.com>

2. **"My City"** is a platform that raises funds for many social projects in Kharkiv, Odesa, and Dnipro.

<https://mycity.one>

3. **"KUB"** is a crowdfunding platform founded by PrivatBank. It supports projects aimed at starting or expanding small and medium-sized businesses.

<https://kub.pb.ua>

4. **"Prostir"** is a Rivne-based platform of interactions that supports the development of projects in the fields of sports, education, entrepreneurship, urbanism, and culture.

<https://prostir.rivne.ua>

5. **"Na-Starte"** is a platform in the form of a pre-sale store: sponsors provide financial support to project authors and immediately pre-order a future product or service from the authors.

<http://ww1.na-starte.com>

**6. Ukrainian Philanthropic Marketplace** - The Ukrainian Philanthropic Marketplace is a platform dedicated to the development of the Ukrainian culture of mass charity and the formation of an extensive network of professional charitable organizations to solve social problems of any complexity. dobro.ua is a powerful communication resource for the charity sector, a convenient online service that brings together thousands of people who need help and who can help. dobro.ua not only raises and channels funds for various projects, but also provides nonprofit organizations with access to many ideas and relevant information, and socially responsible businesses with access to transparent organizations and their full financial statements.

<https://dobro.ua>

**7. "Mo.Cash"** is a Ukrainian online service that helps entrepreneurs and private lenders meet and supports small businesses.

<https://mo.cash>

**8. "Startera"** – is aimed at crowdfunding startups, creative and social projects.

<https://startera.org.ua>

**9. "Kickstarter"** — is the world's largest and perhaps most popular fundraising platform. Since its founding in 2009, it has funded more than 200,000 different projects totaling more than \$5 billion.

<https://www.kickstarter.com>

**10. "RazomGo"** - the site has been around since 2018, and it can be used to raise funds for educational, design, art, and sports projects. Each project author is assigned a curator. There are no strict deadlines for collecting funds; the authors set the period for collecting donations themselves.

<http://razomgo.com>



**11. "RAZOM"** - the platform creates short- and long-term projects and collaborates on existing projects with various organizations that help Ukraine move towards prosperity and democracy.

<https://www.razomforukraine.org>

**12. " US-Ukraine Foundation" (USUF)** — is a non-governmental organization committed to the leading role of civil society in Ukraine and raises funds for innovative programs of civic education in Ukraine, its economic development and cultural exchange. The driving principles of the platform's programs are to strengthen institutional structures that continuously implement and support the necessary positive changes in the public and private sectors.

<https://usukraine.org>

## **Application 4. Establishment and operation of community foundations in the United States**

Establishing and operating community foundations in the United States requires very careful planning, community involvement, and effective management. By following the steps below, community leaders and activists can establish foundations that address local needs, foster collaboration, and promote long-term growth. With a clear mission, sound financial management, and a commitment to making a meaningful impact, community foundations in the United States are becoming a powerful catalyst for positive change.

In general, community foundations are often charitable organizations designed to gradually improve the quality of life in a particular geographic area. They pool donations, grants, and financial support to invest in coordinated programs in their communities. Using local knowledge, these foundations address community needs and contribute to their long-term development.

### **How community foundations are created and operate in the United States?**

#### **1. Mission**

First, the mission of the foundation is developed. This requires a thorough identification of the actual needs of the community. This involves conducting surveys and interviews with the majority of community members, consulting with local leaders and all stakeholders. Analyzing the data obtained about the community's problems, you can define the mission of the foundation. This mission should formulate the goals and objectives of the future foundation, aligned with the community's priorities.

#### **2. Establishing a foundation**

The foundation begins with the formation of the Founding Board, which is a group of interested individuals who will then serve on the founding board of directors. These people should have strong ties to the community, have a variety of skills and experiences, and be willing to use their time, resources, and skills in leadership roles.

### **3. Legal structure and registration**

It starts with choosing an organizational and legal form, which is usually a non-profit organization. Next, you need to approve the relevant charter and submit it to the state authorities. The draft charter should outline the management structure and all operating procedures of the future foundation. The key elements of such a charter include:

- composition of the board and the process of its election;
- roles and responsibilities of board members and other officers;
- procedures and frequency of meetings;
- the foundation's policy on conflicts of interest.

To obtain nonprofit status, a foundation must apply for 501(c)(3) status, which is a U.S. corporation, trust, or other type of organization exempt from U.S. federal income tax. Such an application is submitted to the Internal Revenue Service (IRS). This entire process includes, among other things, filing Form 1023 or Form 1023-EZ. Then, detailed information is provided about the structure, mission and planned activities of the foundation to be created.

### **4. Fundraising and financial management of the foundation**

In the early stages, fundraising consists of initial fundraising campaigns to build the foundation's endowment. Effective fundraising strategies usually include:

- approaching major donors;
- community fundraising events;
- corporate sponsorship;
- applying for grants to cruise funds and institutions;

### **5. Investment management**

The funds raised in the course of fundraising are then utilized in the form of funding (grants) to implement local development programs or support urgent priorities. Here, an investment policy for managing the endowment should be defined. This includes engaging a professional investment manager or firm,

establishing guidelines for the allocation of available assets, risk tolerance, and performance criteria.

## **6. Regular review and adjustment of the investment strategy**

Financial accountability is realized through the implementation of effective financial management practices to ensure accountability and appropriate transparency. This includes publishing regular financial statements and audits, adopting existing and legal accounting standards and practices for nonprofit organizations, and ensuring compliance with state and federal regulations.

## **7. Grants and public engagement**

The development of grant programs is based on the foundation's mission: all programs must meet the needs of the community. This process includes establishing grant rules and criteria, creating a transparent process for submitting and reviewing applications, and involving community members in decision-making through advisory committees.

## **8. Community outreach and cooperation**

The foundation should actively engage with the community to build trust and prospects for cooperation. Effective methods of such work include:

- holding public forums and hearings;
- partnerships with local organizations and government agencies.
- Providing technical assistance and support in building the capacity of grantees.

## **9. Impact assessment**

To be successful, a foundation must also regularly evaluate the impact of its programs and initiatives. This involves:

- Setting measurable goals and outcomes;
- collecting and analyzing data from grantees and community partners;
- publishing reports on the resulting impact to share findings and lessons learned.

## **10. Ensuring the vital activity of the fund**

Regular strategic planning is conducted to ensure that the foundation is always adequately responsive to community needs and changing conditions:

- reviewing and constantly updating the mission and goals;
- identifying new challenges and opportunities in the community;
- setting long-term priorities and goals;
- Creating a lasting legacy: working to encourage planned giving and bequests, establishing donor advised funds and endowments, promoting the work of the foundation through storytelling and public relations, board development and succession planning,
- Ensure the sustainability of the foundation by recruiting and training new board members, developing succession plans for the foundation's leadership, and fostering a culture of continuous learning and improvement;