

JEL Classification: L31, H50

DOI: [https://doi.org/10.31521/modecon.V9\(2018\)-15](https://doi.org/10.31521/modecon.V9(2018)-15)

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THE STATE FUNDING OF STATUTORY ACTIVITIES OF POLITICAL PARTIES IN UKRAINE AS AN INNOVATION AGAINST POLITICAL CORRUPTION

Introduction. *The existing methods of fighting against political corruption, which are used in Ukraine, are not effective. That is why the logic of financing the activities of political parties should be changed.*

Purpose. *The aim of the article is to investigate the peculiarities of introduction and application the State funding of statutory activities of political parties in the context of fighting with corruption in Ukraine.*

Results. *The political corruption as an element, which destroys the logic of relations between the State, Society, and Business was highlighted. The necessity of using democratic innovations to fight out the political corruption in Ukraine was proved.*

The article describes the preconditions for the introduction of state financing of statutory activities of Ukrainian political parties (the availability of such kind of financial support for the activities of political parties in developed economically countries of the world and the existence of requirements for its introduction from the side of intergovernmental organizations of various kinds of activity).

The peculiarities of the provision of financial support to political parties from the State Budget of Ukraine were clarified and prospects for the period until the next parliamentary elections were marked.

The main goals of implementation of the state funding of statutory activities of political parties in Ukraine and the result of it in the present stage were compared.

Conclusions. *The study showed, that the introduction of state funding of statutory activities of political parties in Ukraine allowed not all the goals (and not fully) to be achieved. Nevertheless, it should be noted that in the countries with the experience of supporting the statutory activities of political parties from the state budget, the process has been adjusted and the law has worked "efficiently" only in 8-10 years. Therefore, given the positive aspects that characterize the state support of political parties in Ukraine in such a short period of time, one should expect a positive final result.*

Keywords: *innovations, corruption, political parties, state financing, state budget, minimum wage.*

УДК 336.5 (477)

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ДЕРЖАВНЕ ФІНАНСУВАННЯ СТАТУТНОЇ ДІЯЛЬНОСТІ ПОЛІТИЧНИХ ПАРТІЙ УКРАЇНИ ЯК ІННОВАЦІЯ У БОРОТЬБІ З КОРУПЦІЄЮ

Метою статті є дослідити особливості впровадження та використання державного фінансування статутної діяльності політичних партій в контексті боротьби з корупцією в країні.

Було висвітлено політичну корупцію як елемент, який руйнує логіку зв'язків між державою, суспільством та бізнесом. Обґрунтовано важливість використання демократичних інновацій в боротьбі з політичною корупцією в Україні.

Стаття висвітлює наявність передумов впровадження державного фінансування статутної діяльності політичних партій в Україні, як-от доступність такого виду фінансування діяльності політичних партій в більшості економічно та політично розвинених країн світу, а також вимога його впровадження в Україні зі сторони міжнародних міжурядових організацій).

Розглянуто особливості надання цього виду фінансування для політичних партій в Україні на сучасному етапі його існування, а також окреслено його перспективи в період до наступних парламентських виборів.

В статті порівняно основні цілі запровадження державного фінансування статутної діяльності політичних партій України з його теперішніми результатами.

Ключові слова: інновації, корупція, політичні партії, державне фінансування, Державний бюджет, мінімальна заробітна плата.

Acknowledgment. This scientific article was created at the Fil. Dr. Jan-U. Sandal Institute, Finstadjordet, Norway under the supervision of Prof. Fil. Dr. Jan-Urban Sandal, Executive Director and Owner at the Fil. Dr. Jan-U. Sandal Institute (Excellence in Science and Education). The paper was created with the support of Summit Fund (ES-01-A- Scientific Entrepreneur Grant) awarded by Fil. Dr. Jan-U. Sandal Institute.

Actuality of research. In democratic countries, citizens delegate their rights to manage the state by participating in elections. In such way, they choose the particular persons and political parties, which they like. However, the activities of political parties in Ukraine are not trusted (Freedom house, 2018) by the public and are the subject of harsh criticism of it. The reason is the high level of corruption and the presence of significant financial costs in the periods of elections and between them. Thus, it is apparent that the policy of political parties is largely determined by their "sponsors", which can be their members or simply lobby for their interests through some of the members of political parties (Freedom house, 2018).

Obviously, the existing methods of fighting against political corruption, which are used in

Ukraine, are not effective. That is why the logic of financing the activities of political parties should be changed. One of the most suitable methods for this aim is the state funding of statutory activities of political parties, which is in common use in the economic developed countries, but it has been just established in Ukraine.

Literature review. Political corruption in Ukraine and State funding of political parties' statutory activities as an innovation has not yet been examined in interrelation. Thus, there are researchers of corruption and researchers of innovations. However, they are working separately. Some Ukrainian scientists paid attention to the financing of political parties in Ukraine. The most well-known of them are Obushny, S. (Obushny, 2008), Bondarenko, B. (Bondarenko, 2017), Brusencova, Ya. (Brusencova, 2016), Kopytko T. (Kopytko), etc. However, almost of all their researches of political parties were conducted to highlight the political aspects of political parties existing. Nevertheless, we are interested in it, in the context of fighting against political corruption in Ukraine, which must lead to strengthening the financial independence of political parties, their political power, and competitiveness.

The aim of the article is to consider the peculiarities of introduction and application of the state funding of statutory activities of political parties in the context of corruption fighting in Ukraine.

Information basis. Carrying out our investigation, we have used:

- Official data of State Statistic Service of Ukraine;
- Scientific publications related to the problem of political parties funding;
- Materials from the World Wide Web.

The methods of research.

To achieve this goal, a number of general and specific methods and techniques of research were used. Calculating the conditional amount of state financing of statutory activities of political parties that affects one citizen of Ukraine and comparing the amount of state financing statutory activity of political parties, which is equal to one person, with average salary index, we used deduction and scientific abstraction, a systematic approach. For the graphical presentation of the results of the investigation, we used the method of visualization.

Results of the research.

The understanding of the concepts of "innovation" and "corruption" is basic for our research. Therefore, we will study the existing approaches for understanding these concepts in order to identify the most suitable for Ukrainian practice. Today there are a large number of approaches to the interpretation of the above concepts.

The concept of corruption covers the everyday life of every Ukrainian, but it is often used without a deep understanding of its very nature. The key element for understanding corruption is an affiliation with the authorities and the power to make decisions in favor of one or another person. Otherwise, there is no concept of corruption, but the concept of business relations, etc.

The most popular and common used definition was given by World Bank. According to it, *corruption* is "the abuse of public power for private benefit" (Baghava, 2005).

Transparency International defines it as the "misuse of entrusted power for private gain" (Transparency International).

Begovic B. gives us one more useful explanation of the essence of corruption. He highlights corruption according to the enforcement point of view. Thus, "corruption is a contract. It is an informal contract because it is illegal" (Begovic, 2005).

According to the aim of such contracts, corruption is divided into three main types (Begovic, 2005):

- Individual, "selfish" corruption.
- Administrative corruption.
- Political corruption.

The first one occurs when an individual wants to speed up obtaining a result using existing rights.

The second one "corresponds to the principle-agent model of corruption, as the total supply of corruption (demand for the bribe for violating the rules) is provided by the civil servants" (Begovic, 2005).

Political corruption is a type of corruption that is "aimed at changing the rules and regulations into rules and regulations that favor the interests of the corruptor" (Begovic, 2005).

It is obvious that these types of corruption are distinguished not only by the aim of corruption but by the level of corruption too. Therefore, the individual corruption occupies the lowest level of society and the political corruption occupies the highest one and is the most dangerous one because it eliminates the fundamental principles of interaction between society and the state; reduces the role of the power authorities.

In this meaning, it is very important to investigate the essence and the role of political corruption. The director of International Affairs of the World Bank Vinay Bhargava regards it as that power that makes lawmakers act not in the interests of citizens but in the interests of their supporters, who gave them political or personal benefits (Baghava, 2005). This definition is very important for us, as it gives the basic understanding of corruption, which means transferring the benefits of the state

power activities from the state and all the citizens to the particular persons. Graphically, this process can be shown as in the Fig. 1.

In the absence of external interference in their interaction, there is a natural exchange of goods, works, and services received by the population and business in exchange for the payment for them (in the form of taxes). Fig. 1. demonstrates how political corruption destroyed the natural interaction between

state, business, and citizens. Business and citizens pay taxes (black lines) and are waiting for receiving of their benefit, but this process is distorted (green dashed line). The reason is that some economic actors (particular persons or representatives of business) give bribes or other advantages to the lawmakers or public persons, who can influence the process of decision-making (orange line) and wait for their own advantages (blue line).

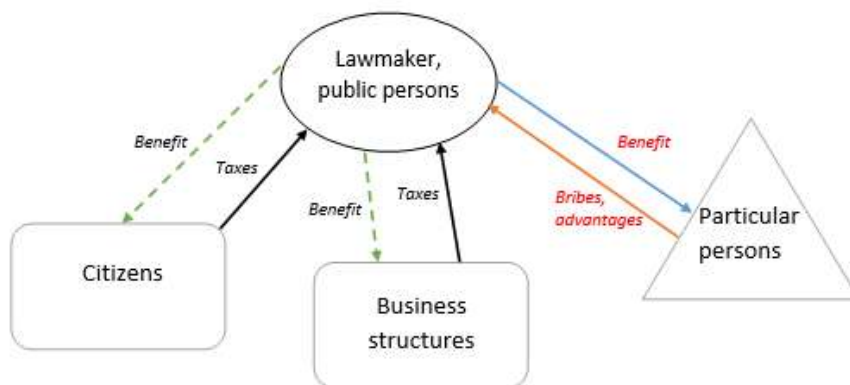


Figure 1 – Transferring the benefits of lawmakers activities from citizens and business to particular persons

Source: created by author

As the instruments of fighting against corruption using in Ukraine were not effective, it became clear, that it should be used innovations in this field.

There are many approaches for the explanation of the innovation. In the common use, innovations are divided into two large groups: product innovation and process innovation.

“*Product innovation* is the act of bringing something new to the marketplace that improves the range and quality of products on offer and *process innovation* is a new way of making or delivering goods or services” (Princeton asset). However, recently one new type of innovations started to be the object of investigation. This type is *democratic innovations*.

Brigitte Geißel (2012, p.164) states that *democratic innovation* is a “new practice consciously and purposefully introduced in order to improve the quality of democratic governance in any given state, irrespective of

whether the innovation in question has already been tried out in another state”. In addition, she specifies, those democratic innovations “involve citizens in the decision-making process” (Geißel, 2012, p. 163). Smith (2009, p. 1), who writes that democratic innovations are “institutions that have been specifically designed to increase and deepen citizen participation in the political decision-making process”, shares this opinion.

Today, many problems accompany the activities of political parties in Ukraine. As we have mentioned, we can overcome them by using democratic innovations. Eltsub and Escobar (2017) share this opinion. They emphasize, “The focus on democratic innovations has arisen in the context of perceived limitations and failings of representative democracy’s dominant institutions such as elections and parties. Democratic innovations are thought necessary to help overcome these problems”.

In economic and democratic developed states of the world, the problem of the influence of the owners of large capital on the activities of political parties also existed always. Therefore, in order to reduce the level of dependence of political parties from sponsors, to strengthen democratization, and to increase the level of fair competition between political parties in many countries, state funding of statutory activities of political parties was introduced.

Financing statutory activities of political parties has been introduced in almost all European countries (excepting Andorra, Belarus, Malta, Moldova and Switzerland) [Financing of political]. Access to funding is practically the same for political parties of all states and is provided by obtaining some support in parliamentary elections. At the same time, the mechanism of distribution of the funding in different countries varies significantly. Thus, in some states, the funding is distributed in proportion to the number of votes cast for a particular political party or seats received by political parties in parliaments in the elections (Belgium, France, Estonia, Finland, Spain, Bulgaria, etc.). In other states, a certain share of the fund is distributed equally, and the other - in proportion to the support received by voters (Hungary, Portugal, Slovenia, etc.).

It is interesting, that in almost all states that have introduced direct state funding for the activities of political parties, it is not the only source of their budget financial support. For example, various tax deductions are granted in countries like Belgium, the USA, Croatia, Cyprus, Czech Republic, Germany, France, Hungary, Italy, Denmark, Estonia, Finland, France, Latvia, Malta, Netherlands, Portugal, Romania, Slovakia, Norway, Turkey, Australia, Canada, India, Japan, Korea and others. In addition to the tax reductions, other methods of direct and indirect state support of the activities of political parties are used in the developed world. Such methods are supporting the promotion of political parties, providing them with a simplified procedure, with a

certain discount on premises, and even free or subsidized shipping costs (CESifo DICE, 2016).

The Group of States against Corruption (GRECO), the Venice Commission, the Organization for Economic Cooperation and Development, the OSCE, Bureau of Democratic Institutions and Human Rights (BDIHR), and the International Foundation for Election Systems required introducing the state funding of statutory activities of political parties in Ukraine (Verkhovna Rada of Ukraine, 2015).

According to all the above, the introduction of direct State funding of statutory activities of political parties in Ukraine was expected and predictable.

The introduction of State financing of statutory activities of political parties in Ukraine pursues a number of goals, among them the most important are the following (Verkhovna Rada of Ukraine, 2015):

1. Strengthening the financial independence of political parties and reducing the corresponding corruption risks;
2. Strengthening intra-party democracy, creating conditions for free and fair inter-party competition and the development of new parties;
3. Increasing the transparency of funding of political parties and their local organizations;
4. Introduction of effective state control in the field of financing of parties;
5. Establishment of effective, proportional and effective sanctions for violations in the sphere of financing of parties;
6. Taking into account international standards in the field of financing of the policy and best European practices in the relevant field in the national legislation of Ukraine;
7. Creation of financial incentives for balanced gender representation within the Verkhovna Rada of Ukraine, relevant local councils;
8. Strengthening the conditions for the liberalization of the visa regime between Ukraine and the EU.

Taking into account the above-mentioned goals, we will analyze the peculiarities of

providing state financing of statutory activities of political parties in Ukraine.

The procedure for calculating the annual amount of state financing of statutory activities of political parties involves taking into account

the established minimum wage and the number of voters who took part in the last regular or snap elections of people's deputies (Fig. 2).



Figure 2 – Procedure for determining the annual amount of financing of statutory activities of political parties of Ukraine from the State Budget (The Law of Ukraine, 2016)

Source: created by author

Fig. 2, shows us that in order to maximize the financing of their statutory activities, political parties are interested not only in obtaining the highest percentage of votes but also in increasing the overall turnout of elections because the annual volume of State financing of statutory activities depends directly on it.

This volume also depends on the indicator of the minimum wage. That is why, for those political parties, which are represented in the Parliament, it is beneficial to contribute to raising the welfare of the population by increasing this indicator.

Since the total number of voters who took part in the parliamentary elections is a constant number throughout the period of public funding, then during this period, the total amount of financing depends only on the size of the minimum wage.

According to the Central Election Commission (2014), the number of voters who participated in the recent snap elections in Ukraine is 16,052,228 persons. Thus, the size of the minimum wage in Ukraine and the total amount of state financing of statutory activities of political parties in Ukraine in 2015-2019 are presented in Table. 1.

Table 1 Minimum wage and total state financing of statutory activities of political parties in Ukraine in 2016-2019 (in annual terms)

Indicator/year	2015	2016	2017	2018	2019
Minimum wage	1218	1378	3200	3723	-
Total amount of funding		391 032,27*	442 399,4	1 027 342,592	1 195 248,897**

* in 2016 this mechanism of financing the political parties was implemented in the third quarter, so political parties received half of the total funding. In addition, two political forces that were eligible for public funding did not formally consent to it. Thus, the actual amount of financing amounted to UAH 161 858 thousand.

** in 2019 regular elections to the Verkhovna Rada should take place, therefore financing will also be partial.

*** Source: created by author

The dynamics of the annual amount of financing of statutory activities received or still received by political parties from the State Budget in the period 2016 - 2019 is presented in Fig. 3. In Ukraine, the possibility for political parties to receive funding for their statutory activities not related to election campaigning is

provided by the Law "on Political Parties in Ukraine" (Verkhovna Rada of Ukraine, 2016). According to article 17-3, the right for this kind of funding is received by a political party, which won at least 2% of the votes of voters, according to the results of the last regular or snap elections of people's deputies of Ukraine.

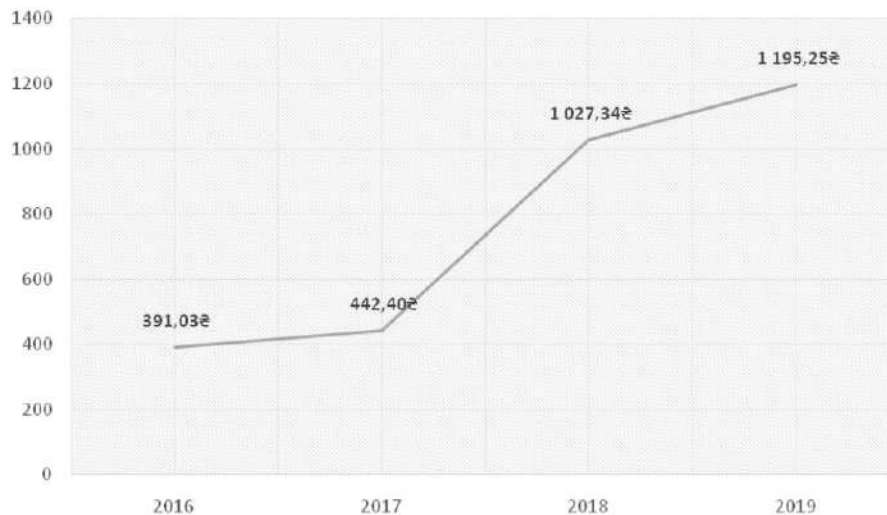


Figure 3 – **State financing of statutory activities of political parties in Ukraine in 2016-2019, UAH mil. (in annual volume)***

**Source: created by author*

According to the results of the last snap elections of people's deputies of Ukraine that took place in 2014, 11 political parties overcame the necessary barrier in 2% of the votes (Protocol), namely:

1. The radical party of Oleg Liashko - 7.44%;
2. Political party "Oppositional block" - 9.43%;
3. Political party "People's Front" (Narodnyi Front) - 22,14%;
4. Political party "All-Ukrainian Agrarian Association" Spade" (Zastup) - 2.65%;
5. Political party of the All-Ukrainian Association "Svoboda" - 4.71%;
6. Communist Party of Ukraine - 3.88%;
7. The political party "Samopomich Union party"- 10.97%;
8. Party "Petro Poroshenko Block" - 21.82%;
9. Party of Sergei Tigipko "Strong Ukraine" - 3,11%;
10. Political party of the All-Ukrainian Association "Batkivshchyna" - 5.68%;

11. Political party "Civic Position (Anatoly Gritsenko)" - 3,10%.

However, the final and transitional provisions of the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Prevention and Counteraction of Political Corruption" (Verkhovna Rada of Ukraine, 2015) stipulate the following. According to the results of the snap elections of people's deputies of Ukraine in 2014, financing of statutory activities will be received only by those political parties, which won at least 5% the actual votes of voters. The political parties represented in the parliament are: the radical party Oleg Liashko (7.44%); Political party "Oppositional block" (9.43%); Political party "People's Front" (22,14%); Political party "Samopomich Union Party" (10.97%); Party "Petro Poroshenko Block" (21.82%); Political party "Batkivshchyna" (5.68%).

Thus, these six political parties will receive funding until the next parliamentary elections (fulfilling of all requirements).

According to the Law on Political Parties in Ukraine (Verkhovna Rada of Ukraine, 2016), it is

envisaged that the total amount of state financing of the statutory activities of political parties is distributed as presented in Fig. 4.

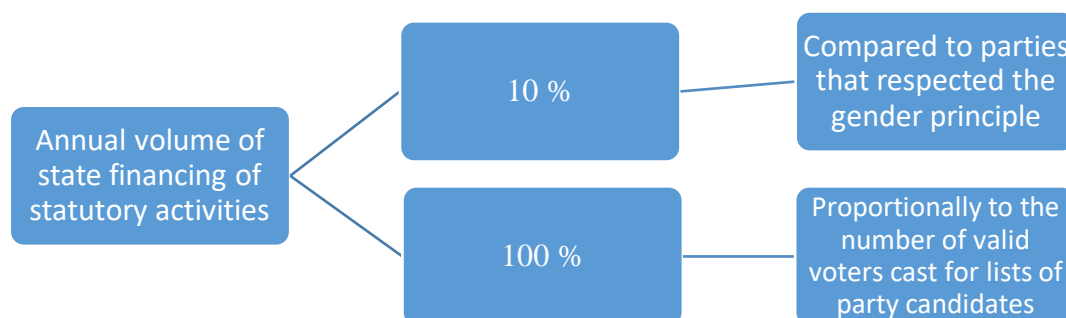


Fig. 4. Distribution of funds provided for financing statutory activities of political parties in Ukraine (Verkhovna Rada of Ukraine, 2016)*

**Source: created by author*

That is, 100% of the total amount is directed to the annual financing of statutory activities of political parties entitled to such financing. Another 10% are distributed equally among those political parties, which follow the gender requirement. It means that, according to the results of the last regular or snap elections of people's deputies of Ukraine, the number of representatives of one sex among elected deputies of Ukraine who have acquired their authority does not exceed two thirds of the total number of people's deputies of Ukraine elected from this political party (Articles 17-5 of the Law).

However, it is interesting that in the explanatory memorandum to the draft of Law "On Amendments to Certain Legislative Acts of Ukraine on Prevention and Counteraction of Political Corruption" (Verkhovna Rada of Ukraine, 2015) we see another approach. It is indicated that 10% of the formed fund will be distributed among the parties that have met the requirement for gender equality, and 90% to finance the statutory activities of those parties that have overcome the required

percentage. It is important, that the funds of the foundation fund are distributed in this way (10% and 90%), although the Law on Amendments to Certain Legislative Acts of Ukraine on the Prevention and Counteraction of Political Corruption and the Law on Political Parties in Ukraine stipulates that financing carried out as shown in Fig. 4.

Accordingly, the distribution of the total amount of state financing of statutory activities of political parties in 2016-2019 is as follows: Table. 2.

The volume of state financing of statutory activities of political parties in the period 2016-2019 directly corresponds to the proportion of won mandates in Parliament (Table 2). However, in 2016, the Oppositional party and the All-Ukrainian Association "Batkivshchyna" did not receive the State Budget funds, as they did not formally agree to finance their activities, which is a prerequisite for its receipt.

Table 2 Financing of political parties of Ukraine from the State Budget in 2016-2019 (in annual volume), ths. UAH (in terms of particular parties)**

Political party/year	The share of mandates in the Verkhovna Rada, %	2016	2017	2018	2019
People's Front	28,57	100 545, 57	113 753,53	264 159,1392	307 332,6485
Petro Poroshenko Block	28,16	99 087,22	112 103,6	260 327,6694	302 874,9729
Samopomich Union party	14,16	49 846,58 39 103,23	56 394,57 44 23994	130 959,8077 102 734,2592	152 363,5513 119 524,8897
Oppositional block	12,17	Did not receive funding	48 467,69	112 551,9708	130 947,1835
The radical party of Oleg Liashko	9,61	33 815,73	38 257,86	88 842,64536	103 362,8652
Batkivshchyna	7,33	Did not receive funding	29 182,21	67 767,10039	78 842,78586
Total share/amount	100	391 032,27	442 399,4	1 027 342,592	1 195 248,897

* Estimated data for 2016 and 2019 are taken annually, although in 2016 funding began on July 1, and in spring 2019, scheduled for holding regular parliamentary elections, that is, funding will also be partial.

**Source: created by author

It is worth to note, that an increase in the MW also results in an increase in the "financial burden" borne by each citizen (at which point it depends on whether or not such a citizen

participates in the elections). Thus, on average, every citizen of Ukraine in the investigated period annually "delegates" from the state budget the amount presented in the table. 3.

Table 3 The conditional amount of state financing of statutory activities of political parties, which one citizen of Ukraine born

Indicator/year	2016	2017	2018	2019	Rate of growth 2016-2019, %
Total amount of financing (in annual volume), ths. UAH	391 032,27	442 399,4	1 027 342,592	1 195 248,897	205,667
Number of population, ths. pers (State Statistics Service of Ukraine, 2018) **	42 760,516	42 584,542	42 414,204	42 244,55	-1,25
Amount of funding per person, UAH	9,15	10,39	24,22	28,29	209,18

* January, 1 of each year.

** data for 2018 and 2019 – forecast, obtained by adjusting the growth of previous years

Source: created by author

From table 3, we see that the growth of the total volume of financing of statutory activities of political parties in Ukraine was accompanied by a substantial increase in the amount of financing per person. Moreover, given the fact

that the size of the existing population of Ukraine in the period decreased, the financial burden grew at a slightly higher pace.

It should be noted that, despite the fact that the amount of expenditures for the financing of

statutory activities of political parties in Ukraine per capita of the existing population is insignificant, one could observe a pronounced manifestation of the phenomenon of a tyranny of the majority (Tocqueville, 2015). The right to vote in the elections does not cover all the population, but only 76.1%, while the turnout among those who took part in the elections was 52.42%. At the same time, everyone "pays", regardless of age, sex, citizenship, etc.

As noted earlier, an increase of the minimum wage, which is presented by Parliament as a "measure to increase the well-being of the population", also leads to the simultaneous growth of incomes of political parties themselves, which are represented in Parliament. It is interesting to analyze the

correspondence of the growth rates not a minimum wage, which is proportional to the amount of state financing of political parties, but the average wage in the State, with the growth rates of each person's "payment". The analysis should be done for the same period with a displacement of 1 year, since the basis for the definition, the amount of state financing of statutory activities of political parties of Ukraine laid the size of the minimum wage as of January 1 of the previous year. Thus, it is correct to compare the results of increasing of the minimum wage taking into account the time of detection: funding of statutory activities per one person in the year and the average wage in the State in the base year. The results of the comparison are presented in Table 4.

Table 4 Comparison of the amount of state financing of the statutory activities of political parties, which is equal to one person, with the indicator of average wages*

Indicator/year	2015	2016	Declination, %	2017	Declination, %	Declination, % 2015-2017,%
Minimum wage	1218	1378	13,14	3200	132,22	162,73
Average salary, UAH (MinFin, 2018)	3455	4362	26,25	6008	37,74	73,89
Indicator/year	2016	2017	Declination, %	2018	Declination, %	Declination, % 2016-2018,%
Amount of funding per one person, UAH	9,15	10,39	13,55	24,22	133,11	164,7

*Source: created by author

As we can see from the Table 4, the amount of funding of statutory activities of political parties per one person increased in proportion to the minimum wage, but at some a faster pace, which is related to the reduction of the existing population of Ukraine, and described above.

It is interesting, that the growth of the minimum wage in 2016, compared with 2015, was 13.14%. At the same time, the rate of growth of the average wage was almost twice as fast (26.25 %).

However, the policy of "promoting the welfare of the population" and raising the minimum wage by 132.22% in 2017 led to the same results in the indicator of the amount of funding per one person (133,11 %).

Thus, based on the three-year period, the average wage increased only by 73.89%, and the "financial burden" per one person - by 164.7%.

Thus, the introduction of state financing of statutory activities of political parties in Ukraine as an innovation against corruption is ambiguous not only in substance but also in terms of achieving its goals.

There are the pros and cons of this process.

1. The most important advantages are:

Gradual increasing the participation of the population in the elections. For political parties, not only the victory in elections but also the maximization of the general turnout of voters, becomes important. The reason is that the general amount of funding, which is distributed between political parties, is directly dependent

on it. Thus, this kind of financing will be facilitated by the gradual change of electoral technologies, the nature of election campaigning, and, consequently, the growth of the level of development of civil society, democratization in the State.

2. *Adherence to the gender principle.* For transitional societies like ours, it is important to promote gender mainstreaming at all levels. The introduction of additional funding for those political parties that adhered to the process of forming electoral lists is a great tool.

According to this, "Samopomich Union party" will receive an additional 10% of the general funding fund for the approval of the results of the next parliamentary elections. An example of this political force will positively influence the formation of electoral lists of other political forces during the next election campaigns.

3. *Mandatory reporting.* Parties must provide detailed reports of the property on their balance sheets, personnel, the detailed costs, information about all the cells. Such a norm greatly contributes to the transparency and openness of the activities of political parties in Ukraine, where every citizen can evaluate the activities of political parties not only for election slogans but also for real results of their activity.

4. *The introduction of financial sanctions for violations in the sphere of party financing.* The Code of Ukraine on Administrative Offenses (Verkhovna Rada of Ukraine, 1984) provides financial responsibility for violations of the procedure for granting or receiving contributions in support of a political party, violation of the procedure for granting or receiving state financing of the statutory activities of a political party, violation of the procedure for provision or receipt of financial (material) support for election campaigning or campaigning from the All-Ukrainian or local referendum (Art. 21²¹⁵), as well as for violations of the procedure for filing an income statement and spending of campaign funds, party report of property, income, expenses and financial obligations

5. *Official employment of employees.* Political parties officially present their employees as volunteers. This is stated in the reports on their activities. Accordingly, not only those who work for political parties are subject to restrictions on their own rights, but also the state does not significantly revenues in the form of personal income tax and other mandatory contributions.

The introduction of state funding of the statutory activities of political parties is expected to lead to the formal registration of their employees, because the resources received as a result of such funding cannot be used for election-related activities, but only for current activities, which include the payment of wages to employees.

At the same time, despite the significant advantages of introducing state financing of statutory activities of political parties in Ukraine, there are many problems that are associated with it.

1. *Limited access to financing.* In the transition period (until 2019) only those political forces, which are represented in the Verkhovna Rada, may receive funding. That is, the introduction of state financing of statutory activities of political parties at the present stage does not contribute to increasing competition between political parties of Ukraine. For the same reason, "young" or small political parties do not get more chances to be represented in Parliament and to increase their efficiency. Thus, there is a high risk of oligarchs' influence on new and small political parties that require significant financial resources to win elections.

2. *Poor reporting quality.* Although, according to the current legislation, parties have to report on their activities, however, the reporting requirements are ambiguous: on one side, the reports are "overloaded" with details that could be avoided, on the other - they are incomplete (by type of information requested). Accordingly, the quality of reports of political parties is very low. Experts point out that all of the above-mentioned reasons for the fact that in 2016, "Batkivshchyna" and "Oppositional

block" refused to finance statutory activities from the State budget (Golubov).

3. *Non-significant financial sanctions.* The legislation provides financial sanctions for violations in the sphere of party financing (including for violation of the reporting procedure), but these sanctions are scant for political parties. Thus, violation of the established procedure for granting or receiving a contribution in support of a political party, provision or receipt of state financing of the statutory activities of a political party, provision or receipt of financial (material) support for election campaigning, campaigning from an all-Ukrainian or local referendum result imposes a fine:

- for citizens - from the seventy to one hundred tax-free minimum incomes (1190 UAH - 1700 UAH);

- for officials - from one hundred to one hundred and thirty tax-free minimum incomes (1700 UAH - 2210 UAH) with the confiscation of the amount of the contribution in support of a political party, granted or received in violation of the law (Verkhovna Rada of Ukraine, 1984, art. 21²¹⁵).

Violation of the established procedure or terms of submission of a financial report on the receipt and use of elections, a report of a political party about property, incomes, expenses and financial obligations, or the submission of a financial report, drawn up in violation of the established requirements, imposes a fine of three hundred to four hundred non-taxable minimum incomes of citizens (5100-6800) (Administrative Codex, Article 21²²¹). It should be noted, that the primary amount of the fine for such offenses should have been 100 thousand UAH, but before the adoption of the Law it was changed.

4. *Uncertainty about the using of received funding.* The legislation does not specify the objectives for which public funding should be used. It is indicated that it should be directed to statutory activities and cannot be used for election campaigning. Therefore, for political parties of Ukraine, which are not accustomed to dynamic activities in the inter-election

period, it is a great problem. Also, despite the fact that political parties are not allowed to use public financing of election activities, they are not prohibited from using them for political advertising during the period between elections, which they used (according to official reports).

5. *An additional financial burden for the population.* Financing the activity of political parties of Ukraine ultimately falls on the population, as discussed earlier.

From the foregoing, it is obvious, that the goals of the introduction of the state financing of statutory activities of political parties in Ukraine have been achieved partially, the process of providing and receiving such funding is difficult and controversial.

Conclusions. The introduction of the direct state financing of the statutory activities of political parties in Ukraine is a democratic innovation, which aims to solve a number of problems inherent in big politics, including corruption, controlling of political parties by their "sponsors", non-compliance with gender equality, etc.

In Ukraine, the amount of funding allocated between political parties, which have received the right to finance its non-electoral activities, is determined by the minimum wage and the number of voters, who participated in the last election of people's deputies. However, given the fact that in the inter-election period, the latter figure is of a constant magnitude, thus, the minimum wage is not only an indicator characterizing the state of the economy, but also an instrument that allows the deputies to increase the volume of the general fund of financing from the state budget that is distributed among the parties.

The study showed, that the introduction of state funding of statutory activities of political parties in Ukraine allowed not all the goals (and not fully) to be achieved. Nevertheless, it should be noted that in the countries with the experience of supporting the statutory activities of political parties from the state budget, the process has been adjusted and the law has worked "efficiently" only in 8-10 years.

Therefore, given the positive aspects that parties in Ukraine in such a short period of time, one should expect a positive final result.

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