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**STATE FINANCING
OF POLITICAL PARTIES AS A CHANCE
FOR HEALING THE PARTY SYSTEM:
POLISH EXPERIENCE AND
UKRAINIAN REALITIES**

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The process of state financing of the political parties in Poland and Ukraine has been analyzed in this article. The authors have studied and compared the theoretical foundations of the Polish and Ukrainian legislation in the sphere of state financing of the functioning of the political parties. By comparing the experience of state financing of political parties in Poland and Ukraine, the authors have distinguished a number of direct and indirect positive consequences in the party system of Poland. It has been determined that in Ukraine, in turn, considering the lack of legal and public sources for financing political parties, political and economic spheres are closely interdependent, which significantly impedes the qualitative consolidation of the party system in general. The authors have concluded that the positive effect of state financing of political parties is primarily reflected in an increase in the level of openness in how the political parties function, the transparency of the parties' financial activities, the independence of the party system and the political transparency of civil society.

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Introduction

*The political parties created democracy and modern democracy
is unthinkable save in terms of the parties.*

Elmer E. Schattschneider

Modern democracy is the most optimal alternative for encouraging development, and it obviously has its advantages and disadvantages. Taking into account all of its legal, procedural and moral non-ideality, as Winston Churchill has aptly said,¹ a better alternative has not yet been proposed. Undoubtedly, the best variant is direct democracy, but in a modern global environment, it is rather an exclusive exception or a mere attempt at reaching political consensus.

Except for the policies of Ancient Athens and the three Swiss Cantons (out of 26), representative democracy is the most dominant form of ruling in the world, and it is impossible without political parties.² Political parties serve as a foundation for building parliamentarism³ and the coherent functioning of public institutes in general. Paraphrasing S. Mainwaring, we could say that the level of development, self-sufficiency and autonomy of the party sector is an indicator of the inner-party political arena, its dominating norms and rules of the game.⁴

Given the strategic importance of political parties in the state, it is extremely important to ensure the most favorable, from a legal

¹ "Famous Quotes and Stories." Winstonchurchill.org., <<https://www.winstonchurchill.org/resources/quotes/famous-quotations-and-stories/>>.

² Even in the "doubtful" Caribbean democratic, non-party microstates, there are analogues of political parties, which, however, bear more semblance to family clans (Veenendaal 2013).

³ Hahaliuk B., *Political Parties in Conditions of Parliamentarism*. Abstract of a doctoral dissertation in political science, Lviv, 2008, <www.lib.ua-ru.net/diss/cont/344116.html>.

⁴ Mainwaring S. P., Torcal M., "Party System Institutionalization and Party System Theory After the Third Wave of Democratization," Katz R. and Crotty W. (eds.), *Handbook of Party Politics*, 2006 (pp. 204–227), <<https://books.google.com.ua/books?id=wgAkmpfSwXkC&pg=PA16&lpg=PA16&dq=#v=onepage&q&f=false>>.

and economic standpoint, conditions of development. The legal framework should be clearly defined in the country's legislation, and the financial foundations of the functioning of the party sector should be transparent. Only in terms of the openness and transparency of funding sources of the political parties we can talk about their independence and impartiality. In their political and legal activities, the parties should be limited only by the limits of the legislation and public preferences. Based on global practice, the financing of political parties from the state budget is the primary source of their financial self-sufficiency. The political parties are not obliged to anybody when receiving state financing; they are responsible only before their voters – taxpayers filling the state budget.

Until recently, Ukraine was among the three European states, along with Cyprus and Belarus, where state financing of political parties had not yet been introduced.⁵ However, the Ukrainian model of democracy has entered a new and qualitatively higher level of development, and the party system has received a significant chance for proper functioning in the future.

State financing of political parties in Ukraine has been implemented in practice since the second half of 2016. The development of the legal foundations was carried out with considering the recommendations of reputable international organizations and the specific experiences of certain countries. First of all, Polish experts were involved in discussing the ways of reforms, as the long-term experience of Poland is extremely important and useful, especially taking into account the identical initial socioeconomic conditions. During the period of independence, a number of party reforms have been implemented in the neighboring country. Nowadays, we may say that the Republic of

⁵ *Direct Democracy. The International IDEA Handbook*, 2008, <<http://www.idea.int/sites/default/files/publications/direct-democracy-the-international-idea-handbook.pdf>>.

Poland has achieved a rather stable and comprehensively regulated procedure for the state financing of political parties.

In this article, we will try to briefly describe the evolution of the principles and specific mechanisms of the financing of political parties in Poland and to describe in more detail the modern realities, advantages and disadvantages that have appeared during the analyzed time period. The Ukrainian legislation regulating the sphere of financing of political parties is still at the stage of reformation⁶; therefore, the inclusion of a “tested and tried” recommendation seems extremely logical. Instructive also is the fact that the effect does not come right after the introduction of the legislative changes. The Polish realities have demonstrated a continuous search for an optimal alternative as a guarantee of political stability.

1. Aims and Tasks of the Analysis

State financing of political parties provides a legal source for filling party budgets. It is also a guarantee that the received public funds will be used for professional statutory activities only, since the parties are obliged to submit public financial reports. Until now, the Ukrainian parties have not had the obligation to publicly report about the real sources of their funding and the amounts and purposes of their financial incomes and expenditures. An introduction of state financing gives a chance for “healing” of both the party system and the political system in general. Thus, the main issue of our study is a question of how state financing can change the party system, which has not had any real experience of legally receiving any significant financial incomes. We will try to determine the positive effect

⁶ Meaning the frequent introduction of projects of laws on changes to the current election legislation (Law of Ukraine 2004; Law of Ukraine 2011; Law of Ukraine 2016).

through direct and indirect indicators considering the legislative and procedural foundations.

The aim of this article is to describe the legal frameworks of the system of financing of political parties in Poland and Ukraine and to analyze the implementation of these norms in practice. Most of the attention has been paid to the procedure of organizing the process of state financing of parties with an emphasis on the initial requirements, formulas and mechanisms of calculating the funds for financing. Based on learned, long-term experience of state financing of political parties, we have tried to give an objective assessment of the quality of the Ukrainian legislation. We have also made an attempt at evaluating the work of the government bodies responsible for the implementation of state financing of parties. Considering the European practice and based on the description and comparison of the two countries, we have concluded that although the current system of state financing is far from ideal, in the long term, this state reform can lead to a significant reduction in the level of corruption in the country, provide a boost to the development of small parties as well as democratize and qualitatively update the whole party system in Ukraine.

We will implement the stated aim by fulfilling the following tasks:

1. A description of the theoretical significance of state financing of political parties in the conditions of democratization;
2. An analysis of the legislation of Ukraine and Poland that regulates the sphere of state financing of political parties;
3. A comparison of key points in the procedure of calculating public funds, reporting their use and the system of sanctions for violating the requirements of the legislation;
4. A summary of the studied material by identifying the advantages and disadvantages of the Ukrainian model of financing political parties; a proposition of our recommendations for optimizing this innovation.

We will construct our research by comparing a few cases⁷ in both Ukraine and Poland. Studies using this method are more intensive and less extensive, since they encompass more of the nuances specific for party systems of the chosen countries. The specific comparative strategy used is that of the “most similar systems design,”⁸ which seeks to identify the key features that are different among similar countries and which account for the observed political outcome. In our case, this will allow for a better analysis of the strengths and weaknesses of the Ukrainian legislation and the process of its implementation, because not only the historical and socioeconomical conditions for the formation of the party system are similar for the chosen countries, but the “cartelization” effects, which have taken place at the level of party organizations in Poland,⁹ are also inherent in Ukraine.

2. Literature Review

Considering the current requests of society and the level of technical and informational standards, political parties are in an urgent need for stable and potentially sufficient financial investments for full and effective functioning. These funds are needed for all expenditures stipulated by the parties’ statutes, ranging from the rent of facilities to campaigning activities.

The issue of financing political parties is very topical and contradictory in its nature nowadays, as it involves very many risks and challenges. Former UN Secretary General Kofi Annan aptly noted

⁷ Landman T., *Issues and Methods in Comparative Politics. An Introduction*, London: Routledge, 2nd Edition, 2004, pp. 27–32.

⁸ Landman T., pp. 27–32; Faure A. M., “Some Methodological Problems in Comparative Politics,” *Journal of Theoretical Politics* 6 (3), 1994, pp. 307–322.

⁹ Casal B. F., van Biezen I., “Party Regulation and Party Politics in Post-communist Europe,” *East European Politics* 30 (3), 2014 (pp. 295–314), <<http://dx.doi.org/10.1080/21599165.2014.938738>>.

that, even though, on the one hand, the financing of political parties and election campaigns plays an important role in the functioning of democracy, on the other hand, corruption and unregulated donations have a significant impact on politics and elections.¹⁰ Only a distinction between politics and business would provide a compromise and clear alignment in the legal, economical and political spectrum.

Studies of the legal aspect dominate in the works of Ukrainian scholars researching the financing of political parties. N. Bohasheva,¹¹ O. Sovhyria,¹² G. Petryshyna-Dyuk,¹³ O. Kotsiuruba¹⁴ and many other scientists study the legal frames of this topic, suggesting the rational models of the Ukrainian sample of state financing and considering the peculiarities of developing the domestic political system.

S. Obushnyi and R. Balaban have explored the economic perspectives of this topic. The authors have noted that electoral legislation should be a collective agreement between the society and the elite. In the case of Ukraine, however, it is an agreement between the elites without the society's participation, which plays a "parade and facade function." The scholars believe that a change in the legislative foundation will not change the situation. It is necessary to "heal" the economy and bring up a new social base.¹⁵

¹⁰ *Direct Democracy. The International IDEA Handbook*, 2008, <<http://www.idea.int/sites/default/files/publications/direct-democracy-the-international-idea-handbook.pdf>>.

¹¹ Bogasheva N., *International Relations between the State and Political Parties in Ukraine: Constitutional and Legal Aspect*, Kyiv: Logos, 2012, pp. 1–446.

¹² Sovhyria O., "Financing of Political Parties: Legal Aspect," *Law of Ukraine* 5, 2003, pp. 130–133.

¹³ Petryshyna-Dyuk G., "Political Party Financing: The Problems of Legal Regulations in Contemporary States," *Legal and Political Sciences*, 2013, <http://www.irbis-nbuv.gov.ua/cgi-bin/irbis_nbuv/cgiirbis_64.exe?C21COM=2&I21DBN=UJRN&P21DBN=UJRN&IMAGE_FILE_DOWNLOAD=1&Image_file_name=PDF/dip_2013_60_16.pdf>.

¹⁴ Kotsiuruba O., "Public Financing of Political Parties: Perspective for Ukraine on Experience of Poland," *Bulletin of Lviv University. Series Law* 57, 2013, pp. 179–188.

¹⁵ Balaban R., "Financial Selection of Electoral Algorithm," *Scientific Notes of I. Kuraz ILENR* 6, 2010, pp. 161–168.

A consideration of political aspects dominates in the works of V. Dzhugan,¹⁶ T. Myskevych,¹⁷ M. Rybachuk,¹⁸ S. Kustova¹⁹ and others. An absolute majority of the researchers have emphasized the necessity of introducing state financing for political parties, but with consideration of the Ukrainian realities. For example, given the weak institutionalization of the party branches, the authors have proposed to draw priority attention to the financing of the local branches of political parties, thus implementing the principle of decentralization. Additional funds spent on the local level may have more positive effects on the functioning of local party organizations, which may in turn greatly strengthen their interaction with the local voters. The additional funding would help facilitate discussions between the local party organizations and the voters on topical issues of the local nature.

A significant contribution to researching the sphere of political party financing in Poland has provided by K. Skotnicki, M. Walecki, J. Zbieranek, K. Pankowski,²⁰ M. Budziński and others who have analyzed the state and quality of the state financing of political parties. Constructive criticism has mainly been directed at reducing

¹⁶ Dzhuhan V., *Constitutional and Legal Foundations of Financing of Political Parties in Ukraine and the EU States: Comparative Analysis*. Abstract of a doctoral dissertation in political science, Uzhgorod, 2008, <<http://www.uzhnu.edu.ua/infocentre/get/15442>>.

¹⁷ Myskevych T., "Introducing of State Financing of Political Parties in Ukraine: Formality, Requirement or Necessity?" *Social Communication Research Center*; 2016, <http://nbuviap.gov.ua/index.php?option=com_content&view=article&id=1729:zaprovadzhennya-derzhavnogo-finansuvannya-politichnikh-partij-v-ukrajini-formalnist-vimoga-chi-potreba-2&catid=71&Itemid=382>.

¹⁸ Rybachuk M., "Some Aspects of Political and Legal Regulation of Financing of Political Parties: Definition of Problem," *Scientific Notes of Institute of Political and Ethno-National Research* 24, 2003, pp. 100–104.

¹⁹ Kustova S., "Financing of Political Parties as a Structural Factor of the Process of Integration of Ukraine into the EU," *Bulletin of the National Academy of State Administration of the President of Ukraine* 3, 2015, pp. 105–110.

²⁰ Pankowski K., "Financing of Political Parties. Research Report," *Research Center of Social Thoughts*, 2008, <http://www.cbos.pl/SPISKOM.POL/2008/K_059_08.PDF>.

the percentage threshold for financing political parties,²¹ introducing a stricter “discipline” of expenditures,²² limiting the expenditures of public funds for advertisement and encouraging expenditures of the funds on expert and analytical purposes.²³ Scholars consider that the weak parts of the Polish model lie in that the Polish law on the financing of political parties, regulated by various legislative acts, is fairly criticized for regulatory gaps, ambiguous concepts and incoherent solutions that make the law difficult to interpret and implement; scholars also cite the presence of a negative phenomenon of the “petrification” of the existing political system.²⁴

Particular attention should also be paid to the work of contemporary European classics of political thought such as K. Casas-Zamora P. Mair,²⁵ M. Pinto-Duschinsky²⁶ and K. Nassmacher.²⁷ These scholars believe that even in the era of the catch-all/cartel parties, state financing of political parties does not lose its priority, despite the fact that the issues of the ideological, social, unifying and representative

²¹ Zbieranek J., “Financing of Political Parties in Poland – are There Any Changes?” *Stefan Batory Foundation*, 2015, <http://www.batory.org.pl/upload/files/Programy%20operacyjne/PolicyPaper_Finansowanie%20partii.pdf>.

²² Bidziński M., *Financing of Political Parties in Poland*, Warsaw: WSP TWP, 2011, pp. 1–296; Zbieranek J., “Financing of Political Parties in Poland – are There Any Changes?” *Stefan Batory Foundation*, 2015, <http://www.batory.org.pl/upload/files/Programy%20operacyjne/PolicyPaper_Finansowanie%20partii.pdf>.

²³ Walecki M., *Financing of Politics: Elections, Money, Political Parties*, Warsaw: Sejm Printing House, 2000, p. 9; Zbieranek J., “Financing of Political Parties in Poland – are There Any Changes?” *Stefan Batory Foundation*, 2015, <http://www.batory.org.pl/upload/files/Programy%20operacyjne/PolicyPaper_Finansowanie%20partii.pdf>.

²⁴ Skotnicki K., “Financing of Political Parties in Poland,” *Torunskie Studia Polsko-Włoskie*, 2016, <<http://dx.doi.org/10.12775/TSP-W.2016.005>>.

²⁵ Mair P., “Party Organizations: From Civil Society to the State,” Katz R. S. and Mair P. (eds.), *How Parties Organize: Change and Adaptation in Party Organizations in Western Democracies*, London: Sage Publications, 1994, pp. 1–22.

²⁶ Pinto-Duschinsky M., *Handbook on Funding of Parties and Election Campaigns – Overview. Typescript*, International Institute for Democracy and Electoral Assistance, 2001, pp. 1–458.

²⁷ Nassmacher K.-H., “Monitoring, Control and Enforcement of Political Finance Regulation,” *IDEA, Handbook on Funding of Parties and Election Campaigns*, 2003, <www.idea.int/publications/funding_parties/fpp_book.htm>.

roles of parties have recently been considered in a more skeptical light. It is important to consider the fact that within the context of Ukrainian realities and in light of the growing expenditures of political parties, when the membership fees of their members are minimal, and with the purpose of minimizing the functioning of political parties according to the principle of “quid pro quos,” the political parties have to be “obliged” to somehow compensate the financial contributions of their donors with appropriate political decisions.²⁸

Ingrid van Biezen, in comparing the Eastern European democracies, has noted that although state financing in these countries has many advantages, it can also have its pitfalls, creating clientelist relationships between the governments and parties. The author has clearly noted that the lack of “bottom-up financing from the grass roots” enforces parties to give more prominence to the role of private money.²⁹

Modern party studies have determined that state financing of political parties leads to a considerable decrease of electoral volatility,³⁰ fragmentation,³¹ an increase in the institutionalization of the party system³² and guarantees state financial support for extra-parliamentary parties.³³

²⁸ Casas-Zamora K., *Paying for Democracy. Political Finance and State Funding for Parties*, Colchester: ECPR Press, 2005, pp. 1–306.

²⁹ Van Biezen I. C., “Campaign and party finance,” LeDuc L., Niemi R. G., Norris P. (eds.), *Comparing Democracies: Elections and Voting in Global Perspective*, 3rd ed., London: Sage, 2010, pp. 65–84.

³⁰ Birnir J. K., “Public Venture Capital and Party Institutionalization,” *Comparative Political Studies* 38 (8), 2005, pp. 915–938.

³¹ Booth E. & Robbins J., “Assessing the Impact of Campaign Finance on Party System Institutionalization,” *Party Politics* 16 (5), 2010, pp. 629–650.

³² Casal Bértoa F., “It’s Mostly about Money! Party System Institutionalization and Its Sources: Reducing Causal Complexity in Post-communist Europe,” *The Legal Regulation of Political Parties. Working Paper Series* 15, 2011, <<http://www.partylaw.leidenuniv.nl/uploads/wp1511.pdf>>.

³³ Casal Bértoa F. & Walecki M., “Regulating Polish Politics: ‘Cartel’ Parties in a Non-Collusive Party System,” *East European Politics* 30 (3), 2014, pp. 330–350.

3. *The Ukrainian Variant of the State Financing of Political Parties*

The financing of political parties, though only parliamentary, from the state budget of Ukraine was foreseen for the first time with Ukraine's Law On Introducing Changes to Certain Legal Act of Ukraine Regarding the Introduction of State Financing of Political Parties in Ukraine No. 1349-IV from 11.27.2003.³⁴ The parties had the right to claim 0.01% of the minimum wage multiplied by the total numbers of their voters. However, the norms introduced by this Law had not been implemented in practice and none of the parties had received the state funds, when on May 2008, these regulations were finally abolished by the Decision of the Constitutional Court of Ukraine No. 10-пп/2008.³⁵

The next and effective attempt to introduce state financing took place in twelve years after the previous initiative. Ukrainian authorities simply could not ignore the inquiries of scientists,³⁶ public activists³⁷ and the international community.³⁸ On October 8, 2015,

³⁴ Law of Ukraine "On Introducing Changes to Certain Legal Act of Ukraine Regarding Introduction of State Financing of Political Parties in Ukraine" from 27.11.2003. № 1349-IV, *Bulletin of Verkhovna Rada of Ukraine* – 2004, p. 218.

³⁵ Myskevych T., "Introducing of State Financing of Political Parties in Ukraine: Formality, Requirement or Necessity?" *Social Communication Research Center*, 2016, <http://nbuviap.gov.ua/index.php?option=com_content&view=article&id=1729:zaprovadzheniya-derzhavnogo-finansuvannya-politichnikh-partij-v-ukrajini-formalnist-vimoga-chi-potreba-2&catid=71&Itemid=382>.

³⁶ Adashys L., "Problems in Financing of Political Parties in Ukraine," *Scientific Bulletin of Dnipro State University of Internal Affairs*, 2012, <http://irbis-nbuv.gov.ua/cgi-bin/irbis_nbuv/cgiirbis_64.exe?C21COM=2&I21DBN=UJRN&P21DBN=UJRN&IMAGE_FILE_DOWNLOAD=1&Image_file_name=PDF/FP_index.htm_2012_1_5.pdf>.

³⁷ Financing of Pre-Electoral Agitation on Extraordinary Parliamentary Elections of 2014: Electoral Funds of Political Parties, *Research of Social Network "Opora"*, accessed 27.03.2015, <<https://www.oporaua.org/en/news/38594-4806-1446982698-finansuvannya-perevyborchoji-agitaciji-na-pozachergovyh-parlamentskyhvyborah-2014-roku-vyborchi-fondy-politychnyh-partij>>, 27.03.2015.

³⁸ GRECO – Group of States against Corruption, *Fighting Corruption in Ukraine*, 201, accessed 29.11.2016, <https://www.coe.int/en/web/greco/home/-/asset_publisher/lxOP5Yph48Zi/content/fighting-corruption-inukraine?_101_INSTANCE_lxOP5Yph48Zi_viewMode=view/>.

The Verkhovna Rada of Ukraine voted favorably in the second reading by 229 votes on the Law #2123-a – On Introducing Changes to Certain Legal Acts of Ukraine on the Prevention and Counteraction to Political Corruption.³⁹ According to this Law, the parties had received the right to claim financing for their statutory activities and compensation of electoral expenditures from the state budget. According to the transitional provisions of this Law, the financing of parliamentary parties has started under special conditions since the third quarter of 2016. For example, by the decision of the National Agency of Corruption Prevention (NACP),⁴⁰ which is responsible for the implementation of state financing, more than 442 million UAH (approx. 18.5 million USD) were designated for political parties in 2017 (compared to the previous 167 million UAH, or approx. 7 million USD, in 2016). As 16 052 228 voters had participated in the past national multi-mandate constituency elections, according to the data of the Central Election Commission, the amount per one voter will be about 27.5 UAH – slightly over 1 USD (in Canada, for instance, it is 112 CAD per one employed citizen, in Germany – 4.4 USD, in Georgia – 1.8 USD).⁴¹ The sum is rational and justifiable, especially considering the high probability of abolishing the total holistic corruption and the dependence of political parties on illegal or shadow financial donors. As M. Sambozhuk has pointed out, the implementation of these innovations would give a chance to destroy the kleptocratic foundations of Ukrainian politics.

However, this reform is not very popular among the population. Only 15% of the population positively estimates the financing of

39 Law of Ukraine (Project) “On Introducing Changes to Certain Legal Acts of Ukraine on Prevention and Counteraction to Political Corruption” 2123-a., 2016, accessed 02.02.2017, <http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?id=&pf3511=55653>.

40 National Agency on Corruption Prevention of Ukraine. Official web-site. <https://nazk.gov.ua>.

41 Sambozhuk M., “Price of Democracy or Political Tax,” *LB.UA*, accessed 02.03.2017, <https://ukr.lb.ua/blog/nikita_sambozhuk/359292_tsina_demokratii_chi_politichniy.html>.

political parties from the state budget,⁴² while 77% of the interviewed among the political parties are convinced that this regulation would lead to a real reduction of political corruption.⁴³ This negative public opinion, from our standpoint, can be primarily explained by the following two factors:

1. A very low level of trust in the institute of political parties. This indicator had reached 83.5% by the end of 2017.⁴⁴ The total mistrust of people in the authorities is also very high, as well as a disbelief in the possibility of real changes taking place for the better. Of the respondents, 66.8% believe that the situation the country is developing in the wrong direction, and only 17.8% of the respondents believe that Ukraine can overcome the existing difficulties and problems over the next few years.⁴⁵
2. The presence of numerous economic problems and military actions on the territory of the country. As of 2017, the minimum salary of 3200 UAH is equal to the size of a Ukrainian consumer basket⁴⁶; therefore, these funds are enough only for minimal survival. According to the UN, 60% of Ukrainians live below the poverty line.⁴⁷ The State Committee of Statistics quotes an almost identical figure – a poverty level of 58%.⁴⁸

⁴² Attitude of People to Parties and Sources of Their Financing. *Research of I. Kucheriv Fund "Democratic Initiatives"*, accessed 20.02.2017, <http://dif.org.ua/uploads/pdf/1456483459_4026.pdf>.

⁴³ Introduction of State Financing of Political Parties, *Research of The Eidos Centre for Political Studies and Analysis*, accessed 14.02.2017, <<http://eidos.org.ua/vprovadzheniya-derzhavnogo-finansuvannya-politychnyh-partij/>>.

⁴⁴ Attitude of People of Ukraine to Social Institutes, Electoral Orientations, *Research of Sociological Service Razumkov Center*, accessed 12.02.2017, <<http://razumkov.org.ua/uploads/socio/Press0417.pdf>>.

⁴⁵ Attitude of People of Ukraine to Social Institutes, 2017.

⁴⁶ The official website of the State Service of Statistics of Ukraine. <http://www.ukrstat.gov.ua>.

⁴⁷ UNIAN. *About 60% of Ukrainian Live below the Poverty Line*. accessed 03.02.2017, <<https://www.unian.ua/society/1850746-blizko-60-ukrajintstiv-jivut-za-mejeyu-bidnosti-oon.html/>>.

⁴⁸ State Service of Statistics of Ukraine. *Official web-site*: <http://www.ukrstat.gov.ua>.

The situation in the Donbas remains tense, as about 10 thousand Ukrainians have been killed due to the military operations there.⁴⁹

4. State Financing of Political Parties: Polish Experience

The formation of the system of financing of political parties in Poland took place in several stages. There still remain many controversial questions, and political as well as legal discussions on the possible ways of its reformation and improvement are constantly being held.

However, the mechanism of the public financing of political parties is self-sufficient, tested by many years of experience and practice and procedurally consolidated. One of its main postulates, enshrined in the Constitution of the Republic of Poland on April 2, 1997, Art. 11, Par. 2, declares that the financing of political parties is open. Accepted on June 27, 1997, the Law On Political Parties also duplicates this environment in Art. 23. According to this Law, there were foreseen two types of financing: targeted financing, assigned for the statutory purposes of the party, and subjective financing – for the reimbursement of electoral expenditures.⁵⁰

The next and most significant step in streamlining the public financing of political parties should be considered to have taken place in 2001, when a new Law On the Election to Sejm and Senate was adopted and significant changes to the Law On Political Parties were introduced.⁵¹ Consequently, the rules of determining the amount of subsidy for reimbursing the expenditures of the electoral campaign were changed. The currently functioning system of the state finan-

⁴⁹ UNIAN.

⁵⁰ Kotsiuruba O., “Public Financing of Political Parties: Perspective for Ukraine on Experience of Poland,” *Bulletin of Lviv University. Series Law* 57, 2013, pp. 179–188.

⁵¹ Zbieranek J., “Financing of Political Parties in Poland – are There Any Changes?” *Stefan Batory Foundation*, <http://www.batory.org.pl/upload/files/Programy%20operacyjne/PolicyPaper_Finansowanie%20partii.pdf>.

cing of parties in the form of subventions for the statutory activities of the party and the subsidies for reimbursement of the expenditures of electoral campaigns for the parliamentary parties has been legally consolidated.

The subsequent amendments to the Law On Political Parties (2011, 2015, 2016) concerned only the procedure of the mathematical calculations and proceeded toward a rational restriction of state expenditures. For example, the size of the annual subvention per cadence of 2016–2019 is 58 210 642 PLN (about 17 350 000 USD) annually. In terms of each voter, the amount is around 2 PLN. The cost is insignificant for an individual voter, but for the parties, the state subventions for the given period comprise over 30% of their total funds, and in some previous years, the sum reached even 75%.⁵²

5. Realization of the Legal Regulation in Practice

We will make an attempt to compare the realities of the state financing of political parties in Poland and Ukraine. The initial conditions will be characterized by the following criteria: the algorithm of calculation and determination of the amount of expenditures from the state budget, restriction in the system of financing and the rules for reporting after receiving financing.

Ukraine is one of the leaders in the number of registered political parties, both in Europe and the world. As of April 2018, there are 352 political parties in Ukraine.⁵³ This is several times higher than in other European countries. The figures of other countries may be cited for comparison: Slovakia – 56 parties, Romania – 124 parties, the

⁵² Skotnicki K., “Financing of Political Parties in Poland,” *Torunskie Studia Polsko-Wloskie*, <<http://dx.doi.org/10.12775/TSP-W.2016.005>>.

⁵³ Data about the registered political parties according to the law, accessed 18.01.2017, <http://ddr.minjust.gov.ua/uk/ca9c78cf6b6ee6db5c05f0604acdbdec/politychni_partiyi/>.

Russian Federation – 77 parties, Moldova – 45 parties, Latvia – 73 parties, Lithuania – 38 parties.⁵⁴

In Poland, there are 73 officially registered political parties.⁵⁵ However, this does not mean that the history of the Republic of Poland has been limited by this number. In our opinion, the number of political parties in the country is one of the indicators of how the party system is consolidated. Party building, in its evolution, is aimed at limiting the number of political parties, and, first of all, at least to those that are known on the political scene. It is not enough just to register a political party; it is necessary to prove its functionality through reporting and participating in elections, both to local self-governing institutions and the government. Thus, it is practically impossible to determine the exact number of political parties registered in Poland. Such information is also lacking on the websites of the appropriate state institutions – the Central Election Commission and the District Court in Warsaw.⁵⁶ In the textbook of history of Poland, the authors refer to the number of above 300 political parties that were registered in 1997.⁵⁷ Such activity can be explained by the primitive requirement set in the Law On Political Parties of 1990, where only 15 signatures were sufficient for the establishment of a political party.⁵⁸

As of April 2017, the latest registration number of a political party was 352; thus, it can be concluded that approximately this

⁵⁴ Report of the Committee of Voters of Ukraine. “State of Political Parties Before State Financing”, accessed 22.12.2016, <<http://www.cvu.org.ua/nodes/view/type:news/slug:%D0%97%D0%B2%D1%96%D1%82%20%D0%9A22>>.

⁵⁵ State Electoral Commission of Poland. List of parties included into the Register of Political Parties, accessed 06.02.2017, <http://pkw.gov.pl/322_Wykaz_partii_politycznych>.

⁵⁶ State Electoral Commission of Poland. Official web-site. <http://pkw.gov.pl>; Bulletin of public information. District Court in Warsaw. <http://bip.warszawa.so.gov.pl>

⁵⁷ Jurek K., Lynka A., *Knowledge about Society*, Lodz: Piątek Trzynastego, 2000, pp 1–148.

⁵⁸ Internet System of Legal Acts of Poland, accessed 09.02.2017, <<http://isap.sejm.gov.pl/DetailsServlet?id=WDU19900540312>>.

number of parties had been registered in Poland for the past three decades. Obviously, the number is not exact, as the procedure of party registration had been changed by the new Law in 1997. For instance, the number of signatures needed for registration had been changed to 1 000, and the existing parties needed re-registration. Also, the process of “division” and merging of parties should be considered. However, taking into account all the flaws, we would receive a number relatively close to the Ukrainian indicator. The only difference is that there is strict state control over the activities of political parties in Poland. Not providing annual reports to the Central Election Commission is a direct reason for cancelling the party’s registration. Thus, an indicator rate of the number of competitive parties for Poland is 60–80.

The quality of Ukrainian political forces is frankly questionable, mainly due to the absence of a mechanism of their annual control. The version of the Law of Ukraine On Political Parties edited in 2015 did not make any significant changes. According to Art. 24, cancellation of a registration is only possible when a party has not registered its regional organizations in most regions of Ukraine, if unreliable information has been discovered in the documents submitted for registration, or if the party has failed to nominate its candidate for the Ukrainian Presidential and People’s Deputy Elections within the past ten years. This list is comprehensive. Moreover, the point about not nominating candidates within ten years is legally ineffective, since no legal responsibility is foreseen for failure to fulfill it. Only the self-dissolution of a political party is the reason for the cessation of the activities of a party.

Thus, the number of parties which can potentially expect state financing is the first weakness of Ukrainian realities. It would be reasonable to add an article in a new Law On Political Parties, stating that failure to submit an annual report by a party is a reason for the cessation of its activity. Then, obviously, the number of parties would reach a potentially competitive level.

Now, let us more closely consider a system of calculation of the state expenditures on political parties. As mentioned above, state financing in Poland is provided in the form of subventions and subsidies. Section 4 of the Law On Political Parties, the “Finance and Financing of Political Parties,” declares that political parties the electoral committees of which (in Poland, the electoral committees, created before the elections by political parties or the voter, participate in the elections), according to the results of elections, have received 3% of votes (6% for coalitions) have the right to receive state subventions for the statutory activities of the party. The amount of the annual subvention is determined on the basis of multilevel regression in proportion to the number of voters of the party, taking into account the individual vote price for every level of the party support. If the party receives 3–5%, the price of the vote is 5.77 PLN (1.70 USD). Support at the level of 5–10% is estimated at 4.61 PLN (1.38 USD), 10–20% – 4.04 PLN (1.21 USD); after 20%, the price of every vote significantly decreases for level of support: for a rating of 20–30%, it is 2.31 PLN (0.69 USD), and only 0.87 PLN (0.26 USD) for a rating higher than 30%. For example, if the party receives 23% votes at the elections, this means that the party will receive 5.77 PLN for the first 5% of votes, 4.61 PLN for the following 5%, 4.04 PLN for the next 10%, and 2.31 PLN for the remaining 3% of the votes.

The amount and procedure of receiving state subsidies, which compensate the expenditures for electoral campaigns, are regulated in Poland by the Electoral Codex of 2011.⁵⁹ According to Art. 150, political parties or their coalitions that participated in the elections have the right to receive a subsidy from the state budget for every received mandate of a Deputy or a Senator. The amount of the subsidy is determined by a simple formula: the total amount of the expenditures is divided by the number of the mandates, which is 560

⁵⁹ Law of the Republic of Poland “Electoral Codex”, accessed 01.02.2017, <<http://www.sejm.gov.pl/prawo/kodeks/kodeks.htm>>.

(460 Deputies and 100 Senators). The received amount is multiplied by the number proportional to the number of mandates received in the Sejm or Senate. Interesting is the fact that the legislation sets clear limits of the expenditures for an electoral campaign. The quota depends on the price of every vote depending on the type of elections and the number of candidates nominated by the particular party for the Deputies or Senators.

According to Art. #199 of the Electoral Codex,⁶⁰ the limit of expenditures for the elections to the Sejm is determined by the formula:

$$L = (w \times k \times m)/460,$$

in which w – total amount of voters, k – price of one vote, m – total number of candidates nominated by the party to Deputy. Considering that the price of every vote may provisionally be estimated at one PLN (0.82 PLN for the elections to the Sejm and 0.18 PLN for the elections to the Senate), and, according to the data of the Central Election Commission of Poland, there are 30 486 693 persons in the electoral registers.⁶¹ Therefore, the maximum amount that a party can spend on the elections is almost 25 million PLN, and the minimum amount is a bit higher than 54 thousand PLN:

$$L(\max) = (30\,486\,693 \times 0.82 \times 460)/460 = 24\,999\,087 \text{ PLN};$$

$$L(\min) = (30\,486\,693 \times 0.82 \times 1)/460 = 54\,345\,8 \text{ PLN}.$$

The limit on the electoral campaign to the Senate is determined by the same formula, only with the use of the vote price of 0.18 PLN and the maximum number of senators of 100.

According to the adapted Ukrainian legislature, political parties have the right to receive state financing for the expenditures connected with their statutory activities and elections. Art. 17-2 of

⁶⁰ Ibid.

⁶¹ The official website of the State Electoral Commission of Poland. <http://pkw.gov.pl>;

the Law On Political Parties of Ukraine states that the annual amount of state financing of the statutory activities of political parties, which overcame the 2% electoral barrier, is 0.02% of the amount of minimal salary multiplied by the total amount of the voters who participated in the elections during the latest regular or extraordinary elections of the People's Deputies of Ukraine. The funds allocated from the state budget for financing of the statutory activities of political parties are divided by the National Agency of Corruption Prevention between the political parties in the following order.

- 1) An amount of 10% of the annual amount of the state financing of statutory activities of political parties is equally divided between the parties – subject to gender quota – not more than 2/3 of the party members of one gender;
- 2) An amount of 100% of the annual amount of the state financing of statutory activities of political parties is divided between the political parties proportionally to the number of valid votes submitted for the lists of the candidates to the People's Deputies of Ukraine.⁶²

A political party, according to the Art. 17-4, has the right to receive compensation for the expenditures connected with financing of its pre-electoral agitation before the elections of the People's Deputies of Ukraine in a party which participated in division of the Deputy mandates. The reimbursement of expenditures is made in the amount of the actual expenditures of the political party, but not more than the maximum size of the electoral fund of the political party.⁶³ According to the Law of Ukraine On the Elections of the People's Deputy of Ukraine, the amount of the party's electoral fund, the candidates of which are registered in the general state constituency, cannot exceed

⁶² Law of Ukraine On the Elections of the People's Deputy of Ukraine from 11.17.2011, No. 4061-VI. accessed 07.02.2017, <<http://zakon3.rada.gov.ua/laws/show/4061-17>>.

⁶³ Law of Ukraine (Project) "On Introducing Changes to Laws of Ukraine on Targeted Use of State Financing of Statute Activity of Political Parties" № 6026. accessed 17.05.2017, <http://search.ligazakon.ua/l_doc2.nsf/link1/JH4NE00A.html>.

the amount of 90 thousand minimal salaries, which is 288 million UAH (90 000*3200 UAH = 288 000 000 UAH).⁶⁴ However, as it was mentioned above, the financing of parties from the state budget on the special conditions was introduced in Ukraine in the second part of 2016. In this cadence, the parties receive funds for covering the costs of their statutory activities if they overcame the 5% barrier.

Comparing the legal foundations and practice of implementation of the state financing system of the parties' statutory activities in Poland and Ukraine, it is necessary to highlight the following key moments.

1. The barrier in Ukraine is 2%, whereas it is 3% in Poland. We do not consider coalitions, as in Ukraine the blocs cannot participate in the elections.⁶⁵ Rationally thinking, the lower the threshold, the better it is for the party system, because the prospective but small parties receive a chance for competition with the big ones and the opportunity to get into great politics without shadow financing. The issue of reducing the electoral barrier for obtaining state subventions is one of the mostly discussed. Often, politicians and scientists propose to lower it to 1%.⁶⁶
2. The amount of reimbursement in the Ukrainian version depends only on the level of party support in the elections. The Polish sample foresees not only to consider the results of elections but also gives some preferences to small parties, as the higher the level of support becomes, the lower the price of every vote is. Incidentally, the "price of vote" for determining the amount of subvention in Poland is continuously decreasing.

⁶⁴ Law of Ukraine "On Elections of the People's Deputy of Ukraine" from 17/11/2011. № 4061-VI., accessed 02.05.2017, <<http://zakon3.rada.gov.ua/laws/show/4061-17>>.

⁶⁵ Ibid.

⁶⁶ Zbieranek J., "Financing of Political Parties in Poland – are There Any Changes?" *Stefan Batory Foundation*, 2015, <http://www.batory.org.pl/upload/files/Programy%20operacyjne/PolicyPaper_Finansowanie%20partii.pdf>; Skotnicki K., "Financing of Political Parties in Poland," *Torunskie Studia Polsko-Wloskie*, 2016, <<http://dx.doi.org/10.12775/TSP-W.2016.005>>.

For instance, initially, its maximum limit was 10 PLN, and nowadays it is 5.77 PLN.⁶⁷

3. The gender quota is considered in Ukraine in the process of allocating the state financing for statutory activities of political parties. In the Polish legislation, though, there is no point on stimulating gender equality in the description of the process of calculating subventions. However, this condition is present at the time of submitting the candidate lists, when at least 35% of candidates must be female.

Although the systems of state compensation of the parties' electoral expenditures clearly define the financial limits in both countries, the mechanisms of compensation differ dramatically in those countries. The Ukrainian parties are simply reimbursed the full amount of spent funds, whereas the amount of the subsidies for the parliamentary parties in Poland depends on the numbers of their mandates.

It is also interesting to compare the way electoral expenditures are determined. From our standpoint, the Polish version is the most thorough, both from the legal and the political aspect. One Polish zloty is considered to be the amount per one Pole in elections, and the amount of state expenditures for elections directly depends on the party's electoral activity. The limit in Ukraine, though, is the maximum size of the electoral fund, which, through the party's account, is filled mainly with the donations of legal entities and physical persons. Such financing in Poland happens mostly at the cost of bank credits, which in 2015, for instance, amounted to 32% of the total capital, and the financing of political parties by a legal entity is prohibited.⁶⁸

⁶⁷ Zbieranek J., "Financing of Political Parties in Poland – are There Any Changes?" *Stefan Batory Foundation*, 2015, <http://www.batory.org.pl/upload/files/Programy%20operacyjne/PolicyPaper_Finansowanie%20partii.pdf>.

⁶⁸ Sosnowska A., "Sources of Power of Weak Political Parties in III Republic of Poland," 2015, <http://www.asosnowska.pl/mgr_4wybrane.php#2d>.

These amounts have nothing in common with the realities of Ukrainian life. During the reform of electoral legislation in 2015, this amount was not revised and remains unreasonably high. In Ukraine, the restriction for an individual's contribution to the party per year cannot exceed 400 times the size of the minimum wage (1 280 000 UAH), and a legal entity can contribute an amount which annually does not exceed 800 times the size of the minimum wage (2 560 000 UAH) for the party activities. These amounts are simply cosmic, as in Poland, for instance, an individual, during a single year, can contribute to a political party's activities not more than 15 times the size of the minimum wage.

Reporting by the parties that is publicly accessible, transparent and executed strictly in accordance with the legislation, in line with the IDEA, is one of the pillars of the openness of state financing of political parties.⁶⁹ Reporting in Poland consists of the preparation of the annual report of every party to the Central Electoral Commission about its financial assets, incomes and expenditures, and the provision of special information by those parties which receive state funds for their use.

In Ukraine, all the parties must submit their quarterly reports about their financial activities to the National Agency of Corruption Prevention by filling in a standard form of 60 pages. It contains a paragraph about the funds from the state, and those receiving it fill in the information, whereas the rest leave the column empty. The size of the report, thus, increases to several hundred pages (for instance, the Bloc of Petro Poroshenko's report for 2016 contains 294 pages).⁷⁰

But most interesting is the system of penalties for not managing to prepare the report, the violation of the terms or registration of

⁶⁹ Financing of Political Parties and Electoral Campaigns, *Handbook on Financing of Political Activities*, 2016, <<http://www.idea.int/sites/default/files/publications/funding-of-political-parties-and-election-campaigns-UK.pdf>>.

⁷⁰ The official website of the National Agency on Corruption Prevention of Ukraine. <https://nazk.gov.ua>.

the report, the presence of errors in it or the submission of false information. The CEC of Poland can accept the report, send it back for refinement or reject it. The penalty for breaking the norms of law in Poland is manifested in the form of the exclusion from the register of parties, the deprivation of state financing for the term of 1–3 years, or reducing its amount, but not more than for 75% of the total amount of the subsidy or subvention.⁷¹ The Ukrainian version foresees not only a possibility of the termination of state financing of the parties,⁷² but also administrative and criminal liability of the responsible persons in the form of a fine (70–300 non-taxable minimums), the confiscation of property or correctional work for the term of up to two years or the restraint of freedom for the same period with the restriction to occupy certain positions or engage in certain activities for the term of up to three years.⁷³ In Ukrainian realities, especially at the initial stage of the introduction of state financing of parties, such norms of legislation seem to be absolutely justified.

Conclusions

In summarizing the presented material, we again point out that the introduction of state financing to political parties in Ukraine is a progressive and promising project. As global experience shows, there is no better option for parties to have maximum independence and autonomy. In our opinion, the legal quality of the norms on state financing of parties in Ukraine is satisfactory, although it contains

⁷¹ The Law On Political Parties of the Republic of Poland, 07.28.1990, accessed 26.02.2017, <https://mojepanstwo.pl/dane/dziennik_ustaw/49158,ustawa-o-partiach-politycznych>; The Law of the Electoral Codex of the Republic of Poland, 05.01.2011, accessed 26.02.2017, <<http://www.sejm.gov.pl/prawo/kodeks/kodeks.htm>>.

⁷² The Law (Project) of Ukraine On Introducing Changes to Ukraine's Law On Political Parties in Ukraine (Regarding the Cancelling of State Financing of Political Parties), accessed 08.02.2017, <http://search.ligazakon.ua/l_doc2.nsf/link1/JH3X800A.html>.

⁷³ The Codex of Administrative Offences of Ukraine, Article 212, accessed 01.07.2018, <<http://zakon5.rada.gov.ua/laws/show/80731-10>>.

some inaccuracies and gaps. Ukraine's Law On Political Parties does not contain either any paragraph regarding the responsibility for failing to submit a financial report to the National Agency of Corruption Prevention or a list of what the funds from the election budget could be spent on, although the state fully compensates these funds. There is a very general approach to the distribution of state financing in the Law, which is happening equally and proportionally without considering the specifics of the parties' political activities – as is the case in Poland.

There are even more difficulties with the procedural part of the implementation of the law: the very protracted duration in implementing the NACP, frequent interruptions in its work, especially during the times before the deadlines of e-declarations, the questionable quality of how the party reports are evaluated and the absence of any real sanctions for the violation of the legislation in this sphere.

However, the legislative activities of Ukrainian parliamentarians have demonstrated some positive tendencies; an example is a project of the Law On Introducing Changes to the Laws of Ukraine about the Targeted Use of State Financing of Statute Activities of Political Parties No. 6026 from February 3, 2017 by V. Denysenko (included in the agenda on October 3, 2017).⁷⁴ In general, this Law is very logical and proposes (1) to prohibit the spending of state financing for political advertisement, (2) to clearly identify the purposes for which the financing gained from electoral funds of the parties can be spent and (3) to stimulate the development of local organizations by transferring 70% of state subventions to their needs. The prohibition

⁷⁴ Conclusion of the project of the Law On Introducing Changes to the Laws of Ukraine about the Targeted Use of State Financing of the Statute Activities of Political Parties, No. 6026. *Center of Political and Legal Reforms*, accessed 03.24.2017, <<http://pravo.org.ua/ua/news/20872122-visnovok-na-zakonoproekt-pro-vnesennya-zmin-do-zakoniv-ukrayini-schodo-tsilovogo-vikoristannya-dergeavnogo-finansuvannya-statutnoyi-diyalnosti-politichnih-partiy-6026>>.

on spending state financing on political campaigning has been particularly relevant, since it has been dominant according to the financial reports for 2016 (the reports for 2017 have not been available yet). For instance, The People's Front has spent about 33 out of 50 million UAH allocated from the state for political advertisements; the All-Ukrainian Party "Svoboda" (Freedom) has spent 22 out of 42 million UAH on political newspapers and advertisements.⁷⁵

At the moment, we are currently witnessing the stage of adaptation to the new norms, since only the parliamentary parties have been receiving financing. A further "healing" effect for the party system should be expected after the next parliamentary elections, when the right to receive financing will also be acquired by small political parties that will have gained more than 2% of the votes.

The following positive tendencies, which will eventually be positive in the context of Ukraine as well, can be distinguished from the Polish experience. Since the first attempts to introduce state financing were in 1993, state financing, which guarantees honest party competition and "proportionally equal" access to finances along with the strict legal regulations in the form of clear and effective procedures of terminating the registration of political parties and fines for violating the legislative norms, in our view, contributed to the ordering and consolidation of the party system of Poland in general. This was the first indirect indicator.

Considering the long-standing practice of state financing of political parties in Poland, we can assume that this component contributed to the qualitative division of the party sector from the economic one, whereas in Ukraine, the parties, which just were founded and started their activities under the conditions of the financial crisis and absolute distrust in the institute of a "party,"

⁷⁵ Sydorchuk O., "How Have the Parties Used the First State Funds," 2017. *Ilko Kucheriv's "Democratic Initiatives" Fund*, accessed 02.14.2017, <<http://dif.org.ua/article/oleksiy-sidorchuk-yak-partii-vikoristali-pershi-byudzhetni-koshti>>.

did not receive public funding and found an alternative source of financing – financial and industrial groups, which, until now, have been determining the political course of the parties. As a consequence, politics and business became closely interdependent, which significantly complicates the effectiveness of the functioning of the party system in Ukraine. This is another indirect indicator of the positive impact of the state financing political parties.

The third positive indicator is considered to be the decrease of the level of corruption in general. The first positive direct consequence of state financing is primarily an increase in the level of openness in the activities of political parties. The rapid increase of the index of political transparency in Ukraine across 30 positions is a clear indicator of improvement. According to the data of Global Open Data Index, our country has risen from the 54th place to the 24th over the last year.⁷⁶ However, the level of corruption remains extremely high, in accordance with Transparency International, and Ukraine is on the 131st position out of 176 countries.⁷⁷ In the long run, this indicator can become one of the most important indicators of success of the implementation of state financing of political parties.

Considering the Polish experience, we can also distinguish a number of direct positive factors arising from the presence of long, balanced and controlled state financing of parties. Namely, these are the general independence and autonomy of the political parties, their independence from financial and industrial groups, the transparency of the financial policies of the parties, public control over the incomes and expenditures of party funds and the opportunity to effectively present the interests for small parties that receive a “stable” source of funding.

⁷⁶ The official website of the global open data index, accessed 2017, <<https://index.okfn.org/place/>>.

⁷⁷ Transparency International, *Corruption Perceptions Index 2016*, <[http://www.ei.com/Publication/vwLUAssets/EY-Transparency-International-Corruption-Perceptions-Index-2016/\\$FILE/EY-Transparency-International-Corruption-Perceptions-Index-2016.pdf](http://www.ei.com/Publication/vwLUAssets/EY-Transparency-International-Corruption-Perceptions-Index-2016/$FILE/EY-Transparency-International-Corruption-Perceptions-Index-2016.pdf)>.

As M. Pinto-Duschinsky noted, money flows on the political arena can be compared to the water flows running down from the mountain and turning into many rivers. If one river is blocked, the flow of water will find a new channel.⁷⁸ This, along with the so-called VIP-Assistance, obviously gives rise to corruption from authorities and influential persons. Consequently, in 2015 in Poland, such “donations” accounted as much as 66% of income for the parties that had not received state subventions.⁷⁹

The partial refusal for the practice of state financing also takes place in modern politics, but its efficiency is rather questionable and causes actual damage to the party sector. It is most appropriate to recall the Italian case, where, according to the party reform, the compensation of the parties’ electoral expenditures was cancelled. During 2014–2017, it had to be absolutely cancelled and replaced by tax deductions in the amount of 2 EUR out of 1 000 EUR of citizen taxes. However, so far only 2.6% of Italians have legalized the redistribution of their taxes in favor of the parties; as a result, the parties have received 300 000 EUR rather than the state compensation of 50 million EUR.⁸⁰ This is a serious challenge for the political parties, and within a few years, all of the positive and negative outcomes of such a reform will have finally appeared.

In fact, nowadays in our country, an attempt is being made to return the electoral and parliamentary-representative democratic institutions to the public, which have been appropriated by a large oligarchic business.⁸¹ The benefits of introducing state financing for

⁷⁸ Ibid.

⁷⁹ Skotnicki K., “Financing of Political Parties in Poland,” *Torunskie Studia Polsko-Wloskie*, 2016, <<http://dx.doi.org/10.12775/TSP-W.2016.005>>.

⁸⁰ “Public Funding for Political Parties in Italy,” *Associazione Openpolis*, accessed 22.07.2016, <<http://blog.openpolis.it/2016/07/22/public-funding-for-political-parties-in-italy-new-minidossier-by-openpolis/9860>>.

⁸¹ Myskevych T., “Introducing of State Financing of Political Parties in Ukraine: Formality, Requirement or Necessity?” *Social Communication Research Center*, 2016, <http://nbuviap.gov.ua/index.php?option=com_content&view=article&id=1729:zaprovadzheniya-derzhavnogo-finansuvannya-politichnikh-partij-v-ukrajini-formalnist-vimoga-chi-potreba-2&catid=71&Itemid=382>.

political parties is effective not only in the election period but also bears positive effects on improving the continually functioning party infrastructure. This, in turn, creates new work placements for qualified individuals not only in the party apparatus, and it extends the hiring opportunities across the party presses, analytical departments, public informational activities, youth and women's party organizations etc. Finally, this creates a solid foundation for a truly civilized electoral system and is important for the normal functioning of democracy.⁸²

It should also be remembered that state financing had already been implemented in Ukraine earlier, but its realization was ceased before reaching its goals. It is therefore important to avoid repeating this scenario. For this purpose, it is necessary to determine a realistic set of goals and, on its basis, to draw the conclusions about the potential success or failure of this idea.

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⁸² Fesenko V., "Financing of Parties from Budget Have not Supported the Parties with no Advantage of Money," 2015, <zik.ua/news/2015/10/09/fesenko_finansuvannya_partiy_z_byudzhetu_ne_pidtrymaly_syly_yaki_mayut_perevagu_u_groshah_631782>.

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SUMMARY

STATE FINANCING OF POLITICAL PARTIES AS A CHANCE FOR HEALING THE PARTY SYSTEM: POLISH EXPERIENCE AND UKRAINIAN REALITIES

The legislation framework of the system of state financing of political parties in Poland and Ukraine has been analyzed in this article. The emphasis has been put on state financing of political parties in Ukraine, considering the recent introduction of it 2016. Most of the attention has been paid to the issue of making the procedure for organizing the process of state financing of parties as consistent as possible, ensuring the quality of its implementation and reflecting the methods of legal and political responsibilities in case of any intentional violations. We have focused has on the initial requirements, formulas and mechanisms of calculating the funds enshrined in the relevant legal documents.

Based on the successful, long-term experience of Poland in the complex way that the political parties are financed from the state budget, a practice which began in 2001, the quality of the Ukrainian party legislation has been evaluated rather positively – especially those aspects related to regulating the sphere of financing. The newly introduced legal norms on how the Ukrainian state finances its political parties have been identified in a sufficient and clear manner, considering that this process requires constant reforming with consideration of the special characteristics of the country. It has been emphasized in the article that for the party sector of Ukraine, the financing of which has been exclusively shadowy and sponsor-regulated, the controlled and accountable state funds provide a possibility of a qualitative revival. The authors have concluded that the positive effect of the introduction of state financing in Ukraine can be directly correlated with an increase of transparency in how the political parties function and in behavior within the civil sector as a whole.