

**Innovations in the  
Financing of the  
Civil Society Organizations**

*Iryna Tkachuk*

# **Innovations in the Financing of the Civil Society Organizations**



Fil. Dr. Jan-U. Sandal Institute

Affiliated Honorary Research Fellow

*Iryna Tkachuk*

**Innovations in the Financing of the  
Civil Society Organizations**

4-year program

THESIS

Introduction/Compilation

Innovations in the Financing of the  
Civil Society Organizations



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## **Preface**

During my studies at the Yuriy Fedkovych Chernivtsi National University, I actively participated in the activities of student government and joined the activities of various student and scientific public organizations. Even then, I was able to grasp the enormous potential of these organizations and also realized how insufficient the financial resources they possessed were.

So, not surprisingly, after graduating from the University, I became interested in the functioning of civil society and its institutions. Scientific interest turned into a significant scientific product and in 2016 at a meeting of the specialized academic council at the Ivan Franko National University of Lviv an open defense of the candidate's dissertation took place.

The scientific degree allowed me to conduct more in-depth scientific research, as well as to participate in serious scientific events and activities: international conferences, summits, internships, etc. Therefore, in May 2018, I was lucky enough to become one of the four participants who passed the competitive selection and had the opportunity to visit Fil. Dr. Jan-U. Institute to carry out research under the guidance of renowned scientist Fil. Dr., Professor Jan-Urban Sandal.

Focusing exclusively on science and changing approaches to research brought incredible satisfaction, so when Prof. Jan-Urban Sandal offered to pass the test in order to participate in a four-year research program based at Fil. Dr. Jan-U. Sandal Institute, there was no doubt. Thus, on June 1, 2018, I received a new status — Affiliated honorary research fellow at Fil. Dr. Jan-U. Sandal Institute.

As my scientific interest was solely devoted to civil society, and one of the main topics of Fil. Dr. Jan-U. Institute is research on innovation; we decided to find out how the use of innovative approaches can have a positive impact on improving the financial capacity of civil society institutions and directly the effectiveness of their activities. Thus, the topic of the given dissertation, which you are now holding in your hands, appeared. The dissertation will be of use for scholars studying the problems of functioning and development of civil society and its finances, researchers of innovations in this field, students of economic and other socially-oriented specialties, representatives of civil society, public authorities, local governments, and the general public.

Iryna Tkachuk, January 2022

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Moreover, I would like to extend a special thank you to my family, and especially to my husband Oleksandr, my sons Yaroslav, Andrii, and my daughter Yaryna for their patience and just for being there for me!

And also to my parents for the gift of life and for allowing me to determine my place in it!



## List of publications:

### *Main articles:*

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2. Tkachuk, I. (2020). The state of revenues and expenditures of Ukrainian civil society institutions as a reflection of the efficiency of the organization of civil society finances. *The journal of V. N. Karazin Kharkiv National University. Series: International Relations. Economics. Country studies. Tourism*. Vol. 12. Pp.191-217.

3. Tkachuk, I. (2018). The State Funding of Statutory Activities of Political Parties in Ukraine as an Innovation Against Political Corruption. *Modern Economics*. № 9. URL: <https://modecon.mnau.edu.ua/the-state-funding-of-statutory-activities-of-political-parties-in-ukraine/>.

4. Tkachuk I. (2020). Development of venture philanthropy in Ukraine in the context of strengthening of the social responsibility of civil society organizations. *Scientific Bulletin of Chernivtsi University: Economics*. № 829. DOI: <https://doi.org/10.31861/ecovis/2020-829-9>.

### *Additional articles:*

1. Tkachuk I. (2018). Introduction of percentage philanthropy in Ukraine as a democratic innovation: Abstracts of the participants of the II International scientific-practical conference «SME: problems and perspectives of development». Kyiv: Taras Shevchenko National University of Kyiv. Pp. 152-156.

2. Tkachuk I. (2019). What is science? *Role of higher education institutions in Society: challenges, tendencies and perspectives. Academic papers. Alytus. Nr. 1 (8). Pp. 124-130.*

2. Tkachuk, I. (2019). Role of the civil society for economy. *EUREKA: Social and Humanities*". № 5. Pp. 3–15. DOI: 10.21303/2504-5571.2019.00944.

3. Tkachuk I. (2019). The role of museums in modern life. *Museum science and Sandal Private Museum*. Ed. By Jan-U. Sandal. Pp. 19-28.

4. Tkachuk I. (2018). Innovation labs in banking. Problems of ensuring the effective functioning and stable development of the banking system and economy: Abstracts of the participants of the VIII All-Ukrainian scientific-practical conference of students, graduate students and young scientists. - Kyiv: University of Banking. Pp. 235-237.

5. Tkachuk I. (2021). Changing of the approaches to the organization of the “Social entrepreneur school IBS” of Fil. Dr. Jan-U. Sandal Institute as an example of quality education in the field of organization of socially responsible business: Abstracts of the participants of the III international scientific-practical conference «Financial instruments of sustainable economic development». Chernivtsi: Chernivtsi National University. Pp. 257-261.

6. Tkachuk I. (2019). Democratic innovations in Ukraine. Conversations on Emerging Issues in Social Entrepreneurship. Zhytomyr: Zhytomyr national agroecological University. Pp. 35-40.

7. Tkachuk I. (2020). The nature and the mechanism of the venture philanthropy: Materials of International Scientific and Practical Internet Conferences «Competitiveness and

Innovation: Problems of Science and Practice». Kharkiv. Pp. 196-198.



## 1. Introduction

**Motivation of the Study.** Since gaining its independence, Ukraine has entered a stage of transformation of its civil society (CS) from an underdeveloped Soviet model to a developed European one. The developed CS is characterized by a significant contribution of its institutions not only to the formation of democracy, but also to the development of the socio-economic sphere of the respective states. Thus, in the economically developed democracies of the world, civil society institutions (CSIs) create a significant share of GDP and, a significant number of paid jobs, are innovative, socially responsible, and participate in the budget process.

The successful operation of CSIs significantly depends on the efficiency of accumulation and use of financial resources, and the quality of financial management. At the same time, the functioning of CSIs in Ukraine is characterized by an insufficient level of their financial support, unbalanced budgets, dependence on individual donors, participation in corruption schemes, and shadow schemes of financing from the state budget. All this directly affects the efficiency of the CS itself. Thus, finances are an integral part of the existence of the CS, which can both stimulate and hinder its development.

It is obvious that the system of financial support of civil society institutions that exists today in Ukraine is not effective and must undergo significant changes, in particular through the introduction of innovations.

Solving this problem requires theoretical, methodological and practical justification of the study of the finances of the CS and the practical aspects of the



implementation of innovations in the functioning and financing of civil society institutions.

In general, the peculiarities of the development of the finances of Ukrainian, the lack of systematic and comprehensive research on it, as well as the logical incompleteness of such research determine the relevance of the dissertation topic.

**The aim of the study** is the development of theoretical and methodological principles, the formation of scientific and methodological approaches and substantiation of practical recommendations for financing CSIs and the introduction of innovations in its process.

The set goal necessitated the look for answers to such **research questions:**

- to reveal the role of the CS in the development of the economy and finances of the state;
- highlight the main models of interaction between the public sector, the state, business and households in the theoretical approaches of scientists and identify the model that is most suitable for research in the field of civil society finance;
- to reveal the content and functions of civil society institutions;
- identify the basic principles of operation of CSIs and the organization of their finances;
- to analyze the current state and trends of revenues and expenditures of Ukrainian CSIs as an element of reflecting the effectiveness of the organization of finances of the CSIs;
- to reveal the content of the category "political corruption" and highlight its negative impact on the natural

movement of financial flows between the state and recipients of public goods;

- to reveal the state and problems of de-shadowing the finances of Ukrainian political parties, as well as to highlight the state funding of the statutory activities of Ukrainian political parties as an innovation in the fight against political corruption;

- justify the combination of venture and crowdfunding approaches to charity in the context of strengthening the social responsibility of CSIs.

**Contribution.** The most significant scientific results that characterize the novelty of the study, which were obtained personally:

- scientific and methodological approaches to substantiating the role of civil society in the development of the financial and economic sphere from the point of view of the historical and epistemological aspect have been further developed. This theoretical approach makes it possible to more fully and comprehensively reveal the role that civil society institutions play in the development of the financial and economic sphere, its evolution and future prospects;

- the approach to the interpretation of the interrelations of the state, public and private sectors in the context of the existence and functioning of civil society finances has been improved. Accordingly, it is proposed to consider civil society as an environment that creates opportunities for interaction between the state, business and households in accordance with their natural functioning. This approach most fully reveals the main features of both civil society and the other three areas, including those that are directly related to finance and the economy;

- the substantiation of organizational and legal bases of organization and functioning of civil society in Ukraine in general and in terms of its individual institutions was further developed, which allowed to identify inaccuracies and contradictions in the definition of individual civil society institutions, and features that are unifying for all of them. These characteristics are important in determining the institutional capacity of civil society, the formation of revenues of its institutions from various sources and the use of available financial resources to achieve a specific goal;

- methodological approaches to the analysis of CSI revenues and expenditures have been further developed based on best practices in the field of CSI finances, which is the need to balance NGO revenues and expenditures by volume and structure (formation of their budgets involving resources from at least six sources, share of each which is not less than 10% of all revenues; the ratio of their revenues and expenditures). This makes it possible to assess the real state of development of CS finances in the country, the availability of various sources of financial support for CSIs and the financial literacy of their representatives, on which ultimately significantly depends on the effectiveness of the CS itself;

- the substantiation of the impact of the introduction of democratic innovations in Ukraine on the functioning of the finances of civil society institutions has been improved;

- theoretical approaches to the interpretation of the possibility of using the mechanism of state funding of statutory activities of political parties as an innovative tool to combat political corruption, substantiation of the need to establish a rule that prevents changes in the procedure and mechanism of

financing of statutory activities of PP changes in the convening of the legislative body of the state authorized to make such decisions. This will significantly reduce corruption risks in the field of public funding of the statutory activities of PPs;

- the approach to the interpretation of the role of venture philanthropy in the process of financing CSI projects has been improved, according to which it is considered as a charitable mechanism that solves not only the problems of a narrow group of charitable recipients (as in the traditional approach to charity) but also creates long-term benefits (including those of financial nature) both for society as a whole and for the investor. This approach allows to significantly deepening research on the role of public finance in the system of social responsibility of NGOs and in practice to increase the social responsibility of business entities;

- for the first time, the mechanism of spreading the venture approach to charity in countries that are characterized by a low level of development of charity culture and are at the initial stage of development of the venture charity itself has been scientifically substantiated. This mechanism involves a combination of venture and crowdfunding approaches (using existing crowdfunding platforms) to charity. This combination allows you to get a number of benefits for the organization of social impact (security, saving human and financial resources, promoting the activities of social investors, promoting the main goal, maintaining the reputation) and for project authors (security, obtaining funding for projects, including the possibility of obtaining funding in excess of the project amount, the availability of professional managers and platform administrators). Thus, this mechanism will facilitate the faster

introduction of venture philanthropy in the domestic practice of charity and increase the social responsibility of non-governmental organizations (NGOs) and citizens involved in the implementation of projects funded by its use.

**The practical significance of the obtained results.** It consists in the fact that scientific and theoretical, practical developments and proposals are generalized to the level of scientific-practical provisions and theoretical and methodological recommendations on CS finance. The obtained results of the research are used in the practical activity of executive bodies of state power, enterprises of different forms of ownership, and CSIs of different types.

In particular, proposals on the need to amend the Law of Ukraine "On Political Parties of Ukraine" to minimize political corruption in the field of private enterprise financing in Ukraine were taken into account when preparing proposals of the Verkhovna Rada Committee on Anti-Corruption (Implementation Act of 10.12.2020).

Recommendations on the need to diversify sources of funding for PPs and increase their number to increase their financial independence from individual sources and strengthen financial stability are implemented in the practice of Sumy regional organization PP "Republican Platform" (reference № 9 dated 05.11.2019).

The results of the study, which substantiate the need to combine venture and crowdfunding approaches (using existing crowdfunding platforms) to charity in countries with a low level of charity culture and are at the initial stage of development of the venture charity itself, used in the activities of the Charitable Foundation To Be Better (reference № 01/11 dated 2.11.2020).

Certain provisions and conclusions of the study were used in the educational process of Yuriy Fedkovych Chernivtsi National University (reference № 15 / 17-2377 dated 19.09.2019) in conducting lectures and seminars on the disciplines "Finance of Civil Society Institutions", "Finance" and "Finances of business entities".



## **2. Previous research**

Scholars have always paid special attention in their research to the peculiarities of the functioning of civil society and its institutions, and in particular, their finances. Thus, Barlett D., Bullain N., Divlak T., Harneit-Sievers A., Elstub S., Escobar O., Croissant A., Edwards M., Kakkad J., Laut H., Michels A., Merkel W., Pouligny B., Paffenholz T., Prive T., Putnam R., Reinhard C., Salamon L., Schade J., Spurk C., Toftisova R., Schuster S., Yaziji M. devoted their research to the peculiarities of the organization of finances of various types of civil society institutions and especially the organization of their financial support. However, the research of these scholars mainly concerns the peculiarities of the organization of the finances of civil society institutions in those states in which the formation of civil society has already taken place. Accordingly, their institutions have already developed their own unique approaches to the organization and functioning of the finances of non-governmental organizations, which correspond to the peculiarities of the functioning of the economies of these states and are effective for them. The research of these scientists and philosophers concerns the peculiarities of the functioning of the finances of the CS in general and its individual institutions. In view of this, the results of their research need to be reconsidered in terms of implementation in practice of those states in which the processes of transformation are still ongoing. This, in particular, applies to the CS of Ukraine. In view of this, as well as the permanent instability of the economic environment in which the finances of the CS of Ukraine operate, the scientific interest in this field has grown among Ukrainian scientists,



especially such as T. Azarova, M. Bieliaieva, Ya. Brusentsova, L. Vasylenko, S. Zelinskyi, O. Vinnikov, V. Hrabovskyi, D. Horielov, N. Dekhtiar, S. Doroshenko, I. Ziatkovskyi, O. Kyrylenko, I. Kovalevich, D. Kovryzhenko, V. Kodatskyi, T. Kopytko, N. Kotenko, D. Latsyba, O. Lotiuk, L. Mazurenko, T. Malovana, O. Marchenko, O. Mishchan, A. Matviichuk, L. Novoskoltseva, Yu. Pavlenko, V. Pashchenko, O. Pyltiai, H. Piratovskyi, O. Pozniak, O. Polishchuk, T. Rutsynska, P. Sytnyk, V. Sokolov, L. Usachenko, V. Fedorenko, N. Filyk, A. Fomenko, K. Sharlai.

We acknowledge the importance and value of research of these scientists and thinkers of the past and present, but we would like to note that they concerned certain aspects of the functioning of the finances of non-governmental organizations, and were not characterized by complexity and system. At the same time, further comprehensive research of theoretical and methodological principles and the system of civil society finances remains relevant. The issues of development of theoretical and methodological bases, formation of scientific and methodological approaches and substantiation of practical recommendations on CSI financing and introduction of innovations in its process remain unsolved.

### 3. Theory

The theoretical basis of the whole study is the theory of institutionalism and democratic innovation.

The use of the theory of institutionalism made it possible to study the functioning of civil society institutions (public organizations and political parties) and the peculiarities of their financial support in terms of certain types of organizations.

The use of the theory of democratic innovations made it possible to consider those types of democratic innovations that are the most suitable and applicable in Ukrainian practice.

Let us consider these theories in more detail.

#### *Institutionalism as the basis for the study of civil society finances*

The state and prospects of economics at the present stage of development of societies and states are characterized by the need to take into account pluralism and alternatives of different scientific approaches and schools, ambiguity and dichotomy of phenomena and significant mutual integration of different processes. This determines the relevance of the revision of existing methods and approaches to the study of the financial system as a whole and the allocation of a separate specific methodology for the study of the finances of the CS.

Given the interdisciplinary nature of the subject of our study and the specific role in the economy and the state of CSIs and the lack of a clearly defined methodology for studying CSI finances in a situation where scientists have proved the impossibility of using a single scientific theory in practice, we believe that institutionalism can be the basis for the study of CS

finance as a theory that in inseparable unity considers the functioning of various institutions with the cultural, psychological, and political conditions that caused them and affect their existence.

Recently, the issues of institutionalization of finance are actively discussed in the scientific community. Thus, they have been addressed by well-known Ukrainian and foreign scientists. In our opinion, the greatest contribution to the study of the institutional component of finance has been made by the following Ukrainian researchers as L. M. Alekseienco, V. D. Bazylevych, L. O. Balastryk, O. H. Bilous, V. V. Virchenko, N. I. Hrazhevskya, O. V. Dluhopolskyi, T. I. Yefymenko, O. M. Zahurskyi, Yu. M. Kovalenko, N. Ya. Kravchuk, V. D. Lahutin, H. M. Latsyk, P. M. Leonenko, A. O. Maslov, V. M. Oparin, V. L. Osetskyi, A. A. Tkach, S. V. Slukhai, V. O. Syzonenko, O. V. Snizhko, V. M. Tarasevych, V. I. Trokhymenko, D. H. Khokhych, A. A. Chukhno, P. I. Yukhymenko. However, it should be noted that so far scientists have not considered institutionalism as the basic theory for the study of CS finance. Therefore, it is now important to analyze its features in this context.

Institutionalism as an element of economic thought was formed in the late nineteenth century as a continuation of classical political economy, German financial science, and the classical German historical school ("classical institutionalism"). The emergence of institutionalism was not accidental, as this scientific direction was formed for absolutely objective reasons related to the critique of classical economic theory, which could not cope with the challenges posed to it.

In particular, M.V. Dubina includes the following to the main reasons for the emergence of institutionalism in contrast to classical economic theory:

- the need to expand the boundaries of the study of the individual and move away from the concept of a rational person;
- the need to apply an interdisciplinary approach to research using the results of cognition, which were the achievements of sociology, psychology, political science, and other sciences;
- awareness of the need for comprehensive knowledge of economic phenomena;
- the importance of conducting research on dynamic phenomena and processes in the field of economic development (as opposed to the study of static phenomena in this area) (Dubyna M., 2017).

We share the opinion of M.V. Dubina on the expediency of identifying the above reasons for the emergence of institutionalism. After all, even today they meet the key requirements for the methodology of scientific research, which provide the opportunity for quality and effective research.

Moreover, these reasons absolutely justify the need to use institutionalism as a basic theory for the study of CS finance. Let us consider the reasons for the emergence of institutionalism in relation to the study of the finances of the CS in more detail.

The study of CSI finance within the classical concept of the human being as a rational person is further complicated by their nature as associations of citizens, that is, communities of rational individuals, which, as we know, according to

behaviorist research, they are not. Institutionalism, on the other hand, makes it possible to expand the study of CS finance from the study of economic relations arising between a set of individual rational individuals to more complex economic relations arising between a set of individuals (which are not rational) and other economic subjects: the state, business structures, households, in the process of attracting and using financial resources, their diversification and balancing, payment of taxes and other mandatory payments.

The study of CS finances should be carried out in accordance with the interdisciplinary approach, because this approach allows taking into account the influence of various social, political, and psychological factors on the processes of their organization and functioning (including the attraction of financial resources from different donors, and factors, which affect them).

The complexity of the study of CS finance in contrast to its segmentation allows obtaining accurate results, which are characterized by accuracy and practical applicability, and remain relevant for longer.

Since the finances of CS are organized and operate in a dynamic environment, their research should be carried out taking into account changes in the economic environment in which they operate.

It must be acknowledged that scholars did not show unanimity in understanding the content of institutionalism under any circumstances. Thus, the founder of the institutional direction of political economy was T. Veblen. His definition of the institution as a basic category of institutionalism differed significantly from the definition of J. Commons (he founded the

social and legal direction of institutionalism). Thus, T. Veblen states that institution is a habitual way of thinking of people, which tends to continue its existence indefinitely (Veblen T., 1898), while J. Commons understands the institution as a collective activity designed to control individual activity (Commons J., 1934). The existence of these two approaches is evidence of a scientific discussion on the content and significance of institutionalism not only between representatives of different economic schools, but also between the institutionalists themselves (it should be clarified that the categories "*інститутом*" and "*інституція*" are not identical, and their identification in the Ukrainian and Russian scientific literature is caused by a mistranslation of these terms). At the same time, discussions on the use of the categories "organization" and "institute" in science do not stop. Despite criticism of their identification by individual scholars, the broader meaning of the term "organization" compared to the term "institution" and the differences that exist between them, we will consider CS organizations as operating in an institutionalized environment and are institutionalized from a legal point of view, therefore, in our opinion, these two categories within the proposed study of the functioning of the CS finances can still be used as identical.

Having gone through a history of development, in fact more than a century, institutionalism has evolved significantly. Therefore, today the approaches to its interpretation have changed significantly, in particular, D. H. Khokhych rightly notes that the subject of the study of modern institutionalism is not only the social and economic relationships between economic individuals in the economic system, but also the

problems that are directly or indirectly related to them: unemployment, inflation, structural imbalance of the economy, and public finances (Khokhych D., 2006). We consider this statement of the scientist to be the most applicable to the field of CS finance, because, given the limited CSIs in owning their own financial resources and their diversification, conducting their own business, etc., they are extremely sensitive to these problems, which will determine the fullness and the balance of their budgets, and hence the financial capacity to perform the tasks assigned to them.

In accordance with the above, as well as given the universality, adaptability and flexibility of institutionalism, which are expressed in its ability to be relevant and independent of the specific conditions of existence of a society, we believe that its use is most appropriate in studying economic processes and role in CSIs, the importance of which has intensified through the evolution of societies, globalization and the strengthening of democracy in the world, as well as the financial aspects of these processes.

The founder of the theory of institutional change D. North in his work "Institutions, Institutional Change and Economic Performance" argues that the basis of his theory is the need to study the so-called "institutional matrices", which are a set of fundamental political, legal and social norms. the object of research (North D., 2000), but, in our opinion, because CSIs carry out specific "production", producing a social product, it is advisable to perform such a replacement). The expediency of using this interpretation is also proved by a modern researcher N. M. Kraus, who, in fact, notes that the experience of the world's leading economies shows that the most successful in the

financial sphere are those in which the institutional structure of a market economy is built on traditional values, norms and rules of public life (Kraus N., 2018). The formation of the institutional system largely depends on previous development, cultural, and historical values. Thus, it is possible to clarify the role and place of the CS in the economy of our state, but, above all, it should be clarified that the CS best reflects the mood of the population and the established state system.

Moreover, it is these conditions, if taken into account in the process of studying the finances of the CS, allow the researcher to understand and take into account the causes and consequences that influenced the formation of the peculiarities of their organization and functioning. For example, today the CS is in its stage of formation, as in the former Soviet Union it functioned only formally in the form of organizations that united citizens in common interests, which consisted more of spending time in leisure than in protecting the interests of members and resolving real problems, because then it was believed that only the state can solve such problems. Accordingly, building a study of CS finances taking into account this fact, it is possible to track changes in the processes of forming CSI budgets, their content, in the approaches to the analysis of these processes.

Thus, the American institutionalist M. Olson emphasizes that ignoring the need for institutional change can pose serious threats. In support of this thesis, T. I. Yefymenko, studying the institutional context of the interaction of financial science and economic reforms, argues that the transition from a planned to a market economy (including in Ukraine) was carried out without a corresponding change of institutions, resulting in a weakened institutional component of transition economy, and this in turn



led to the strengthening of the role of the state as a structure-forming institution (Efimenko T., 2012).

Accordingly, today the representatives of the domestic CS are often inclined to the opinion that it should be "financially supported" by the state and foreign donors. This view is often reflected in research on CS finance, where the role of public and grant funding of these institutions is explored and promoted to the detriment of research that allows us to "see the big picture".

Instead, as we know, foreign studies of CS finance are not only aimed at identifying the real course of economic processes in general and their financial aspects, but also to achieve practical results, namely the diversification of sources of income, budgeting from own revenues and income from economic activities (through active cooperation of CS finance researchers with practitioners).

In view of the above, we agree with the institutionalists, who argue that the influence of the state and market mechanisms must be balanced (Hodgson J., 2003).

In his work "Institutional political economy: subject, methodology, content" A. Hrytsenko emphasizes the connection between the dynamic development of the modern world, the deepening of its uncertainty and the disappearance of the usual guides (Gritsenko A., 2014). He notes that at this stage of development of societies and economies, changes occur not only at the level of functional links between them, but also at the levels of essence and content.

Studying the approach of these scientists, we note that scientists should conduct research on the finances of CS, combining these approaches and no way rejecting in the functional component. However, it must be acknowledged that

CS finance is a complex subject of study, filled with both formal and completely informal characteristics that cannot be described due to their intangible nature (level of democracy development, level of development of the CS itself). In view of this, the emphasis in the study of the finances of the CS should be on its institutions as formal components of the activities of the CS. Thus, according to the materials of the international non-governmental organization "Freedom House", the level of development of the Civil Service of Ukraine in 2018 is measured by 2.75, which compared to the previous year deteriorated by 0.25 (1 - the best indicator, 7 - the worst indicator (Ukraine. Country Profile, 2018)), which in the functional sense characterizes the CS of Ukraine as partially free (in the democratic aspect), but for the study of the finance of the CS this indicator serves only to a certain extent as an indicator that characterizes the environment of functioning of the finance of the CS.

Institutional theory by its nature has a discrete, descriptive and interdisciplinary nature (Gritsenko A., 2014). Agreeing with this statement, we believe that it concerns the analysis of both economic processes in general and the finances of the CS in particular.

The object of our research is CS, which has traditionally been studied by such sciences as political science, jurisprudence, history, and sociology. The subject of the study is economic relations regarding the formation, distribution, redistribution and use of financial resources of CSIs, i.e. the finances of the CSI should be analyzed using the tools of financial science. Legal regulation of the activities of CSIs and the implementation of the above-mentioned relations is based on regulations of

different levels, and therefore, it can be disclosed within the jurisprudence. The information basis for the study of CS finance is the data obtained through the use of tools of statistics and sociology. Determining the impact on the object of investigation of other social, political, and economic processes, (development of the CS itself, economic development, and social change) should be carried out using analytical tools of sciences such as sociology and economic cybernetics.

The study of CS finance should be based on its theoretical basis (it is important to clearly define the object, subject of study, and features of the subject of study), methodological basis (which determines the main scientific theories, methods and approaches on which research is based), and legislative the basis of the organization and functioning of the finances of the CS.

In our opinion, it is important to note that the institutionalism that underlies the study of CS finance, in contrast to other scientific theories, in this process allows to take into account a set of influencing factors, the source of which does not belong directly to CSIs and their finances, but which significantly determine their functioning (provided by the interdisciplinarity of institutionalism, as mentioned earlier).

Since the basis of the study of CS finance within institutionalism is substantiated analysis of the activities of its institutions, after determining the theoretical and methodological basis of research and determining the legal framework for the organization and functioning of CS finance, the next step is a direct transition to empirical analysis. Such an analysis should be based on a detailed comprehensive analysis of CSI revenues and expenditures, their ratio as an indicator of the effectiveness

of the organization of the finances of the CSI. Such a baseline study allows for a subsequent factor analysis of the formation of CSI budgets, the impact of expenditures on other processes and indicators, as well as to determine the place of CS finances in relation to other processes and systems in countries.

Separately, we note that the empirical study of the finances of the CS begins with the collection of data and the formation of the information base of the study. It will be recalled that institutionalism provides us with the opportunity to conduct research based on the activities of individual CSIs, so we use generalized data from the State Statistics Service.

Thus, institutionalism is a concept of economic theory that does not lose relevance over time. Due to its own flexibility and adaptability, institutionalism is best suited for the study of CSIs and their role in social and economic processes. Moreover, given that institutionalism considers the functioning of various institutions, taking into account the conditions that cause their emergence and determine the peculiarities of their functioning, it is suitable for the study of the finances of the CS. For example, with the help of a functional approach, you can take into account all the subjects of the CSI, respectively; it is possible to study the finances of the CSI on the basis of the analysis of indicators of CSI performance. Accordingly, it is reasonable to build the logic of the study of CSO finances by analyzing the activities of CSIs and four main levels: the first two levels relate to the functioning of individual CSOs at national and regional levels, the third and fourth relate to the activities of CSIs at national and regional levels. This approach to the study of CSI finances makes it possible to assess the impact of aggregate financial potential on the effectiveness of CS finances, which in turn has

an impact on the formation of levels of CS development and democracy in the state.

The interdisciplinarity of institutionalism makes it possible to study the finances of the CS, taking into account its interaction with such entities as the state, the family and business in accordance with their natural functioning. This approach best reveals the main features of the CS, associated with such a characteristic of the CS as economic freedom: equality and protection of all forms of ownership, especially private; economic freedom of citizens and their associations, other subjects of production relations in the choice of forms and implementation of entrepreneurial activity; freedom and voluntariness of labor on the basis of free choice of forms and types of labor activity.

### *Democratic innovations in the study of civil society finance*

CSIs, operating in a changing environment, acquire the characteristics of the society to which they belong, and reflect all the changes that occur in it, from demographic to organizational. Like any phenomenon that is so sensitive to change, CSIs reflect on innovation.

Since a developed CS cannot exist without democracy and the rule of law, it is characterized by democratic innovations that significantly change the conditions and affect the methodology of studying the finances of the CS. That is why it is important to consider democratic innovations, to determine their essence and points of interaction with the CS, in order to consciously make changes in the methodology of the study of CS finances in view of the introduction of democratic innovations.

Innovations are of interest to Ukrainian and foreign researchers, including scientists studying various financial processes. Significant contributions to the study of innovation as a phenomenon have been made by such world-renowned scientists as G. Baiocchi, T. Bryan, E. Ganuza, M. Dodgson, P. Drucker, P. Quintas, D. Messi, D. Wilde, E. Ulvik. , J. A. Schumpeter. The development of the theory of innovations was also considered by domestic scientists: Yu. Bukovetska, O. Lapko, T. Skrypko, L. Fedulova, and others. At the same time, some scholars have analyzed the issues of democratic innovation (B. Geisel, S. Elstub, O. Escobar, G. Smith). However, it should be noted that they remain unexplored in the context of the links with the functioning of CSIs and the study of CS finances.

Determining the role of democratic innovation in the process of studying CSI finances requires consideration of possible scientific approaches to the interpretation of the concepts of "innovation" and "democratic innovation".

The concept of "innovation" in the modern meaning was first used by J. A. Schumpeter, who distinguished it from the concept of "invention". He argued that innovation is possible without anything that can be identified as an invention, whereas an invention does not necessarily determine innovation (Schumpeter J., 1939). After that, scientists have made a huge number of attempts to define the concept of "innovation". The most common approaches of scientists to the interpretation of the category "innovation" are given in Appendix 1.

Appendix 1 reflects the extraordinary diversity of researchers' approaches to defining the essence and objectives of innovation. Due to the large number of approaches of scientists

to the interpretation of the concept of "innovation", there is also a significant number of scientific interpretations of these approaches.

In general, innovations are divided into two major groups: product innovations and process innovations. Product innovation is the act of bringing something new to the market that improves the range and quality of products, and process innovation is a new way of manufacturing or delivering goods and services.

Thus, O. Lapko divides all approaches of scientists to explain the meaning of the concept of "innovation" into two large groups. The approaches of the first group define innovation as a static phenomenon. Accordingly, innovations are considered as the end result of innovation. The approaches of the second group consider them as a dynamic process, i.e. innovation is understood as a process of innovation, in which the invention or idea acquires a new economic meaning (Nironovych N., 2001).

However, in our opinion, the analysis of scientific approaches disclosed in Appendix 1 allows us to confirm the relevance of A. Siauliai's approach (Siauliai A., 1979). According to him, all innovations are divided into three groups according to what is emphasized, namely: the process of innovation, the result of innovation and the changes that innovations lead to.

It should be recognized that more often scientists have a discourse on the nature, goals and classification of goals. Much less often, they analyze the causes of innovation. In this context, the approach to explaining the causes of innovation developed by Yu. Bukovetska is of interest. She argues that the causes of

innovation arise both from demand (obsolescence of previous technologies and products; resource constraints on obsolete technology (in particular, the energy crisis); imitation of "advanced" needs) and supply (resources released as a result of overproduction, development and achievements of science, import of technology and technical knowledge), and the maintenance of competitive advantages can be achieved only under conditions of continuous improvement (Bukovetska Yu., 2014). This understanding of the reasons for innovations, which the above-mentioned researcher offers in relation to the manufacturing sector, is possible to be used also in relation to the field of CS, which is characterized by the existence of a competitive environment. As a result, recently in the traditional classifications of innovations listed in Appendix B, another subcategory of them has been identified – democratic innovations that deserve the attention of scientists.

Democratic innovation is a new concept that was used to a very limited extent by scholars until 2000, and it became widespread only after 2010 (Elstub S., Escobar O., 2017). The first definition of "democratic innovation", which became very common, was proposed by G. Smith. He argues that democratic innovation is "an institution specifically designed to strengthen and deepen citizen participation in political decision-making" (Smith G., 2009). At the same time, B. Geisel emphasizes that democratic innovation is a new practice, consciously and purposefully implemented to improve the quality of democratic governance in any particular state, regardless of whether it has already been tested in another state (Geissel, B., 2009). In addition, she notes that democratic innovations involve citizens in the decision-making process (Geissel, B., 2009). That is why



the study of democratic innovations is important for our study, because their implementation is in demand today, and its results significantly affect the functioning of the CS, its finances and the methodology of their study.

Democratic innovation is such a new phenomenon that it's generally accepted or even acceptable classification has not yet been implemented. However, to study the impact of democratic innovations on the methodology of CS finance research, it is important to understand how they can be classified. Therefore, let us consider the approaches to the classification of these innovations, which were developed by the most authoritative, in our opinion, researchers.

In particular, A. Michels argues that all democratic innovations can be divided into two types. The first type of innovations is result-oriented and ensures that decisions are taken seriously, and the second type focuses on the decision-making process itself, so here decision-making is more important than the result. Combining these two types of democratic innovation, the above-mentioned scholar groups all democratic innovations into four categories: referendums, joint policy-making, consultative polls, and advisory forums (Michels A., 2011). It should be noted that this approach is quite relative, as there are no clear boundaries between these types of democratic innovations. For example, consultative surveys and advisory forums can be considered as joint policy-making.

Thus, G. Smith in his work "Democratic Innovation: Designing Institutions for Citizen Participation" presents a typology of democratic innovation, which includes such types as popular assemblies, mini-publics, participation budgets, direct legislation (mandatory referendums), e-democracy (Smith G.,

2009). This division of democratic innovation is characterized by clarity and clarity, but according to S. Elstub and O. Escobar, based on their own research of publications on democratic innovation; it is not widespread (Elstub S., Escobar O., 2017). Their detailed analysis concerns the mention in scientific publications of certain types of democratic innovations. According to the results of the research, the participation budget (60%) was mentioned the most in scientific publications; the referendum and citizens' initiatives were often mentioned (43%), as well as the citizens' jury (41%). At the same time, such types of democratic innovations as gatherings of citizens, mini-publics and sections of citizens were mentioned much less often (17%, 19% and 19%, respectively) (Geissel B., 2009).

In particular, B. Geisel divides all democratic innovations into three major groups (Geissel B., 2009):

1. *Direct democracy.* Citizens and members of society are directly involved in solving important public affairs, they even make certain decisions by expressing their will by voting.

2. *Joint and network management.* Political representatives share their decision-making capabilities with other political actors (citizens, CS or business groups). Examples of such management are participation budgets, where citizens have the opportunity to express their views on the organization of local finances (Geissel B., 2009). In Ukraine, this group is represented by participation budgets in individual cities, where each person with the right to vote can, if desired, support a particular project submitted by citizens, representatives of the CS, etc., as well as joint public councils at the executive branch.

3. *Consultative and discursive procedures ("mini-publics")*. They are procedures in which public issues are discussed among ordinary citizens to advise political representatives. These procedures can take various forms, the most common of which are public hearings and other events that allow information to be exchanged. The purpose of such measures may be to identify collective goals, develop alternatives to achieve common goals, resolve conflicts, and discuss compromise solutions (Geissel B., 2009).

Democracy is such a popular form of government in the developed world that the number of ways and kinds of involving citizens in the decision-making process is constantly growing. Therefore, scholars often consider it appropriate not to classify democratic innovations, but to provide a list of them, as G. Baiocchi and E. Ganuza did. They note that democratic innovations cover a wide range of different tools, including participation budgets, citizens' juries, advisory polls, referendums, city meetings, citizens' online forums, e-democracy, public talks, study groups, policy development, and alternative dispute resolution (Baiocchi G., Ganuza E., 2017). In our opinion, this approach cannot be considered correct in the full sense, because by their nature different types of democratic innovations differ significantly. However, in the conditions discussed earlier (the rapid increase in the number of democratic innovations used in the world, due to the popularity of ideas and rethinking the essence of democracy), it is quite acceptable.

Ukraine, which in historical perspective has only recently become an independent and democratic state, is also characterized by a rapid growth of types of instruments (as they

are called by G. Baiocchi and E. Ganuza) of democratic innovation.

Since 1991, when such a democratic innovation as a referendum (referendum on the recognition of state independence) was first used on December 1, a large number of democratic innovations have been introduced in our country, covering virtually the entire spectrum of innovations that exist in other countries. However, the degree of their implementation, effectiveness, use and scientific development can vary significantly.

We believe that the most important democratic innovations in Ukrainian practice include: associations of co-owners in multi-apartment buildings; e-government system; participation budget; public hearings; endowments; crowdfunding; state-private partnership; creation of foreign funds "Active citizens" from the British council; National Democratic Institute; USAID; Hans Seidel Fund; introduction of inclusive elements of society management; social networks and groups in social networks. This list does not claim to be exhaustive, as the number of democratic innovations is constantly growing. In addition, it should be clarified that it contains both high-level democratic innovations and their subcategories.

The introduction of every democratic innovation has led to consequences for society and the state in general and for the CS in particular, including the finances of the CS and the methodology of their research. In order to find out how the implementation of democratic innovations has affected the methodology of the study of CS finances, it is necessary to determine the chronology of the implementation of such

innovations and to establish whether their existence is enshrined in law. Therefore, we will explore the features of the implementation of the aforementioned democratic innovations.

In order to determine the impact of the introduction of democratic innovations on the methodology of the study of CS finances, it is necessary to analyze its state in the early 1990s, i.e. during the period of Ukraine's declaration of independence. To this end, we will make a certain historical tour.

First of all, it should be noted that although it is traditionally believed that there was no CS in the USSR, this is not entirely true. From an institutional point of view, it existed as a set of CSOs. Moreover, the Constitution of the USSR enshrined two functions of public organizations (given the underdevelopment of the CS, they were the most numerous institutions of the CS): 1) participation in state and public affairs; 2) direct satisfaction of individual, personal interests and needs of members of the organization and some of their rights (Constitution (Basic Law), 1977).

However, there is no reason to claim that the CS was analyzed from the point of view of its finances, and therefore, a certain methodology of their research was used.

The introduction of democratic innovations took place gradually.

As already mentioned, one of the first democratic innovations in Ukraine was a referendum. It was held on December 1, 1991. It was a nationwide referendum on the declaration of independence of our state, and it included only one question: "Do you confirm the act of declaration of independence of Ukraine?". More than 90% of the population of

Ukraine answered "yes", as a result of which this democratic innovation consolidated the independence of our state.

However, the first to enter the country were those democratic innovations that did not actually require any efforts from Ukraine as a state for their implementation, namely foreign organizations and foundations. Thus, foreign funds that provided support (both institutional and regulatory and financial) for the development of democracy, economic liberalization and the development of the CS and its institutions, did not need anything but a work permit, i.e. there was no such ban. It should be noted that on January 16, 2014, the so-called “dictatorial laws” were adopted, one of the provisions of which was to recognize as “foreign agents” those NGOs that received charitable support from foreign donors. Accordingly, such organizations were deprived of the right to exemption from income tax. However, the deputies passed these laws in violation of the rules of procedure of the Verkhovna Rada, later recognizing them as contrary to the Constitution of Ukraine, with the subsequent repeal of these normative acts.

In 1997, the Law on Local Self-Government provided for the right of local communities to hold public hearings, the results of which became mandatory for consideration by local governments.

Legislative consolidation of the possibility of co-owners of apartment buildings to form associations in condominiums “to ensure and protect the rights of its members and their responsibilities, proper maintenance and use of indivisible and common property, ensuring timely receipt of funds to pay all payments required by law and statutory documents” (On associations of Apartment House Owners..., 2002) has really

become the democratic innovation that has changed the development of CS in Ukraine. Associations of co-owners in multi-apartment buildings have become a kind of school of democracy, as the co-owners of the houses did not have to criticize the current state of affairs, but actually united to achieve a common goal, negotiate and compromise with each other.

The Law on Personal Income Tax, adopted in 2003, provides for the possibility for philanthropists to provide support to the recipient of charitable assistance (including NGOs) in the form of endowments. This innovation in a developed society could dramatically change the development of CS and charity in general, because it has many financial benefits, which is important for both the benefactor (the main advantage of preserving the endowment body) and the recipient of charitable assistance (source of reliable income, flexibility in financial decision-making, increased ability to withstand financial crises, the ability to increase the body of the endowment) (Tkachuk I., 2016).

However, the creation of endowments in Ukraine is accompanied by numerous difficulties, including, in particular, the lack of an adequate number of philanthropists willing to provide funds for the strategic needs of the non-profit sector; the impossibility of long-term waiting for recipients of funds due to the urgency of their needs; the underdevelopment of the practice of state-private partnership, which should create, say, powerful endowments in higher education institutions to address their strategic objectives.

In 2006, the social network "Facebook" went beyond the educational institution for which it was created and became

available to the whole world. Of course, various groups and individual profiles on social networks are democratic innovations, although initially such a goal was not set during their introduction. Today, various political forces, politicians and celebrities, as well as public associations are represented on social networks, they attract a huge number of supporters who are their "subscribers". Thus, users of social networks are actively involved in expressing opinions on certain topical issues that concern them and need to be addressed urgently. Moreover, any of them can initiate such a discussion.

The spread of Internet technologies and the emergence of other social networks have initiated the dynamic development of innovation in all spheres of society. This also applies to democratic innovations, which have been developing much faster since 2006 (see Table 2.1). Thus, it can be stated that for Ukraine 2006 was a turning point: until 2006 the democratic innovations that were introduced required additional efforts on the part of citizens, and after 2006 the situation changed dramatically, i.e. the use of democratic innovations was significantly simplified. The availability of Internet connection access to the decision-making process is instantaneous and does not require significant effort (as we know, most democratic innovations are implemented using digital technologies). It should be noted that even those innovations that were introduced before 2006 have become more accessible, because information about them is significantly disseminated through the latest technologies on the Internet.

Thus, in 2015, Ukraine introduced such electronic innovations as e-appeals, e-petitions and the participation budget, in 2016 – state funding of political parties, and in 2017 –



approved the Concept of e-democracy in Ukraine, which in essence normatively consolidates and substantiates the existence of most elements of "digital" democratic innovations – electronic petitions and electronic appeals.

We will analyze the development and transformation of the methodology of the study of CS finance in the period of independence of our state under the influence of democratic innovations.

O. Kyrylenko became the author of one of the first scientific articles in independent Ukraine on CS finance in 1998 (Kyrylenko O., 1998) (analysis of publications in the scientific journals "Finance of Ukraine" and "World of Finance" and research contained in free access on the global Internet). This study is also interesting because for the first time in Ukraine it drew attention to the need to improve the financial mechanism of public organizations in a shortage of centralized financial resources and recognized that public organizations and charitable foundations have an important place in the financial system (Kyrylenko O., 1998). In particular, in this article the above-mentioned researcher considers not only public organizations and charitable foundations, but also other CSIs, including PPs and trade unions, which indicates the lack of appropriate legislation at the time of various types of NGOs (the activity of public associations was defined in the Law "On Associations of Citizens", according to which associations of citizens, regardless of name (movement, congress, association, foundation, union, etc.) are recognized as PPs or public organizations (On Associations of Citizens..., 1992)), which would allow for a clear demarcation. It should also be noted that it provides a theoretical presentation of the material, which is

based on the legislation in force at the time, but this scientist does not analyze the empirical data due to their absence at the time. Thus, it can be stated that in the first article prepared in Ukraine, devoted to the peculiarities of the finances of public and charitable foundations, an attempt was made to apply such scientific approaches as structural-functional and axiological.

In 2002, L. Vasylenko and S. Zelinskyi conducted a detailed theoretical analysis of the sources of funding for public organizations in Ukraine in accordance with current legislation. In addition, they tried to develop recommendations for increasing resources for their activities. However, despite a more in-depth study of certain legal sources of funding for the activities and development of public organizations, compared to O. Kyrylenko, the above-mentioned scientists still use the same research methods, including: structural-functional and axiological (Vasylenko L., 2002). Additional in this case is the application of an interdisciplinary approach, as there is a fairly thorough study of the regulatory framework for income from various sources of public organizations.

At the same time, S. Obushnyi in 2008 prepared a dissertation on the financial support of activities of PPs in Ukraine. Thus, he not only initiated research on the financing of PPs in Ukraine, but also drew the attention of scientists to the need for cross-sectoral research. In this dissertation methods of analysis and synthesis, logical and historical methods, method of scientific abstraction are used; system method and method of comparative analysis and economic-statistical method, tools of mathematical modeling, and system and structural approaches (Obushnyi S., 2008).

In 2009, V. Kodatskyi and H. Sharlai made an attempt to study the finances of public organizations from a theoretical point of view. Their approach to research is very similar to the one proposed by O. Kyrylenko. However, in this case, they provide the author's definition of finances of public organizations and argue that it is appropriate to divide them into nine subcategories. Accordingly, the above-mentioned researchers within the finances of public organizations distinguish finance of political parties, finance of trade unions, finance of charitable foundations, finance of sports organizations, finance of veteran organizations, finance of creative unions, finance of public organizations, finance of anti-alcohol public organizations and finance of other public organizations (Kodatsky V., 2009). Mostly V. Kodatskyi and H. Sharlayi use the same scientific approaches proposed by O. Kyrylenko and L. Vasylenko with S. Zelinskyi, but in addition to structural-functional and axiological approaches to scientific research, they recommend using a terminological approach. In addition, it should be noted that this study did not take into account current legislation, as at the time of publication of the given article in Ukraine had already adopted a number of NGOs that regulated NGOs, divided them and considered them as different types of public organizations.

The period of democratization of power during Yushchenko's presidency (analytical materials of the international non-governmental organization "Freedom House" show that during this period Ukraine reached the peak of democracy (Freedom House, 2018)), attracting public attention from international organizations and the entry of Internet technologies into the lives of citizens of Ukraine at the organic

level, in our opinion, have led not only to the institutional growth of CSOs, but also to increased scientific interest in their funding as a basis for sustainable development and effective operation. Thus, in the period 2010–2011, for the first time in the history of the existence of CS in Ukraine, several fundamental studies of financing the activities and development of CS were conducted, which were of a comprehensive nature.

Thus, in 2010 the OSCE Coordinator in Ukraine published the results of a study of international practices of financing organizations in Ukraine (Shator B., 2010). This study not only provides a detailed analysis of CSO funding practices in countries such as Hungary, Croatia, the United Kingdom, Germany, and the Czech Republic, but also lays the groundwork for understanding the mechanisms of public organizations. Taking into account the conducted analysis, a number of recommendations were prepared both for domestic NGOs and for representatives of state authorities.

In 2010, the European Center for Not-for-Profit Law and the Ukrainian Center for Independent Political Research conducted two studies on state funding of NGOs (Vinnikov O., Kovryzhenko D. & Latsyba M., 2010). These works are comprehensive and thoroughly analyze the preconditions, problems and prospects of state funding for CSOs. Accordingly, these works apply a multidisciplinary approach, analytical and graphical methods and method of systematization and conducted research using population surveys and on the basis of systematization of information.

In 2011, the OSCE Coordinator in Ukraine published a comprehensive work on the financing of public organizations in Ukraine from various sources (OSCE, 2011). This is the first

study of CSO funding of this scale, as it examines virtually all possible sources of revenue for such organizations. In the given work, as in previous studies, a large number of scientific methods and approaches were used.

It is worth noting that in 2011, three in-depth studies, previously conducted by the OSCE Coordinator in Ukraine, were combined in one work (it contains full versions of three studies) (National and international mechanism, 2011). As a result, it is now much easier for the CS Finance Researcher to obtain the information needed to carry out research. Since the above work combines three different studies, it is obvious that it is characterized by a set of scientific methods and approaches used in them.

Since 2011, several scientific papers that reveal some aspects of CS finance have been published; (National and international..., 2011; Tkachuk I., 2016). However, most of them concern the sources of financial support of individual CSI. Though it should be noted that these studies are applied in nature, as they are based on the analysis of statistical data prepared by the State Statistics Service of Ukraine. Although it should be noted that the statistical authorities were issuing statistical bulletins on the financing of public associations before 2011, scientific papers mostly did not contain analytical materials. This, in our opinion, indicates the emergence of a public demand for such information, which is reflected in the research of scientists.

It should be emphasized that these statistical bulletins serve as a somewhat positive example of how public statistics agencies try to bring their publications in line with current legislation. Thus, until 2012, the bulletin was entitled "Public

organizations in Ukraine", and since 2013 – "Activities of public associations in Ukraine", which corresponded to the legislative changes that occurred as a result of the adoption of the Law "On Public Associations". However, since 2016, the State Statistics Service has started publishing a statistical collection "Activities of public organizations in Ukraine" again. It should be noted that the content, as well as the methodology of its collection and processing, has not changed during the entire period of publication of such statistical publications, as they reflect information related to the activities (mainly funding) of public organizations. However, approaches to the coverage of information have changed significantly: if earlier statistical bulletins were filled with information, recently they are similar to statistical brochures, which contain summary information on the number of public organizations, their revenues and expenditures.

The result of thorough research on the financing of public organizations in Ukraine, conducted in 2012-2016, was the publication in 2016 of the scientific work "Financial support of public organizations of Ukraine" (Tkachuk I., 2016), which was prepared using a set of general and special research methods, including abstract-logical method, in particular, methods of analogy and comparison, induction and deduction and scientific abstraction; method of logical generalization and systematization; economic and statistical methods, namely: graphic, system, comparative, grouping; method of correlation-regression and analysis of variance; assumption method ("what if" or script manager). Thus, for the first time in the scientific research devoted to problems of financing of public organizations of Ukraine, mathematical methods for modeling

of possible variants of development of events in the future have been applied.

The introduction of state funding for the statutory activities of the PP of Ukraine has led to the intensification of various public organizations and movements, which have begun to conduct thorough research on the finances of political parties. Such works include research by Y. Brusentsova (Brusentsova, Ya, 2016), O. Golubov (Golubov O., 2016), T. Kopytko (Kopytko O., 2015), as well as the development of an information resource from the Civil movement "Chesno" called "Zoloto Partii" (Chesno, 2020).

In 2007, the Ukrainian Independent Center for Political Studies founded and began publishing the "Civil Society" journal, in which the articles are devoted to the analysis of the state of the CS, highlighting the most pressing problems of its existence and finding ways to solve them. However, this publication does not contain publications on finance with scientific debate. Although it should be recognized that this approach to the presentation of research materials also has positive consequences, one of which is the availability of such materials for the average consumer of information, which leads to increasing public interest in such publications and, consequently, increasing citizen involvement in decision-making .

After 2006, the research became much more complex, and the range of methodological approaches and techniques became wide. In particular, in this period, almost the entire set of scientific and methodological methods, approaches and techniques that scientists developed at that time were being used.

Democratic innovations have complicated the methodological approaches to the study of CS finance, which have resulted in the popularization of the ideas of the CS and the activities of its institutions, which, accordingly, necessitated the introduction of new democratic innovations. Thus, there is a direct and two-way link between the introduction of democratic innovations and the change in methodological approaches to the study of CS finance.

Despite the significant diversification and complexity of methodological approaches to the study of CS finances, we believe that CS finances still remain insufficiently studied. In our opinion, this is due to the influence of several reasons, namely:

***Stereotypical vision of the role of CSIs in the state.***

During the existence of the former Soviet Union, the very possibility of effective functioning of organizations of any form of ownership and type of activity, except the state, was traditionally rejected. Thus, the activities of CSIs in Ukraine only gradually developed and reached the stage where the results of their activities began to be recognized by society and government officials at all levels. At the same time, the fact that they are often able to use borrowed resources more efficiently than the state and other economic entities has become an axiom that does not require proof (in economically developed countries, CSIs produce economic benefits at an average of 4 monetary units for every monetary unit of borrowed financial resources). Accordingly, only recently, in the historical aspect, CSIs have begun to arouse the interest of scientists as objects of scientific research.



***Selective interpretation of methods by scientists.*** First of all, this applies to such a methodological approach to the study of CS finance as a system. This approach assumes that the analysis of large and complex objects (which, of course, are the finances of the CS) is carried out comprehensively. However, most researchers who have studied CS finances have performed a comprehensive analysis of the finances of individual CSIs or elements of CS finances, without considering that CS finances themselves are a complex system with its own laws, rules, functional connections, and contradictions.

***The complexity of the object of study.*** Due to the fact that, from an institutional point of view, the finances of CS are the finances of different CSIs, it is extremely difficult to investigate them comprehensively, taking into account all the features and characteristics. Therefore, most of the research on CS finance concerns certain aspects of their functioning and organization.

***Significant dependence on the environment in which the finances of the CS operate.*** In our opinion, this reason should be considered one of the most important. After all, the CS represents the mood of the population, it is extremely sensitive to changes in legislation and it significantly reflects the innovations (mostly, democratic innovations) that are implemented in society. Thus, without a clear methodology for conducting scientific research, any changes that occur in society and the state, make scientific achievements formed earlier obsolete.

Nevertheless, today there are all the prerequisites for the implementation of research on the finances of the CS at the appropriate level: the availability of certain theoretical and

regulatory frameworks for the preparation of the theoretical part of the study; the existence of access to empirical data that characterize the activities of various institutions of the CS.

Thus, the theoretical basis of the study may be scientific publications on the issues of CS finance and finance in general (because the finance of the CS, as well as the CS itself, in terms of content are deeply integrated into the financial system of the state) of Ukrainian and foreign researchers. The regulatory framework is formed by the Economic Code, Civil Code, Civil Procedural Code, TCU, CCU, special laws of Ukraine and bylaws relating to the activities of CSIs and other laws and regulations. For empirical research, we use the materials of the State Statistics Service of Ukraine (State Statistic Service, 2021), materials on the finances of the Public Movement "Chesno", NAPC materials and analytical materials that are available on the Internet.

It is worth noting that the introduction of democratic innovation, according to the Hegel dichotomy, not only brings positive changes to society, but also creates certain threats and challenges. These include the existence of foreign donor influence on NGO activities, internet fraud and money laundering, and ignoring the need to strengthen NGO social responsibility. Most of the negative processes associated with democratic innovation are also related to the processes of globalization and interpenetration of economies and societies of different countries. Let us consider these threats in more detail:

- existence of influence of foreign donors on the activity of NGOs — negative influence is connected with the existence of international grant and donor programs. Accordingly, over the years of independence, the share of funds coming from

international donors in NGO budgets has increased significantly. The danger lies in the possibility of interference in the internal policies of NGOs by the donors themselves and the states from which these donors originate. Depending on the vector of civilizational development chosen by these donors or the states from which they come, the mentioned influence will also depend;

- internet fraud — modern technology allows NGOs to greatly simplify the fundraising process through the use of the global Internet. However, it is often difficult to verify the financial history of a particular organization, the good faith of its members and, as a result, the many donors who direct funds to support a bad faith organization or its projects can be involved in cyber-fraud schemes, which often go unpunished;

- money laundering — in today's world, NGOs are often used in money laundering schemes. This situation is connected, among other things, with the non-profit status of NGOs and with the simplification of the processes of their reporting and control over their activities;

- ignoring the need to strengthen social responsibility of NGOs — NGOs are all the more socially responsible the closer they are to their members, donors, and beneficiaries. The existence of democratic innovations related to digitization and computerization can negatively affect NGO compliance with various aspects of social responsibility.

Thus, the study of CS finance, taking into account the challenges posed by democratic innovation, and in accordance with the principle of logical and historical unity, based on the study of theoretical principles of functioning and development of CS finance (taking into account the development of theory

over time), is carried out according to clearly defined methodology. At the same time, it is no less important to take into account the prospects for the development of theory and practice, namely to take into account new aspects of social responsibility in the theory of CS finance, as well as the role of CSIs in Ukraine's financial security system.

Thus, democratic innovation is a substantially new concept that has only recently begun to be studied from a scientific point of view. However, their introduction significantly affects the course of most social and economic processes in the country, especially those related to the introduction of digital technologies and democratization, as it significantly affects the involvement of the population in the decision-making process at the state and regional levels. A parallel analysis of the methodology of CS finance research and the introduction of various democratic innovations in Ukraine indicated the existence of a link between these processes. Thus, the introduction of democratic innovations in Ukraine had a direct impact on the activities of CSIs, legislation governing the finances of the CS and the methodology of the study of the finances of the CS. Accordingly, during the period under study (the period of Ukraine's independence) with the introduction of various democratic innovations, especially those related to the era of computerization and digitization, the methodology of CS finance research has significantly developed and become more complicated. Therefore, today we can state that the existing theoretical and methodological principles create all the prerequisites for a qualitative comprehensive study of CS finances in accordance with its basic principles and taking into account the challenges associated with the need to reduce the

use of CSIs in shadow schemes and strengthen the social responsibility of CS itself.

## 4. Methods and material

The methodological basis of the study is the institutional, dialectical, systemic, functional, and synergetic approaches to the study of CS finance. To achieve the objectives of the study, a set of general and special research methods was used: abstract-logical method, in particular, methods of analogy and comparison, induction and deduction, scientific abstraction (to deepen the conceptual apparatus on CS finance, and organization to civil institutions society); systematization and logical generalization (to improve approaches to grouping sources of financial support and CSI expenditures); economic and statistical methods, namely: graphical, systematic, comparative analysis, grouping (to assess the current state, structure and trends of revenues and expenditures of CSIs).

*The information and factual basis of the study* were legislative and regulatory acts; monographic researches and scientific publications of leading scientists and practitioners on the researched problems; official statistical materials and reporting data of the State Statistics Service of Ukraine, the State Fiscal Service of Ukraine; reports of rating agencies, research institutions and think tanks; materials of information and analytical bulletins; normative and reference literature; international electronic databases; Internet resources; and author's calculations.

Data on the activities of non-governmental organizations were used to conduct the study. The numerical interval for public organizations is the period of 2006 - 2019, for political parties the period of 2016 - 2019, which is due to the fact that in Ukraine the state funding of statutory activities of political

parties was introduced in practice only in 2016. Accordingly, it was in 2016 that the obligation for political parties to report on their own activities and cash flows appeared.

## 5. Findings

The dissertation provides a theoretical generalization and provides a new solution to an important scientific problem, which is to develop theoretical and methodological foundations, the formation of scientific and methodological approaches and substantiation of practical recommendations for financing CSIs and the introduction of innovations in its process. As a result of the study, the following conclusions were made:

1. The CS plays an important role in the development of the economy and finances of the state, which can be traced in the works of thinkers of the past and present. From a theoretical point of view, the economic component is the basis of most theories that explain the essence of CS; from a practical point of view, developed CS creates significant economic and social effects in developed countries, the most important of which are a significant share of GDP and GRP, creation of paid jobs, innovative and investment potential. At present, the CS in Ukraine does not create such a significant effect due to the peculiarities of development caused by its transition from the undeveloped model of the former Soviet Union to the developed European model. To accelerate the transition of the Ukrainian CS to the developed European model, which ensures the achievement of the above indicators, it is important to have a developed network of CSIs, which should be interpreted as voluntary, self-governing organizations of formal or informal nature, uniting individuals and legal entities around a common idea or goal of activities other than profit-making. The financial capacity of these institutions is the basis for the existence and development of such a network of CSIs.



2. Common features for the activities of all CSIs are the voluntary nature of the association, the implementation of activities in accordance with the statutes of organizations and the protection of rights / interests and the implementation of the needs of participants, and the focus on collective interests. Founders and members of CSIs can be legal entities and individuals. Analysis of approaches to the interpretation of civil society institutions by thinkers of the past and present has led to the conclusion that political parties should also be considered as civil society institutions, because, although the main purpose of their activities is to gain and retain power, they unite citizens around one common goal, which is expressed in the desire to change (or, conversely, maintain) the agenda of state / regional policies.

3. In world practice, NGOs are characterized by such principles of functioning and financing of NGOs as voluntary creation; focus on public benefit; cooperation with other entities to achieve the goal of activity; accountability; equality of rights and freedoms; and legal protection of activities. Most of these principles relate to aspects of CS finance such as the legality of raising funds from various donors, the use of available financial resources, the control of financial resources and the reporting of the organizations themselves.

4. The sources of financial support of NGOs include own funds, budget funds, income from charity (individuals and legal entities with and without residence), income from economic activities (own and established CSIs of enterprises, institutions, organizations), and other income. In this case, all the costs of NGOs are divided into mandatory costs (wages; taxes and mandatory payments), costs that are directed to the

development and support of organizations (material costs and payment for services; capital investment, major repairs ), and those expenses aimed at achieving the statutory goals of CSOs (expenses for charitable activities and social assistance), other expenses.

5. The analysis of the activities of public organizations and PPs of Ukraine on the formation and distribution of financial resources gives grounds to claim a significant increase in revenues of both public organizations and PPs in the study period, both in nominal prices and in 2006 prices (in 2006 growth prices occurred at a slower pace). Current trends make it possible to predict further growth of revenues of public organizations and PPs of Ukraine at nominal prices with a very high level of reliability. As for the forecasting of public organization and PP revenues in 2006 prices, they will not be so accurate, which is significantly affected by the inflation rate in the country.

6. NGOs of Ukraine attract financial resources from seven sources, which is in line with the recommendations of leading international practice, according to which there should be at least five such sources with a share of more than 10% each. At the same time, PPs accumulate revenues from four main sources (state budget funds, funds of individuals, funds of legal entities, and own funds). At the same time, only the share of revenues from the state budget was higher than 10%. However, during the period under study, PP revenues from the population increased significantly, which is certainly a positive phenomenon, but at the same time indicates the sensitivity of the structure of PP revenues to changes in the environment and significant dependence on certain groups of donors.

7. As expected, the expenditures of public organizations and PPs in Ukraine also increased in the study period. In nominal prices, the growth rates were much higher compared to the same indicators in 2006. The expenditure structures of public organizations and PPs differed significantly. Thus, the structure of expenditures of public organizations was dominated by such items as material costs and service costs (27%), charitable activities (25%) and wages (22%), and in the structure of expenditures of PPs most of them except for labor costs (24 %) were real estate rent (13%) and the implementation of various types of propaganda and advertising (total cost - 40%). However, despite the significant differences in the structures of expenditures of these organizations, each of them is typical and corresponds to the activities of these organizations.

8. The ratio of revenues and expenditures of public organizations and PPs of Ukraine was stable throughout the study period. It is important to note that annually a significant share of funds raised by public organizations of Ukraine is not used, while the share of use of borrowed resources of PPs is close to 100%. This is due to the existence of a better mechanism of state regulation and supervision of the financial sector of the PPs compared to the mechanism of state regulation and supervision of the financial sphere of other CSIs. Therefore, the improvement of the existing mechanism of state regulation of CSI finances should be an important step towards not only improving the efficiency of public finance, but also the transparency of the entire public sector.

9. The main problems faced by CSIs of Ukraine in the process of generating revenues and expenditures relate to long-term financial planning; volumes and structures of their

budgets; dependence of CSIs on external donors; high resource consumption of fundraising activities; non-transparency of public funding distribution procedures; limited access to borrowed funds; low level of financial literacy of CSI managers and employees; high competition in the process of providing services; unreasonable planning and uncertainty of areas of expenditure; and misuse of funds.

10. The study of the peculiarities of state funding of the statutory activities of PPs in Ukraine indicated the expediency of continuing this practice as a democratic innovation, which was introduced to combat political corruption. During the existence of this type of state funding for the activities of PPs in Ukraine, the amount of funds directed to their support has increased significantly (in 2016 the annual estimated amount of funding amounted to UAH 391.03 million, in 2019 - UAH 565.68 million). State funding of the statutory activities of the PPs in Ukraine has led to such positive changes as a gradual increase in population participation in elections; increasing the level of adherence to the gender principle; mandatory reporting on party finances and the introduction of liability for violations in the field of party financing; intensification of party activities in the period between elections; official employment of employees in the activities of PPs and assign them the appropriate market (and even higher) wages; significant diversification of PP revenues. At the same time, the state financing of the statutory activity of PPs in Ukraine is characterized by such shortcomings as limited access to financing; the impact of PPs with representatives in the Verkhovna Rada on the amount of funding allocated from the SBU to support PPs in Ukraine; low quality of reporting;

undefined by law directions of use of the received financing; additional financial burden for the population. However, given the international practice, which shows that the peak of positive consequences of the introduction of this type of PP financing comes in 8-10 years and in order to maintain the positive trend in Ukraine, it is necessary to continue the practice of this type of budget financing of PPs, but to avoid opportunities for manipulation of the Law, the deputies represented in the Verkhovna Rada need to legislate a provision prohibiting the adoption of changes to the procedure for distribution and provision of state funding for the statutory activities of PPs in Ukraine in the period between parliamentary elections.

11. The venture approach to charity has gained popularity in the economically developed countries of the world, in Ukraine it is undergoing a process of formation. In order to speed up its introduction into domestic practice and to increase the social responsibility of NGOs and all entities with which they interact in the process of venture financing, it should be introduced in combination with a crowdfunding approach. This will increase the level of funding for social impact organizations, the development of a culture of philanthropy in the state, and will bring significant benefits to the investor. Common advantages for all entities are security of placement and receipt of financial resources, the possibility of obtaining co-financing for projects (including more than a certain amount), significant savings of human and financial resources due to professional support of projects on crowdfunding platforms and achieving goals of social impact organizations.

## **6. Concluding remarks**

This research is not the first study in the field of civil society and its finances, as well as in the field of innovation. However, it certainly should not be the last work at their intersection, because it creates a basis for further research on the peculiarities of the functioning of the finances of civil society institutions in the ever-changing external environment.

The issues of determining the empirical impact of innovations (not only democratic) on the financial security of civil society institutions, their financial stability, ability to withstand various external influences and combat existing risks remain open.

Also promising, from a scientific point of view, is the study of the impact of civil society institutions (in particular, their expenditures) on such integrated indicators of social efficiency of civil society finances, which comprehensively reflect the improvement of quality of life and the whole social environment as the competitive development index (which includes three indices of the development of a country, civic institutions and the macroeconomic environment), the index of economic freedom, the index of quality and safety of life, the Index of Human Development, the Index of Society, and the Index of Sustainable Development.

Further research will be devoted to the above issues and relations.



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## Appendices

### Appendix I

#### The most common approaches to the interpretation of the category "Innovation"

Author / Source	Interpretation of the concept (citing sources)
R. Lyons ( "The Economist") (Vaitheeswaran, V., 2007)	"Innovations are new products, business processes and organic change that create wealth or social well-being".
The authors of "The BusinessWeek" (What is innovation? 30+..., 2021)	"Innovations are the presentation of something new; there are no classifiers of how destructive a phenomenon must be in the world, only that it must be better than it was before. Problems begin when an organization requires "innovative services" from a consulting firm. What exactly are they really asking for? The thing is, innovation means different things to different people".
P. Drucker (Drucker P., 2021)	"Innovations are a specific tool of entrepreneurship ... an act that gives resources new potential for creating wealth".
Compilers of the Merriam-Webster Dictionary ( <i>Innovation</i> . (n. d.). Merriam-Webster...)	"On the one hand, innovation is what belongs to new concepts or products that stem from individual ideas or research, and on the other hand, it is the commercialization of the invention itself".
Creators of the resource Dictionary.com ( <i>Innovation</i> . (n. d.). Dictionary.com...)	"Innovation is something new or different introduced".
J. Gemuenden	"Innovations are a process that encompasses

- (Gemuenden J.) the many actions performed by different members of one or more organizations and during which they develop and / or produce new combinations of tools and / or goals that are new for creation and / or adaptation in the organization, improved and / or manufactured and / or transferred to the old and / or new ".
- M. Soltynskiy (Soltynski M.) "Innovation is simply a new technology, i.e. the systematic application of (new) knowledge to (new) resources for the production of (new) goods or (new) services."
- Creators of resource "InvestorWords" (n.d.). Investor words) "Innovation is the creation of new products and / or services".
- Creators of "The Innovation Productivity" blog (n.d.). Innovation productivity blog) "Innovation is a creative activity done to create products that have both original and commercial values".
- Creators of resource "The Free Dictionary" (n.d.). The free dictionary) "Innovation is something just introduced".
- Creators of "The Think Smart Blog" (n.d.). Think smart blog) "People use new knowledge and meanings to experiment with new opportunities and implement new concepts that create new value."
- E. Ulwik (Ulwik A., 2005) "Innovations are the process of creating a product or solution that provides significant new value to the customer. The process begins with the selection of the customer and the market, covers the identification and prioritization of opportunities and ends with

- the creation of an innovative product or service.
- A. Razeghi (Razeghi, A. 2008) "Innovations are not the result of different thinking. This is the result of thinking (specifically) about existing problems and unmet needs. "
- L. Dorothy, W. Swap (Dorothy L., Walter S., 1999) "Innovation is the embodiment, combination and / or synthesis of knowledge in new, relevant, valuable products, processes or services."
- F. Betz (Betz F., 1987) "Innovation is the introduction of innovations and innovations of varying degrees of novelty and range in the form of products, technologies, markets, industries and areas of application"
- B. Twiss (Twiss B., 1989) "Innovation is a process in which an intellectual product (invention, know-how or idea) acquires economic meaning".
- M. Dodgson, J. Bessant (Dodgson M. & Bessant J., 1997) "Innovation is a scientific, technological, organizational and financial activity that leads to the commercial introduction of a new (or improved) product or a new (or improved) production process or equipment."
- L. Fedulova., L. Nagorna (Fedulova L. & Nagorna L., 2006) "Innovation is the result of research and development designed to improve the technical, economic and consumer characteristics of existing products, processes, services or to become the basis for new ones."
- T. Skrypko (Skrypko T., 2011) "Innovations are a process of development, implementation and operation of production and economic, and social and organizational potential, which innovation is based on."
- Developers of the Law "On Innovation" (On Innovation Activity, 2002) "Innovations are newly created (applied) and (or) improved competitive technologies, products or services, as well as organizational and technical solutions of production, administrative, commercial or other nature that

- Developers of Oslo Manual (Oslo manual, 2005) significantly improve the structure and quality of production and (or) social sphere."
- "Innovation is the introduction of any new or significantly improved product (good or service) or process, a new method of marketing or a new organizational method in business, workplace organization or external relations."
- B. Santo (Krasnokutskaya N., 2003) "Innovation is a social, technical and economic process, which through the practical use of ideas and inventions leads to the creation of the best quality products, technologies and gives a profit (if the innovation is focused on economic profit), its appearance on the market can bring additional income".
- Yu. Yakovets, B. Kuzyk (Petrenko O., 2010) "Innovation is the soul of investment, without innovations, capital investment can be inefficient or even harmful, prolonging the life of uncompetitive goods."

**Main article 1**

**“Role of the Civil Society for Economy”**

Tkachuk, I. Role of the civil society for economy. *EUREKA: Social and Humanities*”. 2019. № 5. Pp. 3–15. DOI: 10.21303/2504-5571.2019.00944.



**Main article 2**

**“The State of Revenues and expenditures of Ukrainian Civil Society Institutions as a Reflection of the Efficiency of the Organization of Civil Society Finances”**

Tkachuk, I. The state of revenues and expenditures of Ukrainian civil society institutions as a reflection of the efficiency of the organization of civil society finances. *The journal of V. N. Karazin Kharkiv National University. Series: International Relations. Economics. Country studies. Tourism.* Vol. 12. Pp.191-217. URL: <https://www.janusandal.no/en/honorary-research-fellows/iryna-tkachuk/87-publikasjonsliste-it/595-iryna-tkachuk-the-state-of-revenues-and-expenditures-of-ukrainian-civil-society-institutions-as-a-reflection-of-the-efficiency-of-the-organization-of-civil-society-finances>.



**Main article 3**

**“The State Funding of Statutory Activities of Political Parties in Ukraine as an Innovation against Political Corruption”**

Tkachuk, I. The State Funding of Statutory Activities of Political Parties in Ukraine as an Innovation Against Political Corruption. *Modern Economics*. 2018. № 9. URL: <https://modecon.mnau.edu.ua/the-state-funding-of-statutory-activities-of-political-parties-in-ukraine>.

## Main article 4

### **“Development of Venture Philanthropy in Ukraine in the Context of Strengthening of the Social Responsibility of Civil Society Organizations”**

Tkachuk I. Development of venture philanthropy in Ukraine in the context of strengthening of the social responsibility of civil society organizations. *Scientific Bulletin of Chernivtsi University: Economics*. 2021. No 829. URL: <https://www.janusandal.no/en/honorary-research-fellows/iryna-tkachuk/87-publikasjonsliste-it/608-iryna-tkachuk-development-of-venture-philanthropy-in-ukraine>.

The dissertation highlights the role of the civil society for economy; analyzes the state of revenues and expenditures of Ukrainian civil society institutions as a reflection of the efficiency of the organization of civil society finances; reveals the state funding of statutory activities of political parties in Ukraine as an innovation against political corruption; disclosed development of venture philanthropy in Ukraine in the context of strengthening of the social responsibility of civil society organizations.

This thesis presents international independent science made by Affiliated Honorary Research Fellow Iryna Tkachuk.

This scientific thesis is original scientific work of Iryna Tkachuk for the purpose of scientific defense.



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