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## **INSTITUTIONS OF CIVIL SOCIETY IN SYSTEM OF PROVIDING STATE FINANCIAL SECURITY**

***It was determined that in modern conditions the most destructive threats for the economic and financial systems of Ukraine are such threats as the shadowing of economic activity and, as a result, money laundering. The author's vision of the general construction of the system for ensuring the economic security of the state is proposed, according to which the subjects of economic security carry out balanced actions and measures in relation to the objects of economic security in response to threats to the economic security of the state, the occurrence of which has a negative impact. Such interaction between subjects and objects takes place in accordance with the system-forming factor, which is the realization of national interests in order to maintain such a state of the State's economy, which is characterized by balance, resistance to negative factors, the ability to ensure efficient functioning of the economy and economic growth. It was determined that the main threats to economic security at the current stage are the shadow economy, organized crime, corruption, capital flight abroad, raiding, and criminal bankruptcies. The importance of considering civil society institutions as full-fledged subjects of the system of ensuring the economic security of the state is substantiated. It was determined that the main threats to such a component of the state's economic security as financial, to which civil society institutions are related, are political corruption and the shadowing of the finances of civil society institutions. The role of civil society institutions as subjects of the system of ensuring the economic security of the state is revealed in the following two roles: those that carry out measures to eliminate, counter and reduce the consequences of the main threats; such that can act as tools for the implementation of criminal actions.***

**Keywords:** economic security, financial security, civil society, civil society finances, corruption.

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## **ІНСТИТУТИ ГРОМАДЯНСЬКОГО СУСПІЛЬСТВА В СИСТЕМІ ЗАБЕЗПЕЧЕННЯ ФІНАНСОВОЇ БЕЗПЕКИ ДЕРЖАВИ**

**Визначено, що в сучасних умовах найбільш руйнівне значення для економічної та фінансової систем України мають такі загрози, як тінізація економічної діяльності та, як наслідок, відмивання коштів. Запропоновано авторське бачення загальної побудови системи забезпечення економічної безпеки держави, відповідно до якої суб'єкти економічної безпеки здійснюють зважені дії та заходи по відношенню до об'єктів економічної безпеки у відповідь на загрози економічній безпеці держави, виникнення яких чинить негативний вплив. Така взаємодія між суб'єктами та об'єктами відбувається відповідно до системоутворюючого фактора, яким є реалізація національних інтересів задля підтримання такого стану економіки держави, що характеризується збалансованістю, стійкістю до негативних факторів, здатністю забезпечувати ефективне функціонування економіки та економічне зростання. Визначено, що основними загрозами економічній безпеці на сучасному етапі є тіньова економіка, організована злочинність, корупція, втеча капіталу закордон, рейдерство, кримінальні банкрутства. Обґрунтовано важливість розгляду інститутів громадянського суспільства як повноцінних суб'єктів системи забезпечення економічної безпеки держави. Визначено, що основними загрозами такій складовій економічної безпеки держави, як фінансова, до яких мають стосунок інститути громадянського суспільства, є політична корупція та тінізація фінансів інститутів громадянського суспільства. Розкрито роль інститутів громадянського суспільства як суб'єктів системи забезпечення економічної безпеки держави в таких двох ролях: таких, що здійснюють заходи з усунення, протидії та зменшення наслідків основних загроз; таких, що можуть виступати інструментами реалізації злочинних дій.**

**Ключові слова:** економічна безпека, фінансова безпека, громадянське суспільство, фінанси громадянського суспільства, корупція.

**General statement of the problem and its connection with important scientific or practical tasks.** In the 21st century issues of economic security (and especially financial security as its component), which, together with military and other types of national security, form the basis of statehood, are of particular importance. Ensuring economic independence, economic development, the well-being of the population, and the possibility of equal participation of states in international processes depend significantly on economic security. At the current stage, new challenges and threats to economic and financial security arise, related not only to traditional factors for the economy, but also to completely new social trends, including integration of the social environment into the international community (previously, integration processes concerned mainly the state and business-structures, but with the integration of Internet technologies into the life of an ordinary citizen on a global level, separate societies become incorporated and integrated into each other), aggravation and diversification of cybercrimes.

**Analysis of recent research and publications.** Given the social and economic, as well as political context, which was characterized by the aggravation of the social and economic situation due to the Great Depression, the issue of economic security and financial security, as its component, caused heated discussions among experts and was comprehensively analyzed by scientists in their research. Interest in them continues today. For example, the work of foreign scientists, including P. Abramson, M. Barnhart, V. Cable, M. Cain, R. Inglehart, M. Poirson, and J. Rejda. Ukrainian scientists also have not ignored these issues: O. Baranovskyi, O. Vasylchyshyn, O. Vlasiuk, O. Hoichuk, K. Horiacheva, O. Yermoshenko, I. Krupka, and V. Tretiak. However, in our opinion, the place and role of NGOs in the system of economic security of the state in general and in the system of ensuring financial security, in particular, has not been sufficiently researched.

**Objective formulation.** Taking into account all of the above and the growing role of civil society institutions in the course of social and economic, as well as political processes in the country, the purpose of the article is to determine the role and place of Ukrainian civil society institutions in the system of ensuring the financial security of the state.

**Presentation of the main research material.** The main system-forming element of the system of economic security is the

realization of national interests to maintain such a condition of the economy of the state, which is characterized by balance, resistance to negative factors, and the ability to ensure the effective functioning of the economy and economic growth [1]. Accordingly, it is important to fight against threats to economic security and financial security, as its component (negative factors).

In our opinion, V. Tretiak and T. Hordienko are right, arguing that such threats are factors that disrupt the process of realization of national interests, by which they create threats to the life support of the nation and the functioning of its social and economic, as well as political systems [10].

Today, both traditional (decrease in investment attractiveness, deterioration of population welfare, unemployment, incoherence and inconsistency of actions of authorities at various levels) and completely new threats to the economic security of the state and financial security, as its constituent element, are valid. However, it is worth noting that such a new threat to our state (in particular, in the economic aspect), as the military aggression of the Russian Federation, significantly exacerbates all other existing threats and deepens their consequences for the economy and the country.

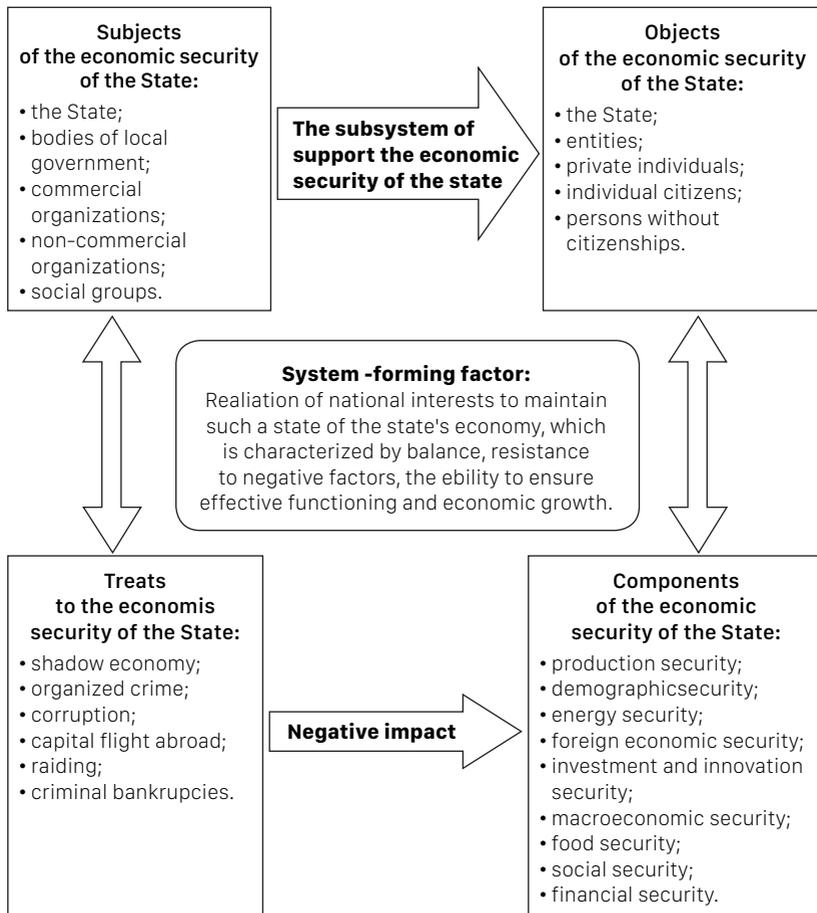
We believe that in today's conditions, the most destructive threats to the economic and financial systems of Ukraine are such threats as the shadowing of economic activity and, as a result, money laundering, which are further used to ensure the functioning of shadow economic relations and support criminal relations (trade in weapons, narcotic substances, human trafficking, terrorist financing) and corruption at all levels of government, since to one degree or another they are the source of other threats to economic security.

These and other threats are significant for all elements (components) of the economic security system, which, according to the Methodological recommendations for calculating the level of economic security of Ukraine (hereinafter - the Methodological recommendations) [6], include:

- production security;
- demographic security;
- energy security;
- foreign economic security;
- investment and innovation security;
- macroeconomic security;

- food security;
- social security;
- financial security: banking security, security of the non-banking financial sector, debt security, budget security, currency security, and monetary security.

Let's graphically depict the system of ensuring the economic security of the state in general terms (Fig. 1).



**Fig. 1. The main elements of the system of ensuring the economic security of the state in functional interaction**

Source: compiled by the author

Figure 1 reflects the simplified version of the author's vision of the general construction of the system for ensuring the economic security of the state. Thus, figure 1 demonstrates the interaction of the main (but not the only elements) system of ensuring the economic security of the state. Accordingly, subjects of economic security carry out measured actions and measures concerning objects of economic security in response to threats to the economic security of the state (the indicated figure contains only a small number of threats to the economic security of the state, which, in our opinion, have the greatest importance in the context research of civil society finances), the occurrence of which has a negative impact. Such interaction between subjects and objects takes place in accordance with the system-forming factor, which is the realization of national interests in order to maintain such a state of the state's economy, which is characterized by balance, resistance to negative factors, the ability to ensure efficient functioning of the economy and economic growth.

The main actors in the system of ensuring the economic security of the state are its subjects, who bear responsibility for its effectiveness. As already noted earlier, subjects of economic security are participants in economic relations: physical and legal entities. Therefore, CGIs are also their subjects: on the one hand, as legal entities, and on the other hand, as representatives of the interests of individuals.

The main threats to such a component of the state's economic security as financial security, to which the CSIs are related, are political corruption and the shadowing of CSIs' finances.

In our opinion, the importance of research of CSIs in the context of the fight against corruption and money laundering is also determined by the role of CSOs themselves, since they can be both subjects of the system of economic security and financial security, as its element, which carry out measures to eliminate, countermeasures and reduction of the consequences of specified threats, as well as tools for the implementation of criminal actions.

Let's consider CSIs in each of these roles.

### **CSIs as subjects of combating illegal processes in the economy**

National Institute of Strategic Studies in accordance with the Decree of the President of Ukraine No. 68/2016 «On promoting the

development of civil society in Ukraine» dated February 26, 2016 [9], prepared an analytical report «Development of civil society of Ukraine in conditions of internal and external challenges», which states that in the period after the Revolution of Dignity, one of the main directions of activity of the public sector is «reaction to internal threats to the national security of Ukraine, in particular to delays in the implementation of reforms and total defeat by the corruption of state authorities» [9]. We do not fully agree with this statement, since the goals of NGO activity in Ukraine can be very different, and their number is so large that even the declaration of a certain SCIs association, in which a certain direction is defined as a priority for it, is not representative. Nevertheless, the demands for the initiation of anti-corruption cases against government officials and the holding of relevant actions initiated by the SCIs have resonated in society, which gives grounds for asserting their significant potential in this direction.

Let's consider several successful examples of NGOs fighting corruption.

«*ProZorro*». This is a system of electronic public procurement that has been in operation since 2015. It is aimed at «...ensuring transparency and efficiency in the use of budget funds, preventing corruption through public control and expanding the range of suppliers» [9; 17].

*Public organization «Transparency International Ukraine»*. It serves as a guarantor of the system's operation and has undertaken to maintain the system until the moment it is handed over to the state [18].

*Civil movement «CHESNO»*. As indicated on the official website of this movement, it aims to stimulate transparency, accountability and openness of government representatives in their work and to form a demand for quality politics among citizens of the state [2].

«*Wikiinvestigation*». It is a platform for public investigations, where the citizens of the state work together to uncover corruption schemes and violations on the way to justice [19].

«*Ukr.AV*». This is one of the projects of the public organization «Anti-Corruption Center», launched in 2014. On the website of this organization, it is noted that the team implementing the above-mentioned project records evidence that a specific representative of the government committed illegal actions, as a result of which he became rich, and attracts the attention of law enforcement and regulatory bodies in order to bring him to justice. At the same time,

team members document attempts by regulatory or law enforcement agencies to assist guilty parties in avoiding responsibility. In the event that such facts are discovered, as the website emphasizes, the punishment of specific officials who indulge corrupt officials in their criminal actions becomes a key task of this project [11].

«*Nashi Hroshi*». This is a peculiar network of journalists or scientists who conduct research in the field of public procurement [7].

In addition to these and many other examples of NGOs' large-scale struggle against manifestations of corruption, there are also regional CSOs that conduct similar work at the regional level.

In particular, the Kherson Foundation «Obiednannia» implemented the project «Kherson Map of Districts», aimed at fighting corruption among government officials, monitoring and organizing control by the residents of the city of budget expenditures for municipal utilities [13]. At the same time, M. Saakashvili, the former head of the Odesa Regional State Administration, organized anti-corruption forums, which took place in almost all major cities of Ukraine. Chernivtsi activists founded the public organization «Centre for Reforms and Development» [14], the main purpose of which is to develop and implement social and economic solutions to increase the level of well-being of the population. The experts of this public organization, based on publicly available information, official requests, etc., analyze the state of affairs in the city, identifying facts of inefficient or improper use of budget funds, contribute to their coverage and make efforts to eliminate such cases in the future and reduce the influence of officials, suspected of this.

### **IGS as a tool for committing illegal acts**

NGOs act as a kind of indicator that reacts to all processes taking place in society, and this reaction is characterized by two vectors: CSIs, depending on the circumstances, act both to support a certain phenomenon and to oppose it. Accordingly, corruption, which has practically penetrated all spheres of public life, not only motivates representatives of NGOs to fight it but also deforms the values of civil society itself, stimulating representatives of the authorities to engage in corrupt activities and money laundering activities.

According to the data of the public organization «Transparency International», according to the results of 2018, Ukraine took the 120th place out of 180 countries in the world according to the corruption perception index, scoring 32 points out of a possible 100

(0 - absolutely corrupt in perception, 100 - absolutely not corrupt in perception) [4]. The experts of this organization note that the position of Ukraine has improved by 2 points compared to 2017, but it is worth admitting that the index of perception of corruption in our country still corresponds to the level of Mali, Malawi and Liberia.

It is obvious that such a high level of perception of corruption could not help but be reflected in the activities of NGOs. Thus, back in 2012, experts of the Razumkov Centre, based on the results of a large-scale sociological survey, concluded that NGOs are prone to corruption [12], and these organizations are most prone to it in the following areas: health care, medicine (5.9 points); business development (5.6 points); protection of citizens who suffered as a result of the accident at the Chernobyl NPP (5.5 points); fight against corruption (5.3 points); socio-political activity and development of legislation (5.1 points). According to the interviewed experts, the most favourable circumstances for the emergence of corruption in the activities of NGOs include: financing of political parties (7.3 points); state funding (6.6 points); financing by local self-government bodies (5.7 points); conducting activities (public, research, etc.) for remuneration from the political parties (5.6 points) [12].

Another major problem is the illegal use of NGOs in the system of legalization of proceeds of crime and financing of terrorism.

According to the State Statistics Service, from 30 % to 40 % of registered central bodies of public organizations report on their activities every year, while other organizations are not found by the place of registration. Such public organizations are often created only to legalize a certain amount of funds obtained through criminal means.

Thus, given the above and the fact that CSOs have non-profit status, in the Law «On Prevention and Counteraction of Legalization (Laundering) of Criminal Proceeds, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction» to financial transactions that are subject to mandatory financial monitoring, the transfer or receipt of funds by a non-profit organization is included [8].

However, it is necessary to pay attention to the fact that the use of NGOs in the process of the legalization of funds obtained through criminal means has become a common practice for countries in which there is no appropriate control by the state in this area. For example, in India, the laundering of such funds has become widespread among government officials [16].

### **Conclusions from this study and prospects for further research in this direction**

Therefore, the financial security of the state is an element of its economic security, the meaning of which is to counteract the emergence and existence of threats that violate it. Civil society institutions are an important subject of the financial security system of the state, which should be considered in two roles: as subjects that fight against these threats, and also as a tool for committing criminal acts. Corruption and non-transparency of the processes of distribution of state funding, directed to the support of these institutions, are, in our opinion, the most significant threats to the financial security of the state, as an element of its economic security, related to the activities of civil society institutions. Their complete overcoming or partial reduction of the negative impact of their existence in Ukraine is possible thanks to the continuation of the practice of state financing of the statutory activities of political parties, as well as the introduction of the "money follows the person" mechanism for the distribution of state financing funds among those CSOs that are entitled to it. The following scientific studies will be devoted to the empirical study of the influence of the mentioned methods on political corruption and the opacity of the use of budget funds.

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**СТАТТЯ НАДІЙШЛА ДО РЕДАКЦІЇ 07.03.2023**