

Socio-political crowdfunding: World and Ukrainian experience

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SUMMARY

Political crowdfunding is one of the innovative social technologies. Its important feature is lack of traditional intermediaries in financing: investor cooperates directly with the recipient. The uniqueness of crowdfunding is that this funding instrument, using Internet technologies, allows quick getting of small investments from a large number of people to support the project. Rate of political crowdfunding, as an effective tool of capital involving, increases. Thanks to the rapid development of information technology, new attractive financing opportunities became available for the policy investors.

Keywords: crowdfunding, political crowdfunding, social technologies, Internet technologies.

REZUMAT

Politica crowdfunding este una dintre tehnologiile sociale inovatoare. Caracteristica sa important  este lipsa de intermediari tradi ionali  n finan are: investitorul colaboreaz  direct cu destinatarul. Unicitatea crowdfunding reiese din faptul c  acest instrument de finan are, utiliz nd tehnologii Internet, permite ob inerea rapid  a investi iilor mici dintr-un num r mare de oameni, cu scopul de a sus ine proiectul. Rata politicii crowdfunding cre te, fiind ca un instrument eficient al capitalului implicat. Datorit  dezvolt rii rapide a tehnologiei informa ionale, noi oportunit  i de finan are atractive au devenit disponibile pentru investitorii politici.

Cuvinte-cheie: crowdfunding, politica crowdfunding, tehnologii sociale, tehnologii Internet.

Among the definitions of crowdfunding there is its interpretation as a process of uniting the resources, especially financial, for implementation of a specific project dominates. We define it as voluntary collective cooperation of unspecified range of people who unite the material or non-material resources, typically using the Internet-platforms, for socio-political support (or a purely political) projects, initiated by individual or collective political actors. If we try to define crowdfunding through legislation, we are faced with the problem of legal gaps – particularly in the Ukrainian legislation, the concept of «crowdfunding» (or national synonyms) is

missing. And this is despite the functioning of many crowdfunding platforms.

When we talk about crowdfunding, first of all we separate thousands of socially useful projects, creative products that come to the market thanks to donations from the public, who believed in initiatives social usefulness, which need support to be implemented. That is, in the public mind there exists perception of crowdfunding as an economic mechanism – a «crowd funding». Thus, this technology, at first glance, would not cover political issues, which, unlike the social, not often cause sympathetic sentiment mood of donors-volunteers.

Socio-political crowdfunding enables transformation of «social capital, accumulated in social networks, into the financial one» [3, 141].

Political crowdfunding is one of the innovative social technologies. Its important feature is lack of traditional intermediaries in financing: investor cooperates directly with the recipient. The uniqueness of crowdfunding is that this funding instrument, using Internet technologies, allows quick getting of small investments from a large number of people to support the project.

Rate of political crowdfunding, as an effective tool of capital involving, increases. Thanks to the rapid development of information technology, new attractive financing opportunities became available for the policy investors. Funding is provided through Internet platforms. Examples, include the following resources: kickstarter.com, indiegogo.com, seedrs.com, boomstarter.ru, crowdcube.com, smartmarket.net, EquityNet.com, betterplace.org, respekt.net and others. The rapid development of national financing is provided with the social networks (Twitter, Facebook, «VKontakte» etc.), which can, within the short term, promote attracting investments into specific projects.

In a situation, when policy (Ukrainian in particular) is often rightly accused in uncertainty of funding sources and further depending on the «political patrons» – oligarchs, crowdfunding has the potential to become an alternative format of political projects financing.

Russian politician Ilia Ponomaryov (the only member of the State Duma of the Russian Federation, who voted against Crimea annexing to Russia) expressed an opinion that «worldwide crowdfunding starts from policy». Undoubtedly, his words have sense. For example, «March of millions» in Russia gathered over 2 million RUB with crowdfunding. We support the approach on which policy should begin with crowdfunding,

and not vice versa [2]: virtuous policy has to start with crowdfunding, which will become a proper marker of the fact whether the public supports specific political initiative and is ready to contribute to its implementation.

In business, we can speak of at least of three types of crowdfunding, depending on the compensation, offered to the investor: 1) free or conditionally free of charge; 2) conditionally returned; 3) certainly returned (private investment). When talking about the political (socio-political) crowdfunding, political crowdfunding can be divided into types by at least three criteria: 1) *by financing sphere*: electoral, anti-corruption etc.; 2) *by nature of donations*: financial (cash), social (non-cash); 3) *by reward offered to crowd-investor*: free (conditionally free of charge) – provides possible gratitude by the recipient, notice of the investor (donor), for example, on the site, in speeches to the voters, opportunity to participate in activities initiated by the political party; conditionally returned – suggests that in future there will be performed some exchange of the investor's deposit on, for example, lobbying of interests of the investor, inclusion of him or his representatives into the electoral list, etc.

Generally, all types of political crowdfunding directly related to information and communication revolution. In particular, social (non-cash) political crowdfunding works primarily in social networks. Nobody spends funds to support activist, but makes it known with likes and reposts. With this technology number of contemporary figures, such as Italian politician Beppe Grillo, become Facebook «stars», and then the politicians and prominent figures.

In the countries with developed democracy crowdfunding has demonstrated effectiveness in the political sphere, as it combines attracting of financing and conducting a campaign. Appeal to entire groups of voters by allowing crowdfunding

to create a community of people inspired by the same promise that seek to support political project financially.

An appeal to entire groups of voters allows, with crowdfunding, create a community of people inspired by the same promise, who seek for financial support of the political project.

Money has always played an important role in policy, but today more than 90% of candidates in the West win the election thanks to attracting of more funds. With electoral crowdfunding the voters can collect more than 80% of the campaign budget. Crowdfunding helps to avoid excessive costs on campaign carrying, such as huge bills for rent, telephone calls, travel, etc.

Organisation of crowdfunding campaign is nearly free of charge and political leaders get a list of investors, who supported them as a project. This database can be used during the subsequent campaigns. Obviously, sponsors of political campaigns are likely to vote for the sponsored political force and, in addition, will share information about it within their environment.

Since 2007 political crowdfunding has helped Barack Obama to collect 16.1 billion dollars. In particular, in 2008 the strategy of the presidential election of Barack Obama was based on use of the own website to attract funding; Obama's campaign collected more than 750 million dollars from the multiple retail investors (average investment was \$ 86 per person). This strategy has received public attention and was repeatedly reproduced by other players of the political arena.

During the presidential campaign (2012) candidates have already actively used mobile payment platforms, though not in such volumes as during current campaign 2016. Barack Obama included online payment platform Square into instruments in his election campaign in January 2012, and earlier, in August 2011, the Republican Party

has distributed more than five thousand readers Square during the National Congress. The exact figure of the accepted donations was not called, but there existed comments that using Square receives donations by Republicans and Democrats was successful.

During the presidential campaign of 2016 in the US many ways were used to collect donations. For example, to collect donations all US presidential candidates, from H. Clinton and B. Sanders to R. Paul and M. Rubio, use online payment platform Stripe. The presidential campaign of 2016 shows a high level of candidates' involvement into modern technologies. H. Clinton campaign, according to «Forbes» as in August 2015, has already received only donations more than \$20 million through Stripe.

Organization «The Center for Public Integrity» conducted a study, which results show in which countries organizers of crowdfunding fundraising campaigns for Barack Obama received diplomatic posts. Project results have shown a strong relationship between high finance and the most desired positions in the diplomatic corps; diplomatic posts are received not only the diplomats, but organizers of campaigns of collecting funds. This practice is not unique to Barack Obama, it has been existed around for decades.

History of crowdfunding in the USA and Western European countries confirms the theory of solidarity. Public financing was developed here through projects that did not offer the investors packages or shares in any of the enterprises or any future payment of introduced shares. Instead, investors were given awards, often in the form of the final product or reference and public thanks.

In the West, where the tradition of political patronage (political investment) is strong, one can see modification of political crowdfunding: now more and more «small» sponsors are involved in the financing of large undertakings. The potential of the Internet community today is obvious and

powerful political players have to listen to it.

As examples of using the crowdfunding method at the post-soviet area there can be called a campaign of collecting means for the project «RosPil» (<http://rospil.info/>) of O. Navalny, fundraising by Moscow Helsinki Group, fundraising to support «Pussy Riot» and others. Trend by which to support the organizers of, at first, protests, such as «March of Discordants» (Russian Federation) became more clearly. Under the pressure of authorities there always arise such mechanisms of political struggle that cannot be controlled by the authorities. The Opposition began to use political crowdfunding (its online format) to finance their projects. For example, O. Navalny organized «RosPil» to combat abuse in the sphere of public purchases; collected funds were spent on labour of lawyers and to the server. O. Navalny was supported by a number of active Internet users with opposite moods. Meanwhile, the lagging nature of Russian political culture that is not adapted to innovative mechanisms of political cooperation is underlined by the researcher O. Sokolov [4, 36]. He argues: 78% of funds in support of punk band «Pussy Riot» that was collected not in Russia, but abroad.

At present, socio-political crowdfunding in Ukraine is only beginning to develop. The potential mechanisms of online fundraising is used not enough. Among domestic crowdfunding platforms are to be noted the following: «Spilnocosht» (<https://biggggidea.com/>); «Ukrainian Philanthropic Marketplace» (<https://ubb.org.ua/>); «Na-Starte» (<http://na-starte.com/ua/>); «JQ Star» (<http://jqstar.com/>). One of the research objectives is to study their practices to determine whether these platforms practiced the political projects and how successful they were. It looks like, the absence of political projects themselves that is clearly seen at all crowdfunding platforms. Let us argue this thesis with the example of two major Ukrainian crowd-platforms:

- **platform «Spilnocosht»** highlights such project-groups as «Media», «Human Rights», «Professional Journey», «Children», «Transport», «City» and many others. If to draw attention on the projects, supported by the public, there will be Urban Studies, support of camps, summer schools for teens, cultural projects and support of separate creative teams etc. There are no politically oriented projects; close to the socio-political topics can be considered support of public radio and television, programs of adaptation of internally displaced persons, «Sh. Fest – Taras Shevchenko Festival» (popularization of T. Shevchenko), integration camp «Big Game for TEENS» (for teens from different regions of Ukraine to master leadership skills) and similar (social rather than political) projects;

- **platform «Ukrainian Philanthropic Marketplace»** has no political projects, instead there are singled out projects «Help UA» (restoration of schools in the ATO area, rehabilitation of soldiers, etc.), «Health» (patients support), «Education» (books for schools of Donbass, furniture for rural schools, school uniforms for children of immigrants, carrying so called «scientific picnics», support of children with mental, emotional and behavioural disorders, inclusive education), «Environment and Animals» (aid for animal shelters), «Our Town» (lunch for children from crisis families), «Like home ...» (food and hygiene for evacuees from the ATO area, care of orphans, children from boarding schools etc.).

Instead, in Ukrainian political practice there are the examples of electoral crowdfunding. Thus, O. Bogomolets collected funds as a candidate for the post of the President of Ukraine: «The only my sponsor is the Ukrainian people. Money for pledge was collected by volunteers and ordinary citizens» [1]. Fundraising on pledge to the Central Election Committee (2.5 million UAH) was completed in two days. At the account of election fund (from 08.04 to

21.04.2014) there were received 181495 UAH. One of the candidates for president of Ukraine A. Grytsenko used crowdfunding practice at the election in 2014; costs were claimed in sum of about 8 million UAH. With crowdfunding Ukrainian political party «Democratic Alliance» is functioning.

It seems that in Ukraine attitude to national funding policy is still quite sceptical.

Firstly, the public has doubts whether fundraising is not one more fraud, whether the collected funds will be used to implement the declared goal. Absence of legislation becomes a significant «negative» factor, because the citizen, as a political investor, needs effective protection against the financial crimes.

If you analyse such subjects of national policy as political parties, at the present they appear as attractive objects of political investment. Traditional parties cannot rely on basic audience of online crowdfunding – active users of social networks, who are eager to support rather those, out of system, protest initiatives.

Over the past two impassionate years of Ukrainian history we have seen many examples of collective financing, such as the army, volunteer battalions, process of treatment the soldiers etc. It is notable, that this technology is effective, and therefore the question of its testing on policy, namely to nominate candidates “from the bottom”, to support their campaign and then delegate them their voting powers. So the politician, to be really from *public*, should be nominated by people; and not only to be promotes, but also to be financed (primaries, donations, charitable contributions, etc.). Otherwise, we cannot demand independence of the candidate, as the campaign will certainly be financed from some “oligarchic pockets” or by the candidate, who is an oligarch himself.

In crowdfunding scheme there takes place direct popular vote for a particular project, and the vote is the amount allo-

cated by the donor. In this way, the competition of politicians as the project, their struggle-presentation for the national funding is made possible. We assume that this is a civilized transparent way to win the most reasonable political projects. Each crowdfunding project, particularly political one (when every politician is under the «anti-corruption eye»), should be based on ensuring complete transparency at every stage of fundraising, opportunities for free access (if not of all the public, then at least donors and authorized regulatory agencies) to view revenues and expenses.

Research of political crowdfunding brings us to a number of issues, including:

a) whether political crowdfunding is to be considered as a fundraising exclusively through specialized Internet platform. After Ukrainian remember well all the variety of ways of accumulating resources (money, medicine, food, fuel, etc.) in support of Euromaidan; how resources are still collecting to finance the needs of the army today, etc.;

b) whether political crowdfunding should be materialized in its form as support can be shown not only in cash; at least we already mentioned non-material (social) crowdfunding.

However, it should be noted that methods of financing Euromaidan and army in fact cannot be considered as crowdfunding technology in its classic sense because of violation of the basic principles of crowdfunding: goal – rather abstract, no clear required amount, process transparency – more fragmented. In this case we rather deal with charity, but such measures can be considered a successful start of crowdfunding implementation in Ukraine.

Unfortunately, the culture of mass patronage, in particular socio-political one, has not acquired permanent bases, among Ukrainians and there was not formed stable layer of the middle class, which is the driving force of sacrificial support of any creative endeavours.

To our mind, popularity of crowdfunding is directly correlated with the size of the middle class. Use of political crowdfunding is still a prerogative of out of system busi-

ness subjects. Political actors of the system itself nearly do not use this mechanism of communication with their political supporters.

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