

SYSTEM OF INDICATORS OF GOVERNANCE AND INSTITUTIONAL QUALITY: UKRAINE'S PERFORMANCE

Introduction

While new global standards of governance are emerging, and developing countries increase their awareness of costs of corruption and poor management, Ukraine is demonstrating below-average performance on a range of institutional and governance quality indices. This paper covers main institutional indices, which show Ukraine's performance in terms of institution development and governance over last decade.

Indicators of institutional and governance quality are covered by World Bank papers [6; 8] or other non-governmental organizations, a number of foreign researchers Barro, Robert, Beck, Thorsten, George Clarke, Alberto Groff, Philip Keefer. In Ukraine and CIS institutionalism is dealt with by Kachala T. M. [1], Freikhman L. M., Dashkeev V. V. [2] Yarosh O. B. [3; 4] and others.

Aim. The aim of the research is to determine Ukraine's position on world governance indicators scale and its dynamics in comparison with different groups of countries.

Methods. The research is based on Inductive and deductive Methods of Economic Analysis, dialectical method of knowledge and systematic approach, abstract logic, historical comparison.

Results. World bank experts [2] classify dimensions of governance indicators as those concentrating of performance measures and process measures (Fig. 1). Freinkman Dashkeev, Muftyahetdinova in their research on institutional dynamics in transition economies [1] distinguish four ways of measurement of institutional characteristics:

- Based on macroeconomic data, for instance, for measurement of development of financial sector (loans to GDP ratio, etc.);
- Based on surveys of users of governmental services (companies and individuals);
- Based on interviews of experts;
- Based on measurement of some qualitative data like education quality (results of tests), competition level on elections (election statistics).

In general, governance is constituted by the traditions and institutions such as the process by which governments are selected, monitored and replaced, ability of the government to effectively formulate and implement

policies, social interactions among citizens, state and institutions.

World bank in its Worldwide Governance Indicators (WGI) distinguishes six broad dimensions of governance (for more detailed description of these dimensions and methodology please refer to [3]):

- Voice and accountability which captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media;
- Political stability and absence of violence – measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism;
- Government effectiveness which captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies;
- Regulatory quality – captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development;
- Rule of law – captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence;
- Control of corruption which captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as „capture” of the state by elites and private interests;

Country's performance is measured from – 2.5 to 2.5 on these dimensions based on surveys of firms, individuals, agencies, and other non-governmental organizations. Ukraine's performance across all of these six indices is as indicated on Fig.2. One can see that in general there was slight decline after 1998, then recovery in 2000 – 2002, then till 2007 – 2008 political stability and voice and accountability significantly improved, while other indices were on the same level, and after 2009 all indices deteriorated.

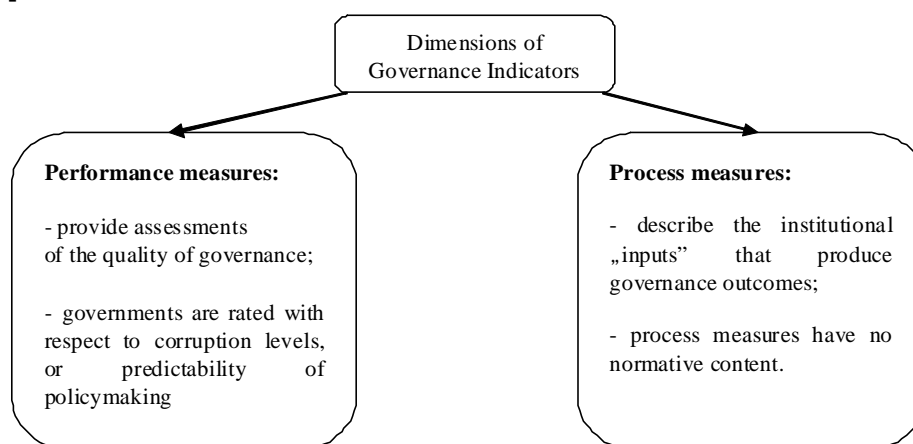


Fig. 1. Classification of governance indicators by dimension

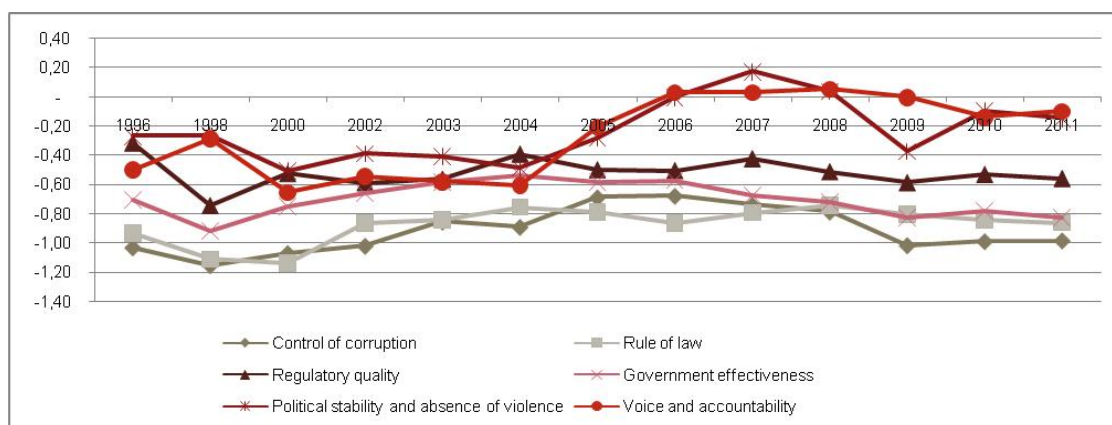


Fig. 2. Ukraine's performance against WGI indices

Also, one can note that during 1996 – 2011 all Ukraine's governance quality indicators were in negative area, which itself is negative. For better understanding of Ukraine's position let us look at country's rank across other 200 countries (Fig.3)

Fig. 3. shows that Ukraine's governance characteristics lie far below average in 100 – 180 range (among almost 200 participants). The country is in worst 30% in control of corruption, rule of law, government effectiveness and regulatory quality. Moreover, in last years Ukraine's position had negative trend. Consistently with Fig.2. Ukraine's rating by voice and accountability and political stability and absence of violence is slightly better, but still below 100.

To extend research, one can view comparison of Ukraine with countries from different groups (Fig.4. – Fig.6.). The following countries were chosen for comparison:

- Russian Federation – as former member of Soviet Union and usual peer of Ukraine in such research;
- Poland – as another example of transition economy, „more successful” neighbor of Ukraine;

- Brasil, China – components of famous BRIC, world leaders by growth rates and overall significant economies;

- Greece – current example of badly run economy with negative GDP growth and bunch of problems in finance sector;

- United States – the biggest economy in the World.

Fig. 4. Shows trends of governance indicators of control of corruption and rule of law for 1996 – 2011. It can be noted that during this period Poland and Brasil improved both their indices, China, Brasil, Russia and United States demonstrated mixed performance, while Greece worsened its indicators. It is interesting that Greece's indicators have had a negative trend since early 2000.

Interestingly, per United Nations classification [2] Greece and Poland are now classified as „Developed economies”. Greece became EU member in 1999 and since then its performance was negative, while Poland obtained such status in 2004 and till 2011 improved results significantly. Also all developed economies are in the top

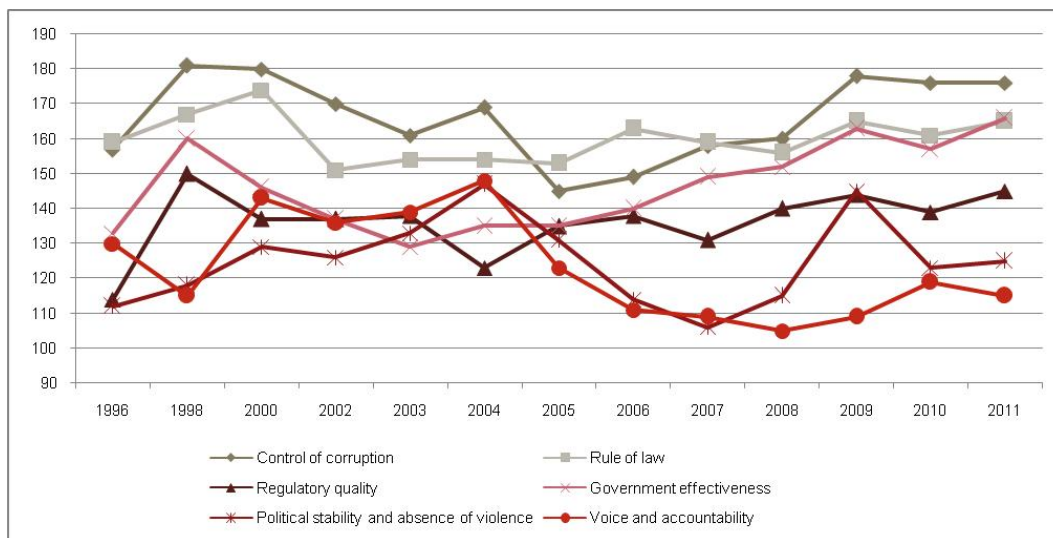


Fig. 3. Ukraine's ranking compared to other countries on WGI

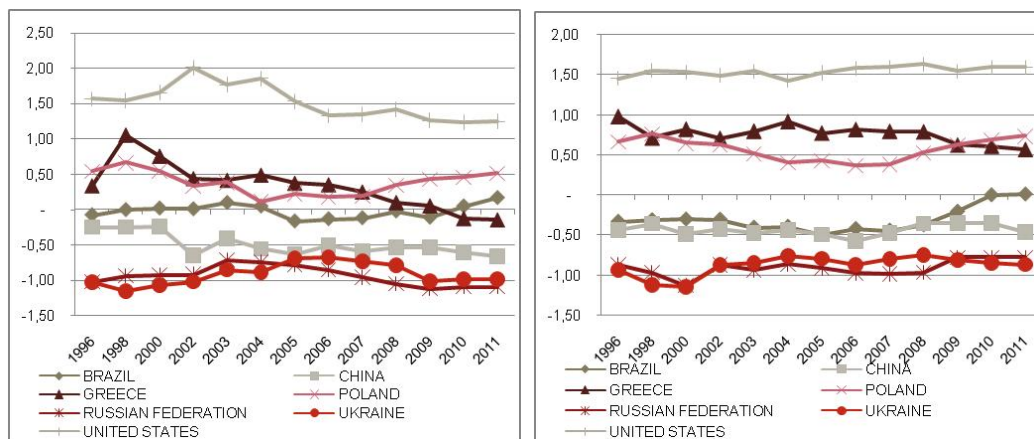


Fig. 4. Control of corruption (left) and rule of law (right) indices of chosen countries

part of the chart, while developing and transition economies are in the bottom.

Ukraine together with Russian Federation are on the bottom of the selected sample with indices fluctuating around -1.0 and negative trend since 2006 – 2007.

Second set of graphs (Fig. 5.) shows performance of the same group of countries from regulatory quality and government effectiveness points of view. The situation is roughly the same: United States are well above other members of the group, Greece and Poland were on the same level, with Poland outperformed Greece starting from 2009. Brazil and China fluctuate around zero value, and Ukraine and Russia are on the bottom of the graph.

And the last set (Fig. 6.) represents political stability and voice and accountability indices. Surprisingly, United States are not such a confident leader here, as in Fig.4. and Fig.5. Political stability and absence of violence index

of US is average, being under pressure of wars. In this field Poland is the leader, while Ukraine, Brazil and Greece met near zero value in 2011. China and Russia are on the bottom of both graphs. In this field Ukraine achieved highest ratings compared to its performance in other directions.

Conclusions. Research had shown that Ukraine demonstrated poor performance in all dimensions of governance indicators with some minor improvement in recent years. At the same time other countries from research group performed (demonstrated improvement of indicators) clearly better (Poland, Brazil), on the same level (Russia, China) or worse (Greece). In the absolute terms Ukraine's governance and institutional quality is assessed as poor.

The correlation among economic growth and institutional quality trends is also not clear. While there is

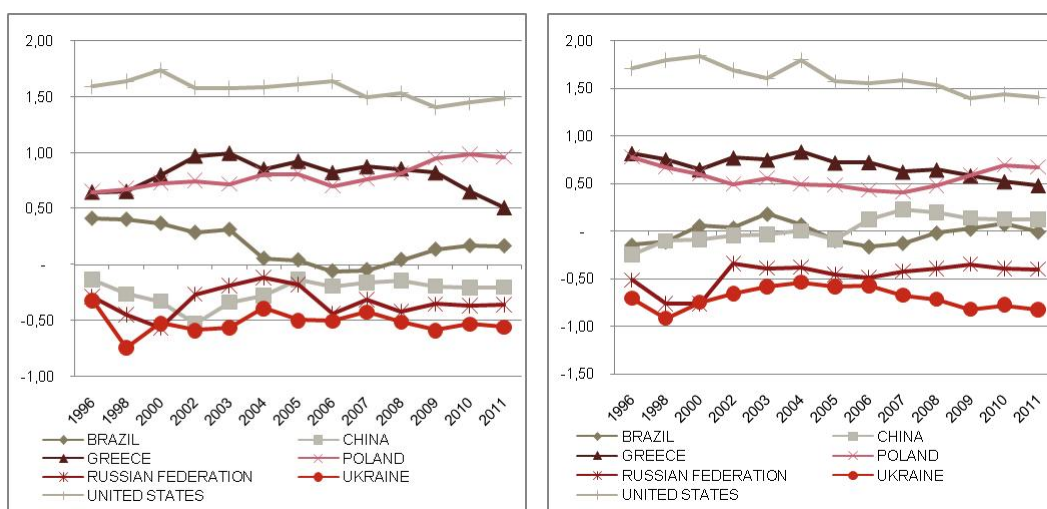


Fig. 5. Regulatory quality (left) and government effectiveness (right) indices of chosen countries

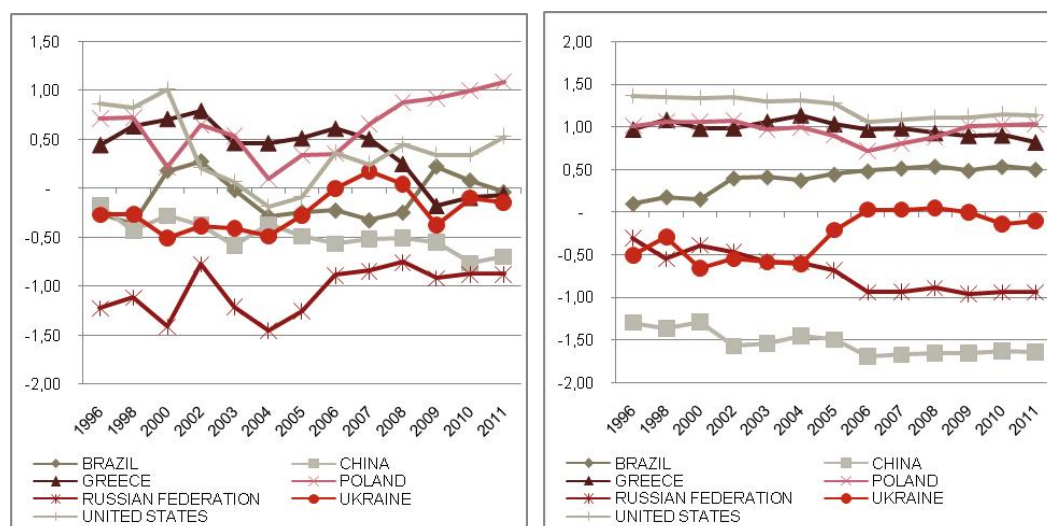


Fig. 6. Political stability and absence of violence (left) and voice and accountability (right) indices of chosen countries

positive correlation in Poland, Brazil (improvement of quality and economic growth) and Greece (deterioration of quality and crisis), China, Russia and Ukraine's results are not so obvious. In the next research these correlations will be studied more thoroughly.

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Ляшенко С. В. Система показників якості управління та інституційної якості: показники України

У статті розглянуто значення індексів якості управління та інституційної якості Світового Банку для України протягом 1996 – 2011 рр. Аналіз проведено на основі тенденцій протягом визначеного періоду й відносно різних груп порівняння: розвинені країни, країни, що розвиваються, країни з перехідною економікою. Дослідження показали, що Україна продемонструвала низькі результати за всіма вимірами показників якості державного управління з певним поліпшенням в останні роки. У той же час, інші країни з дослідницької групи продемонстрували такі тенденції: значне поліпшення (Польща, Бразилія), збереження на тому ж рівні (Росія, Китай), погіршення (Греція). В абсолютному прояві якості управління в Україні та інституційна якість оцінено як погані.

Ключові слова: інституціоналізм, управління якістю, показники Світового Банку, якість регулювання, корупція, політична стабільність, ефективність роботи уряду.

Ляшенко С. В. Система показателів якості управління та інституціонального якості: показники України

В статье рассматриваются значения индексов качества управления и институционального качества Мирового Банка для Украины в течение 1996 – 2011 гг. Анализ проводился на основе тенденций в течение наблюдаемого периода и в отношении различных групп сравнения: развитые страны, развивающиеся

страны, страны с переходной экономикой. Исследования показали, что Украина продемонстрировала низкие показатели во всех измерениях показателей качества государственного управления с некоторыми незначительными улучшениями в последние годы. В то же время, другие страны из исследовательской группы продемонстрировали следующие тенденции: явное улучшение (Польша, Бразилия), сохранение на том же уровне (Россия, Китай), ухудшение (Греция). В абсолютном выражении управление Украины и институциональное качество оценивается как плохое.

Ключевые слова: институционализм, управление качеством, показатели Всемирного Банка, качество регулирования, коррупция, политическая стабильность, эффективность работы правительства.

Lyashenko S. V. System of Indicators of Governance and Institutional Quality: Ukraine's Performance

The article covers Ukraine's performance on world governance indicators scales during 1996 – 2011. The analysis was performed based on trends during the observed period and against different groups of peers: developed countries, developing countries, transition economies. Research had shown that Ukraine demonstrated poor performance in all dimensions of governance indicators with some minor improvement in recent years. At the same time other countries from research group performed (demonstrated improvement of indicators) clearly better (Poland, Brazil), on the same level (Russia, China) or worse (Greece). In the absolute terms Ukraine's governance and institutional quality is assessed as poor.

Key words: institutinalism, governance quality, World Bank, governance indicators, regulatory quality, corruption, political stability, government effectiveness.

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