

GOVERNANCE IN UKRAINE: MYTH OR REALITY?

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nad_dsum@pisem.net**Abstract**

The paper under discussion covers the importance of governance at the present stage of economic development in Ukraine. This study may contribute to understanding the governance systems in countries under very different laws and adopting very different board models. In order to integrate social and economic interests of all subjects of economy there is a need of developing the theory and practice of governance. So the definition of the word of governance was given in the article. The OECD principles of governance which should be introduced in the Ukrainian practice of administration and management are defined in it. Its key idea is to introduce a preconditions, characteristics and levels conceptual model of governance in the world and the opportunities for its introduction in Ukraine. The theoretical approach to the problem is based on structurally functional and genetic methods of cognition. The data obtained are given to illustrate the necessity of diagnosis of the governance level by calculating all indices of governance indicator in Ukraine. It will define bases for further development of the state. The material presented can open new prospects for further research studies. It seems to be interesting to those who work in the field of governance, public administration and management.

Key Words: government, management, public administration, globalization processes, index.

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I. INTRODUCTION

Public administration is a component of political control and has a number of indicators determining the effectiveness of its implementation. The success of realization of the state control is determined by the policy pursued by the government of the country and, consequently, by positive dynamics of the budget, tax, monetary, social, investment and business indicators. Modern Ukrainian scientists distinguish two concepts of public administration: as the whole activity of the state and as the activities of the executive power bodies. Thus, the definition of “public administration” has two levels of implementation. But in the context of dynamic social economic development of the country it is inadmissible, especially when the question is in determining effectiveness of functioning the state sector of economy and economy in the large.

Modern development of the world economy, theory and practice of public administration offers Ukraine to define the prospects of her further development of categories of governance, in particular, when she strives for expanding the boundaries of international cooperation in the framework of globalization processes. In this context the science of public administration should be transferred from fundamental to applied one with the determination of clear-cut boundaries of research. Scientific studies became a compulsory process of taking administrative decisions. Therefore within the framework of comprehensive globalization the problem of effectiveness of each subject of national economy, independent participation in integration processes is important in determining the direction of the further actions.

II. LITERATURE REVIEW AND RESEARCH PREMISES

The problems of public administration in Ukraine are not new. The methodology of this science was identified by such scholars as G.Atamanchuk, B.Averjanov, Yu.Bityak, O.Vysotsky, O.Vysotskaya, Yu.Sharov, etc. (Atamanchuk, 1997; Vysotsky et al, 2008). The practical introduction of the public administration in the context of the spheres of activity, levels of implementation and instrument of influence on functioning commercial structures are investigated in a number of works by such authors as, A.Amosha, V.Vorotin, O.Povashniy, A.Chaletska, etc. However, the expansion of the subject matter of science, the concept and indicators that describe it at modern stage of national economy development is timely and appropriate. In that case world scientific achievements can help in development the theory of governance for Ukraine. The debate on corporate governance, the part of governance in the large, in the USA has started as early as 1932 with the

publication of the work by Berle and Means “The Modern Corporation and Private Property” (Klaus, 1994). However, publications on this topic did not stop there. J.Kooiman, J.Newman, etc. study this problem in UK (Kooiman, 1999; Newman, 2003). A.Algin, I.Barigin, N.Ivanchuk, L.Smorgunov, etc. study this problem in Russia (Ivanchuk, 2006; Smorgunov et al, 2006). Modern scientists study the problem of global governance, such as Rosenau, Gilpin, etc. (Rosenau, 1992; Gilpin, 2004). This theme is a subject of discussions at many international meetings, symposiums and conferences, in particular the Global Thematic Consultation on Governance and the Post-2015 Development Framework (<http://www.worldwewant2015.org/governance>, 2013). The urgency of the research is intensified by the fact that today the process which is characterized by the term “governance” has acquired qualitative characteristics which are laid down into international instruments of socio-economic development of the society and financial support to countries.

The objective of the article is to prove the necessity of use of the latest interpretation of the term “governance” in science and practice of public administration and management at all levels and calculation of qualitative and quantitative characteristics that characterize governance in Ukraine. It will make possible to transfer the science of public administration to the category of applied one and increase the number of calculated GI's indicators and rating of Ukraine.

III. RESEARCH METHODOLOGY AND FINDINGS

The transition from the concept of new public administration to the description of the management policy in the categories of “governance” is the evidence of serious progress in methodological foundations of administrative reforms. Orientation to universality and common methodology is replaced with directions towards cultural heterogeneity and particularism. Different definitions of “governance” prove this. The word “governance” is derived from the Greek verb κυβερνάω [kubernáo] that means “to direct, guide” and was first used in a figurative sense Plato (<http://en.wikipedia.org/wiki/Governance>, 2013). In American management theory the term “governance” appeared at the end of the twentieth century in the following senses (<http://en.wikipedia.org/wiki/Governance>, 2013; Kooiman, 1999; Newman, 2003, p.5):

- minimal state;
- corporative management;
- new public administration;
- good management;
- sociological cybernetic management;
- management as self-organizing networks;
- management as a leadership;
- management as international order;
- management of economy;
- management as manageability.

As you can see this term cannot be translated literally but has the meaning of the public and corporate governance in all spheres of an individual or a group of people activities. So we define it as ‘state-public administration with the functions state-government’ and prove the expediency of such a translation. Global Integrity Indicator (GI) participates in the calculation of Knowledge Economy Index - KEI, World Governance Index and Sustainable Governance Indicators. The concept of “governance”, according to L.Smorgunov is a management tool which is described in the theory of public management and policy networks (2006, p.212, 235). A. Akaev introduced the term "diligent governance" (translated as "good governance"). N. Ivanchuk translates this definition as “the new public management” and “governance-management” (2006, p.22-26).

To determine the true content of the term we define the preconditions of the theory of origin and practice of “governance”:

- intensity of the discoveries and inventions since the XVth century - opening of new markets, new sources of enrichment of countries, opening new sources of energy, communication and transportation to long distances; appearance of the first English and American national joint-stock companies and multi-sector enterprises (some became international in time);
- emergence and development of capitalist economic relations in Europe, in particular, in 1600 English-Dutch “East India Company” was founded due to the introduction of the management system independent of the owners;
- scientific explanation of independent system of corporate governance (first of all of the production management system) of the state one with the publication of the work by A. Smith (1776) “An Inquiry into the Nature and Causes of the Wealth of Nations”;
- intensive development of industry and agrarian sector, production of new consumer goods;
- growth of population in countries of America and Europe;

- increase in the number of employees at large and medium-sized enterprises and complication of processes of management of enterprises and economy as a whole.

The new approach to the theory of governance includes a number of conceptual provisions of the theory of networks, synergetic, social and public administration and the theory of democracy of communitarian type. The term of “governance” can be used in different contexts, such as person or family governance, corporate governance, international governance, public administration and local self-government (<http://www.unescap.org>, 2013). Government is one of the actors in the field of governance. Other subjects of governance include business owners, authoritative landowners, associations of farmers, co-operatives, public organizations, research universities (institutions), political parties, military men, etc.

It is this interpretation of the term that is associated not only with the subjects that in this case are equal in a broader sense of process of management and adjustment but with the origin of the word. The word “governance” was originated from the "govern" family, “government” and “governor”. So you can see the interpretation of the term extends to the level of the state, business and directly a human being but it has a larger field of distribution and includes management.

There is a reasonable explanation of a such translation which can be found in the main conceptual documents of the internal and international relations and operations of the USA. Among the institutions supporting the idea of “governance”, there is the Commission of the European Communities, the economic structure of the US State Department, the Organization of Economic Cooperation and Development (OECD), the European Bank for Reconstruction and Development (EBRD), the World Bank, etc.

The activities of the leading countries are focused on common and generally accepted principles and standards which at the same time serve as a reference for assessment of functioning the governance and determine the need of reforms in a particular company or country. They are the guidelines for defining and achieving the company's or the country's goals (no matter how these goals will be achieved). The immediate objectives are:

- raise of the level of developing economies to those of developed ones;
- fair, lawful and scientific conduct of the affairs of economies and countries;
- ensuring such transparency of business and enterprise management in which low-skilled managers and non-professionals can't be involved at high management levels;
- liberation of companies, economies and power structures of the hegemony of managers and other clan groups in high managerial spheres;
- business and entrepreneurship without corruption, fraud, bribery, weakness for illegal personal enrichment, money laundering;
- the creation of a situation of legality, openness, transparency, control and monitoring with proper coverage of these issues in mass media;
- the conduct of the affairs in all branches of economy in accordance with the basic principles and standards of the governance.

The key principles and standards of governance are the basic components of the methodology of the organization of activities of individuals, enterprises and economies. International economic and financial centers have obtained an opportunity to conduct statistical registration of success of the governance, monitor success of the economies of these countries and if necessary provide them with economic, financial, methodological and other support. The characteristics of successful governance are the following:

- participation of a group of people or institutions in achieving certain goals;
- the rule of law;
- transparency;
- responsiveness;
- focus on consensus building;
- comprehensiveness of working capital;
- effectiveness and efficiency;
- accountability.

The principles of the governance giving in The White Paper of the Commission of European Communities, proposed by the economic structures of the US state Department, the Organization for Economic Cooperation and Development (OECD) and the European Bank for Reconstruction and Development (EBRD) consists in (www.eur-lex.europa.eu, 2013; www.oecd.org/mena/governance, 2013; www.ebrd.com/pages/about/principles.shtml, 2013):

- free and fair elections;
- independent judicial system and the rule of law;
- freedom of speech and mass media;
- eradication of corruption and other similar phenomena in business and world economy;
- fairness;

- responsibility;
- market efficiency;
- transparency;
- accountability;
- promotion of business ethics.

There are the social and economic objectives and principles for a single person as well as for a group of people regardless the level of the group organization. All these goals do not change at any level of governance. The basic constitutional principle "a man, his rights and freedoms are the highest value" needs real practice and technology of its implementation based on the clearly expressed paradigm fundamentals of the strategy of development of the state of society and individual. N.Ivanchuk thinks it is possible to use governance paradigm as a model of public political governance (2006, p. 173). This means that at the present stage of development of socio-economic and political practice it is necessary to implement and monitor the results of a new conceptual model of public governance.

So the concept of governance can be interpreted as a complex of actions on management, administration, self-government, coordination and monitoring the decisions taken by the group of people with common objectives regarding the socio-effective allocation of resources, in which a strong effective state and a strong efficient society may well complement and mutually reinforce each other.

In the studies of management processes, the importance of economic analysis has grown while taking decisions on financing this or that country. For this purpose international organizations calculate a number of indicators, i.e. Actionable Governance Indicators (AGI) and Sustainable Governance Indicators (SGI) are among them. It consists in expert evaluation of the OECD countries since 2009. The indicators include the functions of strategic planning, interagency coordination, implementation of policy and institutional knowledge. On the basis of 65 high quality and 82 quantitative indicators SGI allows to analyze and compare need of reforms in 31 member-countries of OECD as well as their ability to respond to the current social and political problems. SGI assesses the level of sustainable management in two directions: the Index of the Status and Index Governance. The results of Global Integrity Indicator (GI) are the following: for Ukraine it is 63, while in Russia it is 71, in Armenia – 63, in the USA - 85. The extraction is presented in table 1.

Table 1. Ukraine: Demand for Good Governance (the extraction)

| Source Year | Demand for Good Governance | Ukraine | Europe and Central Asia | Lower middle income |
|-------------|--|---------|-------------------------|---------------------|
| 2007/10 | Accountability and Public Voice (0 = lowest, 7 = highest) | N/A | 2,76 | 3,08 |
| 2007/10 | Anti-corruption and Transparency (0 = lowest, 7 = highest) | N/A | 2,65 | 2,78 |
| 2007/10 | Media Independence and Freedom of Expression (0 = lowest, 7 = highest) | N/A | 2,71 | 3,14 |
| 2007/10 | Governmental Transparency (0 = lowest, 7 = highest) | N/A | 3 | 2,9 |
| 2005/8 | Bribed often to get a document or permit (% of sample) | N/A | N/A | 18,00% |
| 2007/10 | Existence of Laws and Ethical Standards between Private and Public Sectors (0 = lowest, 7 = highest) | N/A | 2,75 | 2,86 |
| 2007/10 | Freedom of Association and Assembly (0 = lowest, 7 = highest) | N/A | 3,27 | 3,41 |
| 2005/8 | Member of organization (% of respondents) | N/A | N/A | 35,00% |
| 2005/8 | Interested in Public Affairs (% of sample) | N/A | N/A | 51,00% |
| 2005/8 | Did you vote? (% of sample) | N/A | N/A | 46,00% |
| 2007/10 | Rights of Ethnic, Religious, and other Distinct Groups (0 = lowest, 7 = highest) | N/A | 3,08 | 3,07% |
| 2005/8 | Ordinary people who break law go unpunished often (% of sample that agrees) | N/A | N/A | 33,00% |
| 2011 | Life expectancy at birth, total (years) | N/A | 73 | 66,00% |

Source: <http://www.agidata.org/Site/Reports.aspx>, 2013.

As the table and the origin source show that not all indicators have data, in particular the following:

- accountability and public voice;
- anti-corruption and transparency;
- media independence and freedom of expression;
- governmental transparency, etc.

The total number of not calculated indicators in Ukraine is 40. Monitoring test of the level of governance in Ukraine was carried out on the basis of the previous years data but those for other countries dated 2010-2012. The calculated indices are often below average. Nevertheless as compared with 2011 in 2009 the index of GI raised to 58. In the US GI in 2009 as well as in 2011 was 85. In 2007 in the USA GI was 87, in Russia - 64, in Ukraine - 67, in Armenia - 57. So each country has developed its own governance system that serves its state and business operations best. These data show general positive dynamics in all countries as a whole and relative one in some of them, in particular in Ukraine.

Timely annual reports to measure governance in over the time should be useful to users in academic and policymaking circles in Ukraine.

The aggregate indicators of GI are useful for broad cross-country and over-time comparisons of governance, but all such comparisons should take appropriate account of the margins of error associated with the governance estimates (Kaufmann, 2009, p.24).

The aggregate indicators can in some circumstances be a rather blunt tool for policy advice at the country level. The research works aims to provide more specific aspects of governance with the help of this indicators. Using these aggregate and individual indicators in conjunction with a wealth of possible more detailed and nuanced sources of country-level data and diagnostics on governance in formulating policy advice can formed good governance in country.

IV. RESEARCH RESULTS

All of these themes are focused on ways of strengthening trust, accountability and participation in governance so that it can serve citizens more effectively, efficiently and responsively. Modern Ukrainian science of public administration gained new advantages: breadth, scale of the approach, dynamism. There is no one ideal model of governance. But according to this conceptual model of governance should be considered as seven level module:

- world level - governance within the framework of functioning of the world economy;
- international level - governance of world national economies as well as international economic institutions;
- meso level - governance within the framework of industries and economic regions;
- macro level - governance of public finances;
- milli level - corporate governance, i.e. governance of the enterprises that are large corporations, holdings, unions, associations, etc. which have the highest degree of development of entrepreneurial activity and are focused on the investment operations;
- micro level - corporate governance, i.e. governance of enterprises which have an average or below average level of development of business activity and whose resources are partially or fully dependent on the activity of the milli level enterprises;
- nano level - personal or family governance.

This is the most common model for governance which should have practice in Ukraine. In this model, the coordination of activities is affected by subjects agreeing, for their mutual benefit, upon norms and rules to guide their future behaviour and to create mechanisms which make compliance with these rules and norms possible. As globalisation progresses, the successful subjects of model of governance are emerging as key players in the world economy, making an important contribution to national economies.

V. CONCLUSIONS

In this apparently more complex situation, there is pressure for decision making to become more transparent and accountable in each level of the model of Ukrainian governance. The role of public administration in governance is creation of favorable conditions for social, cultural and economic development of all citizens and associations. The current worldwide reassessment of the functions of the state and of public officials and civil servants arises from three major sources: one is globalization and its impacts on what governments must do to adapt and respond to rapidly changing international economic, social, political and technological trends; the second is increasing dissatisfaction among citizens in Ukraine with the functions of government and the services that public administrations provide and the last is an unwillingness of some social groups to change. The development of the state is possible only due to successful development of each subject at

each level of the model. Diagnosis of the governance level is possible by calculating all indices of this indicator with operational data. And monitoring, as it is known, is the basis for the identification of patterns, trend variables and their dynamics. It is these indicators that the national economy of Ukraine badly needs.

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