

ICPS newsletter®

Consumers react to political changes

During October–December 2004, the Consumer Confidence Index remained nearly flat, standing at 100.1 in December. At the same time, economic expectations significantly deteriorated among residents of eastern oblasts, while the CCI in western Ukraine broke all records. The poll registered a decline in the propensity to consume as economic expectations improve. Consumer confidence among rural Ukrainians and those with below-average incomes also brightened

In December 2004, Ukraine's CCI stood at 100.1, which means that the index has not changed significantly since the previous poll, in October. A value close to 100 shows that currently the share of optimistic consumers largely equals the share of pessimists. Economic expectations have improved: the Index of Economic Expectations (IEE) rose 2.4 points over October–December, to 101.4. At the same time, the Index of the Current Situation (ICS) slipped 3.9 points, to 98.3.

Such a decline in the ICS is linked to a decline in the Index of Propensity to Consume, which plunged 12.2 points during this period, to 93.6. This index reveals the readiness of consumers to purchase durable goods. However, the decrease in the Index of Propensity to Consume speaks more about the stabilization of this indicator, than about its worsening. The December Index of Propensity to Consume is almost the same as the value registered in March 2004. The lower propensity to consume is clearly the result of a more predictable political situation in December compared to October, lower inflationary expectations, and subsiding fears of a possible depreciation of the national currency.

Expectations of inflation and unemployment among Ukrainians also improved. During October–December 2004,

Index values

Consumer Confidence Index (CCI)	100.1
	-0.1
Index of the Current Situation (ICS)	98.3
	-3.9
Index of Economic Expectations (IEE)	101.4
	+2.4
Index of Expected Changes in Unemployment (IECU)	107.3
	-8.9
Index of Inflationary Expectations (IIE)	180.0
	-2.5

Sources: GfK–USM, ICPS

the Index of Inflationary Expectations slipped 2.5 points, to 180, while the Index of Expected Changes in Unemployment (IECU) fell 8.9 points, to 107.3. The IECU value is a record low for the entire history of consumer confidence research in Ukraine.

Economic expectations improved across most of Ukraine, except for southern and eastern oblasts. In particular, the Index of Economic Expectations in eastern Ukraine dropped 14.8 points over two months, to 80.8. Short-term expectations in this region were especially pessimistic: the relevant index fell 21.7 points during October–December, to 69.5. This index was last this low in these oblasts in late 2000 and in early 2001, when these surveys were first introduced. The Index of the Current Situation slipped only 2.9 points in this region, to 101.8. This indicates that most residents are positive about the current situation. Deteriorating economic expectations in this region are, evidently, a result of concerns among most voters about the repercussions of the controversial presidential election.

The CCI and the IEE and the IECU for western regions reached record-high values for the entire history of consumer confidence research in Ukraine. The CCI rose by 16.7 points, while the IEE skyrocketed 25.5 points. Difference in consumer confidence across different regions shows that confidence among Ukrainians is highly sensitive to political changes and that economic expectations of Ukrainian citizens depend on their political orientation and expectations. Averaged out, however, despite substantial regional variations, consumer confidence in the country as a whole has remained largely unchanged.

The poll registered a significant improvement in confidence among rural consumers, where the CCI reached a new record high of 97.1, 6 points above the

October level. In December, the Consumer Confidence Index in large urban areas was almost the same as the rural CCI. For the first time since June 2003, the CCI in large cities slipped below 100, which shows that pessimistic expectations prevail among urban Ukrainians. Deteriorating consumer confidence in large cities is linked to growing pessimism in economic expectations in eastern Ukraine, which is the most urbanized region.

Consumer confidence among consumers with below-average incomes also improved. Over October–December, their CCI grew 4.5 points, to 92.3. This index for average-income consumers inched down 1.7 points, to 96.7. A decrease in the propensity to consume was the key factor for this slight decline in the CCI: the relevant index dropped 13.6 points, to 91.1.

The Consumer Confidence Index is determined through a random survey of domestic households. The poll involves 1,000 individuals aged 15–59, an age group that represents 61.3% of Ukraine's population and the country's most active consumers. A representative sample is selected by gender and age, also by type and size of settlement. The margin of error is 3.2%. Index values range from 0 to 200. The index equals 200 when all respondents positively assess the economic situation. It totals 100 when the shares of positive and negative assessments are equal. Indices of less than 100 indicate the prevalence of negative assessments. ■

Consumer Confidence is a joint project of the International Centre for Policy Studies and GfK–USM—one of the leading companies which surveys the Ukrainian market.

For further information on the Ukrainian household expectations survey, please contact Yevhenia Akhtryko at telephone (380-44) 236-1292 or via e-mail at eakhtryko@icps.kiev.ua.

If you would like to subscribe to the Consumer Confidence bulletin, with a detailed quarterly analysis of the CCI in Ukraine, contact Andriy Starynskiy by telephone at (380-44) 236-4477 or via e-mail at marketing@icps.kiev.ua. You can also order ICPS publications through the ICPS website, at <http://www.icps.kiev.ua/eng/subscribe/>.

A new public policy handbook for NGOs

The International Centre for Policy Studies and the Razumkov Center for Economic and Political Studies have issued a new handbook called "Public Policy Principles for Civic Organizations" in Ukrainian and Russian, which provides practical suggestions for organizing and working in public policy projects. The handbook describes the processes and forms of analytical and sociological research and consultations with stakeholders. It also explains the requirements for organizing work within projects and offers a number of recommendations. This handbook is also useful for government workers who are involved in engaging the public in the policy-making process. Copies are available at no cost through ICPS

Why a public policy handbook?

When policy is developed and implemented in a democratic system of government, several key components are involved: current issues are brought out for debate, alternative options are considered, the potential impact of each one is assessed with the involvement of all stakeholders—urban residents, civic organizations, business—and the ultimate implementation is publicly scrutinized and overseen. Civic organizations and think-tanks can have a significant impact on the policy-making process, as they can provide public decision-makers with high-quality independent research, analysis and recommendations on a broad range of issues.

In the last few years, Ukraine has seen the emergence of non-government institutions that possess the necessary policy analysis skills and have experience in working with government. But today, most civic organizations and think-tanks, especially regional ones, lack the capacity to effectively influence the policy-making process because they lack the necessary skills, standards and formats. This means that there is a need to raise institutional capacity among NGOs to implement public policy activities at every stage of the process of shaping and adopting socially vital decisions.

How can this handbook help?

The handbook provides practical suggestions for how to participate in social transformations by organizing and working in public policy projects. It has been specifically designed to improve skills in preparing policy papers and holding consultations with stakeholders. It also offers new skills and tools to effectively cooperate with participants in the policy-making process and to organize public dialog on current local and regional development issues.

However, the handbook does not include step-by-step instructions on carrying out public policy work. It examines the necessary components of the public policy process and key activities that a civic

organization can take on as a participant in this process.

Who might find this handbook useful?

- Civic organizations who implement or plan to implement public policy projects and need more information and skills in developing and carrying out such projects;
- Specialists who develop and implement public policy programs and projects at different foundations or organizations;
- Specialists who institute public policy methods and instruments in the day-to-day work of their organizations;
- Local and central government bodies that do analytical research and organize public consultations.

What makes this handbook different?

Rather than engage in theoretical discussions, this handbook focuses on the processes and forms of organizing public policy research and activity. It highlights the specifics of applying public policy in post-soviet countries and identifying and providing technical support for the skills that organizations need in order to work in public policy. This includes procedures, standards, templates and examples.

To make the handbook even more useful, the user should also study other books published in Ukraine. Osnovy, a publishing house, has released Ukrainian translations of key books and handbooks on government policy analysis and policy-making that provide fundamental theoretical knowledge:

- A Handbook on Government Policy Analysis by Paul Brown;
- Policy Analysis: Concepts and Practice by D. L. Weimer, A. R. Weining;
- Government Policy Analysis by Lesley Pal.

Recently, a handbook for government policy advisors in Central and Eastern European countries called Writing Effective Public Policy Papers by E. Young and L. Quinn, was translated into Ukrainian. It highlights the

theoretical and methodological basis for preparing policy analysis papers.

How is this handbook organized?

The handbook consists of 7 parts:

- Chapter 1 examines the essence of public policy and its role in the social transformation of post-totalitarian countries.
- Chapter 2 analyzes the relationship between "public policy," "strategic planning" and "change management."
- Chapters 3 and 4 describe the processes and forms of analytical and sociological research.
- Chapter 5 provides recommendations for preparing and holding consultations with stakeholders during public policy activities.
- Chapter 6 contains practical recommendations for organizing public policy project work.
- Chapter 7 provides basic requirements and recommendations for developing and transferring public policy know-how to other organizations.

A summary of practical experience

The handbook was prepared under a project called "Developing Capacity of Regional Policy Centers for Policy Analysis at the Local Level." This was carried out by ICPS and the Razumkov Center over 2003–2004, with funding from the International Renaissance Foundation. The handbook is based on experience and materials from this project.

The project provided training for representatives of six regional NGOs, selected on a competitive basis, to be able to organize activities and use public policy methods and tools. ICPS and the Razumkov Center transferred to these organizations formats and standard procedures for preparing policy analysis research, carrying out sociological surveys, and holding public consultations. Civic organizations in each of the cities prepared sociological and analytical studies into local or regional development issues and held a series of public hearings and public debates during all stages of the research. ■

To get a printed copy, contact Volodymyr Hnat by telephone at (380-44) 236-4116 or via e-mail at vhnat@icps.kiev.ua. To view an electronic version (in Ukrainian), visit the ICPS internet-library at <http://www.icps.kiev.ua/library.html?17>.

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