

ICPS newsletter®

Quality of Life: Ukraine after 53 months

Over the last three and a half years, ICPS has undertaken the “Socio-Economic Performance and Potential Analysis Capacity” (SEPPAC) project in partnership with the Conference Board of Canada and the Government of Ukraine and supported financially by the Canadian International Development Agency (CIDA). The purpose of this project was to build the capacity of public officials and the non-government sector to develop and analyze public policy by assessing Ukraine’s economic potential and the socio-economic implications of realizing that potential. At a 19 March 2009 roundtable called “Ukraine’s Potential and its Realization,” the results of this project were presented. During this event, ICPS and the Government published reports in which they used benchmarking to determine the quality of life in Ukraine compared to other countries

The current report is a continuation of an earlier report prepared in 2008. In 2008, ICPS developed socio-economic indicators that made it possible to compare the quality of life in Ukraine with that of other countries. In this report, the authors attempted to evaluate the extent to which Ukraine has progressed in terms of improving specific quality of life indicators, and how much the country’s strategic priorities have changed over the last year.¹

First, ICPS singled out five performance areas—or “domains”—that we felt reflected a country’s success in ensuring a high quality of life for its citizens: Wealth, Society, Healthcare, Education, and Environment.

Next, ICPS adopted a school-style grading system. For each indicator, a country’s performance is ranked as “excellent,” “very good,” “satisfactory” or “poor.” The scores are calculated by taking the difference between the top and bottom performer and dividing the result by four. The overall quality-of-life ranking for each country is calculated as the average of the domain scores. It reflects a country’s relative success in ensuring a high quality of life for its citizens.

Quality of Life among Ukrainians before the crisis

A high quality of life is a sign of a successful country and reflects the fact that the average citizen is interested in

those things that affect everyday life. A country can have high macro-economic indicators, a strong international presence, enormous scientific, industrial or defense potential, but until all of this is reflected in an improvement in the day-to-day lives of its citizens, its government cannot consider its mission accomplished.

Comparing the results of benchmarking Ukraine for quality of life in 2008 and 2007 allows us to state that there has been both progress and decline in the quality of life in this country.

The country has moved up four places, from 57th to 53rd among the 63 countries studied. Ukraine moved past global powerhouse Russia, which was 56th in last year’s report and 57th in this report. Ukraine now also ranks higher than

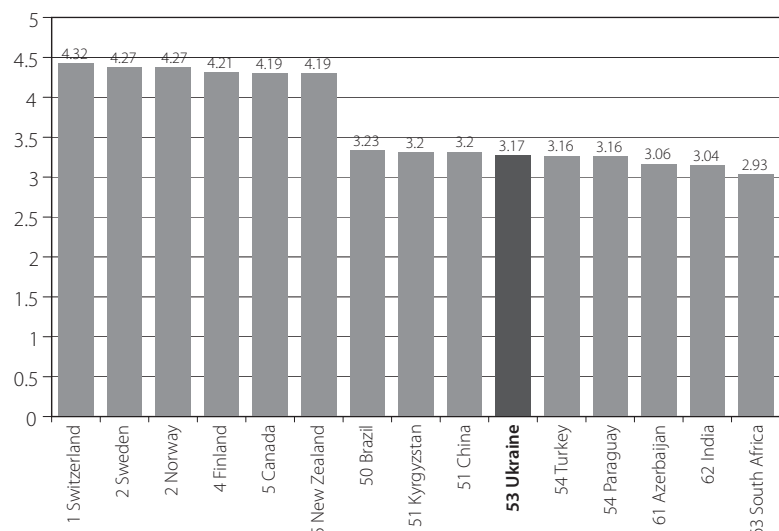
Turkey, which was 47th in last year’s report and 54th this year. On the other hand, Ukraine’s quality of life score fell from 3.24 (on a five-point scale) in last year’s report to 3.17 this year.

Table 1. Quality of life in 2007 and 2008

	2007	2008
Quality of Life	3.24	3.17
Wealth	3.14	3.29
Society	3.43	3.71
Health Care	2.78	2.67
Education	3.67	3.17
Environment	3.17	3.00

A major disappointment is Ukraine’s performance in Education, an area that has always been considered one of the country’s key strengths and competitive advantages. Ukraine fell from 34th position in last year’s report to 49th this year. Ukraine’s ranking also dropped in the Healthcare and Environment domains, although not as dramatically as in Education. In Healthcare, Ukraine slipped from 61st place to 62nd, while in the Environment, it fell from 49th place to 52nd.

Chart 1. Quality of Life rankings by country



¹ Each domain comprises six to nine indicators, for a total of 36 indicators. The indicators reflect a significant aspect of their given domain. 63 countries were chosen for comparison.

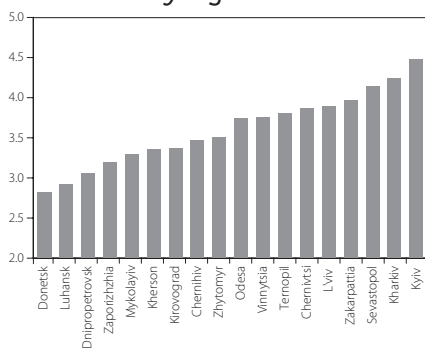
Ukraine made the greatest progress in the Society domain, jumping from 44th position in last year's report to 25th this year. Ukraine also did well in the Wealth domain, rising from 52nd place and an average score of 3.14 last year to 40th position and an average score of 3.29 this year.

How is Quality of Life in the regions?

The benchmarking process identified four leading regions: the cities of Kyiv and Sevastopol and Kharkiv and Zakarpattia Oblasts. Although Kyiv's first-place ranking is hardly a surprise, the other three regions made the top four by showing considerable progress in at least some of the five spheres in which quality of life was being measured. For instance, Zakarpattia, which has the second-lowest per capita GDP, scored well in the Society and Healthcare spheres, while Kharkiv showed high results in Education and Wealth.

Improving the quality of life in various oblasts will be impossible without the active involvement of their local governments. Regional equalization initiatives launched by Kyiv in conjunction with local governments must be aimed at helping the lower-ranked oblasts, while also maintaining incentives for the top oblasts to continue growing.

Chart 2. Quality of Life rankings by region²



Source: Derzhkomstat. Calculations: ICPS

Environmental Pollution: Attitudes and outcomes

Opinion polls show that residents in every oblast are concerned about the state of the environment. In naming priorities, many respondents put dealing with environmental pollution second only to the standard of living (that is, economic

² Quality of life rankings by all region is in full version of this report.

well-being). What disturbs a majority of Ukrainians the most is pollution in their towns. One frequently-cited problem is the collection and disposal of household garbage. This suggests that, in many instances, the actions of the local government could have a significant impact on improving the environment.

Equally importantly, residents need to pay more attention to industrial waste and pollution, which requires the development of a national policy. The low level of material well-being in Ukraine, however, suggests that the country's environmental problems are unlikely to be resolved any time soon. Given the current state of economic development, the country's level of pollution is likely to grow along with economic growth. Still, this does not mean that a sustainable growth policy is impossible to enact. As material well-being grows, so, too, will demand for effective regional and national environmental policies. The fact that the Green Party gained seats in the Verkhovna Rada in 1998—a time when the economy was struggling—suggests that green ideology has a future in this country.

The Gender Budget as a tool for social change

Given the reality of limited budget funding for social expenditures, growing inflation, and the immature state of social and pension insurance mechanisms, there is a vital need to analyze the impact of State and local spending on different social groups, including women and men.

Gender budget analysis showed that there are clear distortions in the distribution of funding among different social groups in Ukraine. Addressing these disproportions is particularly important in this time of economic and financial crisis, given that the most vulnerable social groups—including the impoverished, the disabled, and children—are the ones who suffer the most when times are bad.

Women are included among the most vulnerable groups of the population because they represent the majority of the poor in Ukraine, earning on average only 70% of what men earn. This leads to a female gender gap in pension benefits, in the accumulation of personal capital, in the ability to draw on credit, and in many other income-related economic and social activities.

The crisis as economic opportunity

The fact that Ukraine has improved its overall standing among the studied countries for quality of life is, undoubtedly, a positive signal. At the same time, the specific problems it faces in Healthcare and the Environment remain in an extremely unsatisfactory state.

In analyzing Ukraine's results in each of these areas, it is evident that the main reason why Ukraine is currently unable to attain a high quality of life is not lack of awareness of problems or the lack of priorities. The problem appears to be the absence of workable government policy aimed at developing and enacting effective measures to reach stated priorities, monitoring the resulting changes and consequences, and evaluating overall results.

This study looked at Ukraine towards the end of 2008, just as the effects of the global financial crisis were beginning to hit the world in general and Ukraine in particular. Consequently, it is difficult to take comfort in the country's recent achievements, given that there is now an economic recession, with cutbacks in industrial production and growing unemployment.

We can be certain that Ukraine's recession will be reflected in economic statistics as well. So in the short term, we could see a fall in the country's rating in terms of well-being. Still, taking the longer-term perspective, this crisis could also have some positive effects.

Ukraine can no longer ignore such troubling factors as an inefficiently structured economy, over-regulation of business activities, and catastrophically low energy-efficiency—all problems that the country paid little attention to during the economic boom. By improving the economy's overall efficiency, Ukraine can harness the one locomotive that could pull the country out of recession: innovative potential. But if Ukraine fails to renew and make use of this potential, maintaining sustainable growth will be impossible. ■

For the full version of this report, visit: http://icps.com.ua/doc/ICPS_eng.pdf.

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