

THE ROLE OF INSTITUTIONAL COMPONENT TO INCREASE COMPETITIVENESS OF A COUNTRY ON THE WAY TO SUSTAINABLE DEVELOPMENT

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Sustainable development is the basic direction of human development in XXI age. There is no alternative as the other way will result in a world ecological catastrophe.

Conception of sustainable development determines the integral system of social, economic and ecological development of the country. One of the directions to reach sustainable development is organize competitive market economy.

In general, competitiveness of a country means its ability to compete with other countries. That is a set of institutes, strategies and factors which determine the level of the productivity of a country.

A wide index to estimate national competitiveness is Global competitiveness index (GCI). It takes into account microeconomic and macroeconomic bases of national competitiveness.

Thus, the analysis of prospects of competitiveness growth of Ukraine is offered in the paper. The factors which influence competitive advantages and also disadvantages on the way to increase competitiveness are determined in the paper.

Nowadays Ukraine takes the 72th place in the general rating of 134 countries for GCI in 2008 year. These are not really good results as for competitiveness of the country.

Also Environmental Sustainability Index (ESI) was taken into account to analyze the possibilities to reach sustainable development in different countries. Ukraine was on the 108th place out of 146 countries for ESI in 2005 year.

While analyzing influence of components of GCI on the components of ESI (please see Table 1, Table 2) it is possible to see substantial connection of the Social and Institutional Capacity¹ (component of ESI) and GCI.

Table 1 - Correlation between the components of GCI and ESI (107 analyzed countries)

	Technology Index	Public Institutions Index	Macroeconomic Environmental Index
Environmental systems	0,0084	0,0902	0,0028
Reducing environmental stresses	-0,6236	-0,5888	-0,6012
Reducing Human Vulnerability	0,5831	0,6099	0,6024
Social and Institutional Capacity	0,8062	0,7782	0,6698
Global stewardship	-0,0186	0,0065	-0,0885

Table 2 - Correlation between the components of GCI and ESI (9 analyzed* countries and Ukraine)

	Technology Index	Public Institutions Index	Macroeconomic Environmental Index
Environmental systems	0,2790	0,0278	0,2683
Reducing environmental stresses	-0,2096	-0,3713	-0,2267
Reducing Human Vulnerability	0,0550	0,1069	0,4548
Social and Institutional Capacity	0,8455	0,9667	0,8203
Global stewardship	0,5349	0,7010	0,5047

*9 countries were analyzed with the greatest index of GCI in 2008

Social and Institutional capacity is very important for competitiveness and growth of a country. Institutions are composed of formal rules (statute law, common law, regulations), informal constraints (conventions, norms of behavior, and self imposed codes of conduct), and the enforcement characteristics of both. Institutions create basic structures using which people decrease the level of the uncertainty.

State organizations, public and private establishments are the weak point in the competitiveness of Ukraine. They are to be the priority direction of reforms in this sphere. Effective activity of state authorities is a major problem for Ukrainian development. The state and public controls are non-transparent and ineffective. A corruption and favoritism dominates among them. There is no effective system of the legislative adjusting. Also among the most serious weak sides of Ukrainian competitiveness are not enough developed private organizations. And the question of low standards of corporate management is one of the most urgent. These problems undermine the trust of investors.

¹ Social and Institutional Capacity includes the following indicators: Science/Technology, Capacity for Debate, Regulation and Management, Private Sector Responsiveness, Environmental Information, Eco-Efficiency, Reducing Public Choice Distortions.

Another important problem is that the judicial power of the country remains dependent upon the political influence. It reduces stimulus for investment and business activity. In addition, the organized crime results in the considerable charges of business which is another barrier for economic competitiveness of Ukraine.

Thus, the improvement of social institutions is the main direction the Ukrainian government must pay special attention on to increase the competitiveness of our country and to reach sustainable development.