


GOVERNANCE AND GROWTH IN THE BALKANS


COMMENT

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CONTENT

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- **Definition**
 - **Barry's Paper**
 - **Stylized Governance Indicators for the Balkans**
 - **Levels of Governance**
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Definition

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- Governance is *the exercise of political authority and the use of institutional resources to manage society's problems and affairs (IBRD)*
 - Governance consists of institutions and rules plus everyday implementation
 - *Good Governance* as important focus of development and transition
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Definitions 2

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- **Consensus: also market economies require governance institutions + rules to function properly**
 - **Effective institutions are crucial for transition process**
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Paper Comments

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- very interesting general principles of good governance
 - case study of Irish Development Agency role for „Celtic tiger“
(extensive role, embedded in institutional framework)
 - „Social Partnership“ role
 - consensus
 - expertise
 - pre-information
 - co-option
 - Relation Ireland – Balkans ??
context specificity, historical uniqueness
 - Lessons
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- **Domestic Economy - FDI**
 - **Stability of Expectations**
 - **Rule of Law – Enforceability of Contracts – Anti-Corruption**
 - **Budgetary Framework**
 - **Financial Market Regulation**
 - **Product Market Regulation**
 - **(Absorption) Capacity**


WBI Governance Indicators

(231 countries, 31 assessments by 25 institutions)



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- **Voice and Accountability**
 - **Political Stability and Absence of Violence**
 - **Government Effectiveness**
 - **Regulatory Quality**
 - **Rule of Law**
 - **Control of Corruption**
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CHANGE GOVERNANCE WBI INDICATORS

Country	1996	2005	Nr. +	Nr. -
Albania	-0.22	-0.46	1	4
Bosn-H.	-0.92	-0.50	4	2
Bulgaria	-0.25	+0.23	5	0
Croatia	-0.34	+0.30	6	0
Maced.	-0.38	-0.39	3	1
Romania	-0.29	0	3	1
Serbia-M.	-1.19	-0.50	6	0

GOVERNANCE AND GROWTH



FEDERAL MINISTRY
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Country	Change Govern.	Nr. +	Growth 2003-06	
Albania	-1.4	1	5.8	
Bosn-H.	+2.5	4	5.0	
Bulgaria	+1.8	5	5.2	
Croatia	+3.8	6	4.3	
Maced.	0	3	3.5	
Romania	+1.7	3	5.8	
Serbia-M.	+4.1	6	6.0	

Levels of Governance

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- **Global – regional (EU) – national – local governance institutions**
 - **Gaps in global economic governance**
 - **Strong pull and protection by EU institutions for Balkan countries**
 - **Participation in global governance requires strong national governance**
 - **Coherence of national and regional/global rules**
 - **Principle of subsidiarity**
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CONCLUSIONS

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- **Quality of governance is very hard to measure**
 - **Composite indicators are less activity-oriented than individual indicators**
 - **No „silver bullet“ for appropriate institutions and rules, rather country-and context-specific**
 - **Role of EU acquis**
 - **Role of global rules**
 - **Positive influence of governance indicators and FDI inflows (Lipsey 2006)**
 - **Positive influence of governance and growth (Kaufman)**
 - **Lessons to be learned from precursors in transition**
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