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Title of the paper

GOVERNANCE INNOVATIONS AS KEY MECHANISMS OF SUSTAINABLE DEVELOPMENT: LESSONS FROM DEVELOPING UKRAINE

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ABSTRACT

The article presents an approach to the representation of governance innovations as mechanisms of enhancing the efficiency and goal orientation of public administration. The essence of governance innovations in the contemporary conditions of the permanent variability of the difficult predicted external environment is disclosed. It is proved that the developing countries transition forward the way of sustainable development is closely connected to the government's readiness and willingness to generate targeted innovative ideas, as well as the level of public confidence in such creativity in management and policy making has been increased. On the example of crisis overcoming Ukraine, the author traces the direct connection between the increasing of innovativeness in the strategic decision making and the alignment of imbalances in the socio-ecological-economic development of territories.

Along with the theoretical basis of this hypothesis, it has been visualized by the example of modern Ukraine. A historic stage of this country development in the period of post-crisis reconstruction (2013 – 2016) is considered. It is concluded that the implementation of governance innovations is the only way to commit evolutionary transition to a new economic structure, which complies with the concepts of sustainable long-term development of territories and states.

KEYWORDS: sustainable development, governance innovations, public administration, economic crisis, innovative management.

INTRODUCTION

It is widely accepted that a triad model (economy – ecology – people), in which the ecological is interwoven with the economic and the social, is required to formulate methods of sustainable development (Hopwood, Mellor, O'Brien,

2005). This three-pillar model of sustainability has greatly evolved in developing each aspect independently (Eizenberg and Jabareen, 2017). However, as Littig and Greissler (Littig and Greissler, 2005) assert, no conclusive understanding of the relationship between the elements of the triad, or of how they should be measured and evaluated, was formulated. Some authors suppose that classical triad should be supplemented by fourth component – institutional capability (Huang, Ye, Zhou, Jin, 2017) (Fig. 1).

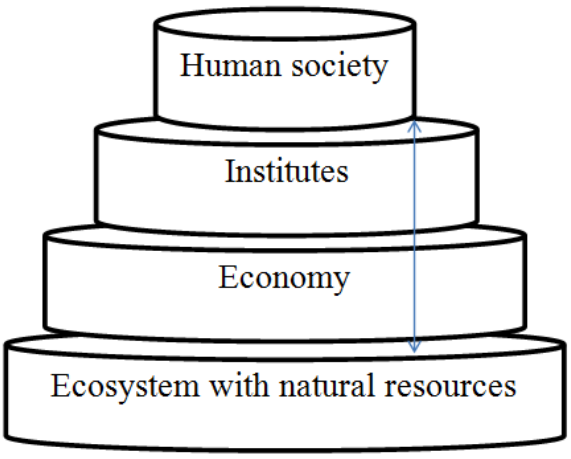

Figure 1. Elements of sustainable development pyramid

Source: Author's own, adapted from Mesjas (2016), Shiva (2016), Eizenberg, E. and Jabareen, Yo. (2017).

The global goals of sustainable development in the modern world, one way or another, are people-centered, even taking into account the fact that the ecological system is in greater danger than human. Picture visualizes the relationship pyramid which shows spheres of the interaction of 'people with people' and 'people with nature' through economic-based linkage and institutional affiliation.

But the sustainability of any kind of development remains conditional category due to the evident fact that the nature of the 'sustainability' and 'development' categories are diametrically opposite to each other. That makes them mutually exclusive. But dealing with a problem of strategic goal setting in

state and public administration we should move towards the idea of non-exhausting using of limited resources in favour of preferential using and application of human intellectual potential for maximizing the labour cost with the value of products created while minimizing their costs. Thus giving to the category of sustainability a wider set of required characteristics (from managerial position) to explicate common strategic goal of consensual approach to optimal development of social, economic and ecological spheres of human activity around Globe, we will manage to faster global movement on the way to common sustainable development achieving in its classical interpretation.

II. SUSTAINABLE DEVELOPMENT OBJECTIVE OF UKRAINE

Since sustainable development course choosing (considering this concept as desirable end result is a state of society where living conditions and resource use continue to meet human needs without undermining the integrity and stability of the natural systems (Shaker, 2015), the innovation process in Ukrainian public administration system has been adapted to requirements of the European Union in accordance with the Copenhagen and Madrid agreements. EU law and cooperation in the administrative sphere have an increasing impact on the administrative, organizational, legal and political structures of Ukraine (Kostyuk, 2014). Following the trend of searching for optimal solutions to ensure sustainable development of the state, it has been identified the vector of innovative state management. That determines the pan-European social context of the adaptation of managerial innovations in Ukrainian public administration system.

Owing to the strengthened need to follow postulates of sustainable development (non-destructive, eco-friendly economy; responsible civil society; pure ecology), great attention has been paid to solving the problem of the correlation between quality and cost-effectiveness of administration and

management. After all, quality is not necessarily associated with budget expenditures increasing; it often even involves a reduction of their number. And the search for such ways gives an impetus for innovative goal-setting in state and public administration.

Although in most cases, the organization of public services providing is a function of local authorities, which forms the problem of harmonizing local and national standards. The main problem is the measurement and evaluation of the quality level as a result of government bodies' activity and using the obtained data to improve the system of public administration (Khachaturian, 2007).

III. PUBLIC ADMINISTRATION SYSTEM MODERNIZATION IN THE CONTEXT OF INNOVATIVE DEVELOPMENT COURSE: INDICATORS AND CONSEQUENCES

In Ukraine, this question was thoroughly raised in 2014 – at the midst of the deepest social, political and economic crisis that actually crushed the economy. The Ukrainian 'Maidan', a coup d'état, which was overseen by a whole world with a keen interest, on the one hand, became the driving force of the state apparatus work cessation and entailed a number of unwelcome factors, such as stopping the manufacture, the disruption of the financial and credit system, annexation of territories, migration of the economically active population outflow.

But, on the other hand, contrary to negative economic expectations, another trend has emerged. For the first time in 25 years of Ukraine's independence, sociological studies have shown the marked growth of indicators the population political activity and social cohesion (Kyryliuk, 2017). Certainly, the crisis has violated the economic basis for the development of the nation (more precisely – set the trend for its transferring to more efficient way), but strengthened the ecological and social basis. It is significant that this shift has

become a positive factor for the strategic goals of sustainable development of the country. The innovativeness of entrepreneurial initiatives has been sharply increased, efforts to improve the quality of education and science, and to strengthen its applied role in the economy has been significantly intensified. In other words, the quality and result indicators finally began to prevail over the quantity indicators in Government's evaluative approach.

Where previously there were no significant changes in the national economy and public administration modernization approaches, now we can speak about the expected revival of most productive elements of Ukraine's economic potential, and especially the potential of the 'knowledge economy' (Semiv and Guzar, 2017).

Key indicators of innovative development of the Ukrainian economy in 2016 in comparison with pre-crisis 2013 are shown in Figure 2.

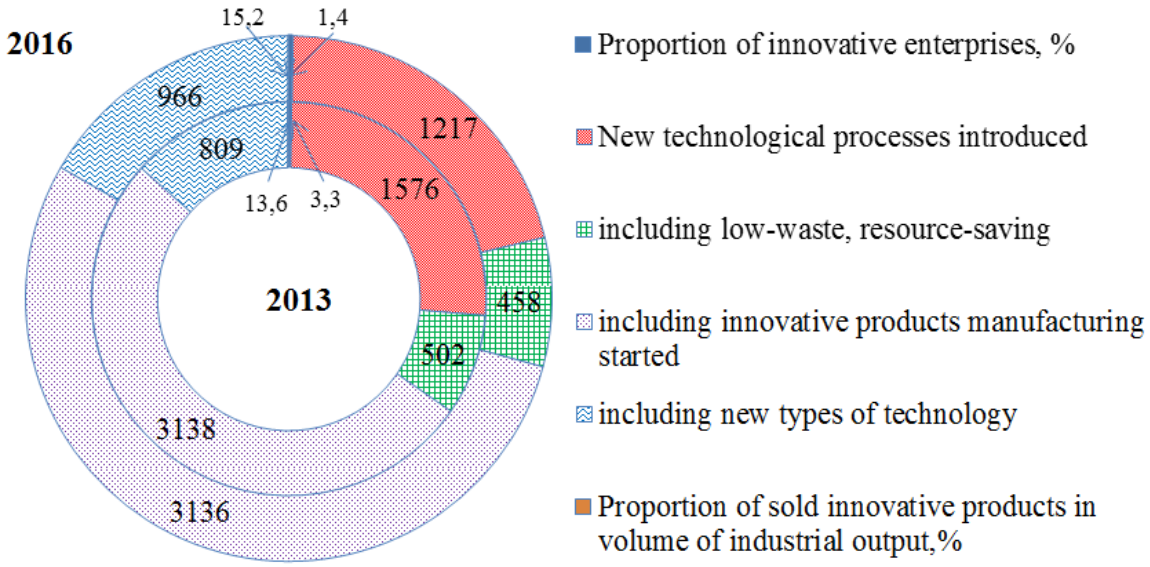

Fig. 2. Key indicators of innovations providing at industrial enterprises in Ukraine in 2016 compared to 2013

Source: Author's own, adapted from Karmazina (2016), Zhuk (2015), data of State Statistics Service of Ukraine (2017)

It is visualized a common trend described above. The proportion of innovative enterprises increased from 13,6 per cent in 2013 to 15,2 per cent in 2016. Against the background of the general economic downturn, a substantial decline in such indicators as ‘new technological processes introduced’ including ‘low-waste, resource-saving’ and ‘innovative products manufacturing started’ did not occur. Instead, there was a growth in production of innovative types of technology – 19 per cent. The proportion of sold innovative products in the volume of industrial output had grown by 2 per cent.

The proportion of innovation enterprises is shown in historic dynamics from 2000 to 2016 (Figure 3).

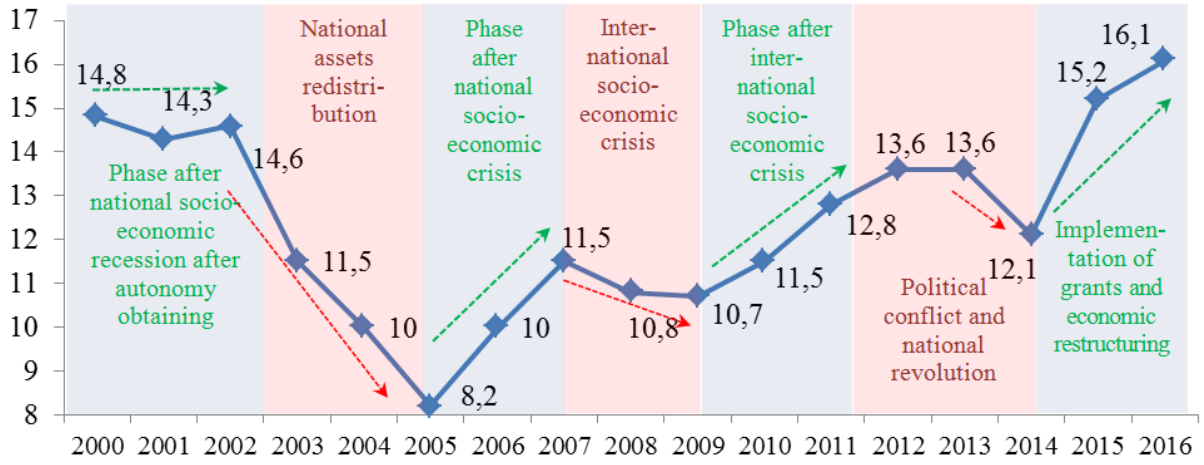

Fig. 3. The proportion of Ukrainian enterprises implementing innovations in historic dynamics from 2000 to 2016, %

Source: Author’s own, adapted from Karmazina (2016), Zhuk (2015), data of State Statistics Service of Ukraine (2017)

It is seen in figure 2 how consequences of crises of different strength and scale affect the propensity for innovations. Each of crisis waves was evidently accompanied by enterprises’ attempts to rethink the goals of their activity and to reorient production to a more efficient channel, search for other niches. Another positive systemic effect or trend is the implementation of grants, attracting in

2015 – 2016 direct investments for innovative technologies development and adopting. This is also accompanied by government policy measures to support innovations: in the economy and governing.

Innovation in governance had always played an important role in state building, but their role has significantly increased over the past years due to recognizing innovations as an instrument of outdated manufacturing substituting and economy reviving.

IV. KEY FACTORS OF INNOVATION ACTIVITY REGULATION BY THE STATE

Of course, Ukraine is only taking her first steps on this field, the state still has a long way to go, to adapt and integrate. Innovations in public management have become a driving factor in the development of this new for this industrial country trend. A definite following the postulates of economic theory will become the key to further prosperity while Ukraine is moving towards a socialized market economy. After passing serial waves of crises which become a stress-test for Ukrainians, the state begins to create required legal, economic, financial and organizational conditions for innovative activity strengthening. Key factors of its regulation, stated by Government, are given in Figure 4.

The essence of governance innovations is the substance of management for searching and obtaining brand new results, strategies and tactical ways to create them, eliminating routine, inefficient conditions, managerial structures, institutions. Innovations in governance are brand new approaches to accepting administrative decisions for the purposes of achieving planned results while associated costs minimizing and social benefits maximization.

The Ukraine's experience has shown that the introduction of innovation in state and public administration is a complex and rather painful process.

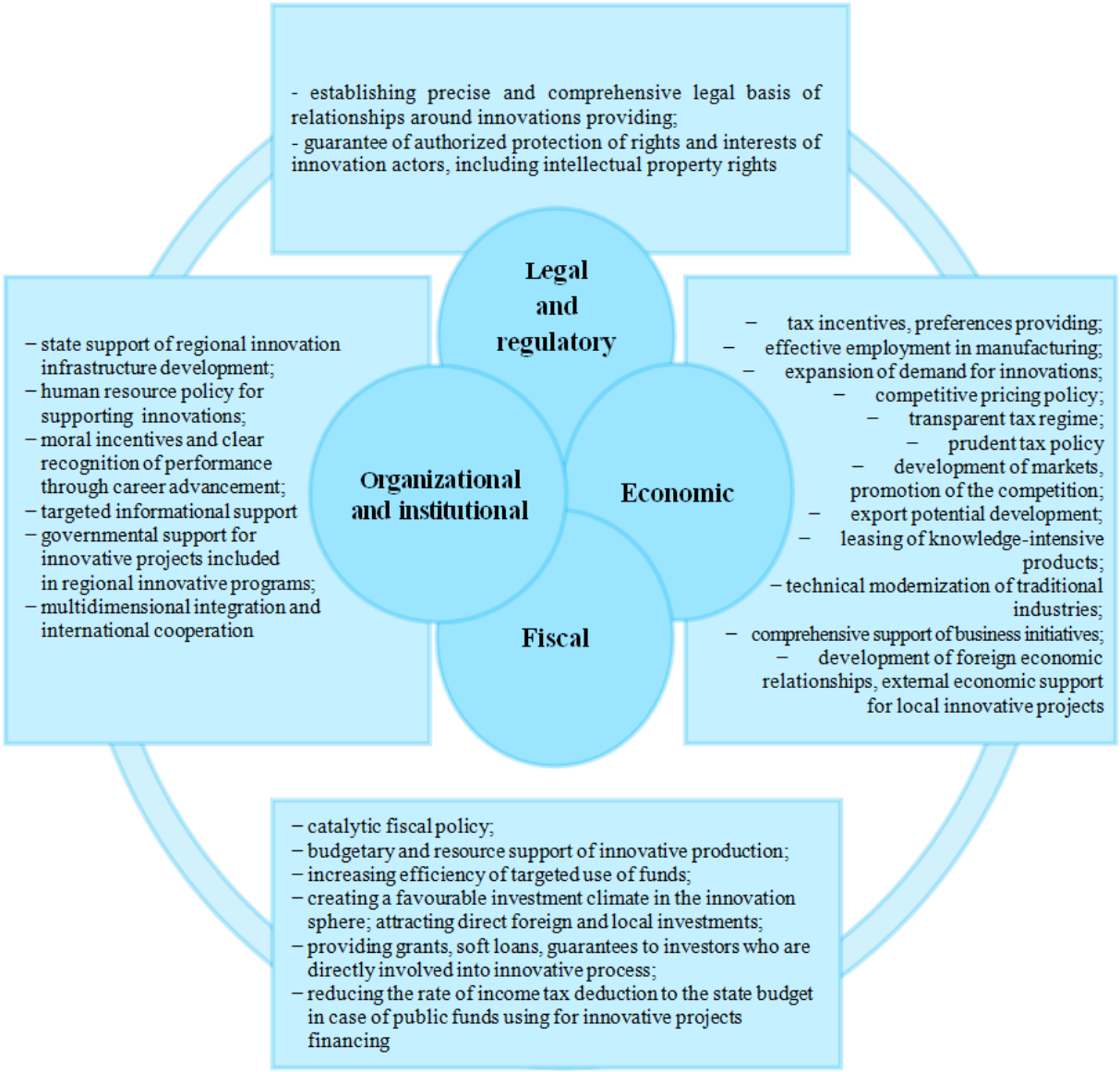

Fig. 4. Key factors of innovation activity regulation by state

Source: Author's own, adapted from Eizenberg, E. and Jabareen, Yo. (2017)

One of the reasons for this is a total uncertainty associated with innovations, their potential efficiency, and future profitability. And the results are visualized in the long term perspective, which significantly reduces in the meantime the level of people's trust in government because of looking for rapidly visible effects.

Innovativeness in the sphere of governance and public administration is a sequence of multifaceted and multi-stage processes, carried out in a decentralized way on all levels, and their dynamic interaction. At the same time, success is

always connected with overcoming a scope of obstacles and resistance, so innovations are impossible without initiative and perseverance, increasing costs in the formation of managerial, organizational and social factors.

In that regard, it can be argued that achieving the goals and compliance with the strategy of the state, a qualitative organization of the innovation process are impossible without an effective system of managing the sustainable development and implementation of innovations. This can be achieved by introducing new methods and forms of using the material, labor, and scientific resources to obtain long-term advantages for the economy in the course of its adaptation to changes in the external environment, rebuilding her into a regime of stability and inexhaustibility of resources used.

V. STAGES OF THE PROCESS OF INNOVATION MANAGEMENT ORGANISING AT THE STATE LEVEL

The process of innovative management organizing at the state level for this goal achieving consists of following eight interrelated stages (Fig. 5).

Thus, innovative public management appeared to be an activity aimed at the effective organization of innovative managerial processes based on the application of the most appropriate methods of using financial, economic, labor, scientific and natural resources in order to achieve certain innovative strategic priorities.

The Ukrainian experience in public administration reforming shows that it is not enough just to ensure the use of bureaucratic administrative mechanisms, even if they are sufficiently well-established, to organize an effective public service and public administration.

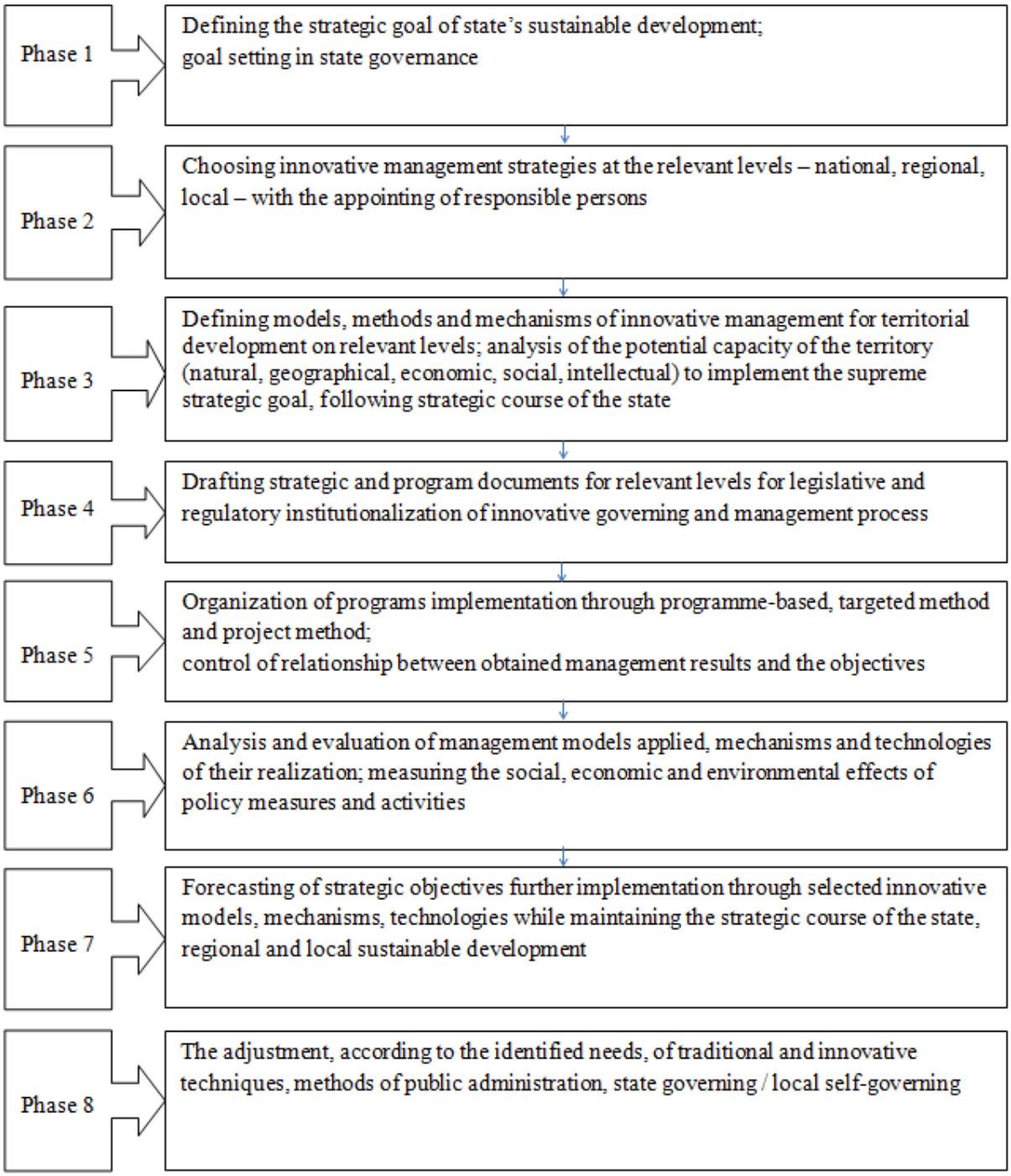

Fig. 5. Stages of the innovative public management process organizing

Among innovative management instruments in the course of public administration reform in Ukraine, the following should be highlighted:

− decentralization of power with financial and economic sources distributing across levels of governance;

− adopting the type of management inherent in private firms, corporations in government institutions: ensuring the transition from a bureaucratic leadership style to greater flexibility and the application of new effective social communication technologies;

− introduction a competition in the public sector; understanding the competition as a key factor in reducing the costs of providing services and improving their quality; using a contracting technology with civil servants;

− enhancing the effectiveness through using contractual relationships both within the public sector and with private organizations;

− disaggregation of government departments, creation on their basis of units in which the interests of production of services, their providing to citizens and organizations are divided;

− establishing of responsibility for the actions taken, and not the diffusion of power;

− development of standards and instruments for measuring purposes, results and effectiveness of agencies; clear defining of goals, targets, and indicators of their successful implementation. The effectiveness presupposes considering them as a reference point;

− control of inputs and outputs: evaluation of results, not the process of their obtaining;

− linking of promotion, career progression, allocation of resources and rewards with the level of results demonstrated to achieve goals and improve efficiency;

− improving discipline and costs reduction, orientation on the achievement of considerable social results with lower costs;

− yearly optimization of executive bodies' functions;

− implementation of an outsourcing system for administrative and managerial processes;

− the introduction of rigid mechanisms for corruption counteraction to in the spheres of activity of executive authorities;

− improving mechanisms of the effectiveness increasing in the interaction between executive authorities and society.

CONCLUSIONS

Government innovations can serve as key mechanisms of sustainable development in cases of full economic, social and institutional readiness of the state to evolve steadily, respond effectively to the needs of citizens. Sustainability of state development remains conditional category (due to the evident fact that the nature of the ‘sustainability’ and ‘development’ categories are diametrically opposite to each other, which makes them mutually exclusive), but very important, critical strategic objective for every modern country which although requests innovative approaches in administration and cooperation for the common goals. So, we should give the category of sustainability a wider set of required characteristics to explicate common strategic goal of a consensual approach to the optimal development of social, economic and ecological spheres of human activity around Globe.

In this sense, the sustainability issues should be complexly solved on the system levels where they appear and develop, one can consistently formulate objectives of the sustainable development policy for economic, ecological, social, and institutional dimensions on each of these levels of the economic development policy that would imply direct and active participation of the society in their realization.

A case of Ukraine shows a direct relationship between social, economic and ecologic dimensions of development under their unbalancing. Crisis and

armed conflict in Ukraine actually destroyed her economic base, but become a starting point for building qualitatively new social and economic system. An evolutionary grounded waiver of outmoded and inefficient models, mechanisms of state management in favor of innovative, low-economic-cost ones has happened. Not only the leadership style has been changed, the whole system of public management was revised (transformation of the institutional component of sustainable development), its economic and social basis. Describing only the intermediate results of reforms, it should be noted that the level of innovativeness of particular sectors of the economy had been also increased; the search for alternative sources of economic, social and ecological stability has intensified.

Finally, these observations have a value for policy-makers' and public administration practitioners' understanding the role of innovations and nonlinear thinking (simultaneously in the social, economic and ecological spheres) in the process of strategically important decisions making.

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