Project   **Assessment of Impact of Government Decisions on Economic Agents and Markets: Analytical Approach and Methodology**

Objective   To develop analytical approach allowing to measure and assess progress of the government in implementing DPL program. The measurements should relate to the reforms in terms of how they impact on households and businesses and their needs, rather than by measuring input levels.

Structuring the data and analysis

Performance analysis is structured according to the primary roles[1] of the government in the modern market economy

- create and maintain market institutions providing productive incentives for economic agents
- sustain macroeconomic stability and low risk environment
- protect the vulnerable and secure sustainable human development

For each of the above functions we intend to measure the **Outcomes** and **Impacts** of the government actions. Under **Outcomes** we understand (more or less) direct results of government efforts caused by specific institutional or policy changes. **Impacts** are longer-term integral consequences of reform and policy implementation.

Role	Outcomes	Examples of Outcome Indicators	Impacts	Examples of Outcome Indicators
Creating institutions	Establishment of the institutions of a competitive market economy able to structure the incentives to economic agents and competitive selection of the most efficient owners. - Fair competition among individuals, firms and jurisdictions - Protected property rights - Economic freedoms - Low barriers to entry/exit - Accountable and predictable government	Rankings and proxies measuring competition, protection of property rights, business climate, governance.	Competitive economic structure Informal institutions favoring liberal market institutions and forcing accountable government	Competitiveness score(s) and ratings Polls: attitudes to the market institutions
Macroecon stability and low risks	Reducing uncertainty and risks for business decision making, reducing asymmetric information between borrowers and lenders	GDP (growth), inflation, interest rate volatility, bad credits, interest rate spreads etc.	Efficient financial system Efficient allocation of human, capital and natural resources	Structural indicators: correlations and ratios (monetization, GDP/energy consumption, investment/GDP, interest rate dispersion across banks,

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1 See , for instance, "The State in a Changing World" World Development Report 1997, or "Refining the Role of the Government in the US Market Economy" in the Economic Report of the President, 1997

				measures of competition in the banking system, etc)
Social protection and human development	Actual improvement in well-being and other components of the "quality of life"	Polls: satisfaction with well-being, increase in the well-being, actual availability of goods and services, etc.	Sustainable human development	UN's Human development index

Outputs
1. Using the above presented structure we overviewed and analyzed the existing surveys and international rankings that can offer some approximations for the relative quality and dynamics of institutions (including, Worldwide Governance Indicators by the World Bank, Global Competitiveness Indicators of World Economic Forum and IMD, Cost of Doing Business (World Bank), enterprise surveys (IFC), Economic Freedom Index (Heritage Foundation), Corruption Perception Index (Transparency International), Economic Freedom of the World (Fraser Institute), International Property Rights Index, EBRD Transition Report Indices, Ukrainian surveys). We discussed possibilities to use the surveys/rankings data for our analysis and data limitations.
2. We suggest that analytical monitoring should be used to measure integral impacts of government actions. Analytical monitoring tracks certain structural ratios and correlations rather than conventional statistics and indicators. For Ukrainian economy many correlations and structural relationships between economic variables are different from those for mature market economies. Monitoring how those correlations change would allow assessing the direction of change.
3. We discuss the data that are currently missing or not disclosed by the government, but should be disclosed.
4. Summarize the data that should be collected

Project Development and Implementation
Using the suggested approach and building on above intermediate outputs, the following activities are recommended to complete the analysis and carry out the initial assessment of consequences of reforms and policies implemented by the government

1. Collecting the survey, ranking, and statistical data recommended in the paper
2. Organizing collaboration with the existing surveys for the possibilities to better use their series, get a more detailed data breakdown, explore opportunities to include additional questions of interest into their surveys
3. Completing research work providing methodology of analytical monitoring
4. Collecting information and calculate economic rations, structural relations and statistical correlations required by the methodology of analytical monitoring
5. Carrying out analysis, concluding on the progress of reforms and policies, establishing benchmarks allowing year-to-year comparisons of change.
6. Preparing a manual for the Ministry of Economy documenting methodology, data sources, monitoring templates, etc.
7. Transferring of the methodology and property rights to the Ministry of Economy