



PRESS RELEASE OF THE WORKING PAPER 5.12

THE QUALITY OF NATIONAL INSTITUTIONAL ENVIRONMENT OF EU AND NEIGHBORING COUNTRIES IN COMPARATIVE PERSPECTIVE

January 2013

OBJECTIVE

The main objective of this paper is to analyze the quality of institutional environments and their influence to economic development among countries or groups of countries of the European Union and the European Neighborhood (neighboring countries). The study also focuses on the evolution of trends of institutional quality and seeks for convergence, divergence or stagnation tendencies within a certain time period.

MAIN RESULTS AND POLICY IMPLICATIONS

Based on three strands of theoretical approaches (neo-institutionalist, Europeanization and Governance approach), the paper was structured on the empirical test of three main hypotheses, using a composite Index of Quality of Institutional Environment.

In the end, the analysis has proven that the improvement of the institutional quality of a country has a positive influence on its economic development and competitiveness. The adoption of “European acquis”, either through legal compliance of the regulative and legislative framework, or through “voluntary” domestic policies in the framework of new Governance arrangements (Open Method of Coordination, “White Paper of Governance”) has certainly improved institutional quality and its positive impact on economic development in EU and neighboring countries. So, Europeanization process shows incremental progress in the quality of national institutional environments and in the global competitiveness of the countries.

Several trends of convergence and divergence among countries and groups of countries have also emerged through the analysis. Thus, in the period of “Enlargement euphoria”, until 2006, candidate countries being under strong Europeanization pressure improve their institutional quality converging to the EU 15 average, while after 2006, stagnation is evident.

Even among the core EU 15 countries, divergences are detected. The southern European countries, such as Greece, Italy, Portugal and Spain diverge after 2006 from the EU 15 average, demonstrating a deterioration of their institutional quality, while northern countries are above the EU 15 average (north-south division).

Except Europeanization, other factors that play an important role appear to be global financial crisis 2007/8, public debt crisis of the European Southern countries 2008 until today and domestic institutional governance reforms. Different waves and velocities of Europeanization alongside with external and internal driving forces influence the significant path of institutional quality of each country. Divergent processes of Europeanization in different countries or groups of countries reflect the “Goodness of Fit” or “Misfit”, along with the responses of domestic structures and actors to European and global driving forces.

However, even in cases of improvement of institutional quality, the detailed analysis has shown important differentiations concerning the government effectiveness, regulatory quality, rule of law and control of corruption, which are the four main pillars of indicators, synthesizing the main Index of Institutional Quality. The legal compliance and adoption of formal criteria has to be complemented with effective implementation of policies, employing more legitimate governance arrangements.