Improving policy efficiency in South Asia
- a conceptual approach

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Outline

- What is policy efficiency?
- What institutions help to promote it?
- What role for regional cooperation?
Policy efficiency

- Policy efficiency is ensuring the best (or better) policies get implemented.
- Getting them implemented is the key.
- Not about what to do, but how to get there.
- Not about policy content, but about policy process.
Policy choice

Importance

Feasibility
Policy perceptions space

Importance

Feasibility
Policy perceptions space

Importance

Feasibility
Institutions that promote policy efficiency

- These change the way that particular policy choices are perceived
  - their perceived importance (eg through agenda setting)
  - their perceived feasibility (eg through ensuring good design, raising awareness among potential beneficiaries)

- Educative role is critical
- Policy reviews can help
What stops better policies being adopted?

1. Governments do not know what is best (or better) practice
   - They need help in undertaking policy reviews to identify better options

2. Governments know what is better practice, but face political resistance from vested interests
   - They need policy review institutions to help marshal countervailing interests

3. Governments do not want better practice, because they are benefiting from the rents created by bad policy
   - They will try to ensure that government-sponsored review institutions are sidelined
   - There is still a role for private/independent review institutions to marshal countervailing interests
Two roles for policy reviews

- Identifying better practice
  - ensuring the *importance* of what gets implemented

- Managing vested interests (which may include government)
  - ensuring the *feasibility* of what gets implemented
Policy reviews can help identify better policy options, by setting out:

- The problem
- The desired objectives
- All the options (regulatory and non-regulatory)
- An assessment of the impact (costs and benefits) of each option on:
  - consumers
  - business
  - government
  - the community as a whole
- A consultation statement – who consulted and what their views are
- A recommended option
- A strategy to implement
Policy reviews can help manage vested interests

- Set the agenda
  - Policy reform won’t happen if nobody talks about it
- Set the parameters of the debate
- Raise the level of the debate
  - Raise level of sophistication
  - Depoliticise
- ‘Name and shame’ the recipients of special deals
- Help marshal countervailing interests
  - Build a coalition for reform
- Help show what reform combinations can lead to a true ‘Pareto improvement’
  - Build a grand coalition for reform
Policy reviews can assist policy coordination within government

- Across government ministries
  - ex ante policy reviews can provide ammunition to central coordinating agencies to strengthen the public interest
  - ex post policy reviews can expose non-performance or non-cooperation by line ministries

- Across levels of government
  - ex ante policy reviews can identify impacts of reform on various jurisdictions ➔ identify where incentive payments may be useful, or where adjustment assistance may be required
  - ex post policy reviews can provide ‘benchmark competition’ to government service providers in various jurisdictions
What institutional qualities are required to carry out policy reviews?

- **Independence**
  - Not bound by government policy
  - No stake in the status quo

- **Economy-wide view**
  - Not bound by producer interests
  - Also consider the interests of upstream suppliers and downstream users …
  - … and consumers

- **Transparent processes**
  - Consult, and make public the views of all participants
    - So special pleading exposed
  - Make report and recommendations public
    - So balancing of interests made clear
Which institutions could carry out policy reviews?

Each economy inherits a unique set of institutions and policy making processes, reflecting its own history. Answer may vary from economy to economy.

If the key problem is identifying policy options, then policy reviews are a technical solution.
- Key consideration is analytical capacity and economy-wide view.

If the key problem is managing vested interests, then policy reviews are a strategy rather than a technical solution.
- Key consideration is transparency, independence, and credibility in the face of attack from vested interests.
- Credibility also depends on analytical capacity.

Government-sponsored or independent think-tank?
Examples from East Asia

- Council on Economic and Fiscal Policy in Japan
- Productivity Commission in Australia
- Taskforce approach in Vietnam
- Some planning agencies could morph into a more pro-active policy review and coordination role, eg NEDA in Philippines, BAPPENAS in Indonesia

→ All have at least some of the characteristics of effective policy review institutions
Examples from South Asia?

- Some impressive structural reforms in the region
  - financial sector reforms - policy reviews have clearly played a role, eg Tarapore 1, 2.
  - unilateral tariff cuts – reviews also important?

- But still much fragmentation within South Asia
  - per capita incomes much lower than would be predicted by purely geographical access to each other’s markets
  - other barriers numerous – poor infrastructure, poor connectivity, tariffs, regulatory restrictions
  - What institutional arrangements review these barriers?
Research questions

- What institutional arrangements have helped to ensure that recent reforms were implemented?
- What institutional arrangements are there to review the remaining barriers to good economic performance?
- What scope is there for regional cooperation to strengthen the role of these institutions?
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