

# Improving policy efficiency in South Asia - a conceptual approach

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# Outline

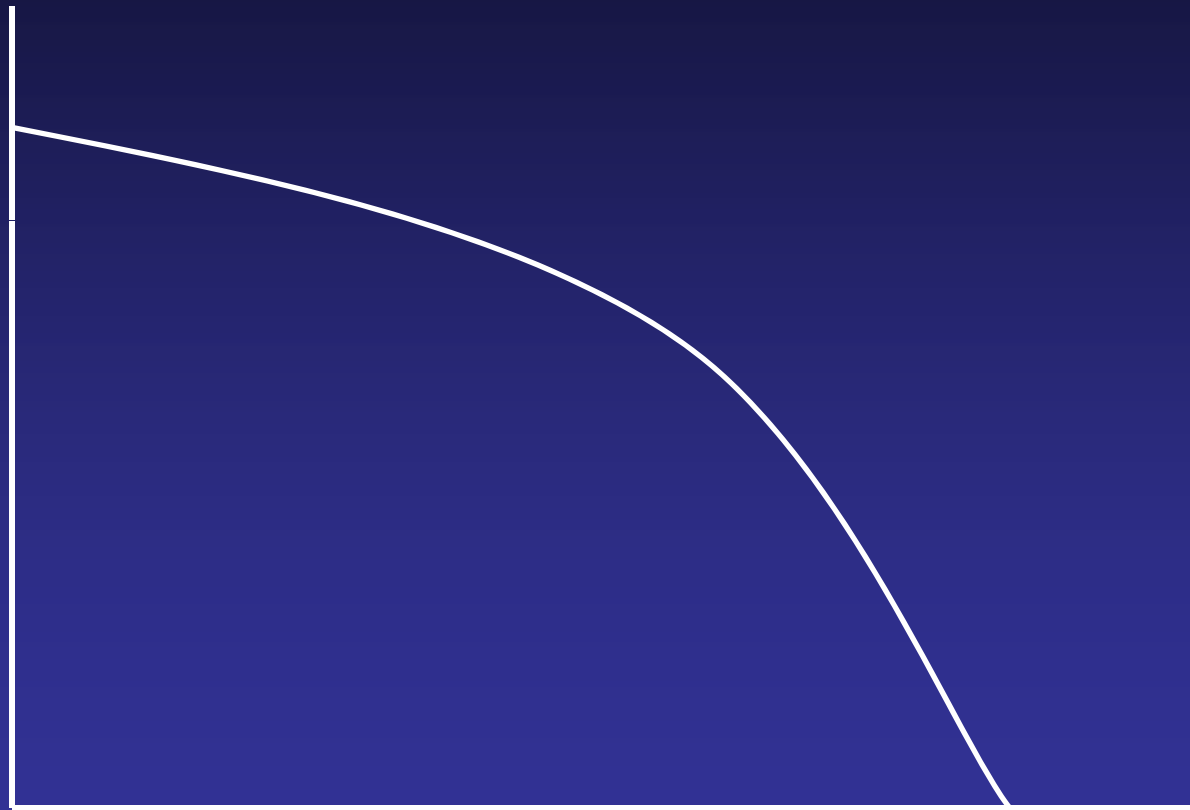
- What is policy efficiency?
- What institutions help to promote it?
- What role for regional cooperation?

# 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 space

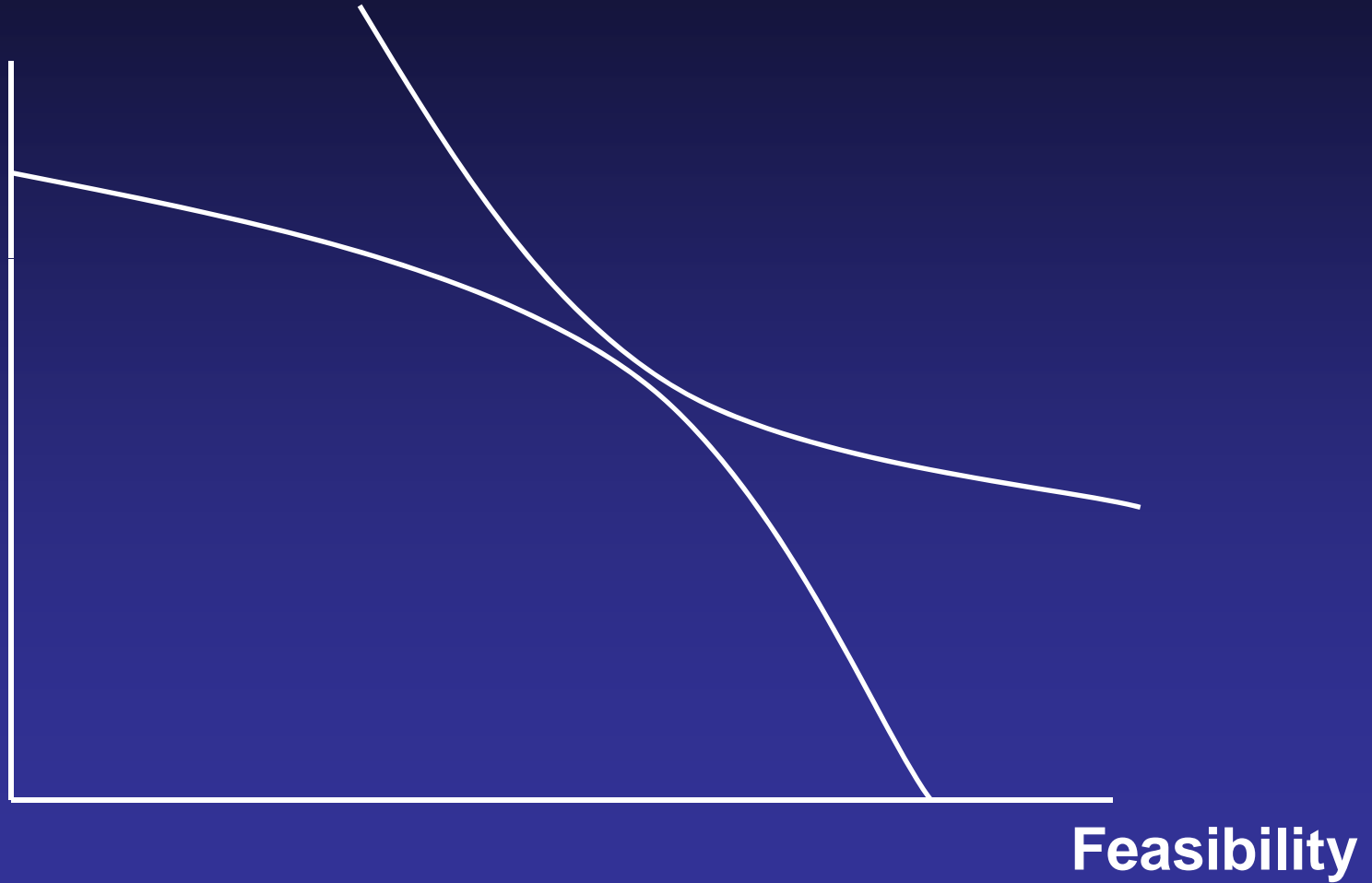
**Importance**



**Feasibility**

# Policy choice

**Importance**



# Policy *perceptions* space

**Importance**



**Feasibility**

# Policy *perceptions* space

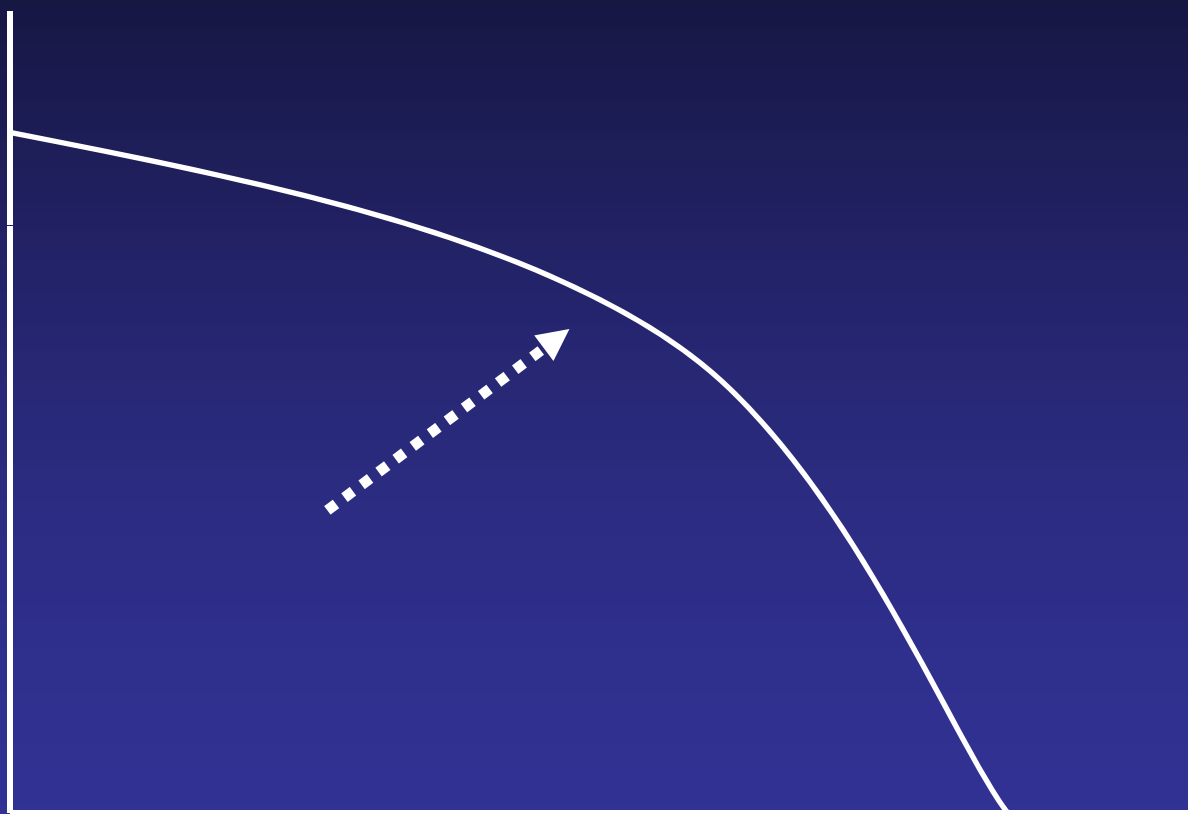
**Importance**



**Feasibility**

# Policy *perceptions* space

**Importance**

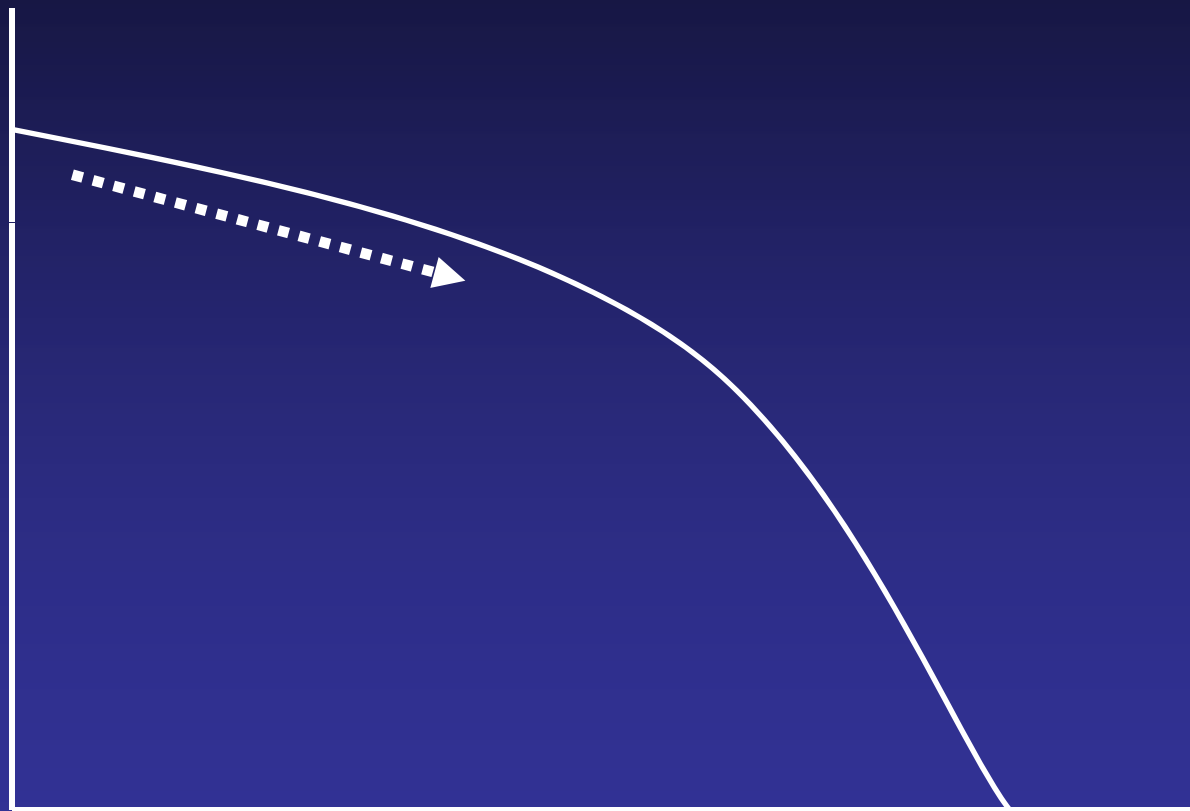


**Feasibility**



# 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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