“How to gain political support for reforms?”

Paper by Castanheira et al.

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How to gain political support for reforms?

1. Why is this question relevant?
2. The approach
3. Lessons from the paper for the governance of Lisbon
Why is this question relevant in the context of Lisbon?

Main conclusions of the Lisbon mid-term review (2005):

Lisbon strategy is appropriate but there is a problem of governance of the strategy due to:

- Lack of national ownership
- Insufficient incentives for reforms
- Poor communication

⇒ The MS fail to implement reforms
Why do MS fail to implement structural reforms?

Low public acceptability of reforms

- Short-term (concentrate) costs versus long-term (dispersed) benefits
- Influential interest groups succeed in influencing decision making process

Crucial to increase the political support for reforms
The approach

- Interesting framework identifying different routes for policymakers to implement reforms
- Instructive case-study analysis
- Explicit methodology: easy to follow, easy to decompose
Criteria for the definition of the 4 scenarios of reforms

The strategy of reforms depends on:

- The economic impact of the reform
- The political strength of the government

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<tr>
<th>Economic Impact of Reform</th>
<th>Political Features</th>
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<tbody>
<tr>
<td></td>
<td>Strong government</td>
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<tr>
<td>Broad</td>
<td>Pensions (UK, Italy (1992 and 1995), France)</td>
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<tr>
<td>Narrow</td>
<td>Privatisations (UK)</td>
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Criteria for the definition of the 4 scenarios

Broad versus narrow economic impact?

● Narrow impact?
  – Liberalisation of network industries
  – Single market for services

● Impact?
  – Direct or indirect effect
  – Short-term or long-term impact
  – Benefits or the costs of the reforms?
# 4 possible strategies of reforms

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<td>Broad</td>
<td>Exploit parliamentary majority: push the reforms using political strength</td>
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<td>Tailor reform to widen the political basis: buy support. Need to sacrifice some economic efficiency to political feasibility</td>
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<tr>
<td>Narrow</td>
<td>Divide and conquer?</td>
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<td>Divide and conquer: concentrate the costs of a reform onto specific groups of individuals</td>
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+ Exploit external constraints
Main messages of the paper (1)

- Some agreed principles on how to improve growth performance
- But different ways of packaging these principles of sound economic management into a strategy of reforms
  - Institutional and economic framework conditions matter
  - No "one size fits all" reform strategy
Some lessons (1)

Reform strategies are country-specific and reform-specific

Solution:

Let the countries tailor their reforms and increase national ownership

⇒ National Reform Programmes
Increase national ownership

- National reform programmes presented in Autumn 2005: a major novelty of the relaunched Lisbon strategy
- Transfer policy-making initiatives to the MS
- Identifying main challenges and specific measures to be taken over the 3 next years (possibility to amend every year)
- Subject to a broad political debate at the national level (Parliament, social partners, …)
Some lessons (2): Consider applying the framework at the EU level

EU as initiator of Lisbon package of reforms
– Weak policy-maker
– Broad impact of reforms

⇒ 2nd strategic approach
– Tailor reforms to widen political base
– Need to sacrifice some economic efficiency to political feasibility
Consider applying the framework to EU as a whole

Lessons from the case studies

- Reform solutions are not always the most efficient economically (economic efficiency vs political feasibility)

- Implement reform only gradually

- Particular attention to the costs of adjustment

=> Reform packages
Some lessons (3)

Exploit external constraints

What does this mean for the MS?

⇒ A “stick” approach (“naming and shaming”)?
  – Quid about the trade-off with ownership?

⇒ Peer pressure is important
  – Necessary but insufficient?

⇒ New approach: partnership
Partnership approach in the renewed Lisbon strategy

- The national key challenges are bilaterally agreed between the Commission and MS

- The NRPs are drawn on the basis of the Integrated Guidelines

- The Member States take initiative in designing reform packages
Some lessons (4)

Reduce uncertainty

- Communication
- Debate with national stakeholders
- Multilateral surveillance and learning from other countries’ experiences (good policy practices)
Conclusions

National ownership, tailoring of reforms
  ⇒ NRP

External constraint
  ⇒ Partnership approach

Reducing uncertainty
  ⇒ Communication and diffusion of good policy practices

Design of reform packages
  ⇒ Synergies and compensations