

OECD workshop on subsidy reform and
sustainable development
Political economy aspects

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Political economy

"If economics is the study of the optimal use of scarce
resources, political economy begins with the political nature
of decision-making and is concerned with how politics will
affect economic choices in a society."

Political Economy in Macroeconomics
(Princeton University Press, 2000)



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Good governance and sound public management



- ❖ Ethical and transparent government processes
- ❖ Decision-making practices that are sufficiently open to citizens



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Good governance and sound public management



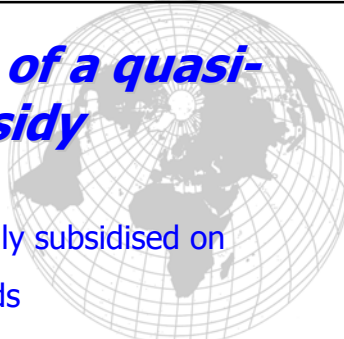
- ❖ National level: policy integration, stakeholder consultation, long-term planning
- ❖ International level: integration of environmental considerations into multilateral (trade liberalisation) processes



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LPG in Tunisia: a tale of a quasi-reformed subsidy




- ❖ LPG (liquefied petrol gas) is heavily subsidised on 'right-to-access-to-energy' grounds
- ❖ Solar water heaters have recently been granted a comparable subsidy



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LPG in Tunisia: some insights of relevance to subsidy reform



- ❖ Alternative market for water-heating systems
- ❖ Co-operation between government agencies
- ❖ Marketing incentives for the private sector

...and if reform goes ahead...

- ❖ Early engagement of, and consultation with, civil society



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WTO disciplines of fisheries subsidies



- ❖ Trade impacts: trade distortions and resource allocation issues
- ❖ Environmental impacts: overexploitation and depletion



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Fisheries subsidies: UNEP's multi-stakeholder workshops



- ❖ All stakeholders around the same table
- ❖ Open, non-negotiating environment
- ❖ Exchange of new information and analysis
- ❖ Valued venue for finding consensus or developing new approaches



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Strengthening governance and public management

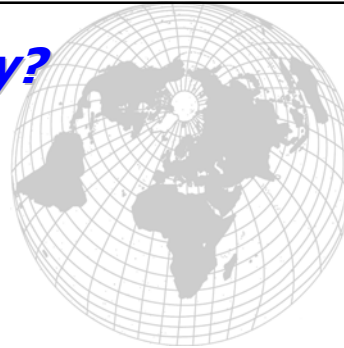
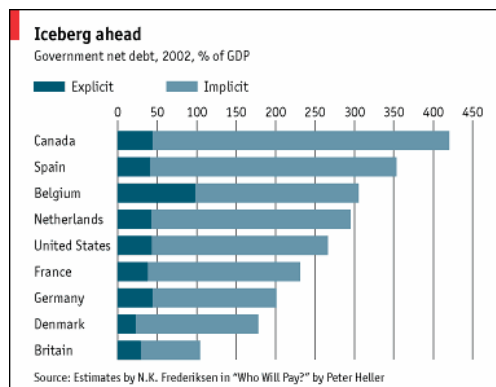
- ❖ Policy coherence: policy initiatives in different sectors must reinforce, as opposed to undermine, each other
- ❖ Long-term planning: policy directions must be independent from electoral cycles



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Who will pay?



*From The Economist
print edition
(Nov 20th 2003)*



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